



## Water Sector

## Sector Update

Duong Dinh  
 Senior Manager  
[duong.dinh@vcsc.com.vn](mailto:duong.dinh@vcsc.com.vn)  
 +84 28 3914 3588 ext. 140

### Residential segment to support volume growth

**Volume continues to grow, supporting BWE and TDM's 2023 profit.** This growth will be led by strong residential water demand. We lower our projected 2023 volume growth for BWE from 12% YoY to 7% YoY, which is driven by 9% YoY residential water volume growth and 5% YoY industrial water volume growth. For TDM, we raise our projected 2023 volume to 79 million cbm (+13% YoY) following its 2022 results that beat our expectations. We attribute the stronger volume growth for TDM vs BWE in 2022-2023 to 1) TDM being impacted more severely compared to BWE in 2020-2021, and 2) TDM's major water plants being in the most populated industrial hub of Binh Duong Province (Di An District), which faces less risk of an economic slowdown compared to other districts.

**BWE to acquire a 20%-100% stake in four water companies in Long An Province and one water company in Quang Binh Province, providing potential upside to our valuation.** On February 8, BWE announced a BOD resolution to acquire a 20%-100% stake of DNP Long An Water Infrastructure JSC (Long An Water), which possesses the Nhi Thanh water processing plant (capacity of 60,000 cbm/day) and has secured land bank to double its capacity to 120,000 cbm/day — ~15% of BWE's capacity. According to BWE, Long An Water has a ~50%-60% market share. The price and timeline for this acquisition have not been specified. On February 10, BWE announced it would acquire 50%-100% stakes in four additional water companies in order to consolidate revenue and profit when these deals are successful. These companies include three in Long An Province (Chau Thanh Urban Construction JSC, Can Giuoc Urban Construction JSC and Bang Tam Water & Environment JSC) and one in Quang Binh Province (DNP Quang Binh Water Infra JSC). Additional details about these acquisitions were not disclosed. The acquisitions are in line with BWE's strategy to expand its water business beyond southeastern Vietnam to the southwestern and central regions. According to BWE, Long An's water industry has bright prospects from rapid urbanization and population growth, increasing frequency of drought and saltwater intrusion leading to strong demand for clean water, and a projected 2020-2030F CAGR of 5%. In addition, BWE expects that industrial water demand could double over the next 10 years.

**We lower our target price for BWE by 2% to VND50,700/share and downgrade our rating from BUY to OUTPERFORM as the company's share price has increased 35% over the past three months.** Our lower TP is due to a 4% decrease in our aggregate earnings forecast in 2023-2027F following our lower water volume assumption.

**We raise target price for TDM by 1% to VND44,600/share and maintain BUY rating.** Our higher TP is due to a 2% increase in 2023-2027F aggregate NPAT forecast given higher projected volume.

**Figure 1: Water companies – Key data**

Code	Rating	Market Cap USD mn	State O'ship %	Foreign Limit %	Foreign Avail USD mn	ADTV 30D USD mn	Share price VND ps	Target price, VND ps	Target price, updated	Upside %	Div yield %	12M TSR %
BWE	O-PF	384	19%	50%	128	0.3	46,500	50,700	2/14/2023	9.0%	2.6%	11.6%
TDM	BUY	155	0%	50%	53	0.2	36,500	44,600	2/14/2023	22.2%	3.3%	25.5%

**Figure 2: Water companies – Summary valuations, based on reported NPAT**

Code	Share price, VND ps	EPS g 2022 %	EPS g 2023F %	EPS g 2024F %	P/E TTM (x)	P/E 2022 (x)	P/E 2023F (x)	P/E 2024F (x)	EV/ EBITDA 2023F (x)	ROE 2023F %	P/B LQ (x)	Net D/E LQ %
BWE	46,500	-0.8%	14.7%	50.3%	13.4x	13.4x	12.7x	8.4x	7.3x	17.9%	1.6	63.3%
TDM	36,500	-32.9%	39.3%	25.9%	18.0x	18.0x	12.9x	10.3x	7.2x	15.4%	1.7	12.9%

Source: Bloomberg, VCSC (data as of February 13, 2023)

## Industry Update

### Binh Duong Province set its 2023 GRDP target slightly higher than that of 2022

**Binh Duong's 2022 GRDP increased 8.3% YoY** as all three main sectors of the economy performed strongly. Specifically, the agricultural sector rose 3.1% YoY, the industrial-construction sector rose 8.2% YoY and the services sector rose 9.5% YoY.

**Provincial leaders set 2023 targets** for GRDP to increase 8.5%-8.7% YoY and the Index of Industrial Production (IIP) to rise 8.9% YoY. Core tasks in 2023 include progressing with a modern provincial road transport infrastructure network and facilitating interregional connections. The focus is on the Ring Road No. 3 project, the HCMC – Thu Dau Mot - Chon Thanh – Binh Phuoc Expressway, the Bau Bang – Cai Mep (Vung Tau) railway and the Song Than Intersection.

**An all-time high amount of high public investment in 2023 will accelerate key infrastructure projects.** According to the provincial People's Committee's statement on February 7, Binh Duong Province has been assigned to disburse nearly VND21.8tn (USD909million) of public investment capital in 2023. In January 2023, the public investment index jumped 63.6% YoY to VND545bn to boost investment in major transport projects.

**According to the General Statistics Office of Vietnam, Binh Duong's socioeconomic indicators were weak in January 2023** as IIP slumped 11.2% YoY, which was mainly due to a lower amount of industrial activities during the Tet Holiday. Meanwhile, the total retail sales of good & services in January 2023 increased 14.1% YoY to VND25tn, which was driven by higher consumption demand. Furthermore, 86% of laborers returned to work in Binh Duong Province after Tet as 87% of enterprises commenced reoperation. However, the employment index declined by 0.5% YoY primarily due to fewer workers in the State-owned business sector (-15.5% YoY); non-state businesses fell by 3.9% and FDI enterprises rose by 0.7%.

**Binh Duong is among Vietnam's top five provinces for attracting new FDI registrations over the past five years** and has one of the largest industrial zones in Vietnam.

Binh Duong ranked second among provinces in FDI attraction nationwide with 2022 FDI inflows of USD3.1bn (+48.8% YoY) thanks to large-scale investment projects of LEGO (total capital of USD1.3bn) and Pandora Group (capital expenditure of more than USD100mn).

In the long term, we expect Binh Duong's industrial water demand will improve due to the rapid expansion of industrial production as new industrial parks come into operation in 2022-2025F, including the Vietnam Singapore Industrial Park (VSIP) III (1,000 ha) in Tan Uyen District and Cay Truong Industrial Park (1,000 ha) in Bau Bang District.

We expect population growth and migration will increase Binh Duong's residential water demand, particularly in HCMC's suburbs like Di An Ward. In June 2022, the National Congress issued an investment approval for the 76-km Ring Road No. 3 project that will connect HCMC with Dong Nai, Long An and Binh Duong province. Binh Duong Province targets to commence construction by April 30, 2023, to ensure the progress of the project.