

## RATING ACTION COMMENTARY

# Fitch Downgrades Vestel to 'CCC-'; Places on Rating Watch Negative

Wed 01 Jul, 2026 - 11:54 AM ET

Fitch Ratings - Dubai - 01 Jul 2026: Fitch Ratings has downgraded Vestel Elektronik Sanayi ve Ticaret Anonim Sirketi's Long-Term Foreign-Currency and Local-Currency Issuer Default Ratings (IDRs) to 'CCC-' from 'CCC+'. Fitch has also downgraded the senior unsecured notes to 'CC' from 'CCC'. The Recovery Rating is 'RR5'. All ratings have been placed on Rating Watch Negative (RWN).

The downgrade follows Vestel's commencement of discussions with creditors to restructure its debt under Türkiye's financial restructuring framework and its entry into an effective standstill with the majority of its local lenders. The downgrade reflects Fitch's view that the proposed restructuring will likely constitute a distressed debt exchange (DDE).

The RWN is pending the proposal outcome and reflects the likely further downgrade of the ratings before we update the ratings on a new capital structure after DDE. Fitch will resolve the RWN once there is greater clarity on the outcome and terms of the restructuring process, which is likely to take several weeks.

## KEY RATING DRIVERS

**DDE Likely:** Fitch views the proposed restructuring of Vestel's debt as likely to constitute a DDE. The restructuring reportedly involves extending maturities and aligning repayment schedules with operating cash flow. Vestel's debt was about USD2 billion- equivalent at end-1Q26.

The restructuring application covers Vestel's loans but its full scope and terms are not yet disclosed. Fitch will likely downgrade Vestel's IDR to 'RD' (Restricted Default), following completion of the restructuring, reflecting DDE treatment under Fitch's criteria, before we determine the rating appropriate for the post-restructuring profile.

**Weak Demand and Profitability Erosion:** Revenue declined 49% year on year in 1Q26, driven by lower volumes amid intensified competition across key European end-markets in most product categories, particularly in TVs and white goods. EBITDA margins deteriorated to -6.3% in 1Q26 from 3.7% in 1Q25, reflecting an increasing cost base. Profitability was also affected by weak European demand, higher logistics costs from Red Sea disruptions, rising labour costs, and currency depreciation that lagged domestic inflation, which reduced cost competitiveness and pricing flexibility.

**Unsustainable Capital Structure:** We forecast continued negative FCF until 2028, due to limited recovery in EBITDA in the short-to-medium term. Persistently 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 view the current leverage as excessive. Uncommitted Turkish bank facilities remain available and have been supportive, and Vestel has reduced its share of short-term debt and converted some Turkish lira loans into foreign-currency 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 more negative FCF margins. This gap is reflected in the multi-notch difference in their ratings.

Vestel's business profile compares well with that of Artel Electronics LLC (B/Negative), with broader diversification and 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.

## FITCH'S KEY RATING-CASE ASSUMPTIONS

Revenue in lira to increase by 18% on average annually in 2026-2029

Fitch-calculated EBITDA margin about 1% for 2026, and to increase to 14% by 2029, reflecting volume recovery, improved product mix and pricing actions

Capex at an average of 3.7% of revenue until 2029

FCF margin to remain negative until 2028, reflecting slow recovery in EBITDA margins and high interest expenses

No dividends distribution or M&A

## **CORPORATE RATING TOOL INPUTS AND SCORES**

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

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

The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the historical year 2025, 40% for the forecast year 2026 and 40% for the forecast year 2027.

B+ to CC considerations apply in our analysis and result in an adjustment of -1 notch.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bbb-' has no impact.

The SCP is 'ccc-'.

To derive the Long-Term IDR:

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

## **RECOVERY ANALYSIS**

In our recovery analysis of the current debt structure, which does not reflect the proposed restructuring because of insufficient detail, we assume that Vestel would be reorganised 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 at 31 March 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 reorganisation, 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 31 March 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 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 'RR5' Recovery Rating category under the current debt structure, leading to a 'CC' notes' rating, one notch below the IDR.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating**

#### **Action/Downgrade**

--Steps taken towards completion of the proposed restructuring or imminent liquidity pressure

### **Factors that Could, Individually or Collectively, Lead to Positive Rating**

#### **Action/Upgrade**

--Positive rating action is unlikely, as reflected by the RWN, ahead of the debt restructuring

## **LIQUIDITY AND DEBT STRUCTURE**

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

Long-term notes represented about half of Vestel's debt at end-March 2026, with short-term bank loans and domestic bonds accounting for the rest (Vestel has recently reduced the share of short-term debt). Reliance on the rollover of short-term debt is likely to persist, due to our forecast of 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 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/topics/esg/products#esg-relevance-scores>.

## RATING ACTIONS

| ENTITY / DEBT ↕ | RATING TYPE ↕ | RATING ↕ | RATING ACTION ↕ | RECOVERY ↕ | PRIOR ↕ |
|-----------------|---------------|----------|-----------------|------------|---------|
|-----------------|---------------|----------|-----------------|------------|---------|

|  |        |                                     |           |  |      |
|--|--------|-------------------------------------|-----------|--|------|
| Vestel Elektronik<br>Sanayi Ve Ticaret<br>A.S. | LT IDR | CCC-<br>Rating<br>Watch<br>Negative | Downgrade |  | CCC+ |
|--|--------|-------------------------------------|-----------|--|------|

|  |           |                                     |           |  |      |
|--|-----------|-------------------------------------|-----------|--|------|
|  | LC LT IDR | CCC-<br>Rating<br>Watch<br>Negative | Downgrade |  | CCC+ |
|--|-----------|-------------------------------------|-----------|--|------|

|                     |    |                                 |           |     |     |
|---------------------|----|---------------------------------|-----------|-----|-----|
| senior<br>unsecured | LT | CC Ratin<br>g Watch<br>Negative | Downgrade | RR5 | CCC |
|---------------------|----|---------------------------------|-----------|-----|-----|

[VIEW ADDITIONAL RATING DETAILS](#)

## FITCH RATINGS ANALYSTS

### Shrouk Diab

Director

Primary Rating Analyst

+971 4 424 1250

shrouk.diab@fitchratings.com

Fitch Ratings Ltd

Dubai Branch Maze Tower, 18th Floor Sheikh Zayed Road, P.O. Box 215584, Dubai

### Maria Antoniou

Senior Analyst

Secondary Rating Analyst

+44 20 3530 1222

maria.antoniou@fitchratings.com

### Josef Pospisil, CFA

Managing Director

Committee Chairperson

+44 20 3530 1287

josef.pospisil@fitchratings.com

## MEDIA CONTACTS

### Tahmina Pinnington-Mannan

London

+44 20 3530 1128

tahmina.pinnington-mannan@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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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**

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Vestel Elektronik Sanayi Ve Ticaret A.S.

UK Issued, EU Endorsed

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