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

23 Jun 2026

New York, June 23, 2026 -- Moody's Ratings (Moody's) has assigned a B1 rating to the proposed backed senior secured global notes of benchmark size 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 is consistent with Avianca's liability management strategy. Proceeds will be used to fully redeem its 9.000% Senior Secured Notes due 2028 and its Tranche A-1 Senior Notes due 2028, with any remaining funds allocated to general corporate purposes, including the repayment of additional outstanding debt. This move will mitigate refinancing risk by extending maturities, hence improving its debt profile and will be largely debt neutral. Following the refinancing, Avianca's notes will share terms aligned with its existing 2030 Notes, resulting in consistency across its 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 assumes 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 $6.8 billion, well above the $2.2 billion secured debt as of March 31, 2026. 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 continued operational and financial improvements, robust liquidity, and successful execution of its business strategy, alongside a supportive operating environment in the broader airline sector, particularly in its core markets: Colombia (Government of Colombia, Baa3 stable), Ecuador (Government of Ecuador, Caa1 stable), El Salvador (Government of El Salvador, B3 positive), Costa Rica (Government of Costa Rica, Ba2 stable), and Guatemala (Government of Guatemala, Ba1 stable). The rating also reflects Avianca's leading position in the Latin American passenger airline industry and its favorable cost structure. Conversely, the rating is constrained by competitive pressures that, despite current market rationality, could intensify and strain airfares, as well as the inherent volatility of the airline industry and macroeconomic risks in key Latin American markets.

Since emerging from bankruptcy, Avianca has executed its business plan effectively. For the 12 months ended March 31, Moody's-adjusted EBITDA was $1.5 billion with a 25% margin, maintaining leverage at 3.6x since 2025. Since 2025, when the company operated a full year with expanded capacity, load factor has remained at around 83%. Combined with a competitive cost structure from fleet modernization and cost controls, Avianca should sustain strong profitability, despite recent increased fuel price pressures. 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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Sandra Beltran
Vice President - Senior Analyst

Marcos Schmidt
Associate Managing Director

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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