FitchRatings

RATING ACTION COMMENTARY

Fitch Downgrades Vestel to 'CCC+'

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Fitch Ratings - Dubai - 18 Dec 2025: Fitch Ratings has downgraded Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi's Long-Term Issuer Default Rating (IDR) and Long-Term Local-Currency IDR to 'CCC+' from 'B-'. Fitch has also downgraded Vestel's senior unsecured notes to 'CCC' from 'B-'. The Recovery Rating has been revised to 'RR5' from 'RR4'. A full list of rating actions is below.

The downgrade reflects ongoing operational underperformance versus expectations, limited EBITDA generation with delayed and slower market recovery expectation, significant refinancing risk, an excessive debt structure given high leverage and persistent negative free cash flow (FCF). Absent clear evidence of a near-term recovery in demand and margins, we expect Vestel to struggle to continue to refinance its debt and recover its business model.

KEY RATING DRIVERS

Weak Market Demand and Pricing: Vestel's market conditions remained weak in 9M25. Total revenue declined by 19% year on year in Turkish lira terms in 9M25, while the decline in US dollar terms was about 8% according to Vestel. Vestel's sales contracted in 9M25 due to weaker end-market demand and intensified competition in key export regions. TV unit sales fell on soft consumer demand, while white goods volumes declined due to tougher pricing against low-cost Chinese exporters, pressuring average selling prices and limiting cost pass-through.

Profitability Erosion Despite Actions: Vestel launched additional cost and efficiency actions in mid-2025 to offset weak market conditions. However, these measures and seasonality yielded only a modest sequential margin uplift, with management reported EBITDA margins of 2.3% in 3Q25 versus -1.5% in 2Q25.

Red Sea disruptions raised transportation times and costs and real lira appreciation increased euro-based labour costs, weighing further on margins. We forecast the EBITDA margin at around 1% for 2025, significantly lower than our prior 2025 forecast of 7%, recovering gradually toward 8% by 2028 on easing inflation, improved pricing and some demand normalisation, but execution risks remain high given competitive dynamics and macro uncertainty.

FCF Remains Deeply Negative: Fitch expects FCF to remain negative despite working-capital inflows. We forecast continued negative FCF until 2028 (with negative FCF margin around 7% for 2025), due to a limited recovery in EBITDA and borrowings at high local interest rates. These factors reduce EBITDA interest coverage, which we forecast to average about 0.8x during 2025-2028, versus our previous estimate of about 1.0x.

High Refinancing Risk: Persistent negative FCF reduces financial flexibility and increases reliance on short-term funding and rollovers. Vestel's capital structure sustainability depends on operational recovery, but we expect leverage to stay excessive at above 10x at YE26. Uncommitted Turkish bank facilities remain available and have been supportive, and Vestel has recently reduced its share of short-term debt and converted some TRY loans into FX loans. However, greater dependence on these lines increases vulnerability to market conditions and bank risk appetite.

PEER ANALYSIS

Vestel's closest peer is Turkish-based Arçelik A.Ş. (B+/Negative), which focuses on more profitable white goods and has broader geographic diversification in its production base than Vestel. Vestel's leverage is higher, and its financial flexibility is weaker due to lower interest coverage and a wider FCF margin deficit. This gap is reflected in the multi-notch difference in their ratings. Vestel's business profile compares well with Artel Electronics LLC (B/Negative) with broader diversification and relatively larger scale. This is offset by Vestel's financial profile, which is considerably weaker than Artel's across profitability, FCF margin, EBITDA leverage and interest coverage, resulting in their two-notch rating difference.

FITCH’S KEY RATING-CASE ASSUMPTIONS

- Revenue in Turkish lira to increase on average 9% annually for 2025-2028

- Fitch-calculated EBITDA margin around 1% for 2025, and to increase to around 8% by 2028, reflecting some volume recovery, product mix and pricing actions

- Capex in line with management forecasts to 2026 and thereafter steady as a share of revenues

- FCF margin to remain negative until 2028, reflecting a slow recovery in EBITDA margins and high interest expenses and broadly neutral working capital after 2025

- Continued successful refinancing of upcoming short-term maturities

- No dividends distribution or M&A

RECOVERY ANALYSIS

- We assumed that Vestel would be reorganised as a going-concern in bankruptcy rather than liquidated.

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

- We translated our recovery estimates into US dollars from Turkish lira (using the exchange rate at 30 September 2025) as its USD500 million bond was issued in dollars.

- We assume a going-concern EBITDA of USD240 million, down from the USD255 million under Fitch's previous assessment. This reduction reflects our expectation of a structural decline in post-reorganisation EBITDA due to Vestel's changing competitive landscape in its core markets. This assumption will reflect our view on the company's recovery path.

- We applied a multiple of 4.5x to the GC EBITDA to calculate a post-reorganisation enterprise value, given Vestel's strong market position in Turkiye 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 capital structure as of 30 September 2025, which consists of factoring, senior unsecured USD500 million Eurobond at a fixed coupon of 9.75% and bank credit facilities. Debt issued by Vestel's subsidiary Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. ranks structurally senior to remaining debt instruments.

- We do not expect factoring to remain available during bankruptcy following a more conservative approach than the previous assessment, and therefore deduct it from the enterprise value.

- These assumptions result in recovery for the senior unsecured instrument within the 'RR5' Recovery Rating category, leading to a 'CCC' notes' rating, one notch below the IDR.

RATING SENSITIVITIES

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

-- Continued business profile deterioration through market share loss, leading to lower EBITDA generation and lack of deleveraging trajectory

-- Reduced ability to refinance in the local banking market and widening negative FCF

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

-- Business recovery with stronger pricing power supporting higher revenue and EBITDA generation and the ratios below

-- Neutral FCF margins and improved liquidity position

-- EBITDA leverage sustained below 6.5x

-- EBITDA interest coverage consistently above 1.0x

LIQUIDITY AND DEBT STRUCTURE

Vestel remains dependent on short-term bank debt facilities and factoring to meet its financing needs. The practice of continuously rolling over these uncommitted bank lines is typical in the Turkish corporate market and limits our liquidity assessment of Vestel.

Long-term notes represented around 34% of Vestel's debt at end-9M25, with short-term bank loans and domestic bonds making up the balance (Vestel has recently reduced the share of short-term debt). Reliance on rolling over short-term debt is likely to persist, given our forecast of a slower recovery in EBITDA margins and continued negative FCF.

ISSUER PROFILE

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

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.

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/topics/esg/products#esg-relevance-scores .

RATING ACTIONS

ENTITY / DEBT	RATING			RECOVERY	PRIOR
Vestel Elektronik Sanayi Ve Ticaret A.S.	LT IDR	CCC+	Downgrade		B- Rating Outlook Negative
	LC LT IDR	CCC+	Downgrade		B- Rating Outlook Negative
senior unsecured	LT	CCC	Downgrade	RR5	B-

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. 27 Jun 2025) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 27 Jun 2025)

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

ENDORSEMENT STATUS

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

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