

MOODY'S

RATINGS

Rating Action: Moody's Ratings downgrades Vestel to Caa2; outlook negative

21 Apr 2026

Paris, April 21, 2026 -- Moody's Ratings (Moody's) has today downgraded the long term corporate family rating (CFR) of Vestel Elektronik Sanayi Ve Ticaret A.S. (Vestel or the company) to Caa2 from Caa1 and the probability of default rating (PDR) to Caa2-PD from Caa1-PD. We have also downgraded to Caa2 from Caa1 the instrument rating on the \$500 million guaranteed senior unsecured notes due 2029 issued by Vestel. The outlook remains negative.

RATINGS RATIONALE

Today's rating action reflects our view that Vestel's capital structure is unsustainable and its liquidity position weak, materially increasing the risk of a debt restructuring. Free cash flow has remained negative for the past five years, necessitating ongoing external funding, while the company's bond documentation significantly constrains its ability to incur additional debt. We estimate that Vestel will require around TRY30 billion (\$670 million) of additional funding until the end of 2027 to cover continued free cash flow shortfalls, exceeding the approximately \$250 million of remaining capacity available under existing debt incurrence baskets.

We view the unsustainable capital structure, weak liquidity and increased likelihood of default as governance risks. Because of the increase in these risks, we changed Vestel's governance issuer profile score to G-5 from G-4 and credit impact score to CIS-5 from CIS-4.

Operating performance continued to deteriorate in 2025 and we see limited prospects for a material recovery over the next one to two years. Sales declined by 26% year on year in TRY terms, while Moody's adjusted EBITDA turned negative at TRY 5.8 billion (\$146 million), compared with positive TRY 4.7 billion (\$143 million) in the prior year. Performance worsened sharply in the fourth quarter, with sales down 47% year on year.

Operational weakness was broad based across all segments, including TVs and domestic appliances, and across both Turkiye and Europe. Competitive pressure from Chinese manufacturers in Europe remains the primary driver and has increasingly affected the Turkish market, as similarly challenged domestic peers have redirected volumes to the local market, intensifying pricing pressure. This has been compounded by rising input costs, driven by labor cost inflation and higher shipping expenses following disruptions in the Red Sea. In 2026, we expect geopolitical conflict in the Middle East to add further pressure on input costs and supply chains.

Vestel has taken significant actions to reduce costs and preserve liquidity, including a 35% workforce reduction and operational efficiency measures. In addition, the company generated a sizeable working capital inflow of around \$730 million in 2025 by shifting parts of its supply chain from Turkiye to Asia, benefiting from materially longer supplier payment terms. However, while efficiency measures provide some ongoing relief, the working capital release was largely a one off measure and we do not expect it will be repeatable. Moreover, the relocation of supply chains and aggressive cost discipline risk further weakening Vestel's competitive position over time, potentially undermining its business profile and margins.

Vestel's Caa2 CFR continues to reflect (1) the company's still meaningful, though deteriorating, market presence in televisions and household appliances in Turkiye and Europe; (2) a diversified business model across own brands, licensed brands and original design manufacturing (ODM), which provides some diversification by customer and product; and (3) exposure to mobility electronics and energy storage, which could benefit from longer term growth in electric vehicles and renewable energy, although these activities remain relatively small and are insufficient to offset pressure in the core appliance business.

The rating also reflects (1) Vestel's unsustainable capital structure and weak liquidity, which elevate the risk of a debt restructuring; (2) a sustained track record of negative free cash flow over the past five years and our expectation that free cash flow will remain negative for at least the next two to three years; (3) a weakened competitive position across its core products and markets amid intensified competition from Chinese manufacturers and other Turkish producers; and (4) exposure to a structurally declining global TV market, compounded by volatile input costs.

NEGATIVE OUTLOOK

The negative outlook reflects Vestel's weak liquidity position, driven by our expectation of continued negative free cash flow over the next 12–18 months and the resulting need for additional funding, which will be constrained by restrictions on debt incurrence under the company's bond documentation. Operating prospects have also weakened amid higher energy and plastics costs and lower consumer demand in both Türkiye and Europe following geopolitical conflict in the Middle East.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Given the negative outlook, an upgrade is unlikely in the near term. We would consider revising the outlook to stable if Vestel materially improves its operating performance, is on a path to sustainable positive free cash flow, and stabilizes its debt position. An upgrade would likely require a significant strengthening of liquidity, including reduced reliance on short term debt and/or substantial recovery of long term receivables from related parties.

We could downgrade the rating if the company defaults on its debt, or proceeds with a debt restructuring that leads to creditor recoveries falling short of current rating level expectations, or if it undertakes bond buybacks which we may deem as distressed exchanges.

The principal methodology used in these ratings was Consumer Durables published in December 2025 and available at <https://ratings.moodys.com/rmc-documents/456266>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.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.

The local market analyst for this rating is Lisa Jaeger, +971 (423) 796-59.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

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