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Vestis Corporation (VSTS)

November 13, 2026

"Wash, Rinse, Delever" Hold Term Loan B-1 due 2/22/31 (99.50 / S+225 / DM 239); add at 97.5

LTM Financials (7/3/26)

Sales (LTM)	**$2.70bn**
Adj. EBITDA (covenant)	**$294mm**
% margin	**10.9%**
Net debt (covenant)	**$1.21bn**
A/R facility (sold)	**$212mm**
Mkt cap	**$1.91bn**
TEV incl. A/R	**$3.32bn**
Net lvg / incl. A/R	**4.1x / 4.8x**

Liquidity & Metrics

Total liquidity	**$352mm**
LTV through Term B	**43%**
at 8.0x EBITDA	**61%**
EBITDA / interest	**3.4x**
Covenant (Rev / TLA)	**4.75x → 4.50x**

Description

Second-largest uniform rental and workplace supplies provider in the U.S. and Canada: 300,000+ accounts, 325+ facilities, ~18,150 employees (~59% union).

History

Spun from Aramark (Oct-23) with $1.5bn of term loans; customer losses and guidance cuts in 2024-25; covenant reset (May-25); new CEO (Jun-25).

Ratings / Management

Issuer: B / B2 (both stable)
Facilities: B+ / B2; recovery '2' (80%)
Jim Barber, CEO (ex-UPS COO)
Russell Tiejema, CFO

Term Debt Paydown

Facility	10/25	7/26
Term A-2	477.5	436.0
Term B-1	665.0	661.5
Revolver	26.0	0.0
Total	**1,168.5**	**1,097.5**
Covenant lvg	4.72x	4.10x

Covenant Map

Term B-1: covenant-lite; a leverage breach is not a Term B default until revolver / Term A lenders act
Revolver / Term A-2: net leverage ≤4.75x at 10/2/26, 4.50x after; interest coverage ≥2.0x
New debt: greater of $375mm / 100% of EBITDA free-and-clear; unlimited pari to 4.00x first lien net
LME: J.Crew and Chewy blockers; pro rata offer before priming
Change of control: event of default

First Lien Recovery (stress)

EBITDA	5.5x	6.0x	6.5x
$240mm	77%	87%	96%
$210mm	63%	72%	80%
$180mm	49%	57%	64%

Full Write-up
colehpage.com/coverage/vsts

Situation Overview

Vestis left Aramark in October 2023 with $1.5bn of term loans and a BB / Ba3 rating. Customer losses, guidance cuts and a CEO change took it to B / B2, and the bank lenders loosened the covenant in May 2025. Under Jim Barber the Adj. EBITDA margin rose from 9.5% to 12.2% between Q3 FY25 and Q3 FY26, bank debt fell $71mm in nine months and covenant leverage fell to 4.10x. The stock has nearly tripled since October 2025, and the Term B-1 has gone from 91.00 to 99.25 / 99.50 (DM ~239bp). Q4 results and the FY27 outlook should come around December 1; Vestis hasn't set the date. **I still like the credit, but the loan already prices most of the turnaround. The Term B-1 pays ~150bp less than the median single-B loan and trades with B1 names, its coupon should step down to S+200 within weeks, and Vestis can repay it at par.**

Recommendation

Hold the $661.5mm Term Loan B-1 due 2/22/31 at 99.50 (S+225, stepping to S+200 at or below 3.30x first lien net leverage) and add at 97.5 or below, a DM of ~295 where other B2 loans near par trade. For accounts that can own pro rata paper, the $427mm Term A-2 due 9/29/28 at 100.125 pays about the same spread for 1.9 years instead of 4.3, keeps the maintenance covenant and is what Vestis prepays first. **I'd sell the Term B if the FY27 outlook points to leverage above 4.0x at year end, if the A/R facility isn't extended by mid-2027, or if Vestis borrows to pay dividends while leverage is above 3.5x.**

Credit Thesis

- **The cash flow covers the debt in every case I ran.** Rental is ~95% of revenue across 300,000+ accounts, and when revenue falls capex and working capital shrink with it, as at Cintas in FY09-10. FY27 free cash flow after leases is $116mm in my base case, $110mm in the downside and $92mm in a GFC-type stress, and term debt falls every year in all three.
- **The maintenance covenant sits with the banks.** The 4.50x maximum applies only to revolver and Term A-2 lenders. In my stress case leverage reaches 4.4x-4.6x, so the banks would negotiate an amendment while the Term B keeps getting paid. Vestis prepays the pricier Term A-2 first; my base case cuts it to ~$112mm by FY28.
- **Ratings have room to go up.** Moody's would upgrade below 5.0x debt / EBITDA with FCF / debt above 5%. Leverage including the A/R facility falls from 4.8x to 3.8x in my FY27 base case, so B1 / B+ in 2027 looks reachable even though Moody's adjustments run higher.
- **First lien recovery is ~70% in my stress case.** The A/R facility ($212mm) and finance leases ($160mm) are paid from their own assets first. At 6.0x on $210mm of stress EBITDA, first lien lenders recover ~72%, and they recover in full at ~$270mm and 6.0x.

Relative Value

- **Priced like a B1.** At 245bp bid the Term B-1 sits with Amwins (B1, 255) and inside Garda (B1, 274), against 289-320 for B2 loans near par and 397 for the median single-B loan.
- **Returns.** The Term B-1 returns 5.8% over 12 months in my base case and loses 9.1% in a GFC-type stress; the Term A-2 returns 6.5% and 1.4%. Weighted, 3.5% against 5.7%, with SOFR at 4.35%.

Risks & Mitigants

- **Coupon step-down and par call.** The margin falls to S+200 at or below 3.30x first lien net leverage, likely once the FY26 compliance certificate is in, and the loan is prepayable at par. Mitigant: my returns already use S+200.
- **A/R facility and the 2028 wall.** The $212mm receivables facility ends 8/2/27; the Term A-2 and revolver mature 9/29/28. Mitigant: base case leverage is 2.6x by FY28 with the Term A-2 at ~$112mm.
- **Leakage.** The May 2025 block on dividends and buybacks has lapsed. Vestis can pay ~$95mm from its general basket now and unlimited amounts at or below 3.50x, which my base case reaches in FY27. Mitigant: Vestis paid nothing to shareholders this year and cut bank debt by $71mm, and Moody's would downgrade on aggressive financial policy.

Capitalization 7/3/26, Pricing 11/9/26 *$mm; offer prices; DMs to maturity*

Coupon	Security	Rating	Maturity	Amount	Price	Yield	Spread	Cum. Lvg
n/d	A/R securitization (sold)	–	8/2/27	212	–	–	–	0.7x
~4.2%	Finance leases	–	various	160	–	–	–	1.3x
S+260	Revolver ($294mm avail.)	B2 / B+	9/29/28	0	–	–	–	1.3x
S+260	Term Loan A-2 (bank)	B2 / B+	9/29/28	436	100.13	6.88%	DM ~253	2.7x
S+225	**Term Loan B-1**	**B2 / B+**	**2/22/31**	**662**	**99.50**	**6.74%**	**DM ~239**	**5.0x**
Total debt-like claims: Cash ~58; Net 1,412				**1,470**				**4.8x net**
TEV incl. A/R facility and equity ($1,913)				**3,325**				**11.3x**

Scenarios at FY27E *$ in millions; author estimates; upside (my equity case) on page 4*

	LTM 7/26	Base	Downside	Stress
Adj. EBITDA (% margin)	294 (10.9%)	327 (12.2%)	285 (11.2%)	241 (9.8%)
Net leverage / incl. A/R facility	4.1x / 4.8x	3.2x / 3.8x	3.7x / 4.4x	4.4x / 5.3x
EBITDA ÷ interest / covenant cushion	3.4x / 18%	4.2x / 29%	3.6x / 18%	3.1x / 2%
12-month return: Term B-1 / Term A-2		**5.8% / 6.5%**	**1.6% / 5.3%**	**-9.1% / 1.4%**

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Company Overview

Vestis rents and launders uniforms and supplies mats, towels, restroom and first-aid products to more than 300,000 accounts from 325+ facilities and ~3,300 routes. The U.S. was 91% of FY25 revenue and Canada 9%. Rental is 95% of revenue; in 9M FY26 workplace supplies were 63% and uniforms 37%. Aramark spun the business off in October 2023 with $1.5bn of term loans and kept most of the proceeds. Vestis describes itself as the second-largest provider behind Cintas, with UniFirst third.

The 2024-25 decline

- **Customers left faster than new ones came in.** Revenue fell from $2,805.8mm in FY24 to $2,734.8mm in FY25 even with a 53rd week ($51.6mm). Moody's tied its May 2025 downgrade to net customer losses and pricing pressure linked to service problems, high senior management turnover and inconsistent delivery against guidance.
- **Margins and covenant room went with them.** Adj. EBITDA fell from $352.9mm (12.6%) in FY24 to $257.4mm (9.4%) in FY25. The bank lenders reset the covenant in May 2025 (Amendment No. 2) to 5.25x, stepping to 4.50x from Q1 FY27, and blocked dividends; the $18mm dividend was suspended.

Vestis by Quarter *$ in millions; Q4 FY25 had 14 weeks; Q4 FY26 is the guide*

Quarter	Revenue	Year over year	Adj. EBITDA	Margin
Q1 FY25	683.8	-4.8%	81.1	11.9%
Q2 FY25	665.2	-5.7%	47.6	7.2%
Q3 FY25	673.8	-3.5%	64.0	9.5%
Q4 FY25 (14 weeks)	712.0	+4.0% (-3.5% same weeks)	64.7	9.1%
Q1 FY26	663.4	-3.0%	70.4	10.6%
Q2 FY26	659.4	-0.9%	74.5	11.3%
Q3 FY26	661.7	-1.8%	80.9	12.2%
Q4 FY26 (EBITDA guide; revenue per the CFO)	**~662**	**~flat same weeks**	**84-89**	**~13%**

The turnaround (2025-26)

- **New management.** Jim Barber, formerly chief operating officer of UPS, became CEO on 6/2/25 after Kim Scott left and Chairman Phillip Holloman, a former president and COO of Cintas, served as interim CEO. Russell Tiejema became CFO on 9/28/26, and Vestis reaffirmed its FY26 outlook that day.
- **Costs.** The transformation plan launched in December 2025 targets at least $75mm of annual savings entering FY27, about $50mm of it realized in FY26, plus ~$10mm a year from outsourcing corporate support starting in FY27. The CFO said in August that Q4 already carries ~$20mm of the program, so the Q4 guide reflects the full run-rate and there is no further $25mm to add for FY27.
- **Pricing discipline.** Vestis is exiting accounts that miss its return thresholds. Barber said in August that it kept about 75% of the low-margin volume it repriced. In Q3 FY26 pounds processed fell 4.5%, revenue per pound rose $0.04 to $1.42 and cost per pound was flat at $1.24.
- **Cash.** The FY26 free cash flow guide went from $50-60mm in December 2025 to $160-170mm in August, helped by a working capital release. In May management said FY27 starts from the Q4 exit rate, and the Q4 guide of $84-89mm annualizes to $336-356mm. In August the CFO was more careful and called the ~$81mm a quarter Vestis was earning going into Q4 a stable place to start.

Term Debt Since the Spin *$ in millions*

Date	Event	Amount	Detail
Sep-23	Spin financing: Term A-1 and Term A-2	1,500	Term A-2 $700mm due 9/2028; revolver $300mm
Feb-24	Term B-1 refinances the Term A-1	800	S+225, 99.75, due 2/22/31; 101 soft call expired Aug-24
Aug-24	$250mm A/R securitization	~216	Initial proceeds; terminates 8/2/27
May-25	Amendment No. 2 (bank lenders only)	–	Covenant reset; dividends and buybacks blocked; receivables capped at $250mm
10/3/25	Term loans and revolver	1,168.5	Covenant leverage 4.72x
7/3/26	**Term loans**	**1,097.5**	**Covenant leverage 4.10x; revolver undrawn**
Aug-26	Covenant relief period ends	–	Two straight quarters at or below 4.50x (4.47x, 4.10x); the dividend, buyback and receivables limits fall away

Industry & Credit Risks

- **Three national players, and the top two may merge.** Cintas agreed in March 2026 to buy UniFirst for $155 in cash plus 0.772 Cintas shares (~$327 at 11/6, ~16.8x FY+1 EBITDA). Semafor reported on 10/27 that the FTC intends to sue to block it; the FTC says it has not voted. On 11/13 Seeking Alpha reported that the FTC will hold a "last rites" meeting with the companies, usually the last step before a suit. The companies agreed not to close before 12/11/26, the deal can be terminated after 1/10/27 (with extensions), and Cintas owes $350mm if regulators block it. UniFirst trades more than $90 below the offer, so the market is pricing real block risk.
- **What it means for the Term B.** A block keeps three national players and rules out the two largest as buyers of Vestis, which matters little to a lender because a change of control is an event of default and repays the loan at par. Clearance creates a bigger competitor but also a messy integration Vestis can sell against.
- **Demand follows employment.** Uniforms are rented per wearer, so the GFC is the stress test. Cintas' revenue fell 10% from FY08 to FY10 and its EBITDA 24%, and it stayed profitable throughout (table). My stress case takes Vestis' EBITDA down ~30% from FY26 because it enters with weaker margins and service.

Cintas Through the GFC *$ in millions; fiscal years end May; company filings*

Fiscal year	Revenue	Year over year	EBITDA	Margin
FY08	3,938		775	19.7%
FY09	3,775	-4.1%	612	16.2%
FY10	3,547	-6.0%	586	16.5%
FY08-FY10		**-9.9%**		**EBITDA -24.5%**

- **Labor is unionized.** About 10,750 of ~18,150 employees (59%) are covered by 200+ collective bargaining agreements. Vestis paid $19.7mm into multiemployer pension plans in FY25, and three of its four largest plans (including Central States and the National Retirement Fund) are in critical status. No withdrawal liability is disclosed; it would be an unsecured claim behind the Term B.
- **All of the debt floats.** Vestis has no interest rate hedges, so 100bp on SOFR is ~$11mm of interest, about 0.5x of coverage in my base case.

Credit Risks & Mitigants

- **Revenue is still shrinking.** Pounds fell 4.5% in Q3 and the new sales model is unproven. Mitigant: the losses are partly deliberate exits, revenue per pound is rising, and my base case assumes only +1% revenue growth in FY27; the downside case takes revenue down 4%.
- **Covenant room for the banks.** The 4.50x maximum starts in Q1 FY27, against 4.10x at 7/3/26 and ~3.7x on my FY26 estimate. Mitigant: my base case has a 29% EBITDA cushion at FY27, and a breach does not default the Term B until the bank lenders act.
- **The A/R facility sits ahead.** $212mm of receivables are sold to a bankruptcy-remote vehicle, and another $134mm of unsold receivables are pledged to its purchasers, so the Term B's best working capital collateral belongs to someone else. If the facility lapsed in August 2027, Vestis would draw the revolver and leverage would rise ~0.7x. Mitigant: renewal in a base case is routine, and the revolver has $294mm available.
- **Leakage and layering.** Vestis can add pari debt equal to the greater of $375mm and 100% of EBITDA, plus whatever term debt it has voluntarily prepaid, plus unlimited amounts to 4.00x first lien net, and it can put liens on another $150mm (or 40% of EBITDA). The May 2025 block on dividends and buybacks has lapsed, so it can pay ~$95mm from the general basket today and unlimited amounts at or below 3.50x, and Corvex, an activist, owns ~15% of the stock. Lenders can be bought out non-pro rata in the open market. Mitigant: the agreement blocks the J.Crew and Chewy moves, priming needs a pro rata offer, and Vestis has paid nothing to shareholders this year.
- **Litigation.** A securities class action in Georgia over the 2023 spin survived the motion to dismiss in September 2025, and Law360 reported on 11/13/26 that Vestis and Aramark have agreed to settle it; the amount isn't public yet. A second in New York was partly dismissed on 7/31/26. No accrual is disclosed.

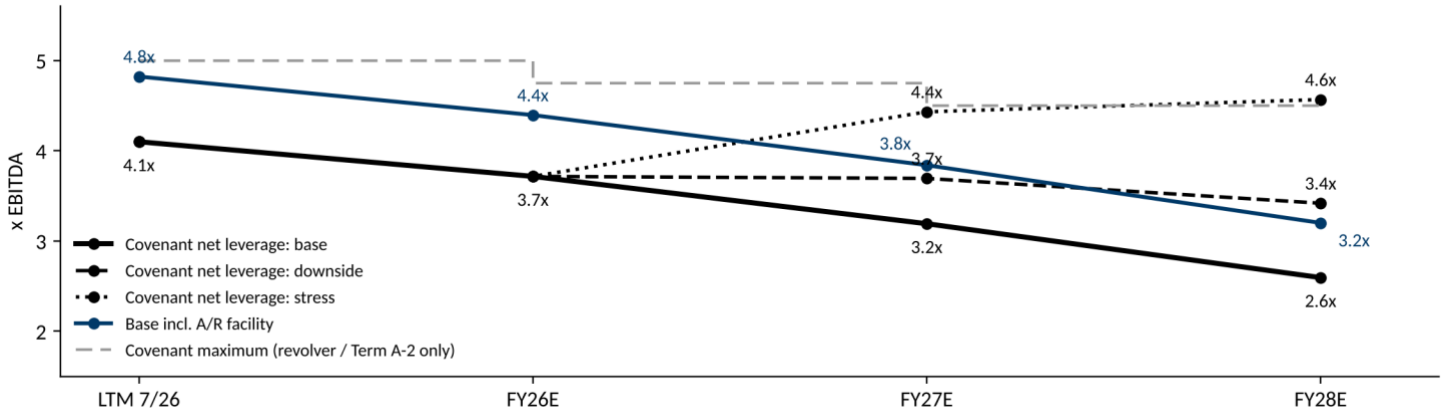
Financial Forecast & Rationale

Base, Downside and Stress (Author Estimates, No Acquisitions or Buybacks) *$ in millions; FY26E EBITDA at the guide midpoint*

	LTM 7/26	FY26E	Base FY27E	Base FY28E	Down FY27E	Down FY28E	Stress FY27E	Stress FY28E
Revenue	2,697	2,647	2,673	2,726	2,541	2,515	2,461	2,363
Adj. EBITDA	**294**	**313**	**327**	**350**	**285**	**277**	**241**	**217**
% margin	10.9%	11.8%	12.2%	12.8%	11.2%	11.0%	9.8%	9.2%
Securitization fees			(11)	(11)	(11)	(11)	(12)	(12)
Cash interest			(78)	(65)	(78)	(66)	(78)	(70)
Cash taxes			(20)	(29)	(10)	(12)	0	0
Capex incl. finance-lease equipment			(88)	(95)	(76)	(75)	(62)	(59)
Transformation and severance			(10)	(5)	(15)	(10)	(25)	(15)
Working capital			(4)	(8)	16	4	28	15
FCF after leases		**150**	**116**	**136**	**110**	**105**	**92**	**76**
Covenant net debt (year end)	1,205	1,161	1,045	909	1,051	946	1,069	993
Total net leverage	**4.1x**	**3.7x**	**3.2x**	**2.6x**	**3.7x**	**3.4x**	**4.4x**	**4.6x**
Net leverage incl. A/R facility	4.8x	4.4x	3.8x	3.2x	4.4x	4.2x	5.3x	5.5x
EBITDA cushion to covenant	18%	22%	29%	42%	18%	24%	2%	-1%
EBITDA / cash interest	3.4x		4.2x	5.4x	3.6x	4.2x	3.1x	3.1x
Liquidity	352	387	324	324	324	324	324	324

LTM covenant EBITDA adds back a $15mm Q2 FY25 bad debt charge. FY26E free cash flow is the implied change in covenant net debt. Securitization fees are added back in Adj. EBITDA but are cash costs.

Leverage Path by Scenario *no acquisitions or buybacks*



Base case (consensus-like)

- **FY27:** revenue +1.0%, margin 12.25%, EBITDA $327mm, roughly the $327.6mm consensus and below the Q4 run-rate. Cash goes to the Term A-2 first. Leverage 3.2x (3.8x with the A/R facility).
- **FY28:** revenue +2%, margin 12.85% (consensus $352mm). The Term A-2 is ~$112mm and leverage 2.6x.

Upside (my equity case)

- **FY27:** EBITDA $360mm (13.45%): roughly the Q4 FY26 exit rate held for a year, with the ~$10mm of outsourcing savings covering wage inflation. Leverage 2.8x. This is the case behind my equity position; for the loan I underwrite to the base case.

Downside (turnaround stalls)

- **FY27:** revenue -4%, margin 11.2%, EBITDA $285mm. Capex falls to 3.0% of revenue and working capital releases ~$16mm. Leverage 3.7x, cushion 18%, coverage 3.6x.

Stress (GFC-type)

- **FY27-28:** revenue -7% then -4% (-11% in total), margins 9.8% and 9.2%, EBITDA $241mm then $217mm, about 30% below FY26. Leverage reaches 4.4x and 4.6x, at or just past the 4.50x maximum, so the banks would need an amendment; the Term B is not in default and coverage stays above 3.1x. Including the A/R facility leverage is 5.5x.

Consensus vs. My Cases *$ in millions; Street consensus as of 11/8/26*

	FY26E	FY27E	FY28E
Consensus revenue	2,650	2,697	2,782
Consensus Adj. EBITDA	308	328	352
My base / upside Adj. EBITDA	313 (guide)	327 / 360	350 / 398

Key assumptions

- **Rates.** SOFR flat at 4.35%, the forward-curve average through FY28 (3M Term SOFR is 4.05% today); interest on beginning balances; Term A-2 margin on the leverage grid; Term B-1 at S+200 once first lien net leverage is at or below 3.30x.
- **Cash use.** Excess cash repays the revolver, then the Term A-2, then the Term B-1, with $30mm of minimum cash. The A/R facility is renewed at $212mm and finance leases stay flat at ~$160mm. I model no excess cash flow sweep to the Term B; the percentage is zero at or below 3.25x secured.

Corporate Structure & Covenants

Vestis Corporation (NYSE: VSTS): U.S. borrower under the $300mm revolver, $436mm Term A-2 and $661.5mm Term B-1 (JPMorgan, agent); guarantees all secured obligations

↓

Wholly owned domestic restricted subsidiaries: guarantors. Collateral includes 100% of domestic subsidiary stock, 65% of first-tier foreign stock and mortgages on U.S. property worth $15mm or more

↓

Canadian Linen and Uniform Service Corp.: borrows under the revolver only ($100mm sublimit), not a guarantor. VS Financing, LLC: bankruptcy-remote vehicle that buys receivables under the $250mm A/R facility (off balance sheet)

Covenant Analysis *Credit agreement as amended through Amendment No. 2 (5/1/25); A/R facility per 10-Q*

Term	Revolver	Term A-2	Term B-1	A/R facility
Size / pricing	$300mm; S+10bp+1.50-2.50% on leverage; 0.20-0.30% unused	$436mm (from $700mm); same grid	$661.5mm (from $800mm); S+2.25%, S+2.00% at or below 3.30x first lien	$250mm; $212mm sold at 7/3/26
Maturity	9/29/28	9/29/28; 1.25% quarterly amortization (prepaid)	2/22/31; 0.25% quarterly (prepaid); no springer	8/2/27
Maintenance	Net leverage ≤4.75x at 10/2/26, 4.50x after; coverage ≥2.0x	Same	None (covenant-lite); standstill until the pro rata lenders act	n/r
Collateral	Pari first lien	Pari first lien	Pari first lien	Owns the receivables sold
New debt / liens	Incremental: greater of $375mm / 100% of EBITDA, plus voluntary prepayments, plus unlimited to 4.00x first lien net; MFN expired	Same	Same; no inside-maturity basket	Receivables financing uncapped now that the relief period has ended
Restricted payments	Unlimited at ≤3.50x; $95mm / 25% general; builder basket from $190mm / 50%; May-25 block lapsed after two quarters at ≤4.50x	Same	Same; the block was a bank-only term	–
Sweeps	–	Asset sales 100% above 3.50x first lien, 50% to 3.00x, none below	Same, plus excess cash flow 50% above 3.75x secured, 25% to 3.25x, none below; Term B only	–
LME protection	J.Crew and Chewy blockers; pro rata offer before priming	Same	Same; open-market buybacks allowed	–
Change of control	Event of default (40% of votes)	Same	Same; prepayable at par	Termination event (n/r)

Room for Debt Ahead of or Pari with the Term B *$ in millions; EBITDA ~$313mm (FY26E)*

Basket	Document	Capacity
Free-and-clear incremental (greater of $375mm / 100% of EBITDA)	Credit agreement	~375
Reload for term loans voluntarily prepaid (~$400mm repaid since the spin)	Credit agreement	up to ~400
Ratio incremental to 4.00x first lien net (~3.2x at FY26E)	Credit agreement	~250
General lien basket (greater of $150mm / 40% of EBITDA)	Credit agreement	~150
Capital leases / purchase money (greater of $190mm / 50% of EBITDA)	Credit agreement	~190
Receivables financing (the $250mm cap ended with the relief period)	Credit agreement	uncapped

The pari incremental capacity matters less than the structurally senior pieces. The A/R facility and finance leases already sit ahead of the Term B on their own assets, and both can grow. That is why I treat leverage including the A/R facility as the real number for the loan.

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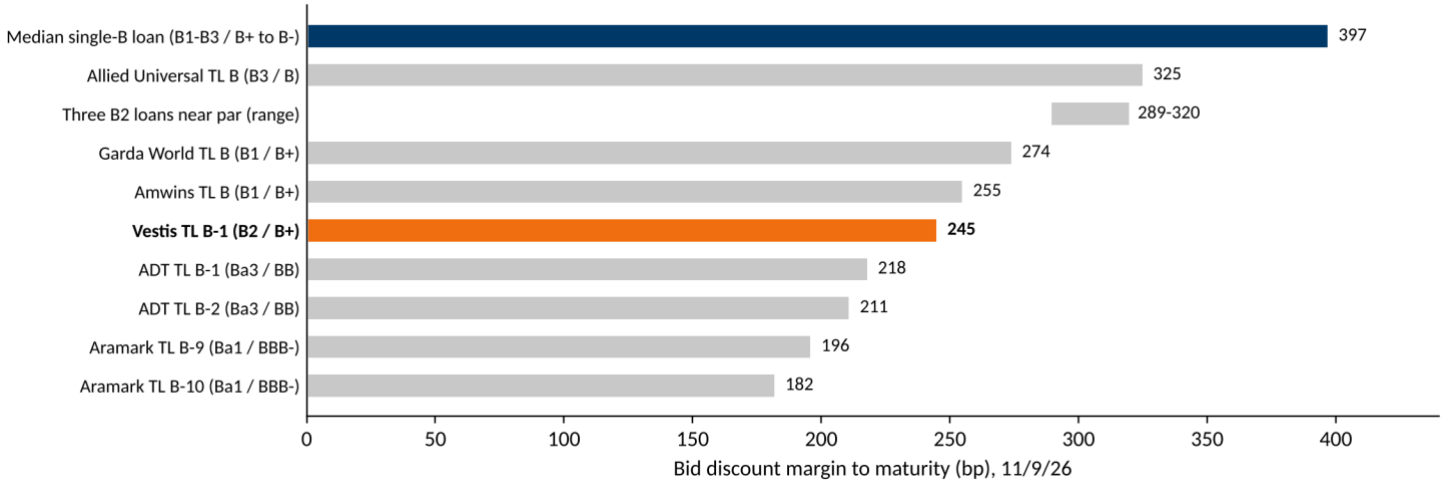
Relative Value Analysis

Vestis Term Loans *Bloomberg BVAL, 11/9/26; yields at flat SOFR; DMs to maturity at the offer*

	Margin	Maturity	Bid / offer	Yield	DM today	DM after step
Term B-1 ($661.5mm)	S+2.25%; S+2.00% at ≤3.30x first lien	2/22/31	99.25 / 99.50	6.74%	239	214
Term A-2 ($427mm, 9/30)	S+2.60% incl. CSA; S+2.35% below 4.0x	9/29/28	~99.38 / 100.13	6.88%	253	228

The Term A-2 grid steps down once the FY26 compliance certificate shows leverage below 4.0x (~3.7x on my estimate). Its bid is inferred from the 99.75 mid in Bloomberg's loan search.

Bid Discount Margin vs. Peers *Bloomberg loan search and BVAL, 11/9/26*



Business services peers and USD single-B loans trading near par. The B2 range covers Victory Buyer, Resurge and Visual Comfort. The median covers 1,917 loans rated B1-B3 or B+ to B-, revolvers and distressed loans included. Vestis uses its own BVAL bid; the loan search shows 296bp for it, which does not reconcile with its price and margin.

- **The market already prices an upgrade.** At 245bp bid the Term B-1 trades with B1 loans and ~150bp inside the median single-B loan, whose margin is S+350 against Vestis' S+225. Over the last 12 months the loan went from ~94.7 to 99.38 while the Morningstar LSTA B loan index fell about a point (Appendix #2), so the market has already paid lenders for most of the turnaround.
- **The Term A-2 doesn't trade inside the Term B.** ADT's Term A trades at 191bp against 211-218 for its Term Bs, and Aramark's at 164 against 182-196. Vestis' Term A-2 trades level or wide of its Term B because the May 2025 amendment repriced the bank debt and left the Term B alone. At the offer it pays ~253bp today and ~228 once the grid steps down, against 239 and 214 for the Term B, for 1.9 years instead of 4.3. It trades about three-quarters of a point wide, three times the Term B, so it suits a buyer who will hold it to maturity.
- **Technicals.** Bloomberg's holder data covers ~80% of the Term B. Vehicles named as CLOs hold at least a third, and the largest holders are CLO and loan managers (Palmer Square, Battalion, Blue Owl, Neuberger Berman, Apollo). That supports the price while Vestis is stable at B2, but a Moody's cut to B3 would leave the loan one notch from the Caa1 bucket CLOs have to limit, and I'd expect them to sell early.

12-Month Total Return by Scenario *weights 15 / 50 / 25 / 10 (mine); offer prices 99.50 and 100.125*

	Upside	Base	Downside	Stress	Weighted
DM change at horizon (bp)	-50	0	+150	+600	
Term B-1 horizon price	100.3	98.9	94.7	83.9	
Term A-2 horizon price	100.1	99.8	98.6	94.7	
Term B-1 total return	**7.3%**	**5.8%**	**1.6%**	**-9.1%**	**3.5%**
Term A-2 total return	**6.7%**	**6.5%**	**5.3%**	**1.4%**	**5.7%**

Priced to maturity one year forward at flat SOFR (4.35%), at today's offer DM plus the change shown, with each loan on the margin its case earns. Stress at +600bp is roughly where a B3 / CCC loan would trade; it does not price an amend-and-extend of the Term A-2's 2028 maturity.

- **Why the Term B's weighted return is below SOFR.** The par call caps the upside, since 50bp of tightening only gets the price to ~100.3; the step-down to S+200 costs about a point in the base case; and my cases add up to ~90bp of expected widening, which is cautious. I use the weights to rank the two loans more than to forecast. Without them the comparison still holds: the Term B earns 0.6% more than the Term A-2 when things go well and loses ~10 points more in the stress.
- **Where I'd buy the Term B.** At 97.5 its DM is ~295, in line with B2 loans near par, so the price would pay for Vestis staying a B2 rather than for an upgrade that hasn't happened. That is also close to its 97.9 average since issuance.

Debt Recovery

Waterfall at the Stress Point *$ in millions; hypothetical default after the stress case*

	Amount	Recovery
Distressed EBITDA × multiple	210 × 6.0x = 1,260	
Less administrative costs (5%)	(63)	
A/R securitization (owns the receivables)	(212)	100%
Finance leases (vehicles)	(160)	100%
Value for first lien lenders	**825**	
Revolver (fully drawn) + Term A-2 + Term B-1	1,151	72%
Unsecured claims (trade, leases, pensions, litigation)	n/q	0%

First Lien Recovery by Distressed EBITDA and Multiple *revolver fully drawn; Term A-2 at its stress-case FY28 balance*

EBITDA \ multiple	5.0x	5.5x	6.0x	6.5x	7.0x
$180mm	42%	49%	57%	64%	72%
$210mm	**54%**	**63%**	**72%**	**80%**	**89%**
$240mm	67%	77%	87%	96%	100%
$270mm	79%	90%	100%	100%	100%
$300mm	91%	100%	100%	100%	100%

- **The multiple.** Vestis trades at ~10x, UniFirst at ~12x and Cintas' offer values UniFirst at ~17x. A route business that needs a restructuring would sell for much less, so I use 6.0x with a 5.0-7.0x range.
- **What drives the answer.** The A/R facility and the revolver. If Vestis defaults, the revolver is probably fully drawn and the receivables already belong to the securitization, which together take ~$500mm of value ahead of or alongside the Term B. That is why recovery is ~72% at $210mm and 6.0x even though the term loans alone would be only ~4x that EBITDA.
- **Ratings agencies.** S&P rates the secured facilities B+ with a '2' recovery rating (70-90%, point estimate 80%), unchanged since the Term B was syndicated in January 2024. My ~72% sits at the low end because I assume the revolver is fully drawn at default.

Monitoring, Limitations & Conclusion

Monitoring & Exit Triggers

Signal	Current	Term B action	Equity read-across	Source
FY27 outlook (with Q4 results)	Consensus $328mm EBITDA	Review if the midpoint is below $300mm	Above $340mm supports my BUY	8-K, call
Covenant leverage	4.10x (7/3/26)	Exit above 4.25x at a test date	Same	10-Q
A/R facility renewal	Ends 8/2/27	Exit if not extended by 6/27	–	8-K
Dividends / new debt	None since FY25	Exit on debt-funded payouts above 3.5x	Buybacks would help	8-K
Ratings	B / B2 stable; facilities B+ / B2	Review on a negative outlook; a cut to B3 brings CLO selling	–	S&P, Moody's
Amendments / LME	None since 5/25	Exit on a non-pro rata proposal	–	Lender calls
Price	99.25 / 99.50	Add at 97.5 or below; trim above par (repricing risk)	–	Bloomberg

Limitations

- **Prices and peers.** Loan prices, the peer screens and the ratings come from Bloomberg. Loan quotes can be stale, the Term A-2 bid is inferred from a mid, and the loan search's DM for the Vestis Term B does not reconcile with its own quote, so I use the quote. The price history in Appendix #2 is redrawn from Bloomberg's GP and HS screens.
- **Covenant definitions.** I read the conformed credit agreement in Amendment No. 2. First lien leverage for the margin step-down is defined in the agreement but described as total leverage in the 10-Q, and I exclude finance leases.
- **Recovery is stylized.** There is no liquidation analysis of rental merchandise or plants, and multiemployer withdrawal liability is not disclosed.
- **Sources.** The cases use public filings, guidance and consensus. My upside case also reflects conversations with an investor who holds the equity.

Conclusion

I'd hold the Term Loan B-1 at 99.50 and add at 97.5 or below. The credit case is the same as when I started: the business generates cash in every case I ran, the maintenance covenant sits with banks that will force discipline before the Term B is at risk, and first lien lenders recover ~72% if a GFC-type stress ever ended in default. The price is the problem, because at 99.50 the loan trades with B1 names, its coupon is about to step down and Vestis can repay it at par, so lenders keep most of the downside and little of the upside. The upside from the turnaround now sits in the equity, which I hold. For a lender who can own pro rata paper, the Term A-2 is the better way to own Vestis today. I'd revisit both after the December outlook.

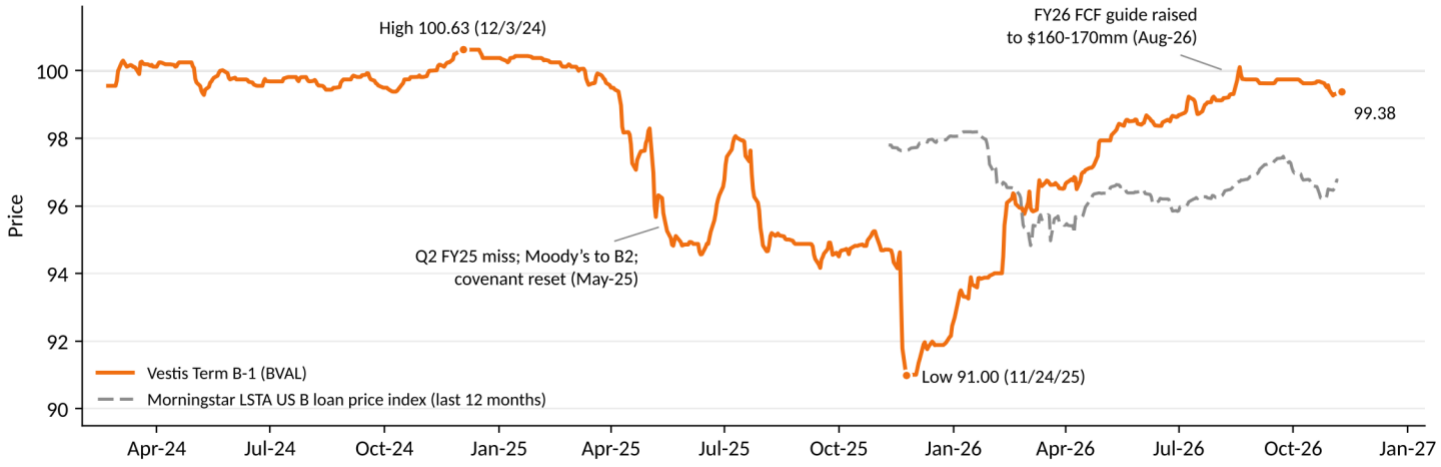
Appendix

Appendix #1. Ratings *S&P and Moody's releases; Bloomberg for current issue ratings*

Date	S&P	Moody's	Notes
1/31/24	BB (stable); secured BB+, recovery '2'	Ba3	Term B syndication
5/7/24	BB- (negative)		Guidance cut
5/12/25 - 5/14/25	B+ (negative)	B2 (stable); facilities B2	Moody's: debt / EBITDA ~6x
12/17/25	**B (stable); facilities B+, recovery '2' (80%)**	**B2 (stable)**	**"Persisting operating challenges"**

- **Moody's triggers.** Upgrade on sustained revenue and earnings growth, debt / EBITDA below 5.0x, EBITA margin ~6% and FCF / debt above 5%; downgrade above 6.5x, on weaker liquidity or more aggressive financial policy.

Appendix #2. Term Loan B-1 Price Since Issuance *Bloomberg BVAL and Morningstar LSTA B loan index, redrawn*



Vestis Corporation - Term Loan B-1 Summary

$ in millions; capitalization at 7/3/2026; prices are inputs (Bloomberg).

Pricing inputs	
Pricing date	11/9/2026
Term B-1 price (offer)	99.50
SOFR (flat at the forward-curve average)	4.35%
Term A-2 price (offer)	100.13
Share price ($)	14.47
Basic shares (M)	132.2

Capitalization at 7/3/2026	**Rate**	**Maturity**	**Amount**	**Price**	**Yield**	**DM (bp)**	**Cum. lvg**	**LTV**
Cash			57.7					
A/R securitization (receivables sold)	n/d	8/2/27	212.3				0.72x	6.3%
Finance leases	~4.2%	various	159.7				1.27x	11.0%
Revolver ($300M; $5.8M LCs)	S+2.60%	9/29/28	-				1.27x	11.0%
Term Loan A-2	S+2.60%	9/29/28	436.0	100.13	6.88%	253	2.75x	23.9%
Term Loan B-1	S+2.25%	2/22/31	661.5	99.50	6.74%	239	5.00x	43.4%
Total debt and debt-like claims			**1,469.5**					
Market capitalization			1,912.9					
Enterprise value (incl. A/R facility)			**3,324.7**					

Term loan yields	
Quarters to maturity (2/22/2031)	17
Current margin	2.25%
Yield to maturity (flat SOFR)	6.74%
Discount margin to maturity (bp)	239
Discount margin, 3-year convention (bp)	244
Term A-2 yield to maturity	6.88%
Margin after step-down	2.00%
Discount margin to maturity after step-down (bp)	214
Term A-2 quarters to maturity (9/29/2028)	8
Term A-2 margin after the FY26 compliance certificate	2.35%
Term A-2 discount margin on that margin (bp)	228

Scenarios at FY27E	**Upside**	**Base**	**Downside**	**Stress**
Revenue	2,676	2,673	2,541	2,461
Adj. EBITDA	360	327	285	241
% margin	*13.5%*	*12.3%*	*11.2%*	*9.8%*
Free cash flow after leases	140	116	110	92
Covenant net debt	1,021	1,045	1,051	1,069
Total net leverage	2.84x	3.19x	3.69x	4.43x
EBITDA cushion to 4.50x covenant	36.9%	29.1%	17.9%	1.5%
Net leverage incl. A/R facility	3.43x	3.84x	4.44x	5.31x
EBITDA / cash interest	4.6x	4.2x	3.6x	3.1x
Liquidity	324	324	324	324
Term B-1 outstanding	662	662	662	662
Total net leverage, FY28E	2.13x	2.59x	3.42x	4.57x

12-month total return, Term B-1	**Upside**	**Base**	**Downside**	**Stress**
Change in discount margin at horizon (bp)	(50)	0	150	600
Margin at horizon	2.00%	2.00%	2.00%	2.25%
Horizon price	100.33	98.88	94.67	83.88
Interest received (per 100)	6.41	6.41	6.41	6.60
Total return	**7.3%**	**5.8%**	**1.6%**	**(9.1%)**
Scenario weight	15.0%	50.0%	25.0%	10.0%
Probability-weighted return	**3.5%**			
Weighted return less SOFR	(0.9%)			

12-month total return, Term A-2	**Upside**	**Base**	**Downside**	**Stress**
Change in discount margin at horizon (bp)	(50)	0	150	600
Margin at horizon (grid on FY27E leverage)	1.85%	2.10%	2.35%	2.60%
Horizon price	100.06	99.82	98.64	94.74
Interest received (per 100)	6.76	6.76	6.76	6.76
Total return	**6.7%**	**6.5%**	**5.3%**	**1.4%**
Probability-weighted return	**5.7%**			
Weighted return less SOFR	1.3%			

Vestis Corporation - Credit Model

$ in millions; fiscal years end on the Friday nearest Sep. 30; FY27E-FY28E by case; balances at year end.

	Actual / Guide			Upside (equity case)		Base (lender case)		Downside		Stress (GFC-type)	
For the fiscal year ended	**FY25A**	**LTM 7/26**	**FY26E**	**FY27E**	**FY28E**	**FY27E**	**FY28E**	**FY27E**	**FY28E**	**FY27E**	**FY28E**
Operating											
Revenue	2,734.8	2,696.5	2,646.5	2,675.6	2,729.1	2,673.0	2,726.4	2,540.6	2,515.2	2,461.2	2,362.8
% change		*(1.4%)*	*(3.2%)*	*1.1%*	*2.0%*	*1.0%*	*2.0%*	*(4.0%)*	*(1.0%)*	*(7.0%)*	*(4.0%)*
Adj. EBITDA (covenant basis for FY25A / LTM)	**277.8**	**294.0**	**312.5**	**359.9**	**397.6**	**327.4**	**350.3**	**284.6**	**276.7**	**241.2**	**217.4**
% margin	*10.2%*	*10.9%*	*11.8%*	*13.5%*	*14.6%*	*12.3%*	*12.9%*	*11.2%*	*11.0%*	*9.8%*	*9.2%*
Free cash flow											
Adj. EBITDA				359.9	397.6	327.4	350.3	284.6	276.7	241.2	217.4
Securitization fees (added back in Adj. EBITDA)				(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(12.0)	(12.0)
Cash interest				(78.1)	(63.3)	(78.1)	(65.4)	(78.1)	(66.5)	(78.1)	(70.0)
Cash taxes				(28.1)	(41.7)	(20.0)	(29.4)	(9.9)	(12.4)	-	-
Capex incl. finance-lease equipment				(88.3)	(95.5)	(88.2)	(95.4)	(76.2)	(75.5)	(61.5)	(59.1)
% of revenue				*3.3%*	*3.5%*	*3.3%*	*3.5%*	*3.0%*	*3.0%*	*2.5%*	*2.5%*
Transformation and severance				(10.0)	(5.0)	(10.0)	(5.0)	(15.0)	(10.0)	(25.0)	(15.0)
(Increase) / decrease in working capital				(4.4)	(8.0)	(4.0)	(8.0)	15.9	3.8	27.8	14.8
			149.7	**140.1**	**173.0**	**116.2**	**136.1**	**110.3**	**105.2**	**92.4**	**76.1**
Debt and liquidity (year end)											
Term Loan A-2 (S+10bp+1.50-2.50%, 9/2028)	477.5	436.0	427.3	224.1	51.1	248.0	112.0	253.9	148.8	271.8	195.7
Term Loan B-1 (S+2.00-2.25%, 2/2031)	665.0	661.5	661.5	661.5	661.5	661.5	661.5	661.5	661.5	661.5	661.5
Revolver ($300M, 9/2028)	26.0	-	-	-	-	-	-	-	-	-	-
Finance leases	166.3	159.7	159.7	159.7	159.7	159.7	159.7	159.7	159.7	159.7	159.7
Letters of credit	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Cash	29.7	57.7	93.1	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
	1,310.9	**1,205.3**	**1,161.2**	**1,021.1**	**848.1**	**1,045.0**	**909.0**	**1,050.9**	**945.8**	**1,068.8**	**992.7**
A/R securitization, receivables sold (off balance sheet)	202.5	212.3	212.3	212.3	212.3	212.3	212.3	212.3	212.3	212.3	212.3
Credit statistics											
Total net leverage (covenant)	4.72x	4.10x	3.72x	2.84x	2.13x	3.19x	2.59x	3.69x	3.42x	4.43x	4.57x
Covenant maximum (revolver and Term A only)	5.25x	5.00x	4.75x	4.50x	4.50x	4.50x	4.50x	4.50x	4.50x	4.50x	4.50x
EBITDA cushion to covenant	10.1%	18.0%	21.8%	36.9%	52.6%	29.1%	42.3%	17.9%	24.0%	1.5%	(1.5%)
First lien net leverage (term loans + revolver)	4.10x	3.54x	3.19x	2.38x	1.72x	2.69x	2.12x	3.11x	2.82x	3.75x	3.81x
Net leverage incl. A/R facility	5.45x	4.82x	4.40x	3.43x	2.67x	3.84x	3.20x	4.44x	4.19x	5.31x	5.54x
EBITDA / cash interest		3.4x		4.6x	6.3x	4.2x	5.4x	3.6x	4.2x	3.1x	3.1x
Liquidity (cash + revolver availability)	297.9	351.9	387.3	324.2	324.2	324.2	324.2	324.2	324.2	324.2	324.2