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RATING ACTION COMMENTARY

Fitch Downgrades Vestel and Debt to 'C' on Missed Coupon Payment

Tue 17 Nov, 2026 - 12:34 PM ET

Fitch Ratings - Dubai - 17 Nov 2026: Fitch Ratings has downgraded Vestel Elektronik Sanayi ve Ticaret A.S.'s (Vestel) Long-Term Foreign- and Local- Currency Issuer Default Ratings (IDRs) to 'C' from 'CCC-'. Fitch has also downgraded the senior unsecured notes to 'C' with a Recovery Rating of 'RR6', from 'CC' and 'RR5', respectively. All ratings have been removed from Rating Watch Negative (RWN).

The downgrade reflects Vestel's missed coupon payment on the notes, which fell due on 15 November 2026 under their original terms. Fitch assesses the notes against their original contractual terms and views Vestel as having entered the 30-day grace period. Fitch will consider failure to pay the interest within the original 30-day grace period as an event of default and likely downgrade the IDR to 'Restricted Default' (RD).

Noteholders approved a restructuring of the notes on 11 November 2026, which Fitch views as a distressed debt exchange (DDE). If the restructuring is finalized, it will also lead to a downgrade to 'RD' before we re-rate Vestel following the execution of the exchange, based on the final capital structure, liquidity and business prospects.

KEY RATING DRIVERS

Missed Coupon Payment: Vestel did not pay the coupon due on 15 November 2026 on its USD500 million 9.75% senior unsecured notes due 2029. An extraordinary resolution passed on 11 November 2026 has postponed the payment to the earlier of the debt restructuring's settlement date and 31 January 2027. Fitch assesses the notes against their original contractual terms, so it treats the non-payment as a missed coupon payment. Vestel has entered the 30-day grace period, consistent with a 'C' IDR, in line with Fitch's rating definition.

Restricted Default is likely to Follow: Fitch will likely downgrade the IDR to 'RD' on the execution of the exchange, or earlier if Vestel does not pay the coupon within the grace

period. Settlement may fall after the grace period expires. Where an issuer is already at 'RD' for an uncured payment default, Fitch does not treat the subsequent exchange as a concurrent default. The exchange instead cures the default. Fitch will re-rate Vestel once the new capital structure is in place.

Consents Secured, CMB Approval Pending: Noteholders passed the extraordinary resolution on 11 November 2026, with more than the 75% required threshold. The coupon postponement and the standstill extension took immediate effect, but the rest of the debt restructuring will complete only on the settlement date. This requires regulatory approval from Türkiye's Capital Markets Board, which remains pending and has a long stop date of 31 January 2027.

Material Reduction in Terms: Fitch views both options in Vestel's Stage 2 exchange offer, launched on 20 October 2026, as a material reduction in terms to its USD500 million 9.75% notes due 2029. Both cut the coupon, extend maturity and allow Vestel to capitalize interest up to 15 November 2028. Option A reinstates principal at USD1,048 per USD1,000, including the postponed November 2026 coupon, pays 4% interest and matures in 2035. Option B writes off 45% of principal and pays 6% interest to 2032. The offer also allows Vestel to avoid an eventual probable default, having reported negative EBITDA since 2025.

Structural, Not Cyclical, Pressures: Fitch views the pressures on Vestel as largely structural. Chinese manufacturers have built a permanent presence in Europe, taking share in household appliances and driving intense price competition in consumer electronics. The Turkish cost base has also risen structurally, as labor and input inflation outpaced lira depreciation. Management shares this view and has built its turnaround plan for a structurally changed market, rather than a return to past conditions. Exports generated about 50% of revenue in 9M26, exposing Vestel to weak European demand.

Significant Execution Risks: Fitch views execution risk as material. A return to Vestel's historical mid-to-high single-digit EBITDA margins depends on normalizing competitive and demand conditions and relief in labor and FX-linked input costs, much of which is outside the company's control. Vestel has begun a four-pillar plan covering portfolio optimization, operational efficiency, working-capital discipline and capital allocation, alongside a shift from volume to value.

Heavily Leveraged Capital Structure: Fitch considers Vestel's capital structure to be highly leveraged; leverage is not meaningful since 2025 due to negative EBITDA. Vestel has proposed extending its Turkish bank facilities to a 2041 final maturity, beyond both note options, and the bank consortium has granted a standstill on interest and amortization and provided fresh liquidity. Implementation has required additional debt

and asset security, with the USD900 million basket approved by noteholders in September 2026 utilized or earmarked. Short-term debt was 55% of total financial debt at end-September 2026, up from 48% at end-2025.

Asset Sales Support Deleveraging: Vestel is also pursuing the sale of encumbered assets of up to USD400 million, with proceeds expected to repay bank debt and deleverage the balance sheet. It has announced the sale of its 23% TOGG stake to Türkiye Wealth Fund for EUR184 million, almost half of the disposal program. At least 90% of proceeds must repay due bank loans within 30 days of receipt. Fitch sees the TOGG disposal as a one-off reduction of about 8% of gross reported debt as of September 2026, if fully executed.

PEER ANALYSIS

Vestel's closest peer is Turkish-based Arcelik A.S. (B/Negative), which focuses on more profitable white goods and has broader geographic diversification in its production base than Vestel. Vestel's business profile compares well with that of Artel Electronics LLC (B/Negative), with broader diversification and larger scale.

Vestel's financial profile is materially weaker than all other Fitch-rated diversified manufacturing peers, due to EBITDA leverage that has been non-meaningful since 2025 and remains a significant outlier among peers. This gap is reflected in the multi-notch difference in their ratings. Vestel's ongoing free cash flow (FCF) burn drives tight liquidity and contributes to its weak financial flexibility.

FITCH'S KEY RATING-CASE ASSUMPTIONS

-Debt restructuring transaction to be completed

-Revenue in lira to decrease 35% for 2026, before increasing on average 40% for 2027-2029, on volume/value recovery

-Capex at an average of 3.5% of revenue until 2029

-FCF margin to turn positive by 2029, on recovering EBITDA, driven by cost savings and a better product mix

-No dividends or M&A

CORPORATE RATING TOOL INPUTS AND SCORES

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

Business and financial profile factors (assessment, relative importance): management ('b', Moderate), sector characteristics ('bb', Lower), market and competitive positioning ('b+', Moderate), diversification and asset quality ('bb-', Lower), company operational characteristics ('bb-', Moderate), profitability ('b-', Moderate), financial structure ('ccc-', Higher), and financial flexibility ('ccc', Higher).

The quantitative financial subfactors are based on custom CRT financial period parameters: 40% weight for the forecast year 2027, 40% for the forecast year 2028 and 20% for the forecast year 2029.

B+ to CC considerations apply in our analysis and have no impact.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bb+' has no impact.

The other risk elements adjustment applies and results in an adjustment of -3 notches.

The SCP is 'c'.

To derive the Long-Term IDR:

Application of Fitch's Parent and Subsidiary Linkage Rating Criteria results in a standalone approach.

RECOVERY ANALYSIS

Our recovery analysis of the current debt structure does not reflect the post-restructuring capital structure because of insufficient detail. We assume that Vestel would be reorganized as a going-concern (GC) in the event of bankruptcy rather than liquidated, in line with our criteria.

We use an administrative claim of 10%, in line with the industry median and peer group.

We translated our recovery estimates into US dollars from lira (using the exchange rate as at 30 September 2026) as its USD500 million bond was issued in dollars.

We assume a GC EBITDA of USD240 million, unchanged from our previous assessment. This reflects our expectation of EBITDA after restructuring as Vestel recovers.

We apply a multiple of 4.5x to the GC EBITDA to calculate an enterprise value after reorganization, given Vestel's strong market position in Türkiye and flexible cost

structure. However, this multiple is constrained by industry dynamics (including Turkish regulations), lack of geographical diversification (particularly in Asia and North America), lack of pricing power and the strength of competitors within the market.

The waterfall analysis is based on a capital structure as of 30 September 2026, which consists of factoring, senior unsecured USD500 million Eurobond at a fixed coupon of 9.75% and bank credit facilities. Debt issued by subsidiary Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. ranks structurally senior to remaining debt instruments.

In our assumptions, we do not expect factoring to remain available during bankruptcy, which remains unchanged from our previous assessment, and we therefore deduct it from the enterprise value (we understand from management that factoring remains available to Vestel during the current negotiations).

These assumptions result in recovery for the senior unsecured instrument within the 'RR6' Recovery Rating category under the current debt structure, leading to a 'C' notes' rating, equal with the IDR.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--The IDR would be downgraded to 'RD' after the expiry of the original grace period, which is 30 days from the missed coupon payment, or completion of a debt restructuring viewed as a DDE, before being subsequently re-rated under an amended capital structure.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--We do not expect to take positive rating action at least until after the IDR is downgraded to 'RD' with the DDE completed and the amended capital structure re-rated.

LIQUIDITY AND DEBT STRUCTURE

Vestel remains reliant on bank debt and factoring in meeting its financing needs, which we expect to become longer-term after restructuring. Its liquidity profile is constrained by negative FCF and increasing reliance on additional debt to bridge ongoing liquidity shortfalls and to support its ability to continue as a going concern. This includes USD900 million additional debt capacity under the consent agreed with lenders in October 2026, which has already been used.

The proposed transaction extends Vestel's maturity profile but is insufficient to alleviate refinancing risk, given increasing uncertainty around the company's ability to recover.

ISSUER PROFILE

Vestel specializes in the manufacturing and sales of electronics, major household appliances, digital and e-mobility solutions in Türkiye.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

CLIMATE VULNERABILITY SIGNALS

The results of our Climate.VS screener did not indicate an elevated risk for Vestel.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/environmental-social-and-governance-considerations.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	RECOVERY	PRIOR

Vestel Elektronik Sanayi Ve Ticaret A.S.	LT IDR	C	Downgrade		CCC- Rating Watch Negative
	LC LT IDR	C	Downgrade		CCC- Rating Watch Negative
senior unsecured	LT	C	Downgrade	RR6	CC Rating Watch Negative

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

Country Ceiling Criteria (pub. 24 Jul 2023)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub. 02 Aug 2024) (including rating assumption sensitivity)

Parent and Subsidiary Linkage Rating Criteria (pub. 27 Jun 2025)

Corporate Rating Criteria (pub. 09 Jan 2026) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 09 Jan 2026)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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Vestel Elektronik Sanayi Ve Ticaret A.S.	UK Issued, EU Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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