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Wizz Air downgraded on GTF issues

Laura Mueller

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Wizz Air’s long-term corporate family rating (CFR) has been downgraded to Ba2 from Ba1 by Moody's Ratings due to ongoing engine issues that are inflating costs and limiting growth plans for the carrier.

The rating agency also downgraded Wizz Air's probability of default rating to Ba2-PD from Ba1-PD and Wizz Air Finance Company BV's backed senior unsecured notes as well as the backed senior unsecured medium term note programme ratings to Ba2 from Ba1 and to (P)Ba2 from (P)Ba1, respectively.

The outlook on both entities remains negative.

"Today's rating action reflects the company's ongoing weak point-in-time credit metrics with a slower than expected recovery driven by the high level of groundings from the GTF engine issue that lead to higher costs beyond the agreed compensation levels," said Dirk Goedde, a Moody's Ratings vice president – senior analyst and lead analyst of Wizz Air. "The grounding of aircraft has significantly hindered Wizz Air's growth plans, which are essential for improving profitability. The airline relies on growth to offset rising operating and inflation-related costs, but this strategy is undermined by its inability to fully utilise its fleet."

Ratings

Wizz Air's financial performance in its fiscal year 2025 was “weaker than expected” and its financial metrics remained outside of the Ba1 rating category.

Despite Wizz Air growing its total fleet, the full-year effect of the groundings from the GTF engine issue has reduced the planned expansion of its operating fleet so that the company's capacity as measured by available seat kilometres (ASK) was flat in fiscal 2025.

While an improvement in load factor by one percentage point (pp) to 91.2% and increase in yields catered for 4% revenue growth, Moody’s noted that structural cost increases did impact Wizz’s profitability with adjusted EBIT-margin declining to 2.8% from 5.8%.

These increases included higher staff and network related costs but also higher indirect costs from the groundings such as higher maintenance costs as well as higher depreciation of the growing fleet albeit around 20% was not operational.

“While we believe that the company can return to its previous growth pattern from new deliveries and the grounded part of its fleet being gradually reduced, credit metrics will remain subdued in the next 12-18 months,” it added.

Based on the recent delivery schedule and under the assumption that the company will further improve load factors against slightly lower yields to stimulate demand while RASK (revenue per average seat kilometer) continues to grow, Moody’s forecasts revenue growth of 12% and 10% in fiscal years 2026 and 2027, respectively.

Although it believes that the recently lower fuel prices will support a margin recovery, cost increases for staff and network will persist leading to an increase in its Moody's adjusted EBIT-margin towards 5% in 2026 with some upside thereafter.

This increase leads to an improvement in Wizz Air's Moody's adjusted debt/EBITDA towards 5x and 4.8x in 2026 and 2027 respectively, from 5.9x in fiscal year 2025. Considering the ongoing fleet expansion, the ratings expects ongoing negative Moody's-adjusted free cash flow generation, which will be compensated for by cash gains from sale-and-leaseback transactions (depending on the company's financing decisions) and contracted PDP refunds – both of which are excluded from Moody's adjusted free cash flow.

Cost base

Wizz Air's rating remains supported by the company's “superior” cost base, its efficient fleet and focus on the growing CEE aviation market. The company's expansionary strategy remains unchanged and will benefit from these supportive factors, although it will require some time for new routes to become profitable and we cannot rule out a margin of error as Wizz Air executes this growth strategy.

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Wizz Air's rating is also supported by the company's strong liquidity profile. The company had around €1.7 billion available cash and cash equivalents on balance sheet as per end of March 2025 or 32% of fiscal year 2025 revenue.

Wizz Air faces debt maturities of €500 million backed senior unsecured notes in January 2026, issued by Wizz Air Finance Company BV and €272 million ETS repurchase obligation due in March 2026, with the latter being expected to be rolled over at maturity.

The negative outlook reflects credit metrics outside of the requirement for a Ba2 rating (e.g. Debt/EBITDA below 5x) and risks around a recovery and successful adoption of the expansion given the volatility in the industry.

Moody’s may stabilise the outlook if Wizz Air credit metrics move in line with its base case and absent any external negative effects.

Wizz Air Finance Company BV's backed senior unsecured notes are rated Ba2, at the same level of Wizz Air's CFR, in line with Moody’s loss given default for speculative-grade companies methodology published in December 2015.

This reflects the fact that the majority of the financial debt of Wizz Air is senior unsecured and issued by a finance subsidiary backed by the parent company of Wizz Air.

However, the notes are structurally subordinated to the secured ETS financing as well as opco-liabilities such as lease liabilities given the lack of guarantees.

Any further unsecured debt issuance may therefore create negative pressure on the instrument ratings, it concluded.

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