6-MONTH PERIODIC ISSUER CREDIT RATING SURVEILLANCE RESULT

TNH HOSPITAL GROUP JOINT STOCK COMPANY

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INDUSTRY: HEALTHCARE SERVICES No. 28/2024/TBKQXH-SGR
NATIONALITY: VIETNAM July 31, 2024

Credit rating	vnA+
Outlook	Stable
Information disclosure	Public

Rating history

Date	Credit Rating	Outlook
12/12/2023	vnA+	Stable

Rating Methodology
Corporate Credit Rating Methodology of Saigon Ratings (2024)

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RATING SURVEILLANCE RESULT

Saigon Ratings conducts the 6-month Rating Surveillance Process for the first year of Rating Surveillance for TNH Hospital Group Joint Stock Company (Issuer), hereinafter referred to as "**Company**".

After comprehensively updating, analyzing, and evaluating information data of key risk factors, Saigon Ratings has decided to maintain the Credit Rating result for TNH Hospital Group Joint Stock Company as "**vnA+**", with a "**Stable**" Outlook.

This reflects our view on the stability of the Company's cash flow from business operations, derived from the provision of medical examination and treatment services, and its high readiness to meet financial obligations in a timely and sufficient manner. However, we note that there were changes in the Company's Board of Management, Supervisory Board, and Board of Directors during the first six months of 2024.

The Rating Surveillance result (including Credit Rating and Outlook) reflects the assessments of Saigon Ratings that over the past six months, there has been no significant impact from key risk factors such as macroeconomics and the Healthcare Services industry on the Company's business operations.

At the same time, there have been no unusually large fluctuations arising within the Issuer that could significantly affect the business performance and financial situation of the Issuer.

Therefore, we realize that since the time Saigon Ratings officially announced the First-time Credit Rating result for the Company until now, there have not been any arising factors in a positive (or negative) direction that may impact the existing quality of the Issuer's Credit Rating.

SURVEILLANCE RATIONALE

Upgrade scenarios

Saigon Ratings will analyze, evaluate, and consider upgrading the credit rating of the Company in the following cases:

- Exceptional revenue growth resulting from a significant increase in the number of medical examinations and treatments beyond the planned target; simultaneously, profit margins and operational efficiency achieve more optimal levels compared to the current status.
- Operating cash flows improve significantly, thereby enhancing the Company's ability to meet debt and interest payment obligations more safely.
- The expansion/investment in new hospital projects is completed as planned and brings effective business operations, thereby increasing brand value, market share, and achieving economic benefits from scale.

Downgrade scenarios

Saigon Ratings will analyze, evaluate, and consider downgrading the credit rating of the Company in the following cases:

- The Viet Yen Hospital project does not become operational as scheduled, leading to resource waste and negatively impacting short-term cash flows.
- The Company fails to successfully issue shares to existing shareholders to increase equity as planned.
- Bed occupancy rate declines below 80% due to competitive impacts; this negatively affects revenue and cash flows needed to meet debt obligations.

In the next 6 months, Saigon Ratings will continue to update information, analyze, and fully evaluate key risk factors and the following important factors, which may have positive (or negative) impacts on the business performance and financial situation of the Company:

(i) The investment, implementation, and operation progress of the Company's hospital construction/expansion projects;

(ii) The ability of cash flows from the Company's medical examination and treatment activities to support hospital system investment on schedule and ensure full and timely financial obligations;

(iii) The volatility of the leverage ratio, EBITDA interest coverage ratio, and DSCR of the Company.

Industry development outlook in the short and medium term

Saigon Ratings maintains the assessment that the risk level of the Vietnam Healthcare Services industry is currently Low.

We believe that the industry has stable growth potential in the short, medium, and long term due to the following factors:

(1) Policies and development plans for the Vietnam Healthcare Services industry in the medium and long term are increasingly being completed and focused on implementation;

(2) Disposable income per capita is increasing, leading to higher spending on healthcare, especially in private healthcare;

(3) Vietnam's population structure is aging rapidly, and people are increasingly concerned about healthcare;

(4) Lifestyle changes and other socio-economic factors have led to more people being diagnosed with chronic and non-communicable diseases than before;

(5) Health insurance coverage is extensive, including many groups in society, and health insurance premiums are rising, contributing to increased demand for medical examination and treatment, creating a stable demand source for the industry;

(6) Medical service prices are on the rise, thanks to adjustments in base salary levels and increasing demand for high-quality services.

The healthcare sector strives to achieve the main targets of the 2024 socio-economic development plan and specific sector targets for 2024, as assigned by the National Assembly in Resolution No. 103/2023/QH15 dated November 9, 2023, and the Government in Resolution No. 01/NQ-CP dated January 5, 2024. Details are in the table below:

No.	Target	Unit	2024 Target	2023 Performance
Major targets of the socio-economic development plan				
1	Health insurance coverage rate	%	94.1	93.2
2	Number of doctors per 10,000 population	Doctors	13.5	12.5
3	Number of hospital beds per 10,000 population	Beds	32.5	32
Specific targets of the healthcare sector				
1	Health management coverage rate	%	Above 90	Above 80
2	Average life expectancy (from birth)	Years	73.8	73.7
3	Public satisfaction rate with healthcare services	%	Above 80	90
4	Sex ratio at birth	Male/Female	111.2	112
5	Infant mortality rate (under 1 year old)	Cases/1,000 live births	Below 11.5	11.6
6	Child mortality rate (under 5 years old)	Cases/1,000 live births	Below 18.0	18.2
7	Stunting rate (height-for-age) for children under 5 years old	%	Below 18.5	18.6

Source: Saigon Ratings compiled.

In QI/2024, the Healthcare Services industry effectively ensured medical examination and treatment, on-call duty, and emergency care; focused on controlling nosocomial infections, environmental management, and medical waste disposal; and implemented new techniques, making efficient use of medical equipment. The total number of patients reached 293,646 visits, an increase of 25,856 visits compared to the same period in 2023; among them, there were 49,828 inpatient visits, an increase of 3,422 visits compared to the same period, with the average bed occupancy rate across the province reaching 93.6%, higher by 5.0% compared to the same period..

According to the report of the Thai Nguyen Department of Health, in QI/2024, the whole province organized medical examinations and treatments for 93,194 people with health insurance. This included 12,523 inpatient visits and 80,771 outpatient visits, with total healthcare costs covered by health insurance amounting to VND76.677 billion.

Data from Vietnam Social Security shows that in the first 6 months of the year, the average utilization rate of the Health Insurance Fund nationwide was 50.6%. Notably, along with the increase in health insurance visits, the average cost per visit in the first 6 months of 2024 also increased by about 8.6% compared to the same period in 2023.

In the first 06 months of the year, over 88 million visits for health insurance medical examination and treatment were recorded nationwide, an increase of 6.3% compared to the same period last year, with the inpatient rate at 9.98%, up 0.08% compared to the same period last year. In the first six months of 2024, healthcare facilities requested payments from the Health Insurance Fund amounting to VND66.299 billion, an increase of 16.3% compared to the same period last year. Regarding cost structure, bed and medical supplies costs account for a large proportion and are on the rise.

Assessment of business risks

Saigon Ratings maintains the view that the current business risk of the Company is Low.

This reflects our assessment of its strong competitive advantage, expanding scale, high diversity of medical examination and treatment services, and targeted patient segments. Additionally, the Company is showing business efficiency through relatively stable revenue growth and good profitability.

We observe that the Company is gradually implementing its plan to expand its hospital system nationwide. In the first six months of 2024, the Company changed its name from Thai Nguyen International Hospital Joint Stock Company to TNH Hospital Group Joint Stock Company and updated the brand identity of TNH Hospital. Simultaneously, the Company increased the maximum foreign ownership limit from 49% to 70%, paving the way for potential M&A activities in the future.

Table 1: Hospital projects the Company is implementing/planning to implement

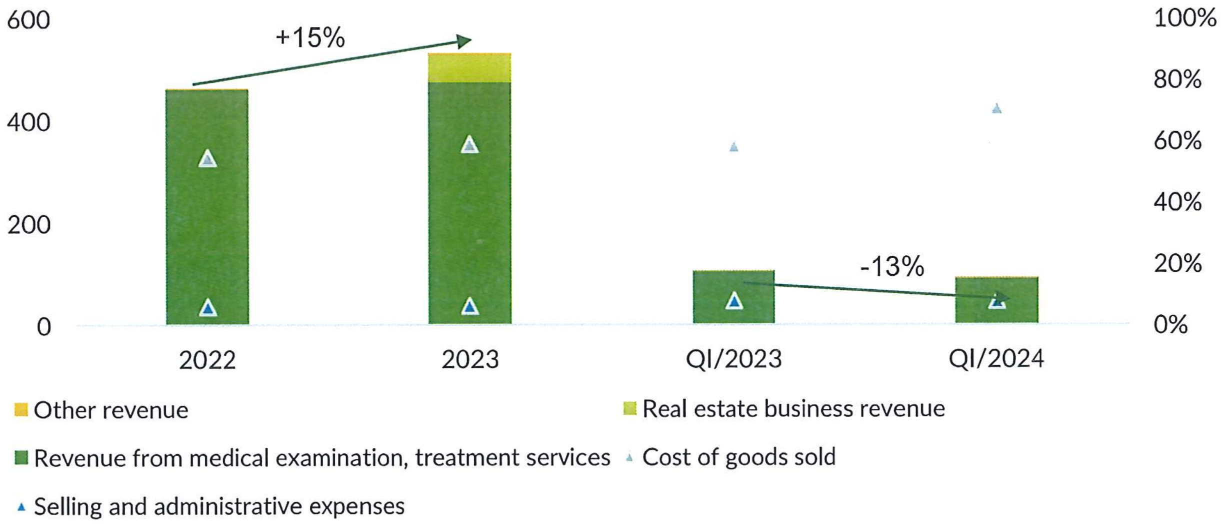
No.	Project	Start time	Completion time	Location	Expected capacity (beds)	Estimated total investment (billion VND)	Updated information
1	TNH Viet Yen Hospital	QII/2023	QII/2024	Bac Giang	150	753	Adjusted total investment from VND618 billion to VND753 billion due to increased material and labor costs; design changes for some project items; additional equipment and machinery. Expected to be operational in QIII/2024.
2	TNH Lang Son Hospital	QI/2024	QIV/2025	Lang Son	300	700	As of March 31, 2024, the Company owns 84.5% of the

							capital.
3	TNH Thai Nguyen Hospital Phase 3	QIII/2024	QIII/2026	Thai Nguyen	50	145	Adjusted project scale, moving 100 beds invested in Phase 1 building to Phase 2 building, repairing and upgrading Phase 1 building to 50 high-quality beds.
4	TNH Yen Binh Hospital Phase 2	2026	n/a	Thai Nguyen	50	228	Adjusted expansion plan from 150 beds to 50 beds and delayed start to 2026 due to current capacity meeting demand.
5	TNH Hanoi Hospital	2024	n/a	Hanoi	500	2,5	International standard hospital in Ciputra urban area.
6	TNH Da Nang Hospital	n/a	n/a	Da Nang	n/a	n/a	Multi-specialty hospital specializing in Oncology. The project will be invested under the public-private partnership (PPP) model and by contract.

Source: Saigon Ratings compiled.

In QI/2024, the Company recorded revenue of over VND92 billion, down 13% compared to the same period and achieving 17% of the 2024 revenue target (VND540 billion). The cost of goods sold increased significantly, accounting for 71% of revenue, while sales and administrative expenses remained at 7.8% of revenue. Gross profit margin decreased due to increased material and operational costs at TNH Viet Yen Hospital.

Chart 1: Revenue and Cost Structure of the Company (Unit: Billion VND)



Source: Financial statements of the Company, Saigon Ratings calculated and compiled.

** The financial data for QI is based on unaudited financial statements published by the Company.*

In QI/2024, the Company's net profit reached nearly VND15 billion, down 39% compared to the same period and achieving only 10% of the 2024 net profit target (VND155 billion). We expect the gross profit margin to improve and the Company to achieve its 2024 business targets as the Company adjusted the prices of medical examination and treatment services from June 12, 2024, and the new hospital became operational on schedule.

Assessment of debt payment ability

Saigon Ratings assesses the financial risk profile of the Company as currently at a Medium level.

This reflects the Company's relatively low leverage ratio and its high ability to fully and timely meet financial obligations. However, free cash flow from operating activities will continue to be weak due to the ongoing hospital expansion activities.

Chart 2: Debt structure and Leverage ratio of the Company (Unit: Billion VND, times)

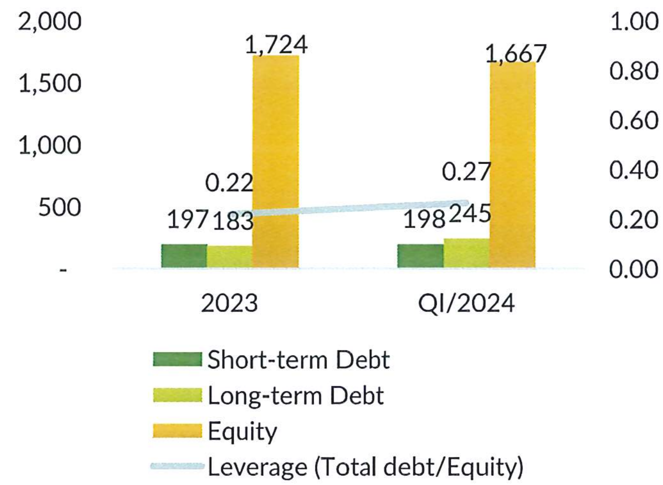
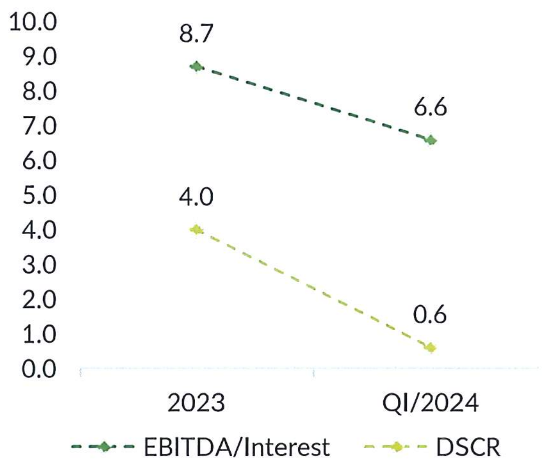


Chart 3: Debt and interest coverage ratios of the Company (Unit: Times)



Source: Financial statements of the Company, Saigon Ratings calculated and compiled.

The Company's financial leverage (Total debt/Equity) slightly increased to 0.27 times in QI/2024 as the Company increased long-term borrowing (bank loans) to complete the investment in TNH Viet Yen Hospital, preparing it for operation.

We note that the Company plans to offer shares to existing shareholders (VND152 billion) to repay debt and supplement working capital. In the event of a successful issuance, the Company's financial leverage is expected to improve. At the same time, the Company will also issue shares to pay dividends for 2023 (VND188 billion) in the second half of 2024.

The EBITDA interest coverage ratio decreased in QI/2024 but remained relatively high at 6.6 times. The Company's DSCR (Debt Service Coverage Ratio) dropped significantly to 0.6 times, indicating that cash flow from operating activities in QI/2024 was insufficient to meet due debt obligations. However, the Company's liquidity is still supported by the remaining credit limits provided by major domestic commercial banks.

ISSUER OVERVIEW

TNH Hospital Group Joint Stock Company (formerly Thai Nguyen International Hospital Joint Stock Company) was established under Business Registration Certificate No. 4601039023 issued by the Department of Planning and Investment of Thai Nguyen Province on March 19, 2012, with the most recent adjustment being the 12th amendment on July 8, 2024, regarding changes in the company's name, business lines, and charter capital reduction.

The Company's current headquarters is located at 328 Luong Ngoc Quyen street, Dong Quang ward, Thai Nguyen city, Thai Nguyen province, Vietnam.

The charter capital of the Company as of July 8, 2024, is VND1,101,745,800,000.

The Company's main business activities include the operation of hospitals, health stations, general clinics, specialized clinics, and dental clinics: providing hospital services, dental services, and medical examination services.

In 2021, the Company's shares were listed on the Ho Chi Minh City Stock Exchange under the stock code TNH.

HISTORY OF ISSUER RATING RESULT

Date	Credit Rating	Outlook
31/7/2024	Issuer Credit Rating Surveillance: **vnA+**	**"Stable"**
12/12/2023	First-time Issuer Credit Rating: **vnA+**	**"Stable"**

Rating surveillance is valid until: October 13, 2024.

OWNERSHIP INFORMATION

The information disclosed below is made publicly and transparently by us to ensure absolute compliance with current legal regulations in implementing the Credit Rating process and announcement of Issuer Credit Rating Surveillance Result every 6 months, from the time of the announcement of First-time Issuer Credit Rating Result:

- Equity ownership at Saigon Ratings by TNH Hospital Group Joint Stock Company: 0%
- Equity ownership at TNH Hospital Group Joint Stock Company by the employee* of Saigon Ratings: 0%

(*) *Including ownership of members of the Board of Directors, members of the Credit Rating Committee, members of the Analyst Team, and other related Saigon Ratings' employees.*

The above figures are reviewed, updated, and checked through the Internal Control system throughout the process of providing Credit Rating services, from the date Saigon Ratings officially signed the contract with TNH Hospital Group Joint Stock Company and updated to the date of publication of this Credit Rating Surveillance Report.

INDEPENDENCE, OBJECTIVITY, INTEGRITY, AND TRANSPARENCY COMMITMENT

Saigon Ratings maintains the operating principles of Independence, Objectivity, Transparency and Integrity. Our Credit Rating service complies with global CRA (Credit Rating Agency) professional quality standards; at the same time, we comply with current legal regulations in providing Credit Rating services.

We strictly comply with the Saigon Ratings Internal Control System, preventing potential conflicts of interest that may occur and absolutely ensuring objective principles in implementing the assessment process for the Credit Rating of the Issuer and/or debt instruments on market.

Accordingly, direct and indirect personnel of Saigon Ratings participating in the task of providing Credit Rating services are not allowed to own and/or conduct any transactions in securities, shares, or debt instruments of the Issuer, throughout the duration of the contract to provide Credit Rating services with TNH Hospital Group Joint Stock Company (including the First-time Credit Rating and Annual Credit Rating Surveillance).

INFORMATION DISCLOSURE

This Announcement of Issuer Credit Rating Surveillance Result is prepared by Saigon Ratings in accordance with current legal regulations, and therefore the announcement document only provides updated Credit Rating Surveillance Results and summary information about the relevant assessment criteria.

Full information on the First-time Issuer Credit Rating Report and Issuer Credit Rating Surveillance Report is only provided by Saigon Ratings to subjects in case of request, according to the specific terms and conditions.

SAI GON PHAT THINH RATINGS JOINT STOCK COMPANY

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RATING SCALE AND ITS MEANINGS

RATING SCALE	MEANINGS
vnAAA	An issuer rated vnAAA has an extremely strong capacity to meet its financial commitments. vnAAA is the highest issuer credit rating assigned by Saigon Ratings.
vnAA	An issuer rated vnAA has a very strong capacity to meet its financial commitments. At the same time, the vnAA rating is not too different from the vnAAA rating.
vnA	An issuer rated vnA has a strong capacity to meet its financial commitments, but this ability can be affected by adverse changes in the business environment and economic conditions.
vnBBB	An issuer rated vnBBB has adequate capacity to meet its financial commitments. However, this ability can be affected by adverse changes in the business environment and economic conditions.
vnBB	An issuer rated vnBB is likely to be less affected in the short term compared to organizations with lower ratings. However, susceptibility to significant impact from instability in business operations and unfavorable economic and financial conditions may jeopardize the issuer's ability to meet financial obligations fully and on time.
vnB	An issuer rated vnB is more vulnerable than the entity rated vnBB, but the entity currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the entity's capacity or willingness to meet its financial commitments.
vnCCC	An issuer rated vnCCC is currently vulnerable to negative impacts by the risk of insolvency and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
vnCC	An issuer rated vnCC is facing the risk of insolvency. The possibility of default has not yet materialized, but it is likely to do so soon, but the exact date is unknown.
vnC	An issuer rated vnC is highly likely to fail to meet its debt obligations in the short term. The ability to pay is impaired and may be irreversible.
vnR	An issuer rated vnR is under regulatory supervision owing to its financial condition. During the pendency of regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.
vnSD and vnD	An issuer rated vnSD or vnD applies to organizations that have become insolvent with one or more debt obligations when they come due, whether rated or unrated, except for obligations arising from hybrid instruments that are included in the legal capital or are not required to pay. The vnD credit rating is applied when there are sufficient grounds to determine that the organization is completely insolvent and is unable to pay all or almost all its debt obligations when due. The vnSD credit rating is applied when there are sufficient grounds to believe that an organization has partially defaulted on a particular debt obligation or a type of debt obligation but will still meet its obligations on time with other residual obligations. The credit rating of the organization will be downgraded to vnSD or vnD if the enterprise/institution is in the process of dissolution or merger to resolve the crisis.

* The Credit Rating scales from 'vnAA' to 'vnCCC' may be adjusted by adding a plus sign "+" or a minus sign "-" to indicate the relative Credit Rating between Issuers in the same rating scale.

** The symbol "vn" before the Credit Rating is interpreted as the Credit Rating according to the National Rating (Vietnam) scale of Saigon Ratings.

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