

Research Update:

Prio S.A. Upgraded To 'BB' From 'BB-' On Acquisition Of Additional 40% Stake In Peregrino Oil Field; Outlook Stable

November 13, 2025

Rating Action Overview

- Prio S.A. concluded its acquisition of an additional 40% stake in the Peregrino oil field from Equinor Brasil Energia Ltda., immediately becoming the field's operator. The acquisition will add about 40,000 barrels of oil equivalent per day (boe/d) to production, bringing daily production above 150,000 boe/d.
- We expect Prio's acquisition of the remaining 20% stake in Peregrino to be concluded in mid-2026, which, combined with expected production of the Wahoo field, should bring Prio's average production in 2026 to around 190,000 boe/d.
- Although we expect temporary production halts during 2025 to make metrics for the year slightly worse than we previously expected (adjusted gross debt to EBITDA of 4.4x, versus our previous estimate of 3.8x), we expect increasing EBITDA and cash generation in the coming quarters to decrease leverage to below 2.5x in 2026 and below 2.0x in 2027, while sustaining comfortable liquidity.
- On Nov. 13, 2025, S&P Global Ratings raised its issuer credit ratings on Prio to 'BB' from 'BB-'. At the same time, we upgraded the issue-level rating on Prio's senior secured notes to 'BB+' from 'BB' and maintained the recovery rating of '2' (85%).
- The stable outlook reflects our view that Prio will deliver production comfortably above 150,000 boe/d in 2026 while maintaining controlled leverage and adequate liquidity.

Rating Action Rationale

Prio's acquisition of an additional 40% stake in the Peregrino oil field from Equinor will increase its production and reserves. With this acquisition, Prio increases its ownership to 80% of the Peregrino field, and immediately becomes the field's operator. Prio paid US\$1.545 billion for the stake, an amount that does not include any compensation for the recent temporary closure of the field, which the company plans to address in the coming months.

Primary Contact

Henrique Koch
Sao Paulo
55-11-3039-9723
h.koch
@spglobal.com

Additional Contact

Luisa Vilhena
Sao Paulo
55-11-3039-9727
luisa.vilhena
@spglobal.com

We expect Prio's acquisition of the remaining 20% to be concluded by mid-2026. We estimate that with the full contribution from Peregrino, the expected first oil production from the Wahoo field, and continued sound performance from existing assets, Prio's average daily production will reach approximately 190,000 boe by 2026. For 2025, we project around 106,000 boe/d, a slight revision downward from our previous forecast of 110,000 boe/d, reflecting unexpected production disruptions in the Albacora Leste and Peregrino fields during the last few quarters.

We expect Prio's EBITDA margin to remain above the industry average, despite lower Brent oil prices and a more gradual reduction in lifting costs. We project Prio will deliver an EBITDA margin around 55% in 2025, increasing to 65%-70% in the next couple of years. The weaker profitability this year mainly reflects the unexpected halt in production. We now forecast consolidated lifting cost at \$15.6 per barrel in 2025, decreasing to \$11.5 per barrel in 2026 due to expected synergies related to the conclusion of a gas pipeline at Peregrino by mid-2026, shifting energy supply to natural gas from diesel, and with Wahoo's first oil, which increases production with marginal additional operating expenses. In addition, overhead costs will be reduced with the operation of the field. We also believe Prio can leverage field synergies with its other assets, which are all located in the same basin, further enhancing operational efficiency.

We expect Prio to maintain adequate liquidity and to significantly reduce leverage in 2026. The company has proactively managed its capital structure through recent funding initiatives, including approximately US\$400 million in bank lines, around US\$540 million in debentures, and the recent issuance of US\$700 million in senior notes, accompanied by a concurrent tender offer for a portion (approximately US\$430 million) of the outstanding 2026 notes. In our view, these actions underscore Prio's good access to credit markets and relationships with banks.

We expect the company to gradually reduce debt, which combined with increasing EBITDA and cash generation from higher production, should allow Prio to deleverage quickly in the coming quarters, with adjusted gross debt to EBITDA potentially reaching 2.3x by the end of 2026, from close to 5.0x in the third quarter of 2025. We project annual capital expenditures of Brazilian real (R\$) 3.5 billion-R\$4.0 billion, which should maintain free operating cash flow (FOCF) to debt below 10% in 2025 and improve this ratio to approximately 20% in 2026.

Outlook

The stable outlook reflects our view that Prio will comfortably deliver production above 150,000 boe/d in 2026 and reduce leverage. The outlook also incorporates our expectation of the acquisition of the remaining 20% of Peregrino and Wahoo's first oil production aligning with our expectations. We expect Prio will maintain adjusted gross debt to EBITDA within 1.5x-2.5x and that FOCF to debt will rise to 20% over the next two years.

Downside scenario

A negative rating action in the next 12-18 months could result from a material shortfall in Prio's production and sales relative to our base-case expectations. This could be driven by delays in finalizing the remaining 20% acquisition of Peregrino or the development of Wahoo, or from a prolonged period of oil prices significantly below our current assumptions that could weaken EBITDA and credit metrics. A more aggressive growth strategy that substantially increases leverage and reduces FOCF could also trigger a negative rating action. These scenarios would lead to gross debt to EBITDA above 2.5x and negative FOCF, consistently.

Upside scenario

An upgrade is unlikely in the next 12-18 months. A positive rating action could stem from significant improvement of scale and diversification, while Prio also maintains a track record of sound operations and profitability. It would also depend on the company maintaining conservative leverage, with gross debt to EBITDA around 1.5x, and a robust liquidity position.

Company Description

Prio is a Brazilian oil and gas producer with five fields in the Campos Basin. The company has been listed on Brazil's stock exchange since 2010.

As of Dec. 31, 2024, Prio had 1P reserves of 687 million barrels of oil (the additional 40% stake of Peregrino adds about 100 million barrels). Prio's main fields are, with average production in the first nine months of 2025:

- The Polvo and Tubarao Martelo cluster, with average 11,909 boe/d and 100% working interest;
- Frade, with an average 31,407 boe/d and 100% working interest;
- Albacora Leste, with 25,163 boe/d and 90% working interest;
- Peregrino with 38,246 boe/d, considering 40% working interest (production will double with the additional 40%); and
- Wahoo, which we expect to start production in first-quarter 2026 and 100% working interest. The company estimates production of 40,000 boe/d in the field).

Our Base-Case Scenario

Assumptions

- Brent oil price of \$60 per barrel (/bbl) for the rest of 2025, \$60/bbl for 2026, and \$65/bbl for 2027.
- Average inflation in Brazil of about 5.1% in 2025, 4.4% in 2026, and 3.5% in 2027.
- Average foreign exchange rates of R\$5.67 per \$1 in 2025, R\$5.68 per \$1 in 2026, and R\$5.73 per \$1 in 2027.
- End-of-period exchange rates of R\$5.65 per \$1 in 2025, R\$5.70 per \$1 in 2026, and R\$5.75 per \$1 in 2027.
- Oil offtake of about 38 million barrels in 2025 and close to 70 million barrels in 2026. The increases are mainly due to the consolidation of the Peregrino field and our assumption of Wahoo's first oil production by first-quarter 2026, as well as sustained solid production at other existing fields.
- Price discounts over Brent prices of \$1.5/bbl-\$5.0/bbl for Frade, Polvo and Tubarao Martelo cluster, and Albacora Leste, based on each field's oil and commercial characteristics. For Wahoo, we assume a discount of \$1.5/bbl, which is lower than the average considering the superior quality of the oil. For Peregrino, we assume a discount of \$9.5/bbl given the lower quality oil.
- Strong revenue growth in 2026 versus 2025 due to the full incorporation of Peregrino and Wahoo's production.

- Average lifting costs of \$15.6/bbl in 2025 and about \$11.5/bbl in 2026.
- Capital expenditures (capex) in 2025 and 2026 mainly directed to Wahoo drilling and installation campaign and Peregrino's gas pipeline works.
- Cash outflows of about \$1.9 billion in 2025 (already paid) and \$600 million in 2026 for Peregrino's acquisition.
- Debt issuances of approximately \$2.0 billion in 2025 to both fund the acquisition and refinancing. For 2026, we assume slight debt reduction.
- No additional mergers and acquisitions. While some deals could occur given Prio's track record, we consider this difficult to forecast due to the uncertain timing and size.
- Dividend payments of 50% of previous year's net income starting in 2027, given the company would have excess cash.
- Our adjusted debt includes asset retirement obligations, and, at the end of 2025, the acquisition payment commitment for the remaining 20% stake in Peregrino, as well as leases.

Key metrics

PRIO S.A.--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. BRL)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	4,396	6,363	11,905	14,361	15,705	23,901	27,471	28,168
Gross profit	3,273	4,999	9,576	9,663	9,109	15,680	19,148	19,823
EBITDA (reported)	2,993	4,770	9,210	9,440	8,508	14,885	18,235	18,886
Plus/(less): Other	(159)	(255)	38	94	122	149	161	163
EBITDA	2,833	4,515	9,249	9,533	8,630	15,033	18,395	19,049
Less: Cash interest paid	(313)	(287)	(676)	(916)	(1,814)	(2,111)	(1,943)	(1,606)
Less: Cash taxes paid	(40)	(535)	(562)	(784)	(778)	(2,065)	(3,059)	(3,522)
Plus/(less): Other	--	241	22	682	181	224	316	358
Funds from operations (FFO)	2,480	3,934	8,034	8,516	6,218	11,081	13,709	14,278
EBIT	2,033	3,889	7,150	7,761	6,164	12,470	15,879	16,602
Interest expense	264	398	671	1,074	1,787	2,098	1,938	1,601
Cash flow from operations (CFO)	1,871	4,640	7,065	8,753	6,290	10,070	13,105	14,146
Capital expenditure (capex)	1,001	1,901	4,248	3,616	3,998	3,794	2,528	2,541
Free operating cash flow (FOCF)	870	2,739	2,817	5,137	2,292	6,276	10,577	11,605

Prio S.A.--Forecast summary

Dividends	--	--	61	--	--	--	4,202	5,490
Share repurchases (reported)	--	19	531	945	304	--	--	--
Discretionary cash flow (DCF)	870	2,720	2,226	4,192	1,988	6,276	6,376	6,115
Debt (reported)	3,308	7,632	7,393	18,402	27,722	26,421	22,689	15,654
Plus: Lease liabilities debt	593	1,501	2,161	2,548	3,148	3,447	3,568	3,675
Plus/(less): Other	834	8,469	744	3,164	6,984	4,764	4,764	4,764
Debt	4,735	17,603	10,299	24,114	37,854	34,633	31,021	24,093
Equity	6,620	9,892	13,878	25,924	28,248	36,723	43,572	49,631
Cash and short-term investments (reported)	4,651	9,613	2,335	3,993	5,294	6,771	9,439	8,554
Adjusted ratios								
Debt/EBITDA (x)	1.7	3.9	1.1	2.5	4.4	2.3	1.7	1.3
FFO/debt (%)	52.4	22.3	78.0	35.3	16.4	32.0	44.2	59.3
FFO cash interest coverage (x)	8.9	14.7	12.9	10.3	4.4	6.2	8.1	9.9
EBITDA interest coverage (x)	10.7	11.3	13.8	8.9	4.8	7.2	9.5	11.9
CFO/debt (%)	39.5	26.4	68.6	36.3	16.6	29.1	42.2	58.7
FOCF/debt (%)	18.4	15.6	27.4	21.3	6.1	18.1	34.1	48.2
DCF/debt (%)	18.4	15.5	21.6	17.4	5.3	18.1	20.6	25.4
Annual revenue growth (%)	130.9	44.8	87.1	20.6	9.4	52.2	14.9	2.5
EBITDA margin (%)	64.4	71.0	77.7	66.4	54.9	62.9	67.0	67.6
Return on capital (%)	22.4	20.0	27.7	20.9	10.6	18.1	21.8	22.4
Debt/debt and equity (%)	41.7	64.0	42.6	48.2	57.3	48.5	41.6	32.7

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

Liquidity

Prio's cash generation and good access to capital and credit markets support its adequate liquidity. We expect the company to continue generating solid cash flow, enabling sources of liquidity to exceed uses by over 1.3x in the next 12 months. We also expect Prio to maintain a smooth debt maturity profile amid debt refinancings.

Principal liquidity sources	Principal liquidity uses
• Cash and cash equivalents of R\$9.4 billion as of Sept. 30, 2025. • Cash funds from operations of about R\$9.8 billion in the next 12 months from Sept. 30, 2025. • Around R\$3.7 billion in proceeds from recent bond issuance of US\$700 million.	• Short-term debt of R\$3.5 billion as of Sept. 30, 2025. • Capex of about R\$3.8 billion in the next 12 months. • Working capital needs of approximately R\$750 million in the next 12 months. • The payment of about R\$8.7 billion for Peregrino (US\$1.5 billion at closing of the acquisition of an additional 40% stake).

Covenants

The company's senior notes have restrictive incurrence financial covenants that require Prio to maintain net debt to EBITDA (excluding leases and asset retirement obligations) below 2.5x. This is pro forma considering 12 months of EBITDA generation from the acquired assets.

We expect the company to comfortably comply with these financial covenants in the next two years, with a cushion of over 30%.

Environmental, Social, And Governance

Environmental factors are a negative consideration in our credit rating analysis of Prio because of the downside risks to profitability and product demand amid the transition to renewable energy sources. Still, the company's focus on mature oil fields with low lifting costs makes it more resilient than high-cost players.

The full incorporation of Peregrino will increase the company's carbon emissions since it currently runs on diesel instead of gas, but we expect a decline when it reinstates the use of gas-likely next year. Prio will also benefit from the expected lower carbon emissions from the Wahoo field.

Moreover, the company maintains high standards of training to avoid incidents on its oil rigs.

Issue Ratings--Recovery Analysis

Key analytical factors

- We rate Prio's 2026 senior secured notes, issued by Prio Luxembourg Holding S.a.r.l., which are unconditionally and irrevocably guaranteed by Prio and most of its operating subsidiaries.
- The 'BB+' issue-level rating on the senior secured notes is one notch above the issuer credit rating on the company. This is given the notes' collateral package and our expectation of substantial recovery (rounded to 85%), under our cap when assigning recovery ratings to debt issued by entities under Brazilian jurisdiction.
- The collateral package currently includes equity interest on most of the group's operating subsidiaries and the two floating production storage and offloading (FPSO) vessels (FPSO Bravo and FPSO Valente).

- In our simulated default scenario for Prio, we assume a sustained period of low commodity prices and high capex to support its growth strategy, consistent with the conditions of previous defaults in the sector, which would create incentives for a debt restructuring.
- We based our valuation of Prio's reserves on a company-provided proved reserves report as of March 2025, assuming about \$50/bbl for crude oil and a discount rate of 15% to the reserves. 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.
- In our analysis, we assume the company's capital structure consists of its current senior secured notes, new senior unsecured notes, senior unsecured debentures, and bank loans.

Simulated default assumptions

- Simulated year of default: 2030
- Jurisdiction: Brazil

Simplified waterfall

- Net enterprise value (after 5% administrative adjustment): \$6.1 billion
- Secured debt: \$377 million (bond issuance)
- Recovery rating for senior secured notes: '2' (rounded estimate: 85%)
- Senior unsecured debt: \$4.8 billion (bank loans, debentures and the new unsecured notes)

Rating Component Scores

Rating Component Scores

Component		
Foreign currency issuer credit rating		BB/Stable/--
Local currency issuer credit rating		BB/Stable/--
Business risk		Weak
Country risk		Moderately high risk
Industry risk		Moderately high risk
Competitive position		Weak
Financial risk		Intermediate
Cash flow/leverage		Intermediate
Anchor		bb
Modifiers		
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		bb

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

Ratings List

Ratings List

Upgraded; Outlook Action		
	To	From
Prio S.A.		
Issuer Credit Rating	BB/Stable/--	BB-/Positive/--
Upgraded; Recovery Ratings Unchanged		
	To	From
PRIO Luxembourg Holding S.a.r.l.		
Senior Secured	BB+	BB
Recovery Rating	2(85%)	2(85%)

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