Natura Cosméticos S.A.

May 7, 2026

This report does not constitute a rating action.

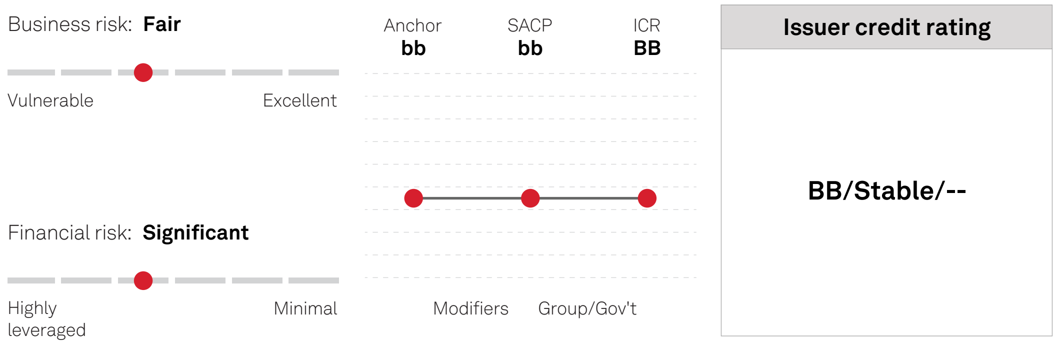
Primary Contact

Matheus H Cortes
Sao Paulo
55-11-3039-9775
matheus.cortes
@spglobal.com

Secondary Contact

Flavia M Bedran
Sao Paulo
55-11-3039-9758
flavia.bedran
@spglobal.com

Ratings Score Snapshot



ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

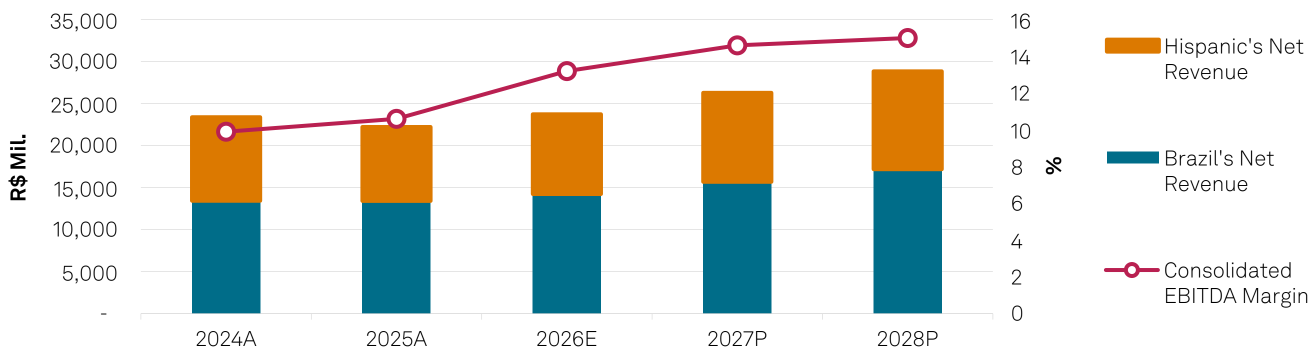
Key strengths	Key risks
One of the leading players in Latin America, with a strong branded portfolio.	Subdued performance of Avon dragged cash flows and margins in recent years.
Sale of underperforming assets should result in cash flow recovery.	Soft demand and fierce competition have pressured margins.
Expectation of declining leverage.	Significant acquisitions and assets sales created more volatile leverage and cash flows in recent years.

Our base-case assumes Natura Cosmeticos S.A. will continue to grow in the next two years, while improving profitability. A strong emphasis on accelerating the innovation pipeline, with shortened development cycles and new product launches, including the relaunch of the Avon brand in Brazil and Mexico, is expected to stimulate sales and its competitiveness in key markets.

Efforts in Mexico and Argentina are focused on realizing the full benefits of the second phase of integration (Wave 2) and optimizing commercial synergies to drive revenue recovery, especially in Avon's brand. These initiatives, coupled with a commitment to innovation and a balanced channel approach, should also benefit the performance in those markets. In aggregate, this will drive consolidated revenue growth around 9%-11% per year in the next two years, from 2025 reported figures.

We do not foresee direct effects on Natura from the current war in the Middle East, although persistent disruptions in supply chains could pose additional pressure related to higher costs in packages and plastic containers. However, the company's main structural and strategic projects of integration were completed over the last few years and should help offset margin pressures, along with the exclusion of lower profitable business sold in 2025. We expect adjusted EBITDA margins improving to 13%-14% in 2026 and 14%-15% in 2027, compared with 10.6% in 2025.

Natura's Consolidated Net Revenue and EBITDA Margin



Source: S&P Global Ratings and company's financial statments. 2024 numbers were publisehd under Natura &Co Holding. 2025 numbers considers 1H25 numbers published under Natura &Co. EBITDA margin considers the adjustments made by S&P Global Ratings

Nevertheless, such improvements are exposed to challenging macroeconomic conditions, particularly in Brazil and Argentina. Limited consumer spending and reduced discretionary income for families in Brazil have pressured the company's performance in recent quarters. In addition, persistent high interest rates and increasing competition should continue to challenge Natura's strategy in 2026, particularly in more price-sensitive segments. At the same time, there are risks from a still challenging economic environment in Argentina, characterized by high inflation, economic instability, and particular operational headwinds including disruptions from the transition to a digital-only magazine and other integration challenges that weakened volumes sold.

Prudent capital allocation will contribute to leverage improvements. We think the sale of Avon's underperforming assets announced throughout the last quarters, coupled with increasing EBITDA and prudent working capital management, will allow for operational cash flow to reverse back to positive above R$1.0 billion in 2026, from a deficit of R$164 million in 2025.

We also assume capital expenditures will remain at a normalized level of close to 1.5% of net revenues in the next two years, after it declined to R$ 379.5 million (1.7% of net revenues) in 2025 from R$ 548 million (2.3%) in 2024. This was possible as the company concluded main projects related to the group's integration and simplification strategy. With this, we forecast free operating cash flow (FOCF) to follow the same pace, improving to close to R$1 billion in 2026 and R$ 1.7 billion – R$1.8 billion in 2027, from negative R$543 million in 2025.

S&P's assumption is that the company will resume dividends payments once performance and cash generation improves, along with additional share buybacks programs which we estimate at

R$300 million–R$ 400 million per year, conditional to the maintenance of leverage around 1.0x-1.5x. We forecast Natura to lower its leverage in the next two years, with adjusted debt to EBITDA declining to 1.5x in 2026 and 1.2x in 2027, compared with 2.2x in 2025.

Recent announced changes in governance support long-term strategy. Natura disclosed a new shareholders' agreement, maintaining current controlling ownership stakes and reinforcing long-term strategy among controlling shareholders. The company also announced a governance transition, with founders and former chairman Fábio Barbosa to step down from the board and migrate to a newly created advisory board. We do not anticipate any material change from the company's strategy, as it will now have a higher focus on growth opportunities after concluding the recent structural optimizations.

In addition, Natura disclosed a binding agreement with Advent International for the acquisition of an 8%–10% stake through the secondary market, at an average target price of R$9.75/share. If and upon reaching this stake, Advent will appoint two board members, but without obtaining control or veto rights. In our view, Natura can further capitalize on the potential relationship with Advent, considering the latter track record in investing in other companies in the segment.

Outlook

The stable outlook reflects our expectation that Natura will improve profitability in the next two years by leveraging the integration of Natura and Avon's brands in Latin America. We assume a controlled approach towards shareholder remuneration and expect a debt to EBITDA to improve to below 2.0x in 2026 and to around 1.0x-1.5x in 2027, with FOCF reversing back to positive this year.

Downside scenario

We could downgrade Natura in the next 12 months if:

- Improvements in profitability stalls, dragging down the company's cash generation and preventing leverage to decline; or
- The group becomes more aggressive in terms of mergers and acquisitions, or shareholder returns, with net debt to EBITDA approaching 4.0x.

Upside scenario

We could upgrade Natura in the next 12 months if it successfully integrates Natura and Avon across its Latin American operations, improving profitability and cash generation, while reducing volatility. An upgrade would also require Natura to maintain a track record of a conservative financial policy regarding leverage and shareholder payments. We would expect net debt to EBITDA to remain below 2.0x, FFO to debt above 45%, and FOCF to debt above 15%, all on a consistent basis.

Our Base-Case Scenario

Assumptions
• Brazil's GDP growth of 1.6% in 2026, 2.1% in 2027, and 2.2% in 2028;

- Average inflation in Brazil of 4.5% in 2026, 3.9% in 2027, and 3.6% in 2028;
- Average foreign exchange (FX) rate in Brazil in the R$5.33- R$5.53 range per $1 in the next three years;
- Argentina's GDP growth of 3.2% in 2026, 3.2% in 2027, and 3.1% in 2028;
- Average inflation in Argentina of 26% in 2026, 18% in 2027, and 12% in 2028;
- Average foreign exchange (FX) rate in Argentina in the AR$1600-1900 range per $1 in the next three years;
- Mexico's GDP growth of 1.3% in 2026, 2.1% in 2027, and 2.2% in 2028;
- Average inflation in Mexico of 3.9% in 2026, 3.5% in 2027, and 3.3% in 2028;
- Average foreign exchange (FX) rate in Mexico in the MXN 18.15- 19.15 range per $1 in the next three years;
- Consolidated revenue growth of 8%-10% per year in the next three years, driven by the ramp up of digital innovations and integrated planning between Natura and Avon brands, as well as the relaunch of the Avon brand in Brazil and Mexico;
- We forecast profitability to recover to about 13%-14% in 2026 and 14%-15% in 2027, considering the ramp up of structural projects made throughout the last few years and the exclusion of non-profitable business;
- Consolidated capex to correspond to 1.5% of net revenues per year in the next three years;
- Dividend payments of R$ 350 million in 2026 and R$ 912 million in 2027, together with recurrent share buyback programs, but conditional to the maintenance of controlled leverage.

Key metrics

Natura Cosmeticos S.A.--Forecast summary

Period ending	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028	Dec-31-2029
(Mil. BRL)	2022a	2023a	2024a	2025a	2026e	2027f	2028f	2029f
Revenue	36,350	26,737	24,090	21,823	23,728	26,284	28,842	30,692
Gross profit	25,786	18,650	16,686	14,640	15,990	17,918	19,746	21,018
EBITDA (reported)	2,134	1,433	1,877	2,230	3,040	3,725	4,228	4,634
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	296	683	512	85	100	100	100	100
EBITDA	2,430	2,116	2,389	2,315	3,140	3,825	4,328	4,734
Less: Cash interest paid	(1,009)	(1,192)	(607)	(518)	(670)	(598)	(505)	(507)
Less: Cash taxes paid	(580)	(381)	(718)	(189)	(305)	(431)	(526)	(594)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	841	542	1,064	1,608	2,165	2,796	3,297	3,634
EBIT	301	1,378	1,665	1,561	2,362	2,989	3,425	3,808
Interest expense	964	1,014	629	578	670	597	505	506
Cash flow from operations (CFO)	672	(2,348)	(2,619)	(164)	1,404	2,127	2,640	3,093

Natura Cosmeticos S.A.--Forecast summary

Capital expenditure (capex)	1,103	947	548	379	356	394	433	460
Free operating cash flow (FOCF)	(431)	(3,295)	(3,167)	(543)	1,048	1,733	2,207	2,632
Dividends	181	--	1,023	145	350	912	1,122	1,165
Share repurchases (reported)	120	--	--	6	300	300	500	600
Discretionary cash flow (DCF)	(732)	(3,295)	(4,190)	(694)	398	521	586	867
Debt (reported)	13,592	6,112	6,843	6,175	6,475	6,475	6,475	6,475
Plus: Lease liabilities debt	3,271	1,150	977	594	594	618	642	668
Plus: Pension and other postretirement debt	--	--	--	--	--	--	--	--
Less: Accessible cash and liquid Investments	(5,996)	(7,775)	(4,458)	(2,671)	(3,230)	(3,586)	(3,981)	(4,651)
Plus/(less): Other	635	71	1,263	1,083	1,000	1,000	1,000	1,000
Debt	11,502	--	4,624	5,181	4,839	4,507	4,136	3,493
Equity	22,351	23,120	15,672	12,977	13,611	14,173	14,695	15,342
FOCF (adjusted for lease capex)	(1,508)	(3,967)	(3,376)	(712)	909	1,544	1,992	2,409
Interest expense (reported)	945	979	589	578	670	597	505	506
Capex (reported)	1,103	947	548	379	356	394	433	460
Cash and short-term investments (reported)	5,996	7,775	4,458	2,671	3,230	3,586	3,981	4,651
Adjusted ratios								
Debt/EBITDA (x)	4.7	--	1.9	2.2	1.5	1.2	1.0	0.7
FFO/debt (%)	7.3	NM	23.0	31.0	44.7	62.0	79.7	104.0
FFO cash interest coverage (x)	1.8	1.5	2.8	4.1	4.2	5.7	7.5	8.2
EBITDA interest coverage (x)	2.5	2.1	3.8	4.0	4.7	6.4	8.6	9.4
CFO/debt (%)	5.8	NM	(56.6)	(3.2)	29.0	47.2	63.8	88.5
FOCF/debt (%)	(3.7)	NM	(68.5)	(10.5)	21.7	38.5	53.4	75.4
DCF/debt (%)	(6.4)	NM	(90.6)	(13.4)	8.2	11.6	14.2	24.8
Lease capex-adjusted FOCF/debt (%)	(13.1)	--	(73.0)	(13.8)	18.8	34.3	48.2	69.0
Annual revenue growth (%)	(9.5)	(26.4)	(9.9)	(9.4)	8.7	10.8	9.7	6.4
Gross margin (%)	70.9	69.8	69.3	67.1	67.4	68.2	68.5	68.5
EBITDA margin (%)	6.7	7.9	9.9	10.6	13.2	14.6	15.0	15.4

Natura Cosmeticos S.A.--Forecast summary

Return on capital (%)	0.8	4.8	7.7	8.1	12.9	16.1	18.3	20.2
Return on total assets (%)	0.5	2.8	4.2	4.7	8.0	9.8	10.7	11.5
EBITDA/cash interest (x)	2.4	1.8	3.9	4.5	4.7	6.4	8.6	9.3
EBIT interest coverage (x)	0.3	1.4	2.6	2.7	3.5	5.0	6.8	7.5
Debt/debt and equity (%)	34.0	--	22.8	28.5	26.2	24.1	22.0	18.5
Debt fixed-charge coverage (x)	2.5	2.1	3.8	4.0	4.7	6.4	8.6	9.4
Debt/debt and undepreciated equity (%)	34.0	--	22.8	28.5	26.2	24.1	22.0	18.5

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

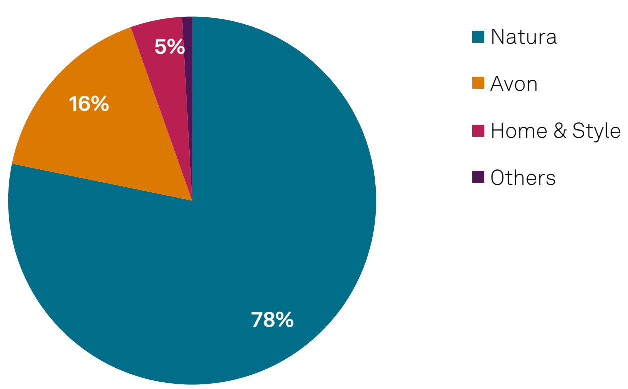
Company Description

Natura Cosméticos is among the largest global cosmetic groups. The group owns the brands Natura and Avon, with a leading position in the direct sales model. Its diversified portfolio serves various customer tiers and channels, with more than 3.2 million representatives and over 1,000 stores and franchises globally. The company currently operates in two main markets: Brazil (which we expect to represent 60% of revenues in 2026) and Hispanic (which corresponds mainly to Mexico and Argentina and should represent close to 40% of revenues in 2026).

In July 2025, Natura Cosméticos fully incorporated its former parent company Natura & Co Holding S.A., to help simplify its corporate structure, with the latter ceasing to exist. Now all subsidiaries, including debt holders, are under Cosméticos.

Natura's Net Revenue Breakdown

considering our 2026 forecast



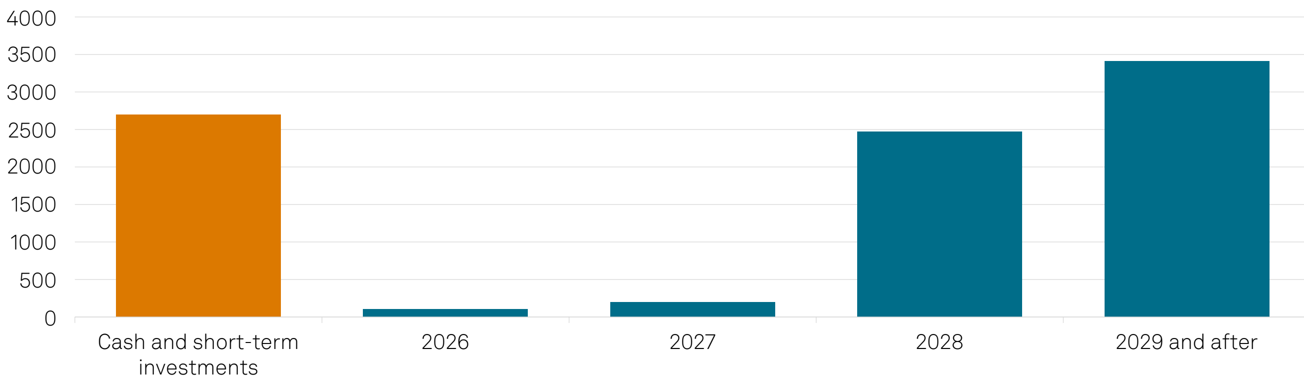
Source: S&P Global Ratings and company's financial statments.

Liquidity

We continue to assess Natura's liquidity as adequate. Although we expect liquidity sources to exceed uses by close to 2.0x over the next 12 months--and that this ratio will remain positive even if EBITDA declines by 30%-- we seek a clearer analysis under a more normalized company following several mergers and acquisitions

Natura has been able to maintain a robust liquidity cushion despite recurrent cash burn in recent years, mainly benefited by an extended debt maturity profile with no significant maturity due until 2028. However, although we expect the divestment of Avon CARD and Avon International to benefit cash generation, there are still uncertainties surrounding the recovery of its cash flows and its further capital allocation toward capex, acquisitions, and dividends. Should the company be able to reverse cash flow and demonstrate a commitment to maintain an enhanced cushion consistently, we could view Natura's liquidity as stronger.

Natura's Debt Amortization Schedule



Source: S&P Global Ratings.

Principal liquidity sources	Principal liquidity uses
• Cash position of R$2.7 billion as of Dec. 31, 2025; • FFO of around R$2.3 billion in 2026.	• Short-term debt of R$100 million as of Dec. 31, 2025; • Working capital outflows of R$1.1 billion in 2026; • Capital expenditures of R$475 million in 2026; • Dividend payment and share buybacks amounting to around R$800 million for 2026.

Covenant Analysis

Requirements

Natura currently has no financial covenant on its debts.

Environmental, Social, And Governance

Social factors are a negative influence on our credit analysis of Natura. The company, through its former subsidiary API, was subject to lawsuits related to asbestos in its discontinued products of talcum powders in the U.S. and has already been subject to fines. The subsidiary filed for Chapter 11 in 2024 and entered an agreement with creditors.

In February 2026, Natura opted to reach an agreement related to the Chapman case, which represented the company's final obligation under the API litigation. Under the agreement, Natura disbursed $67 million, a cash impact that was offset by the proceeds of $22 million related to the sale of Avon Card and €26.9 million related to the sale of Avon Russia. As disclosed by the company, the Chapman case was the only remaining legal proceeding for which it still had any type of financial or other related liability.

While governance factors remain a moderately negative consideration in our analysis, reflecting past deficiencies in mapping and addressing business risks related to M&As as demonstrated by the API lawsuits, this is mitigated by the company’s efforts in addressing the situation avoiding contagion risks to its other operations, and its recurrent focus on strengthening its governance through corporate simplification and greater board oversight of inherited legal risks, as well as transparent communication with the market.

Issue Ratings--Recovery Analysis

Key analytical factors

Following a hypothetical bankruptcy, we think Natura would be restructured and continue to operate, generating higher value for creditors than in a liquidation scenario. We value Natura using a 6.0x multiple applied to our projected emergence-level EBITDA of R$1.0 billion, a drop of 67% from our assumption for 2026, arriving at a stressed enterprise value of R$6.2 billion.

Simulated default assumptions

- Year of default: 2031
- EBITDA at emergence: R$1.0 billion

Simplified waterfall

- Net enterprise value: R$6.2 billion
- Unsecured claims at Natura (debentures, commercial lines, and unsecured notes): R$6.4 billion
- Unsecured debt recovery expectation at Natura: 50%-70% (rounded estimate: 65%)

Rating Component Scores	
Foreign currency issuer credit rating	**BB/Stable/--**
Local currency issuer credit rating	**BB/Stable/--**
Business risk	**Fair**
Country risk	Moderately High
Industry risk	Low
Competitive position	Fair
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**bb**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Moderately Negative (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bb**

Related Criteria

- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, March 31, 2026
- 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: 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

- Natura Cosmeticos S.A., Dec. 4, 2025
- Natura Cosméticos Ratings Affirmed After Incorporating Its Parent; Outlook Stable; Parent Ratings Withdrawn, July 1, 2025

Ratings Detail (as of April 28, 2026)*	
Natura Cosmeticos S.A.	
Issuer Credit Rating	BB/Stable/--
Issuer Credit Ratings History	
14-Oct-2020	BB/Stable/--
11-May-2020	BB-/Negative/--
18-Mar-2020	BB-/Watch Neg/--
Related Entities	
Natura & Co. Luxembourg Holding	
Senior Unsecured	BB

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.