MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns B1 rating to Avianca's proposed global notes, all other ratings remain unchanged; Outlook is Stable

06 Jan 2026

New York, January 06, 2026 -- Moody's Ratings (Moody's) has assigned a B1 rating to the proposed approximately $600 million backed senior secured global notes to be issued by Avianca MidCo 2 PLC, a fully owned subsidiary of Avianca Group International Limited ("Avianca"). Avianca's B1 corporate family rating (CFR) and the B1 ratings on the existing backed senior secured notes issued by Avianca Midco 2 PLC remain unchanged. The outlook is stable.

The proposed issuance aligns with Avianca's liability management strategy, with proceeds aimed at refinancing a portion of the $1.1 billion senior secured notes maturing in 2028 and for general corporate purposes, including transaction fees and expenses. This move will mitigate refinancing risk by extending maturities and will be largely debt neutral. Following the refinancing, the majority of Avianca's notes will share terms aligned with its existing 2030 Notes, enhancing consistency across its capital structure. Notwithstanding this partial prepayment, Avianca's 2028 Notes will remain the governing instrument within the company's capital structure

The rating of the proposed notes assumes that the final transaction documents will not be materially different from draft legal documentation reviewed by us to date and assume that these agreements are legally valid, binding and enforceable.

RATINGS RATIONALE

The proposed notes will benefit from a first-priority lien on the assets of LifeMiles, which, along with recent appraisal value of the collateral package, result in strong collateral coverage of the rated debt. Recently performed appraisals estimate the collateral value at $6.3 billion, well above the $2.5 billion secured debt as of September 30, 2025. In a liquidation scenario, its value could be lower, given its reliance on assets that are more difficult to value, such as intangibles and LifeMiles' ties with the airline. However, liquidation risk is lower, given Avianca's strong credit profile.

Avianca's B1 rating reflects its continued operational and financial improvements, robust liquidity, and successful execution of its business strategy, as well as a supportive operating environment in Colombia and the broader airline sector. The B1 ratings also reflect its leading position in the Latin American passenger airline industry and its favorable cost structure. Conversely, the ratings reflect increasing competition, which could strain airfares; the inherent volatility in the airline industry; and the macroeconomic risks in key Latin American markets: Colombia (Government of Colombia Baa3 stable), and Central America, including Costa Rica (Government of Costa Rica Ba2 stable), El Salvador (Government of El Salvador B3 stable), Ecuador (Government of Ecuador Caa3 stable) and Guatemala (Government of Guatemala Ba1 stable).

Since emerging from bankruptcy, Avianca has executed its business plan effectively. The third quarter of 2025 marked its fourth consecutive record quarter. For the 12 months ended September 30, Moody's-adjusted EBITDA was $1.5 billion with a 26% margin, driving leverage down to 3.6x. With 2025 as the first full year under expanded capacity, we expect leverage to decline further to about 3.5x by year-end.

Capacity deployment has restored load factor to 83%, up from 76% in Q1. Combined with a competitive cost structure from fleet modernization and cost controls, Avianca should sustain strong profitability. We project EBIT margin (Moody's-adjusted) to remain in the 10–15% range with positive cash flow through 2027. The proposed transaction is largely debt-neutral, supporting continued leverage improvement below 3.5x over the next two years.

The stable outlook reflects our view that Avianca's financial flexibility will continue to support its business strategy, allowing for further improvements to its credit profile through 2027. The company is likely to maintain adequate financial policies and strong liquidity, with internal sources and cash generation comfortably covering requirements through 2027.

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

An upgrade of Avianca's rating would result from a sustained increase in passenger demand, allowing the company to maintain revenue growth and improve credit metrics as planned. Quantitatively, an upgrade would require adjusted leverage (measured by total debt/EBITDA) to remain below 3.5x and interest coverage — measured by (funds from operations [FFO] + interest expense)/interest expense — to remain above 3.5x, both on a sustained basis. The maintenance of an adequate liquidity profile would also be required for an upgrade.

The rating could be downgraded if recovery in credit metrics falls behind our expectations, with adjusted leverage remaining above 4.5x and interest coverage (FFO + interest/interest) remaining below 2.5x on a sustained basis. A deterioration in the company's liquidity, or additional shocks to demand or profitability that lead to cash burn could also result in a rating downgrade.

The principal methodology used in this rating was Passenger Airlines published in December 2025 and available at https://ratings.moodys.com/rmc-documents/455790. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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