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CREDIT OPINION

24 October 2025

Update

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RATINGS

Avianca Group International Limited

Domicile	United Kingdom
Long Term Rating	B1
Type	LT Corporate Family Ratings
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Avianca Group International Limited

Update following upgrade to B1

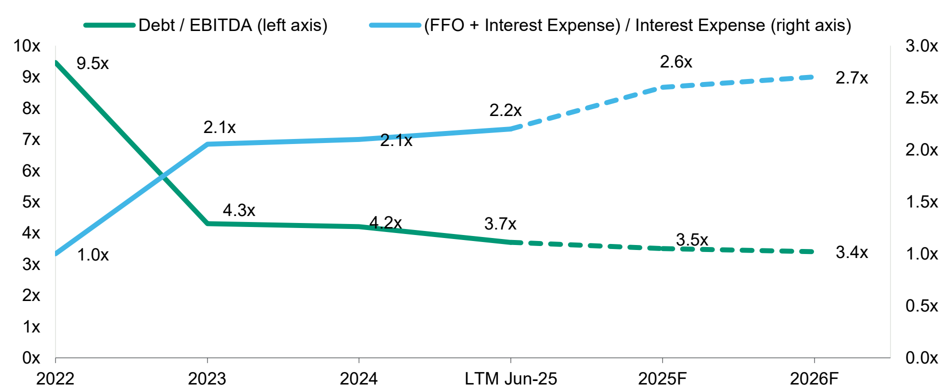
Summary

We upgraded Avianca Group International Limited (Avianca)'s ratings to B1 from B2 reflecting 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 (Baa3 stable), and Central America, including Costa Rica (Ba2 stable), El Salvador (B3 stable), Ecuador(Caa3 stable) and Guatemala (Ba1 stable).

Exhibit 1

Under Avianca's business model, credit metrics will recover fast through 2025

Leverage and coverage



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Credit strengths

» Market leader in Colombia and other Latin American markets and key US airports

» Strategy based on network optimization, rationalization of domestic capacity, expansion of international routes, and rolling out of business class enhances resilience to market volatility

» Strong brand name and low cost structure

» Good liquidity

Credit challenges

» Strong competition, which could strain airfares

» Macroeconomic risks, which threaten business travel demand

» Cost pressures as global travel demand grows

» Geopolitical tensions that threaten oil prices and exacerbate inflationary pressure

Rating outlook

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

An upgrade of Avianca's rating would result from a sustained increase in passenger demand, allowing the company to sustain 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.

Factors that could lead to a downgrade

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.

Key indicators

Exhibit 2

Avianca Group International Limited

(in $ billions)	2022	2023	2024	LTM Jun/25	2025F	2026F
Revenue	4.0	4.8	5.3	5.6	5.8	6.1
EBIT Margin %	2.2%	13.9%	13.5%	13.9%	12.9%	11.7%
Debt / EBITDA	9.5x	4.3x	4.2x	3.7x	3.5x	3.4x
RCF / Net Debt	-0.1%	14.1%	13.6%	17.0%	22.6%	23.4%
(FFO + Interest Expense) / Interest Expense	1.0x	2.1x	2.1x	2.2x	2.6x	2.7x

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Profile

Avianca Group International Limited (Avianca) is a privately held company domiciled in the UK, with operations in passenger and cargo airlines. Through its subsidiaries, Avianca is a leading Latin American airline serving more than 172 routes and 83 destinations, both in the domestic markets of Colombia, Ecuador and Central America, and on international routes in North, Central and South America, Europe and the Caribbean. As of June 2025, Avianca's fleet comprised 177 aircraft including 134 Airbus 320s and 16 Boeing 787 Dreamliners. In 2024, Avianca acquired Wamos, a Spanish leading aircraft, crew, maintenance and insurance solutions company, adding 13 Airbus 330 aircraft to its fleet. The company also has a frequent flyer loyalty program, LifeMiles Ltd., which has over 14 million members and more than 340 commercial partners worldwide. Avianca Cargo, with a cargo fleet of nine Airbus 330 freighter and belly operation in more than 100 passenger aircraft, is a leader in the cargo air industry within several markets across the Americas, transports perishables, textiles, pharmaceuticals, technology and more, operating in more than 60 destinations.

Detailed credit considerations

Effective execution of its strategic plan has strengthened its credit profile, with continued improvement expected through 2027

Avianca's recent strategy has focused on optimizing its route network, capturing growing passenger demand, enhancing operational efficiency, and driving revenue growth. Avianca continues to maintain leadership in strategic markets and expanding its international footprint. In the first half of 2025, the airline launched ten new international routes and announced three more for the second half of the year, expanding its network to 172 routes and 83 destinations. The airline has expanded its point-to-point network by adding new direct routes from key Colombian cities and increasing connectivity across the Americas. Avianca's strategy is also supported by the strong fundamentals of LifeMiles, its fully owned loyalty program, given its solid cash generation and growing partner network. Additionally, the expansion of Avianca's business class offering is expected to drive premium revenue growth. Although cargo business and Wamos represent a lower contribution to the group's overall revenues—averaging approximately 14% and 7% of total revenue, respectively—their recent operating performance has been solid and supportive of Avianca's credit profile. The cargo division continues to benefit from resilient traffic flows and strong seasonal demand, reporting double-digit revenue growth in the first half of 2025 and expanding its freighter fleet to further strengthen its market position in Latin America. Meanwhile, Wamos has maintained robust reported EBITDAR margins (around 27%) and stable fleet operations, contributing positively to group profitability and cash flow generation.

Since its emergence from bankruptcy, Avianca has executed its business plan well. As of 2Q 2025, Avianca delivered one of its highest-ever quarterly EBITDAR of $355 million at a margin of 25.5%, with liquidity reaching $1.35 billion (24.1% of LTM revenue) and net leverage declining to 2.8x. For the 12 months that ended June 2025, Avianca's EBITDA, including standard adjustments, of $1.4 billion and an EBIT margin of 13.9%, well above our initial expectations of around $900 million and 9%, respectively, for 2024, and in line with the company's business plan. Although Avianca has demonstrated consistent deleveraging since emerging from Chapter 11, Moody's adjusted gross debt to EBITDA temporarily increased to 4.6x as of September 2024. This uptick was primarily driven by a $200 million debt issuance secured by credit card receivables and a $100 million term loan at LifeMiles. Since then, leverage has improved steadily, reaching 3.7x as of June 2025. With 2025 marking the first full year of operations under the expanded capacity, we expect further decline toward 3.5x by year-end.

Positive environment in Colombia, Avianca's key domestic market, and in the overall airline sector will continue to support strong operating performance

Despite some deceleration in private consumption, Colombia's labor market remains tight, supporting household income growth and consumer sentiment. More broadly, in Latin America, robust air travel demand and rationalizing competition are supporting higher airfares and enabling profitability, even as supply-chain bottlenecks and fiscal limitations persist. We expect that Avianca's cost discipline and route expansion outside Colombia will further enhance its profitability through 2027. Globally, the airline sector outlook has turned stable, with operating profit for 2026 forecast to increase by about 20% worldwide and 12% in Latin America. The rise in operating profit reflects a recovery in US demand, following a period of weak domestic leisure demand for most of 2025, and improved results in Europe. Currently, more than 50% of Avianca's capacity is allocated to these markets, allowing it to further benefit from these positive trends. Despite the strong operating profit forecast, the effects of trade war on macroeconomic outlook and consumer spending power continue to add uncertainty preventing the airline sector outlook from moving to positive. Under such an environment, airlines will need to ensure that capacity aligns with demand at all times and continue to manage costs carefully to remain profitable.

More rational competition and consolidation drive profitability up in Latin America

Several transactions since 2019 have helped rationalize airline competition within Latin America, supporting strong profitability from high airfares. In 2022, Abra Group Limited (ABRA, Caa1 stable) was incorporated to act as a common holding company for a group of airlines in Latin America. Accordingly, since April 2023, Abra has held control over Avianca, maintained substantial economic interests in Brazil's Gol Linhas Aereas Inteligentes S.A. (B3 stable), indirectly held a convertible loan representing a minority investment interest in Sky Airline S.A., a Chilean low-cost carrier. Additionally, in October 2024 Abra made a strategic investment in Wamos Air, seeking to benefit from its profitable business model and the potential to increase connectivity from Europe to Latin America given its European operating certificate. This moves have helped rationalize intra-regional competition. The absence of financial aid and government support in the region following the Covid pandemic resulted in tight liquidity and leveraged balance sheets, ultimately leading to debt restructuring processes. In 2022, LATAM Airlines Group S.A. (Ba2 stable) and Grupo Aeromexico S.A.B. de C.V. (Ba3 stable) emerged from Chapter 11. In 2025, Gol, the largest low-cost carrier in Latin America, also emerged. Carriers that emerged from Chapter 11 remain disciplined about capacity management and airfares to comply with their business plans, leaving little scope for aggressive commercial strategies. More recently, Azul S.A., the largest airline in Brazil by number of cities covered and departures, also filed for Chapter 11. ABRA had a nonbinding memorandum of understanding with Azul to explore a combination of their businesses in Brazil. Given the lack of progress amid Azul's ongoing Chapter 11 process, discussions have formally ended. However, ABRA remains open to reengaging at a later stage. Gol's and Azul's networks and fleet are complementary on almost 90% of the routes, so a business combination would result in efficiencies and cost reductions.

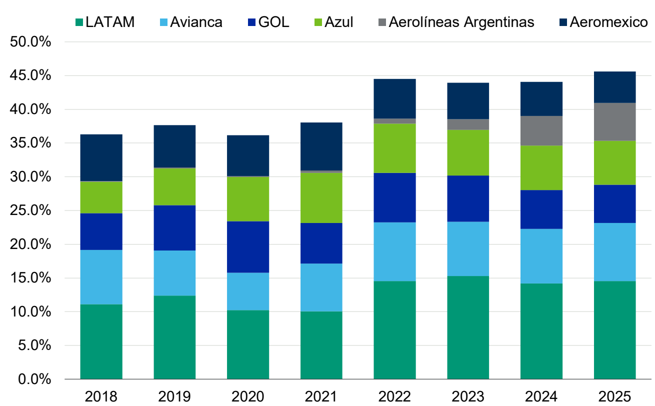
Given increased efficiencies and market position, Avianca is well positioned to meet its business plan target

Positive market dynamics have allowed Avianca to consolidate its market position following its emergence from Chapter 11 (see Exhibits 3 and 4). As a result it has been able to sustain profitable growth. Revenue for the 12 months that ended June 2025 was $5.6 billion, well above the $4.6 billion in 2019 and with a healthy EBIT margin of 13.9%. After the increase in capacity during 2023-2024, we expect available seat kilometers growth to moderate to 11.8% in 2025 from 17.7% in 2024 and 4.8% in 2026. However, as the company deploys this capacity load factor should recover to 82% –as in 2023– from 79% expected in 2025. Therefore, we expect revenue to be above $6 billion by 2026. Avianca has a competitive cost structure due to fleet modernization and cost management efforts. Therefore, profitability should be sustained in the longer term as it has buffers against stress scenarios. Specifically, we expect EBIT margin including Moody's standard adjustments to remain in the 10% - 15% range with positive cash generation through 2027.

Exhibit 3

Avianca holds ground solo amid strong competiton and matches Latam's scale with Gol under Abra

Market share breakdown of top Latin American airlines

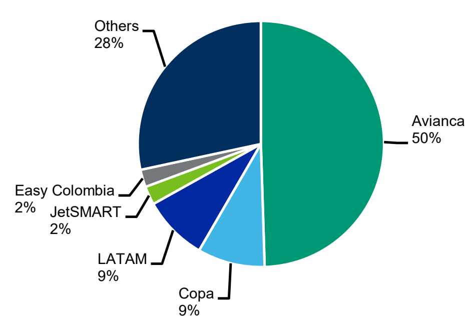


Company retail selling price (RSP) share
Source: Euromonitor

Exhibit 4

Despite capacity rationalizations in Colombia it remains the strongest airline in the country

Market share breakdown in Colombia (2025)

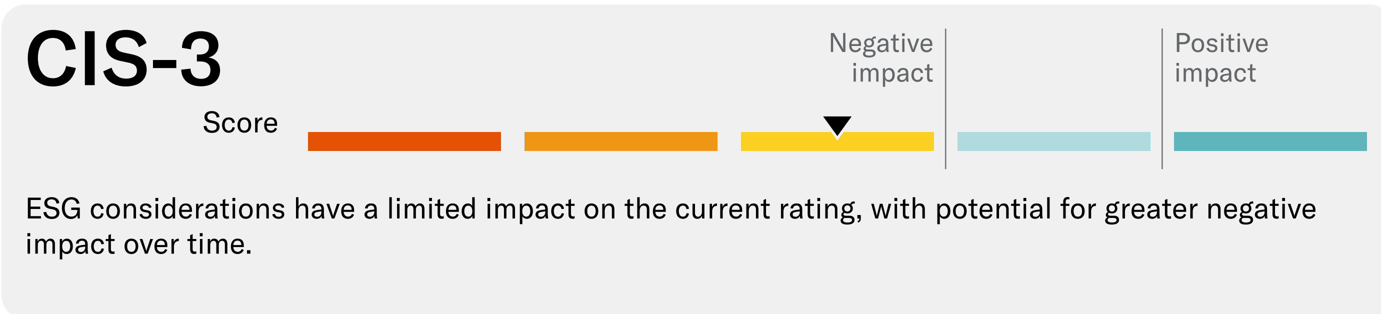


Company retail selling price (RSP) share.
Source: Euromonitor

ESG considerations

Avianca Group International Limited's ESG credit impact score is CIS-3

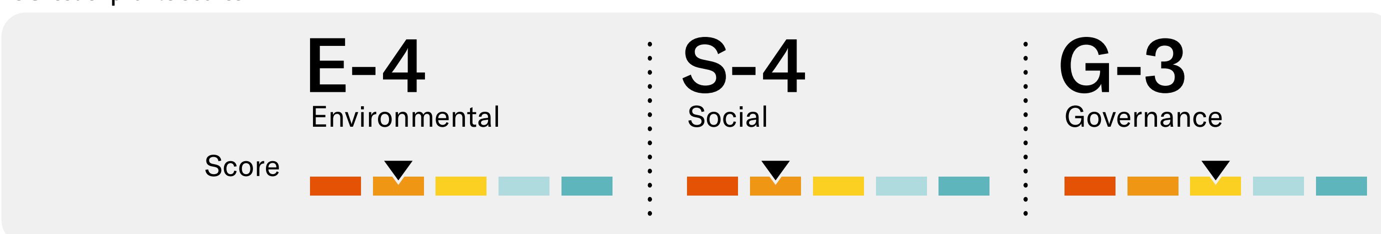
Exhibit 5
ESG credit impact score



Source: Moody's Ratings

Avianca's ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. Carbon transition risk reflects that current aircraft propulsion technologies and very limited supply of sustainable aviation fuel will not support a rapid carbon transition scenario for the airline industry. Potential policy responses including more onerous regulations are possible and a social risk. However, the credit risk to airlines is long-term in nature.

Exhibit 6
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Avianca has exposure to carbon transition. This will primarily depend on evolving decarbonization policies around the globe and regulations which may increase operating costs for airlines. Further, the desire by some to reduce carbon emissions may lead to reduced travel, in particular, corporations seeking to reduce their carbon footprints. The company aligns decarbonization efforts with the four pillars defined by the International Civil Aviation Organization (ICAO) that has set a goal of reaching net-zero emissions by 2050 and improving fuel efficiency by 2% annually for the international aviation industry. Colombian regulations allow for exemption from the carbon tax through compensation. Under such a program, Avianca offset 701,703 tons of CO_2, which corresponds to 61.6% of domestic flight emissions in Colombia and 13.9% of the Avianca Group's entire air operations, by purchasing carbon credits in conservation projects in Colombia. In 2024, Avianca reduced absolute emissions from passenger operations by approximately 8%, compared to 2019, while carrying 24% more passengers compared to the same year. The company also reduced its emission intensity indicator by 2% compared to 2023 and 20% compared to 2019, reflecting enhanced operational efficiency and fewer emissions per passenger transported.

Social

We consider social risk across the industry and for Avianca to be high. This reflects our view of a linkage between demographic and societal policies and carbon transition. Potential for policies and/or trends that lead to lower travel volumes or higher costs, or both, increase risks for the sector. Overall, the industry, also have moderate human capital risk because of the potential shortfall in skilled labor (pilots and mechanics), which would negatively affect operations and or increase costs. Although in the past Avianca faced operational disruptions due to strikes, we believe those risks have diminished in Latin America as some airlines went out of the market during the pandemic and the consolidation of the industry is still ongoing. Avianca's social commitment is reflected in their accessibility and connectivity strategy, which extends their presence in regions where air transport represents the primary or sole means of mobility. This approach fosters social inclusion, supports economic activity, and contributes to the development of local communities.

Governance

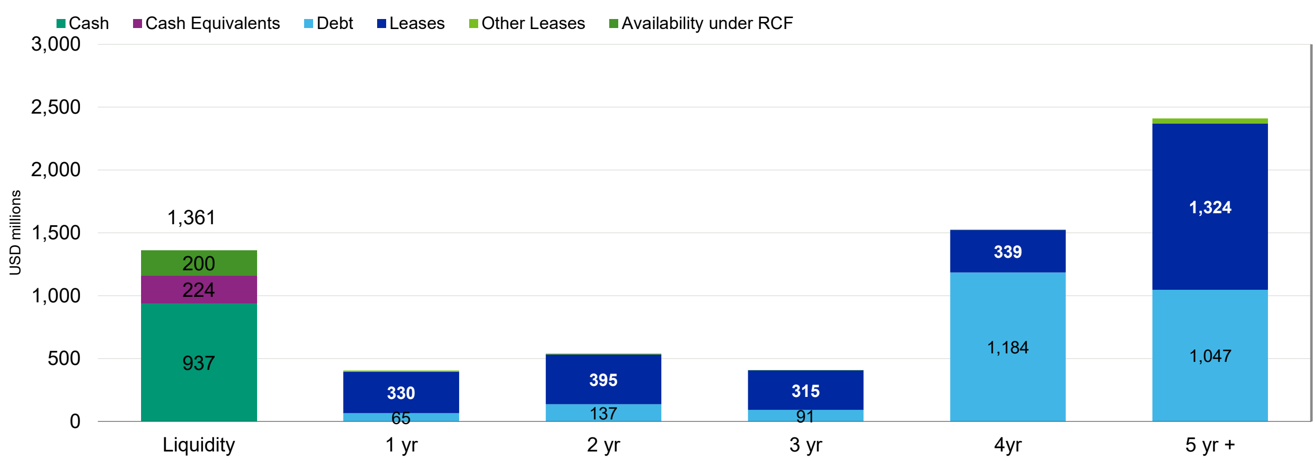
The Board of Directors is composed of 12 members, with diverse professional backgrounds and expertise. The company follows best practices in corporate governance, including the establishment of various committees such as the Audit Committee, the Nominations and Corporate Governance Committee, and the Compensation and Human Resources Committee and the Safety Committee. Avianca has a robust compliance program that includes a Code of Ethics, anti-corruption policies, and mechanisms for reporting and addressing ethical concerns. The company also emphasizes the importance of transparency and accountability in its operations. Avianca remains committed to a conservative capital structure and transparent financial policies, prioritizing deleveraging. Avianca's 2028 senior secured notes include a minimum cash requirement at $400 million which the company has largely surpassed since emerging from Chapter 11 in 2021.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Avianca's liquidity is good. As of June 2025, cash in hand and equivalents was close to $1.2 billion. We expect adjusted cash from operations of more than $1 billion annually and free cash flow to remain positive through 2027. Avianca's liquidity also benefits from a comfortable debt maturity profile, with the bulk of its debt maturing in 2028 or later (see Exhibit 7). In early 2025, Avianca completed a refinancing plan that included the exchange of its tranche A-1 senior secured notes due 2028, and the issuance of new senior secured global notes, with proceeds to be used to repay $584 million under tranche A-2 of the senior secured notes, also due 2028, and LifeMiles' $365 million senior secured first-lien term loan. The transaction was debt neutral but it allowed Avianca to streamline its capital structure and to improve its financial flexibility by the elimination of certain restrictive covenants, the amendment of certain events of default and the release of liens on certain assets constituting collateral. External sources of liquidity include a $200 million revolver credit facility (RCF) that is fully available and that we expect to be largely undrawn until maturity in 2027. Improvements in Avianca's capital structure and sound availability under internal and external sources along with solid operating performance since 2021, underpin its strong liquidity position.

Exhibit 7
Avianca's strong liquidity is supported by a comfortable maturity profile
As of June 2025



Leases represent aircraft and engines lease liabilities.
Source: Company filings

Structural considerations

Avianca's outstanding notes are secured by its 100% stake in LifeMiles, a pledge of the cargo business, a first-lien pledge on brand intellectual property and a first-lien pledge on certain Colombian peso-denominated credit card receivables. Bondholders of the $1.1 billion senior secured notes due 2028 and bondholders of the $1.0 billion 2030 senior secured notes 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. Newly performed appraisals estimate the collateral value at $6.3 billion, well above the $3.0 billion at the time of emergence from bankruptcy. 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 positive operating performance since emergence.

Methodology and scorecard

Exhibit 8 shows Avianca's scorecard-indicated outcome using our Passenger Airlines rating methodology, with data for the 12 months that ended June 30, 2025, and on a forward-looking basis. The assigned rating is one notch lower than the scorecard-indicated outcome, primarily due to execution risks stemming from ongoing macroeconomic volatility and heightened competitive pressures.

Exhibit 8
Rating factors
Avianca Group International Limited

Passenger Airlines Scorecard	Current LTM June 30 2025		12-18 Month Forward View As of Oct 2025	
	Measure	**Score**	**Measure**	**Score**
Factor 1: Scale (10%)				
a) Revenue (USD Billion)	5.6	B	5.8 - 6.1	B
Factor 2: Business Profile (25%)				
a) Market Position	Ba	Ba	Ba	Ba
Factor 3: Profitability And Efficiency (10%)				
a) EBIT Margin	13.9%	Ba	12.0% - 13.0%	Ba
Factor 4: Leverage And Coverage (40%)				
a) Debt / EBITDA	3.7x	Ba	3.0x - 3.5x	Ba
b) (FFO + Interest Expense) / Interest Expense	2.2x	B	2.5x - 3.0x	B
c) RCF / Net Debt	17.0%	B	20.0% - 25.0%	Ba
Factor 5: Financial Policy (15%)				
a) Financial Policy	Ba	Ba	Ba	Ba
Rating:				
a) Scorecard-Indicated Outcome		Ba3		Ba3
b) Actual Rating Assigned				B1

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology.
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Sources: Moody's Financial Metrics™ and Moody's Ratings forecasts

Ratings

Exhibit 9

Category	Moody's Rating
AVIANCA GROUP INTERNATIONAL LIMITED	
Outlook	Stable
Corporate Family Rating	B1
PARENT: ABRA GROUP LIMITED	
Outlook	Stable
Corporate Family Rating	Caa1
AVIANCA MIDCO 2 PLC	
Outlook	Stable
Bkd Senior Secured	B1

Source: Moody's Ratings

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