

Research Update:

Ratings On China Airlines Affirmed At 'twBBB+/twA-2'; Outlook Remains Negative

October 29, 2020

Rating Action Overview

Taiwan Ratings Corp. today affirmed its 'twBBB+' long-term and 'twA-2' short-term issuer credit ratings on **China Airlines Ltd.** (CAL). The ratings reflect China Airlines' leading position in Taiwan's aviation market, good network coverage in Asia Pacific, the airline's improving efficiency with a more fuel-efficient fleet, as well as its cargo fleet to help the carrier to aviate the current COVID-19 pandemic. These strengths are tempered by intense competition, high industry risk associated with high demand cyclicality and a volatile fuel price, and the company's high debt leverage.

The outlook on the long-term rating remains negative. This reflects our view that the downside risk remains high for CAL's operating performance over the next year, given the current difficult environment. This is despite our expectation that CAL's stronger cargo performance than its peers' could help the carrier to weather the likely prolonged impact from slow and weak recovery in passenger traffic in 2020 and 2021, thus reducing the detrimental impact on the company's credit metrics to a lesser extent.

Related Criteria & Research

Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions - March 25, 2015
- General Criteria: Group Rating Methodology - July 01, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments - April 01, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria | Corporates | General: Corporate Methodology - November 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities - November 13, 2012
- General Criteria: Principles Of Credit Ratings - February 16, 2011

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Related Research

– Taiwan Ratings' Ratings Definitions – August 10, 2020

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Ratings Affirmed

China Airlines Ltd.

Issuer Credit Rating	twBBB+/Negative/twA-2
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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

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