

MOODY'S

RATINGS

Rating Action: **Moody's Ratings upgrades Avianca's rating to B1; stable outlook**

Global Credit Research - 10 Oct 2025

New York, October 09, 2025 -- Moody's Ratings (Moody's) has upgraded the corporate family rating (CFR) of Avianca Group International Limited ("Avianca") to B1 from B2. At the same time, we upgraded Avianca MidCo 2 PLC's backed Senior Secured ratings to B1 from B2. The upgrade reflects Avianca's 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. We also changed the outlook to stable from positive for both issuers.

RATINGS RATIONALE

The upgrade to B1 recognizes Avianca's strong operating performance since 2021, significant deleveraging, and prudent capital allocation. 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. The company's disciplined approach to cost management has supported EBITDAR margin expansion and reinforced business resilience.

The upgrade also considers the positive environment in Colombia, Avianca's key domestic market, and in the overall airline sector. Despite some deceleration in private consumption, Colombia's labor market remains tight, supporting household income growth and consumer sentiment. 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. In the region, 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.

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 2025, the airline launched ten new international routes and announced three more for the second half of the year, expanding its network to 175 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 remains the #1 non-US carrier at JFK and Miami by frequency and holds a leading seat share in South America's largest airports. The company's business class rollout and LifeMiles loyalty program expansion are driving premium revenue and customer loyalty. Avianca Cargo, the second largest cargo carrier in Latin America, continues to grow, with more than 60 destinations in over 30 countries.

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 expected 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 RATINGS

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

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

The principal methodology used in these ratings was Passenger Airlines published in August 2024 and available at <https://ratings.moody.com/rmc-documents/426534>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

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