

Biwase (BWE)

Water price hikes to propel long-term growth

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BWE achieved 107% and 81% of its 2024 targets for revenue and net profit, respectively

In 2024, BWE reported revenue of VND3,959 billion (+12% YoY) and net profit of VND642 billion (-4% YoY), achieving 107% and 81% of the full-year targets. The clean water supply segment led revenue at VND2,611 billion (+13% YoY), fueled by a substantial increase in water volume to 200 million m³ (+9% YoY).

Its dominant position in Binh Duong's water infrastructure ensures stable cash flow

BWE's vertically integrated water supply chain and efficient pipeline operations, which ensure a low loss rate, offer a competitive edge, enabling the company to capture rising clean water demand. Consumption is estimated to grow at a compound annual growth rate (CAGR) of 3% for industrial use and 5% for domestic use through 2035.

BWE's M&A strategy is set to drive growth from 2025

BWE's M&A strategy targets high-growth water supply firms, benefiting from economic trends and an inevitable shift toward surface water treatment. Water consumption in Long An is expected to grow at a CAGR of 15% until 2030. The company's 43% stake in Tan Hiep Water Investment JSC could boost joint venture earnings to VND89 billion (+104% YoY) in 2025.

Anticipated water price hikes from 2H2025 could enhance profit margins

Rising per capita income may fuel annual increases in clean water rates, driven by growing infrastructure investment costs. We project water prices to rise by 3% per year through 2030.

We initiate BUY for BWE with a target price of VND50,500/share

Using a combination of the FCF and EV/EBITDA valuation methods, KBSV initiates BUY for BWE, with a target price of VND50,500, implying a projected 15.6% upside.

Buy initiate

Target price VND50,500

Upside	15.6%
Current price (Mar 17, 2025)	VND43,700
Consensus target price	VND55,600
Market cap (VNDtn/USDbn)	10.0/0.4

Forecast earnings & valuation

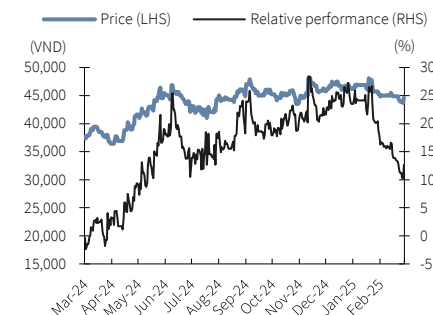
FY-end	2023A	2024A	2025F	2026F
Net revenue (VNDbn)	3,526	3,959	4,300	4,638
Operating income/loss (VNDbn)	980	1,050	1,222	1,387
NPAT-MI (VNDbn)	682	664	890	1,104
EPS (VND)	2,902	2,423	3,251	4,034
EPS growth (%)	-9.2	-16.5	34.2	24.1
P/E (x)	16.9	20.3	15.1	11.7
P/B (x)	2.0	2.1	1.8	1.6
ROE (%)	13.7	12.0	14.3	15.9
Dividend yield (%)	2.7	2.6	2.7	3.8

Trading data

Free float	28.4%
3M avg trading value (VNDbn/USDmn)	5.6/0.2
Foreign ownership	11.6%
Major shareholder	Thu Dau Mot Water (TDM, 37%)

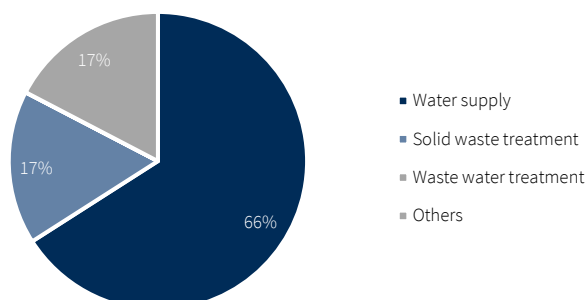
Share price performance

(%)	1M	3M	6M	12M
Absolute	-2.8	-4.3	1.7	20.7
Relative	-7.0	-8.7	0.0	17.0



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2024)



Source: Biwase, KB Securities Vietnam

Business operation

Binh Duong Water – Environment Corporation (BWE) is the exclusive clean water provider in Binh Duong, commanding a 100% market share. The company has also expanded into wastewater and solid waste treatment, aiming to develop a comprehensive regional environmental infrastructure ecosystem.

Investment Catalysts

BWE's dominant position in Binh Duong's water infrastructure ensures stable cash flow. Its vertically integrated water supply chain allows the company to capture growing regional demand for clean water, projected to rise at a 3–5% CAGR through 2035.

Biwase Long An is poised for double-digit growth, driven by a 15% CAGR in water supply volume through 2030, **while Tan Hiep Water is expected to see improved profitability**, contributing VND37 billion in profit in 2025.

Water price adjustments are anticipated from 2H2025, with KBSV forecasting a 3% CAGR in rates across Binh Duong and other regions.

Notes

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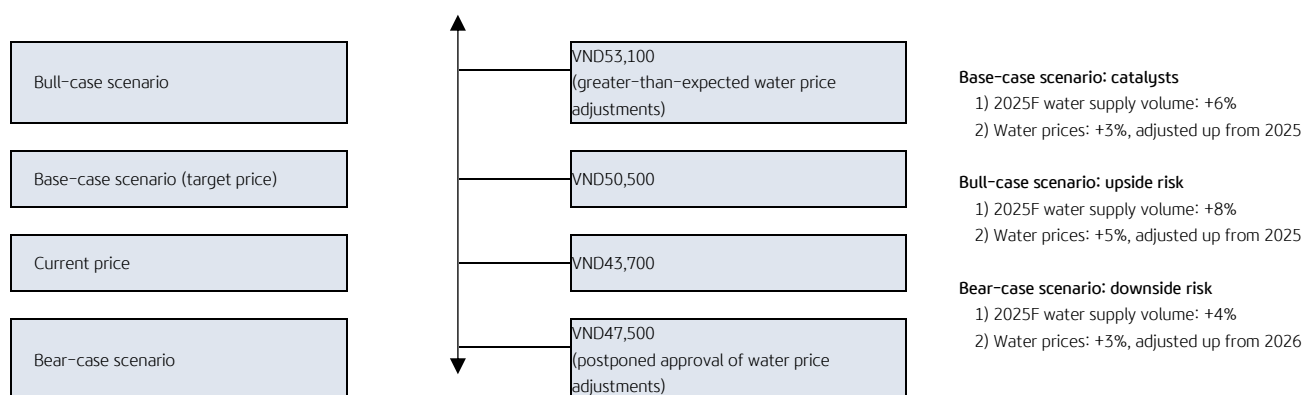
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Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E
Revenue	4,300	4,638	n.a	n.a	4,256	4,775	1%	–3%
EBIT	1,222	1,387	n.a	n.a	1,243	1,568	–2%	–12%
NP after MI	890	1,104	n.a	n.a	797	1,279	12%	–14%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Business overview

BWE is the dominant clean water supplier in Binh Duong

BWE was established in 1978, initially operating as a small unit supplying clean water to the Thu Dau Mot area. Over the years, it has played a pivotal role in developing Binh Duong's infrastructure, emerging as the sole provider in the province with a 100% market share in clean water supply and wastewater treatment and a 30% market share in solid waste treatment. The company manages and operates water supply branches across key cities and industrial zones, including Di An, Thuan An, Thu Dau Mot, Khu Lien Hop, My Phuoc, and Bau Bang, among others. Its total water supply capacity reaches approximately 760,000 m³ per day, serving around 2.6 million residents.

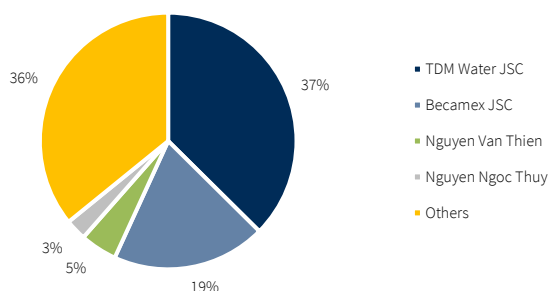
BWE exhibits a concentrated ownership structure, with major shareholders linked to the Binh Duong People's Committee

BWE's ownership structure is primarily domestic, with major shareholders affiliated with the Binh Duong People's Committee. Thu Dau Mot Water Investment JSC (HOSE: TDM) is the largest shareholder, holding a 37.42% stake, followed by Investment & Industrial Development Corporation (HOSE: BCM) with 19.44% of charter capital (Figure 1). The involvement of these key shareholders has been instrumental in BWE's water transmission infrastructure strategy, a crucial factor in attracting manufacturing investment to Binh Duong.

The company strategically expands its revenue streams into new segments and potential markets

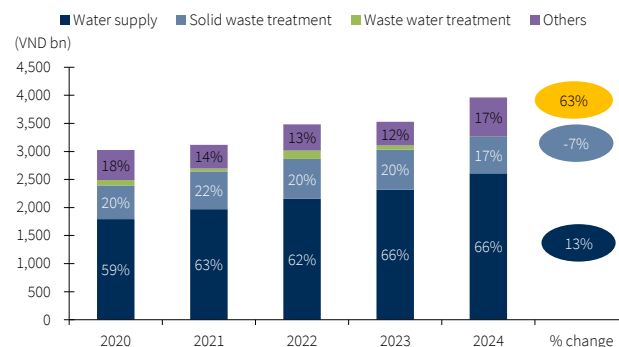
BWE operates nine water supply branches, with its clean water supply revenue achieving a 10.2% CAGR in 2019–2024. Water supply volume increased at a 6.5% CAGR, driven by rising demand from industrial and residential users, which grew by 3.6% and 9.9% per year, respectively. The company has also expanded its wastewater and solid waste treatment capacity, operating four wastewater treatment plants with a combined capacity of 90,000 m³/day and a solid waste treatment facility processing 2,500 tons/day, supporting power generation and compost recycling. Binh Duong's strong industrial activity has fueled demand for environmental services, with wastewater and solid waste treatment revenue growing at a CAGR of 0.6% and 2.3% from 2020 to 2024. These two segments now contribute 2.5% and 16% of total revenue, respectively (Figure 2). Beyond Binh Duong, BWE has expanded into high-growth markets, including Long An, Can Tho, and Quang Binh, with total water supply capacity expected to reach 300,000 m³/day in Long An and 500,000 m³/day in Can Tho.

Fig 1. BWE – Ownership structure (%)



Source: Biwase, KB Securities Vietnam

Fig 2. BWE – Revenue breakdown in 2020–2024 (%)



Source: Biwase, KB Securities Vietnam

Business performance

2024 earnings fell short of expectations due to weaker contributions from wastewater and solid waste treatment

In 2024, BWE reported revenue of VND3,959 billion (+12% YoY) and net profit of VND642 billion (-4% YoY), meeting 107% and 81% of the full-year targets. The water supply segment led revenue at VND2,611 billion (+13% YoY), fueled by a 9% rise in water volume to 200 million m³, exceeding the target by 104%. Conversely, pricing approval delays for wastewater and solid waste treatment by the Binh Duong People's Committee dampened contributions from these segments, weighing on overall growth. Meanwhile, the wastewater treatment segment recorded VND146.43 billion (+212% YoY) in unrecognized revenue.

Phase 2 of the Nam Binh Duong solid waste treatment plant was completed, and the M&A with the Tan Hiep Water Plant is expected to be finalized in 1Q2025

In 4Q2024, BWE acquired a 43% stake in Tan Hiep Water Investment JSC, which operates the Tan Hiep Water Plant (300,000 m³/day) in Ho Chi Minh City. The plant plays a vital role in meeting the growing demand of residential and industrial users in the city's western region and may begin contributing to BWE's revenue in 2025. Moreover, BWE has commenced operations at its new solid waste treatment plant, capable of processing 2,520 tons of waste per day while generating 5MW of electricity, enhancing waste management in Binh Duong.

Table 3. BWE – 2023–2024 financial results

(VNDbn)	4Q2023	4Q2024	+/-%YoY	2023	2024	+/-%YoY	Notes
Revenue	1,128	1,191	6%	3,526	3,959	12%	
– Water supply	623	666	7%	2,321	2,611	13%	
– Solid waste treatment	321	278	-13%	711	660	-7%	
– Wastewater treatment	8	0	-97%	72	1	-99%	By year-end 2024, the wastewater treatment segment recorded VND146.43 billion in unrecognized revenue.
– Others	177	246	39%	422	687	63%	
Water supply volume (million m ³)	47	51	9%	184	200	9%	Water-intensive industries saw increased production, including apparel (+8%), sports footwear (+42%), dairy (+7%), and beverages (+7%).
Gross profit	482	495	3%	1,564	1,693	8%	
– Water supply	335	386	15%	1,298	1,502	16%	
– Solid waste treatment	69	46	-33%	111	65	-42%	Due to the depreciation of Phase 2 of the Nam Binh Duong Waste Treatment Complex
– Wastewater treatment	0	0	-20%	11	-2	-117%	
– Others	78	64	-18%	145	128	-11%	
<i>Gross profit</i>	<i>43%</i>	<i>42%</i>	<i>-1 ppts</i>	<i>44%</i>	<i>43%</i>	<i>-2 ppts</i>	
Financial income	19	16	-19%	126	132	4%	
Financial expenses	-174	-193	11%	-394	-494	25%	Due to foreign exchange revaluation, adding VND79 billion to year-end balance adjustments.
Shared profits from affiliates	22	26	17%	39	44	11%	
SG&A expenses	-177	-175	-1%	-582	-644	10%	
Operating income/loss	170	169	-1%	750	731	-3%	
Other income	3	3	n/a	9	10	n/a	
Profit before tax (PBT)	172	172	0%	759	741	-2%	
Net profit after tax (NPAT)	151	153	2%	679	664	-2%	
NPAT-MI	145	145	0%	672	642	-4%	
NPAT margin	13%	13%	-1 ppts	19%	17%	-2 ppts	

Source: Biwase, KB Securities Vietnam

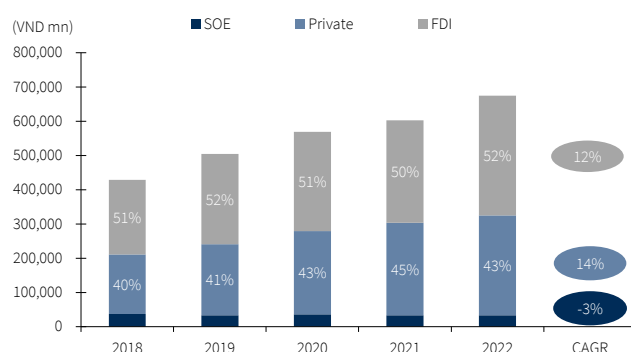
Investment catalysts

1. BWE's dominant position in Binh Duong's water infrastructure ensures stable cash flow

Binh Duong remained an attractive destination for FDI in industrial production

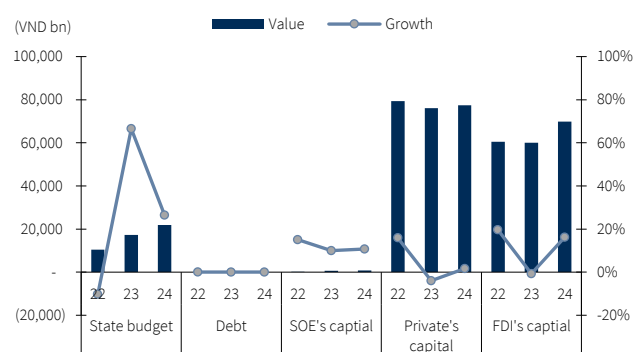
In 2024, Binh Duong's Gross Regional Domestic Product (GRDP) grew by 8%, with the industrial and construction sectors contributing the largest share (65%) and growing by 7.7% YoY (Figures 4 & 5). With a strong focus on infrastructure development to attract FDI, Binh Duong remained the second-largest recipient of investment in 2024, securing nearly VND70 trillion (+13.5% YoY). While FDI growth in the province is expected to slow, it is projected to maintain single-digit growth through 2030, driven by: (i) free trade agreements (FTAs) that fosters a dynamic business environment and attract foreign-invested enterprises and (ii) government tariff policies that enhance the competitiveness of Vietnamese-made goods, supporting FDI operations. Consequently, water consumption for production is expected to grow at a 3% CAGR through 2035.

Fig 4. Binh Duong – Economic structure by sector (VNDmn)



Source: Binh Duong Provincial Statistics Office, KB Securities Vietnam

Fig 5. Binh Duong – FDI inflow in 2022–2024 (VNDbn)



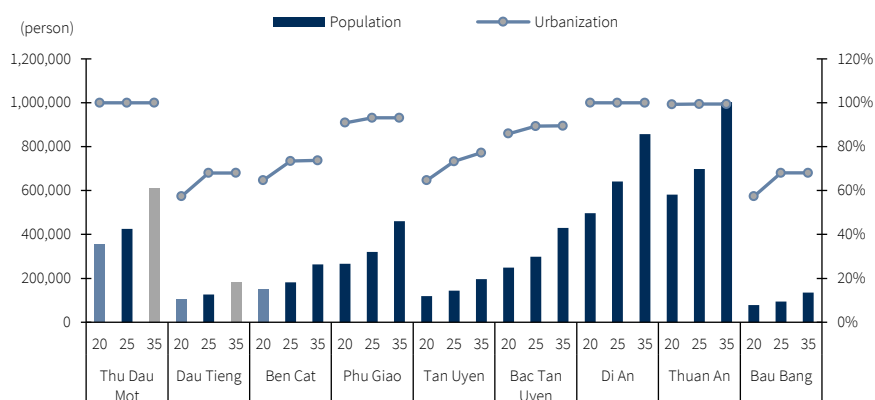
Source: Binh Duong Provincial Statistics Office, KB Securities Vietnam

BWE is well-positioned to capitalize on growing clean water demand driven by population growth and high industrial park occupancy

The rapid economic and population growth in Binh Duong has resulted in a significant rise in clean water demand. According to the Binh Duong Provincial Statistics Office, the province's population grew at a CAGR of 4.7% from 2010 to 2020, while industrial park occupancy exceeded 80%, fueling an 8% CAGR in clean water consumption. Groundwater, traditionally used for domestic purposes, is no longer a viable option due to its limited reserves. Additionally, Binh Duong aims to achieve 100% clean water coverage for domestic use by 2030, paving the way for modern surface water treatment plants. As one of only two water supply providers in the province, alongside its parent company TDM, BWE stands to fully benefit from the rising demand for clean water across industrial and residential sectors.

Thanks to improving living standards, water supply standards for urban and rural areas have been raised from 90–135 liters to 100–150 liters per person per day. With continued population growth and rapid urbanization, domestic clean water consumption is expected to grow at a 5% CAGR through 2035.

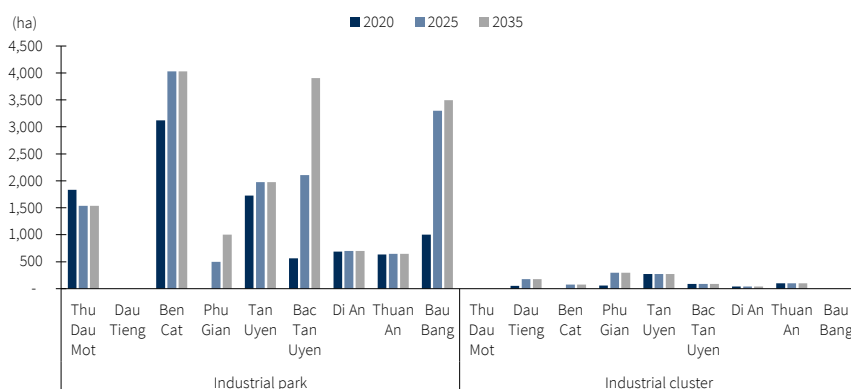
Fig 6. Binh Duong – Population, urbanization in 2020–2035



Source: Binh Duong Province Surface Water Supply Master Plan for 2015–2025 with a vision to 2035, KB Securities Vietnam

According to Decision No. 1251/QĐ-TTg, the standard water consumption for industrial use is 22–45 m³/ha/day. The rapid expansion and high occupancy rates of industrial zones provide a solid foundation for Binh Duong to sustain a 3% CAGR in industrial water consumption through 2035.

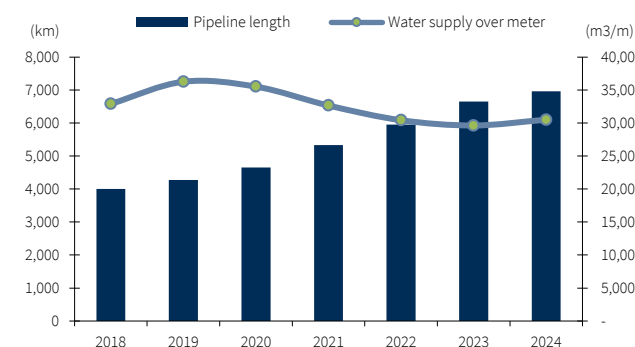
Fig 7. Binh Duong – Industrial land area (ha)



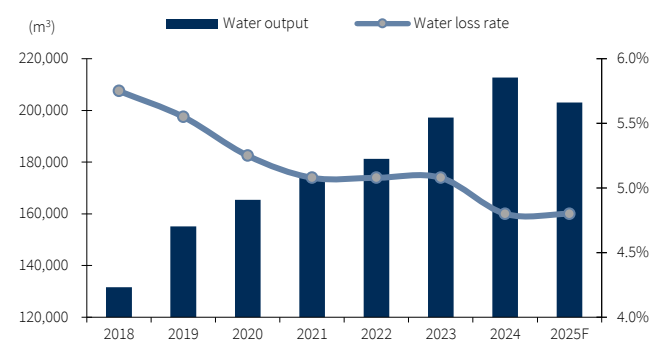
Source: Binh Duong Province Surface Water Supply Master Plan for 2015–2025 with a vision to 2035, KB Securities Vietnam

BWE's vertically integrated water supply chain provides a competitive edge, enabling optimized operations

BWE currently operates surface water plants with a total capacity of nearly 1 million m³/day, supported by an integrated pipeline system that delivers water directly to consumers. Owning both water treatment facilities and the distribution network gives the company a significant competitive advantage, ensuring that its clean water output reaches end users without competition from other providers. Additionally, by self-managing its distribution system, BWE effectively minimizes water loss, maintaining a loss rate of around 5%, comparable to developed countries (Figure 9). Given these strengths, we believe BWE will continue to maintain low water loss levels while expanding its distribution infrastructure across the province.

Fig 8. BWE – Pipeline length, water supply density (km, m³/m)

Source: Biwase, KB Securities Vietnam

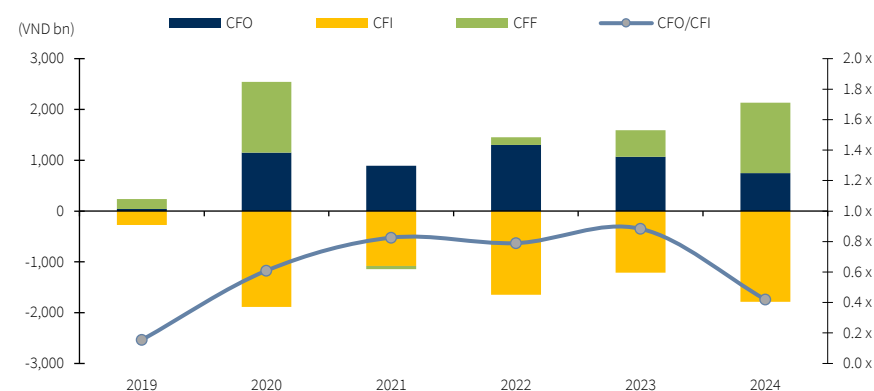
Fig 9. BWE – Water output & loss rate in 2018–2025 (m³, %)

Source: Biwase, KB Securities Vietnam

Stable operations will support investment expansion and financial obligation payments

From 2020 to 2024, BWE maintained strong financial health, consistently achieving an interest coverage ratio (EBIT/Interest) of 3–5x and generating an average annual operating cash flow (CFO) of VND800–1,500 billion. However, the sharp rise in the USD/VND exchange rates in 2024 led to a provision expense of VND115 billion (+219% YoY). Looking ahead, BWE's expansion into new markets is expected to raise capital requirements and increase financial leverage. Nonetheless, we believe the company can sustain financial stability and liquidity due to: (i) its dominant scale and market share in Binh Duong's water supply sector, which provides access to ample low-interest funding (3–5%) from major institutions such as the World Bank (WB) and the Asian Development Bank (ADB); and (ii) its ability to secure a diverse range of funding sources, optimizing financial costs and mitigating exchange rate risks. In 2024, BWE took proactive steps by repaying USD-denominated loans, reducing its debt by VND180 billion compared to 2023. At the same time, the company raised VND700 billion in bonds, offering a 5.5% coupon rate and a 10-year maturity to finance Phase 3 of the Nhi Thanh Water Plant. The bond issuance benefited from competitive financing costs, bolstered by a credit guarantee from the Credit Guarantee & Investment Facility (CGIF), a trust fund of the Asian Development Bank, which is known for its robust capital base and prudent financial management.

Fig 10. BWE – Cash flow structure



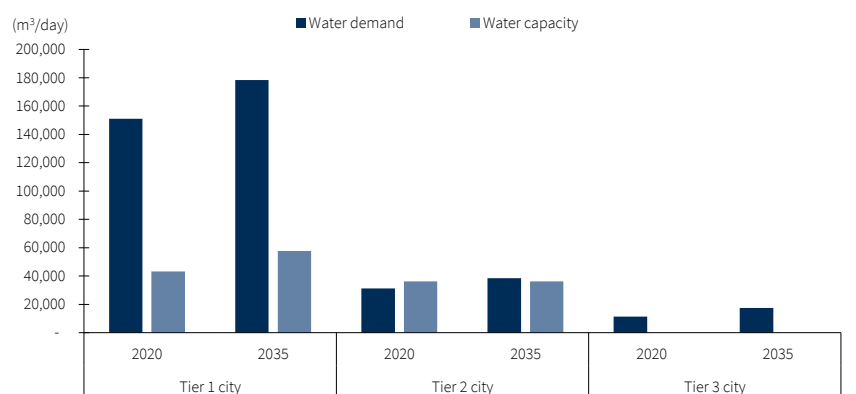
Source: Biwase, KB Securities Vietnam

2. The M&A strategy will drive medium-term growth, while environmental treatment projects are positioned for long-term growth testing

The inevitable shift toward surface water in Long An creates growth potential for BWE

Water consumption in Long An Province has maintained double-digit growth in recent years, fueled by strong FDI inflows and rapid population growth amid accelerating urbanization. According to the Long An Province Surface Water Supply Plan, water demand growth projections for urban, rural, and industrial areas from 2020 to 2030 are 8.7%, -1.3%, and 3%, respectively (Figure 11). Although the province's groundwater reserves have a potential extraction capacity of up to 1 million m³/day, substandard water quality makes the transition to surface water an inevitable trend. By 2030, the Nhi Thanh 2 Water Plant will be one of the four largest surface water treatment plants in Long An, supplying surface water to tier-2 urban areas and parts of tier-1 urban areas. This will enable BWE to expand its clean water supply capacity in the region. We forecast that BWE's water supply volume in Long An will reach 37 million m³ by 2030, representing a 15% CAGR. This growth will be supported by: (i) the Nhi Thanh 2 Water Plant's capacity expansion to 120,000 m³/day by 2025, with plans to further increase to 300,000 m³/day by 2030, strengthening BWE's market share, and (ii) BWE's majority stake in Biwase Long An and its 38% ownership in Long An Water Supply Sewerage JSC, the key water supplier in the province, laying the groundwork for a stable clean water distribution system.

Fig 11. Long An – Water demand & capacity (m³/day)



Source: Long An Province Surface Water Supply Plan for 2020–2030 with a vision to 2050, KB Securities Vietnam

BWE is set to begin receiving dividends from its investment in Tan Hiep Water JSC as early as 2025

In 2024, BWE successfully acquired a 43% stake in Tan Hiep Water JSC for ~VND800 billion, marking the company's largest-ever associate investment. This acquisition grants BWE a share in the Tan Hiep Water Plant, which has a capacity of 300,000 m³/day and supplies clean water to the western districts of Ho Chi Minh City (HCMC). This market presents strong growth potential for water consumption, driven by a large population and thriving industrial activity. According to HCMC Water Supply Development Plan through 2030, the plant is projected to operate at full capacity by 2030, with water volume increasing at a CAGR of 4.7%. BWE is set to begin receiving dividends from this investment in 2025, with revenue from the associate company estimated at VND37 billion.

By 2050, the city's water supply development report projects total water demand to reach 6.1 million m³/day, reflecting a CAGR of 2.67% from 3.6 million m³/day in 2030. Tan Hiep Water JSC is well-positioned to benefit from this long-term trend, as the plant has the potential to expand its capacity to accommodate the region's increasing water consumption demand.

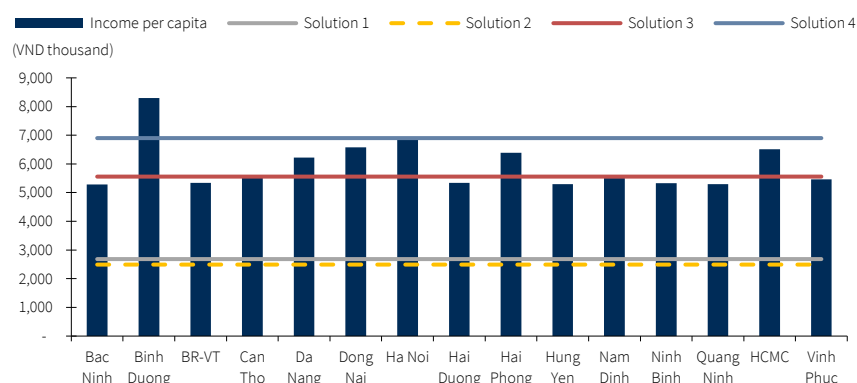
Increased spending by businesses and individuals presents an opportunity for the expansion and advancement of waste treatment infrastructure

A significant portion of wastewater and solid waste consists of organic matter, which requires properly treated to maintain environmental sanitation around processing sites. According to World Bank data, landfill disposal remains the most cost-effective waste treatment method, with costs ranging from USD32–37 per ton of waste, significantly lower than composting (USD66–77 per ton) and waste-to-energy incineration (USD87–98 per ton). However, landfill disposal carries considerable risks, including groundwater contamination and potential disease outbreaks. We believe Binh Duong will prioritize the development of its waste treatment infrastructure due to: (i) the widespread adoption of sustainability standards among businesses, ensuring steady demand for waste treatment services, and (ii) the potential for higher waste treatment fees, supported by strong per capita spending (Figure 12).

As the sole entity authorized by the Binh Duong People's Committee to collect and process waste, BWE has been operating the Nam Binh Duong Waste Treatment Complex since 2005. The company recently expanded its waste treatment capacity to nearly 7,000 tons per day, effectively meeting local waste treatment needs through 2030. We anticipate that the facility will reach full capacity by 2030, generating VND930 billion in revenue (CAGR 6%) and gross profit of ~VND75–80 billion, translating to a gross margin of 8–9%.

Fig 12. Vietnam – Monthly per capita income compared to the affordability of more advanced environmental treatment services (assuming environmental costs account for 1–1.5% of residents' income)

Solution 1: Landfill disposal;
Solution 2: Waste reduction, enhanced recycling, and landfilling;
Solution 3: Waste composting;
Solution 4: Waste-to-energy incineration.



Source: World Bank, General Statistics Office of Vietnam, KB Securities Vietnam

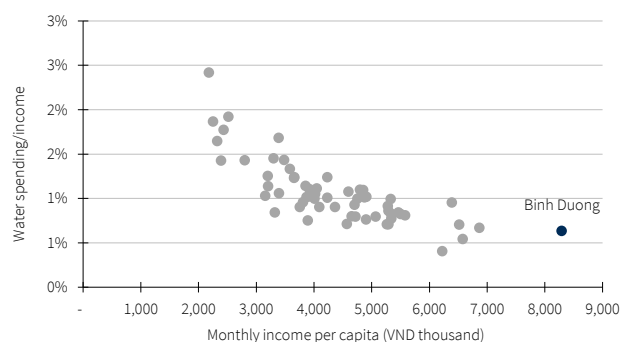
3. Projected yearly increases in retail water prices could propel revenue growth

Clean water prices are expected to be approved for a 3% increase in 2H2025

Earlier this year, BWE announced that it had completed and submitted a proposal to the Binh Duong Provincial authorities seeking approval for retail price adjustments across its products and services, including clean water and waste treatment. We expect the new retail water price in Binh Duong to be approved in 2H2025, with a 3% increase from the current rate (lower than the 5% expected by management, which signals a cautious approach to the potential impact of the water price increase on the company's financial performance). Key factors supporting future clean water price hikes include:

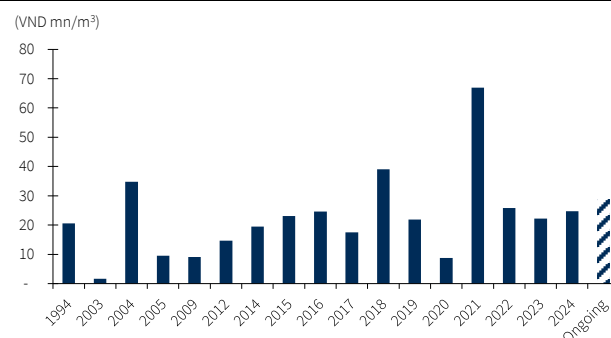
- **Low clean water spending in Binh Duong relative to per capita income:** Binh Duong leads the country in per capita income (surpassing the national average by 1.7 times and exceeding Hanoi—the second-highest city—by 21%), and it is projected to grow steadily at 3% due to a favorable economic environment. Despite this, clean water expenditures remain low at just 0.63% of income, well below the national average of 1.03% and only higher than Da Nang and Dong Nai among provinces with the highest per capita income. This suggests room for BWE to successfully implement future water price adjustments (Figure 13).
- **Capacity expansion and pipeline upgrades:** From 2003 to 2009, the average investment cost per cubic meter for water treatment plants was ~VND14 million/m³. However, this figure rose to VND21–25 million/m³ between 2012 and 2024 and is expected to climb further to VND29 million/m³ for future projects due to rising material costs and increasingly stringent environmental regulations. These regulations require surface water treatment plants sourcing from distant rivers and lakes to be located farther from both the plants themselves and end users (Figure 14). With BWE planning capacity upgrades, such as the Nhi Thanh plant in Long An, which is set to expand to 300,000 m³, retail water price adjustments will be necessary to offset increased production costs and ensure efficient operations and maintenance.

Fig 13. Vietnam – Water spending/income (%)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 14. Vietnam – Pipeline investment cost (VNDmn/m³)



Source: KBSV compiled data from 61 water plants built between 1994 and 2024.

Forecast & Valuation

Table 15. BWE – 2024–2026F financials & forecasts

(VNDbn)	2024	2025F	+/-%YoY	2026F	+/-%YoY	Notes
Revenue	3,958	4,300	9%	4,638	8%	
– Water supply	2,611	2,842	9%	3,096	9%	The retail water price in Binh Duong is expected to rise by 3% starting in 2H2025, while the price adjustment in Long An is set to take effect by late 2024.
– Solid waste treatment	660	693	5%	729	5%	
– Wastewater treatment	1	77	11,889%	126	63%	
– Others	687	687	0%	687	0%	
Water supply volume	213	225	6%	239	6%	Water consumption in Binh Duong is set to rise by an average of 5–7% due to the expansion of the pipeline network and stronger demand. Meanwhile, in Long An, water sales are expected to grow by 15%.
Gross profit	1,691	1,924	14%	2,144	11%	
– Water supply	1,501	1,657	10%	1,829	10%	
– Solid waste treatment	65	67	3%	68	3%	
– Wastewater treatment	–2	72	<i>n.a</i>	118	64%	The wastewater treatment segment is expected to maintain a positive gross profit, driven by the approved price increase for wastewater treatment services.
– Others	128	128	0%	128	0%	
<i>Gross profit margin</i>	<i>43%</i>	<i>45%</i>	<i>2 ppts</i>	<i>46%</i>	<i>1 ppts</i>	
Financial income	132	151	15%	173	15%	
Financial expenses	–494	–504	2%	–456	–10%	In 2026, financial expenses are anticipated to decrease as long-term loans are paid off.
Shared profits from affiliates	44	89	104%	93	5%	Driven by higher investment returns, including profits from Tan Hiep Water Plant, which will contribute by late 2024.
SG&A expenses	–644	–702	9%	–757	8%	
Operating income/loss	741	994	34%	1,234	24%	
Other income	–37	–36	–3%	–36	0%	
PBT	741	994	34%	1,234	24%	
NPAT	664	890	34%	1,104	24%	
NPAT–MI	664	890	34%	1,104	24%	
NPAT margin	17%	21%	<i>4 ppts</i>	24%	<i>3 ppts</i>	

Source: Biwase, KB Securities Vietnam

We initiate BUY for BWE with a target price of VND50,500/share

After trading sideways and consolidating within the VND44,000–46,000 range since December 2024, BWE recently declined to the VND43,000 level due to the delay in the planned water price increase. However, with an expected price adjustment in 2H2025 and the company's long-term growth potential in the water supply sector, we believe this price range presents an opportunity to accumulate shares and deploy additional funds when the stock reaches the support level of VND42,300.

Using a combination of FCF and EV/EBITDA valuation methods, KBSV recommends BUY for BWE with a target price of VND50,500 per share, implying a potential 16% return from the closing price on March 17, 2025. The target EV/EBITDA multiple is set at 7.3x, which is 1x below the 5-year average standard deviation, reflecting a more conservative water price increase assumption than initially expected. Under the scenario where the water price adjustment takes effect in 2H2025 and the increase in water consumption in Binh Duong and Long An materializes as expected, BWE's ROE for 2025 is expected to improve to 14%.

Table 16. BWE – 2025F–2030F FCFF model

(VNDbn)	2025F	2026F	2027F	2028F	2029F	2030F
NPAT	890	1,104	1,297	1,495	1,717	1,975
(+) Depreciation	565	524	487	456	429	405
(+) Interest expenses x (1-t)	392	355	344	338	321	294
(-) Working capital	724	77	85	92	101	110
(-) CAPEX	-540	-540	-540	-540	-540	-540
FCFF	1,881	1,193	1,294	1,406	1,532	1,675
PV of FCFF	1,745	1,011	1,001	897	880	867
PV of cash flow						6,403
PV of terminal value						8,356
Enterprise value						14,759
(+) Cash & equivalents						1,568
(+) Associate & financial investments						1,590
(-) Net debt & minority interest						7,018
Equity value						10,898
Value per share						49,553

Source: KB Securities Vietnam

Table 17. BWE – FCFF assumptions

Model assumptions	Value
Risk-free rate	4.7%
Beta	1.05
Equity risk premium	7.8%
Forecast duration	5
WACC	9.5%
Target EV/EBITDA	6.0
Terminal growth	1.6%

Source: KB Securities Vietnam

Table 18. BWE – EV/EBITDA valuation

(VNDbn)	Value
2025F EBITDA	2,063
Target EV/EBITDA	7.3
Total	15,060
(+) Cash & short-term investments	1,568
(+) Financial investment	1,600
(-) Net debt	-6,819
(-) Minority interest	-200
Equity value	11,210
Number of shares outstanding (million shares)	219.93
Value per share (VND/share)	50,971

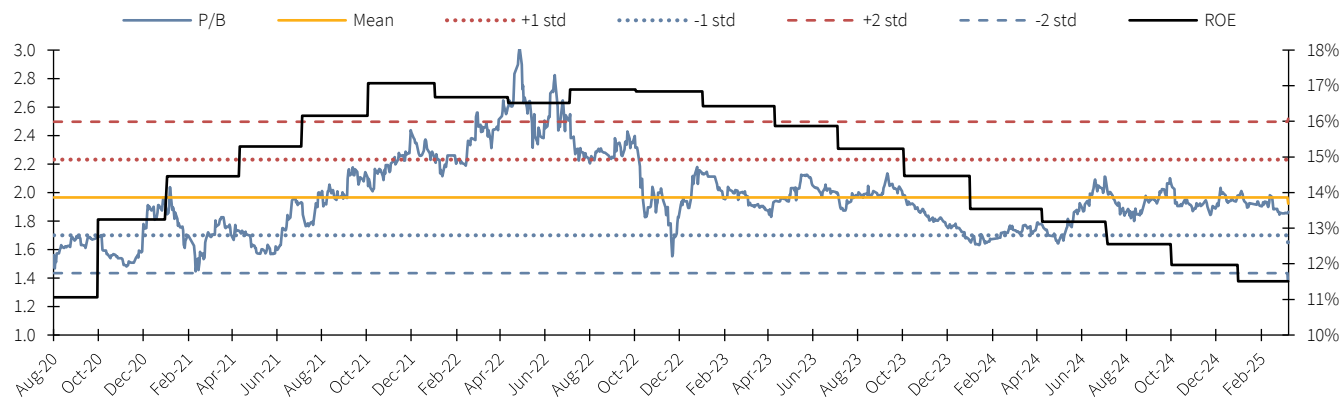
Source: KB Securities Vietnam

Table 19. BWE – Valuation results

Valuation method	Derived price	Weighting	Weighted rice
FCF	49,553	50%	24,776
EV/EBITDA (7.3x)	50,971	50%	25,485
Target price (rounded)			50,500
Current price (Mar 17, 2025)			43,700
Upside			15.6%

Source: KB Securities Vietnam

Fig 20. BWE – P/B, ROE in 2020–2025



Source: Bloomberg, KB Securities Vietnam

Risks

Risk of delays in clean water price adjustments

Although BWE aims to raise water prices by 5% annually from 2025 to 2028, the lack of any price adjustments in 2023 and 2024 highlights the risk of further delays, which could negatively impact the company's financial performance and debt servicing capacity. Water price adjustments require approval from provincial authorities, and recent changes to this process have extended the timeline for completing the necessary paperwork before submission. On a positive note, BWE has announced that it has finalized and submitted its proposal to the provincial People's Committee, indicating that approval may be forthcoming. KBSV conservatively estimates an average water price increase of 3%, rather than the 5% initially targeted by the company.

Risk of natural disasters and saltwater intrusion hindering the shift from groundwater to surface water

In Long An, surface water is often contaminated with salinity, leading to high treatment costs, including the construction of anti-salinity channels at water intake points. As a result, surface water remains more expensive than groundwater extraction and treatment, making it less preferred by households. However, the potential for surface water utilization in Long An remains substantial, as urbanization is expected to improve living standards and drive demand for higher-quality water sources.

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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