MOODY'S
RATINGS

Rating Action: Moody's Ratings downgrades Vestel to Caa3; outlook negative

13 Jul 2026

Paris, July 13, 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 Caa3 from Caa2 and has appended a limited default (LD) designation to the probability of default rating (PDR), downgrading and revising it to Caa3-PD/LD from Caa2-PD. The LD component will be removed after three business days. We have also downgraded to Caa3 from Caa2 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 Vestel's entry into restructuring negotiations with its Turkish banking lenders under Provisional Article 32 of Banking Law No. 5411, which provides an established framework for out-of-court financial restructurings in Turkiye. The company has entered into an initial three-month standstill with Turkish banks that account for the vast majoirty of its financial debt. During the standstill period, scheduled principal and interest payments will be deferred and accrued while the parties negotiate a restructuring agreement. Vestel has indicated that it is seeking maturity extensions. However, we believe that restoring a sustainable capital structure is likely to require a more comprehensive restructuring, including a material reduction in debt obligations and meaningful operational restructuring initiatives. Even if such measures are implemented successfully, we expect there will remain uncertainty regarding the company's ability to return to a viable and sustainable operating model, despite the company's stated focus on improvements through cost and supply chain optimization.

We consider the commencement of the standstill to be a distressed exchange under our definition of default because it allows Vestel to avoid a likely payment default and results in lenders accepting less value than originally promised by converting cash-pay obligations into claims with deferred and accrued payments. Consequently, we have appended a limited default (LD) designation to the company's PDR. The default is considered limited because it applies only to debt held by participating Turkish banks and excludes the company's $500 million international bond, Turkish lira-denominated bonds and certain other obligations.

Although the $500 million bond is currently outside the standstill arrangement we believe the company's ability to meet the next interest payment of approximately $25 million due in November 2026 remains uncertain.

Vestel's operating performance continued to deteriorate during the first quarter of 2026. While hyper-inflation accounting makes it difficult to compare results on a quarterly basis, the company reported a 49% decline in revenue against the same period a year earlier and we expect EBITDA and free cash flow have continued to weaken further from negative TRY5.8 billion Moody's-adjusted EBITDA and TRY13.9 billion Moody's-adjusted free cash outflow in 2025. Even if creditors agree to material debt reductions, it could take the company several years to return to positive EBITDA generation, and we expect profitability to remain materially below historical levels.

Vestel's Caa3 CFR continues to reflect (1) the company's historically meaningful, but more recently weakened, market position in televisions and household appliances in Turkiye and Europe; (2) a diversified business model spanning own brands, licensed brands and original design manufacturing (ODM), which provides some diversification across customers and products; 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 weakness in the core appliance business.

The rating also reflects (1) Vestel's unsustainable capital structure and weak liquidity, which have resulted in the company entering negotiations to restructure its debt; (2) uncertainty regarding the viability of the company's operating model even under a materially reduced debt burden, as evidenced by five consecutive years of negative free cash flow and our expectation that free cash flow will remain negative over at least the next two to three years; (3) a weakened competitive position across its core products and markets amid intensifying competition from Chinese manufacturers and other Turkish producers; and (4) exposure to the structurally challenged global television market, compounded by volatile input costs.

RATING OUTLOOK

The negative outlook reflects downside risk to our recovery expectations for Vestel's debt. Uncertainty remains regarding both the magnitude of debt reduction required to restore a sustainable capital structure and the company's ability to maintain a viable operating model following a restructuring. We expect operating conditions to remain challenging over the next 12-18 months and anticipate that the company will require additional funding to support its operations during this period.

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 could revise the outlook to stable if Vestel's operating performance and debt position stabilize. An upgrade would likely require the successful completion of the restructuring negotiations, a return to the timely servicing of debt obligations, and a material reduction in debt. In addition, we would need greater confidence that the company can restore a sustainable operating model and, over time, generate positive free cash flow.

We could downgrade the rating if we expect recovery on the company's debt to materially weaken against our current expectations of 65% to 80%.

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.

Vestel's Caa3 rating is two notches below the scorecard-indicated outcome of Caa1. This reflects our view that the company is in default on a substantial portion of its debt and is engaged in negotiations to restructure its obligations. Given the significant credit challenges the company is facing, there is a high degree of uncertainty regarding losses for creditors in the near future, a risk that is not fully captured by the scorecard outcome.

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

REGULATORY DISCLOSURES

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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Lahlou Meksaoui
VP - Ratings

Rehan Akbar, CFA
Exec Dir - Ratings

Releasing Office:
Moody's France SAS
21 Boulevard Haussmann
Paris, 75009
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454
