

VEJTHANI PLC

No. 115/2025
11 July 2025

CORPORATES

Company Rating: BBB+
Outlook: Stable

Last Review Date: 04/07/24

Company Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 04/07/24 | BBB+ | Stable |
| 22/07/22 | BBB | Stable |

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RATIONALE

TRIS Rating affirms the company rating on Vejthani PLC (VTN) at “BBB+”, with a “stable” rating outlook. The rating reflects the company’s proven track record in delivering comprehensive healthcare services in the medical tourism market and its standing as one of the leading private hospitals for middle- to high-income patient segments in Thailand. We also factor in the company’s conservative financial policy and its forthcoming investment plans. The rating is weighed down by asset concentration risk, the competitive environment of the healthcare service industry, and external factors affecting the number of international patients.

KEY RATING CONSIDERATIONS

Foreign patient revenue expected to be key growth driver

We expect the company to maintain its competitive position in the medical tourism market. VTN’s established clinical reputation, particularly in orthopedics, spine surgery, gastroenterology, in vitro fertilization (IVF), and pediatrics, continues to reinforce its position as a hospital of choice for a certain segment of international patients. We believe Thailand will remain an attractive destination for medical tourism, supported by its broad range of comprehensive healthcare offerings, competitive pricing, renowned hospitality, and high standards of clinical care.

We project foreign patient revenue to grow at high single-digit rate, supported by increasing clinical demand from neighboring countries and VTN’s new market expansion efforts. We expect the company’s ongoing investment in advanced medical technologies, such as robotic-assisted surgery and rehabilitation robotics, to further strengthen its ability to capture highly complex medical cases. These capabilities are expected to support growth in both patient volumes and intensity of care, while broadening the company’s reach to new patient segments.

Foreign patients contribute roughly half of VTN’s total revenue. In 2024, a sharp decline in Kuwaiti patients following the country’s changes in welfare policies resulted in flat year-on-year (y-o-y) growth in VTN’s foreign patient revenue despite strong growth from other markets. Kuwait had previously constituted as much as one-fourth of VTN’s foreign patient revenue. In the first quarter of 2025, international patient revenue rose by 6% y-o-y, driven by higher patient volumes and more intensive care admissions. VTN continues to diversify its international patient base, with growth from emerging markets.

Growing importance of insured patients for Thai revenue

On the domestic side, revenue growth from insured patients has been relatively robust, while self-pay patient revenue growth has been constrained by economic headwinds and alternative social welfare coverage. Revenue from insured patients reached 31% of total healthcare service revenue in the first quarter of 2025, up from 29% in 2024 and 25% in 2023. Most of these insured patients are Thais.

We anticipate any negative impact from the shift toward co-payment insurance, implemented in March 2025, will likely be gradual. This is because it will take time for new policies to accumulate and represent a significant

proportion of the overall insured patient mix, with most existing patients retaining full coverage.

Revenue from Thai patients grew 5% in 2024 and 1% y-o-y in the first quarter of 2025. This growth was primarily backed by a higher mix of complex cases requiring hospitalization, reflecting the company's strategic focus on specialized and advanced medical treatments.

Moderate revenue growth and strong profitability expected

We expect VTN's total operating revenue to grow by 3%-7% annually during 2025-2027, supported by an increase in the volume of fly-in international patients, rising demand for complex and high-acuity treatments, and the continued expansion of technologically advanced healthcare services.

VTN's profitability is expected to remain strong. We forecast its annual EBITDA in the range of THB1.2-THB1.3 billion, with an EBITDA margin of 32.0%-32.5% over the forecast period. The company's solid margin is expected to be supported by ongoing cost-efficiency measures, including the adoption of artificial intelligence (AI) and automation, the implementation of digital marketing strategies, optimized asset utilization, and improving performance at its new psychiatric hospital.

The company has consistently maintained a higher profit margin than the industry average among healthcare service providers listed on the Stock Exchange of Thailand (SET). Over the past three years, its EBITDA margin has been in the 31%-32% range, significantly exceeding the peer group average of 22%-24%.

Single-site concentration risk to remain over the medium term

VTN's credit profile remains constrained by heavy reliance on its main hospital, which will likely continue to generate over 90% of the company's total revenue over the forecast period.

Although the new specialized psychiatric facility, Bangkok Mental Health Hospital (BMHH), has shown improving performance since its August 2023 launch, its revenue contribution remains minimal relative to the company's main campus. BMHH generated THB58 million in revenue in 2024 and THB23 million in the first quarter of 2025. Its EBITDA turned positive at THB3.4 million in the first quarter of 2025, reflecting signs of operational improvement. However, BMHH is still in its ramp-up phase and is expected to require time to scale revenue and profitability, as well as to establish a strong market presence in mental health services.

VTN is developing a new general hospital, Vejthani Wattanavipa Hospital, on Chaeng Wattana Road, Bangkok, as part of its ongoing expansion strategy to broaden service offerings and diversify its hospital network. The project has an estimated cost of THB3 billion, with completion targeted for late 2027. As a further step, the company is evaluating the feasibility of a large-scale tertiary care hospital in Bangkok, with an estimated investment cost of THB5 billion, which would be undertaken after the Chaeng Wattana project is completed. These expansion initiatives are expected to gradually reduce the company's reliance on its primary hospital and enhance revenue diversification across multiple facilities.

Sound capital structure, despite upcoming capital investments

VTN's capital structure is expected to remain strong over the next three years, even with planned capital expenditures for new projects. As of December 2024, the company reported THB1.1 billion in interest-bearing debt and maintained a net cash position, resulting in very low net debt to EBITDA ratio and net debt to capitalization ratio.

We project VTN's annual capital spending of THB1.2-THB1.8 billion during 2025-2027. This includes roughly THB300-THB350 million for facility and equipment upgrades at the main campus, and limited incremental investment in the psychiatric hospital, while the majority is allocated to the new general hospital under construction in Bangkok. Funding for this new hospital project will primarily come from internal cash flow, through capital injections from a partner, and potentially some debt financing. Despite these investments, VTN's debt to EBITDA ratio is expected to remain below 1.0 times throughout the forecast period.

In the longer term, a new tertiary hospital project currently under evaluation, with an estimated investment cost of about THB5 billion, may lead to a significant increase in leverage. However, the ultimate impact will depend on the investment timeline, revenue and earnings growth, and dividend policy.

Adequate liquidity

We assess VTN's liquidity to be adequate over the next 12 months. As of December 2024, the company held THB1.6 billion in cash and cash equivalents, alongside about THB1.1 billion in undrawn short-term credit facilities. We project funds from operations (FFO) of about THB1 billion in 2025. These sources of funds should be sufficient to cover the company's debt service obligations, comprising THB220 million in long-term debt and lease obligations, along with planned capital expenditures of around THB1.6 billion in 2025.

Debt structure

As of December 2024, VTN's total consolidated interest-bearing debt, excluding lease liabilities, totaled about THB1.1 billion. Around 74% of VTN's debt was priority debt, including secured debt at the parent company and total debts of its subsidiaries. As its priority debt ratio exceeds our 50% priority debt threshold, we view that VTN's unsecured creditors are significantly disadvantaged to priority debt holders with respect to claims against the company's assets.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for VTN's operations in 2025-2027 are as follows:

- Revenues to increase by 3%-7% per annum over the next three years.
- EBITDA margin at about 32.0%-32.5%.
- Capital spending of THB1.2-THB1.8 billion per annum.

RATING OUTLOOK

The "stable" outlook reflects our expectation that VTN will maintain its market position in the medical tourism segment and continue delivering sound financial results. We expect VTN to continue its conservative investment strategy and maintain a healthy financial position in line with our forecasts.

RATING SENSITIVITIES

The ratings and/or outlook could be revised downward if VTN's financial position and operating performance deteriorate significantly, or any debt-financed investments substantially weaken the company's balance sheet, with its debt to EBITDA ratio approaching 2 times over an extended period. A rating upgrade is unlikely in the near term.

COMPANY OVERVIEW

VTN was established in 1990 and became a public company in 1993. Vejthani Hospital commenced operations in 1994. As of March 2025, the major shareholder of VTN was the Souksakit Family with a combined shareholding of 44.6%.

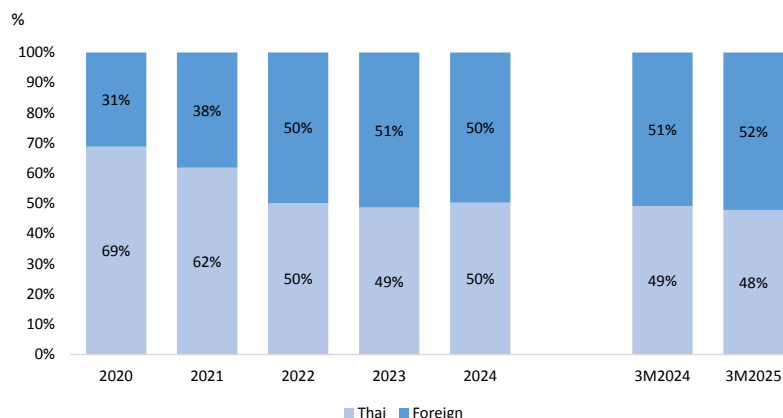
The company is one of the premium private healthcare providers in Thailand, targeting local patients in the middle- to high-income segments and international patients. Vejthani Hospital has a service capacity of 193 inpatient beds. The hospital delivers healthcare services spanning tertiary, specialized treatment, and complex medical care levels.

VTN launched a new specialized facility, BMHH, in the Greater Bangkok area, which commenced operations in August 2023. VTN holds a 55.94% ownership stake in the hospital. Currently, the company is developing a new general hospital, Vejthani Wattanavipa Hospital, as part of its ongoing expansion strategy to broaden service offerings and diversify its hospital network.

The company's total consolidated revenue was nearly THB3.6 billion in 2024. Revenue from foreign and Thai patients each accounted for about half of the company's total revenue. Revenue from the inpatient department (IPD) contributed 50% of the total; the remainder came from the outpatient department (OPD). In 2024, self-pay patients made up 57% of its patient revenue, followed by patients covered by health insurance (29%), and government-contracted patients (14%).

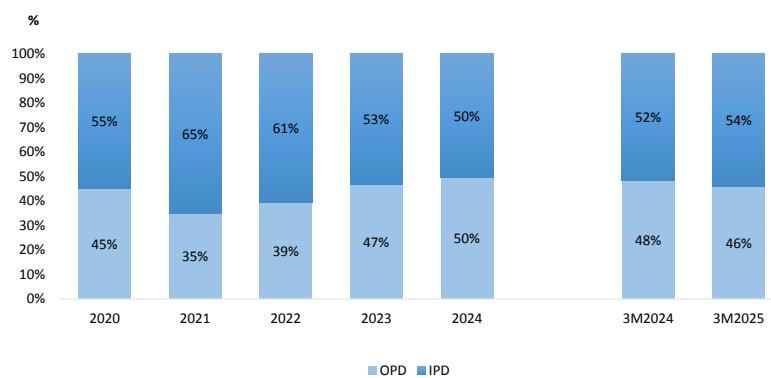
KEY OPERATING PERFORMANCE

Chart 1: Vejthani Hospital's Revenue Contribution by Nationality



Sources: VTN

Chart 2: Vejthani Hospital's Revenue Contribution by Service Type



Sources: VTN

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

| | -----Year Ended 31 December ----- | | | | |
|--|-----------------------------------|---------|-------|-------|-------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Total operating revenues | 3,562 | 3,456 | 3,161 | 2,150 | 1,814 |
| Earnings before interest and taxes (EBIT) | 846 | 850 | 762 | 345 | 103 |
| Earnings before interest, taxes, depreciation, and amortization (EBITDA) | 1,136 | 1,104 | 988 | 544 | 298 |
| Funds from operations (FFO) | 912 | 890 | 807 | 447 | 253 |
| Adjusted interest expense | 58 | 48 | 37 | 44 | 35 |
| Capital expenditures | 1,267 | 518 | 353 | 473 | 386 |
| Total assets | 6,737 | 5,461 | 4,715 | 3,816 | 3,797 |
| Adjusted debt | 0 | 17 | 228 | 696 | 582 |
| Adjusted equity | 4,658 | 3,491 | 2,972 | 2,179 | 1,998 |
| Adjusted Ratios | | | | | |
| EBITDA margin (%) | 31.9 | 31.9 | 31.3 | 25.3 | 16.4 |
| Pretax return on permanent capital (%) | 15.8 | 19.6 | 21.0 | 10.3 | 3.3 |
| EBITDA interest coverage (times) | 19.6 | 23.2 | 26.4 | 12.3 | 8.6 |
| Debt to EBITDA (times) | 0.0 | 0.0 | 0.2 | 1.3 | 2.0 |
| FFO to debt (%) | n.m. | 5,092.1 | 353.9 | 64.1 | 43.4 |
| Debt to capitalization (%) | 0.0 | 0.5 | 7.1 | 24.2 | 22.6 |

* Consolidated financial statements

n.m. Not meaningful

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022

Vejthani PLC (VTN)

| | |
|------------------------|--------|
| Company Rating: | BBB+ |
| Rating Outlook: | Stable |

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