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Biwase (BWE)

Core business slowing down

5M25 business performance

- In the first five months of the year, Biwase JSC's (BWE) revenue and NPAT respectively came in at VND1,418 billion (-5% YoY) and VND246 billion (-5% YoY), equal to 49% and 47% of the full-year objectives. Water output in Binh Duong slightly increased by 4% YoY to 78 million m³ in the context of the province's stable industrial economy.

Prospects for industrial water supply

- The company predicts that the US tariffs will exert an adverse impact on water consumption in Binh Duong. Water-intensive Industries such as textiles, footwear, and packaging, which contribute a large proportion to the province's industrial sector, will face the risk of a drop in orders, leading to a decrease in water consumption. Meanwhile, industries that use less water such as electronic components may be subject to insignificant effects. In the next three years, BWE will focus on new industrial parks, namely Cay Truong, and My Phuoc 3 & 4, and the water demand is poised to increase to 30-40 thousand m³/day.
- In the future, the green transformation trend in new industrial parks of Binh Duong will attract tech companies, helping to save water usage. The company expects industrial water demand to grow steadily by 2-3%/year.

Prospects for domestic water supply

- BWE believes that the risk of economic downturn in Binh Duong will trigger a wave of wage cuts and layoffs, lowering the people's income and purchasing power for utilities such as clean water in the area. However, in the long term, the urbanization will continue in potential areas that attract industrial manufacturers in Tan Uyen, boosting the growth of clean water for daily life as (i) low population density here will create growth space for urban development; and (ii) the location close to Ho Chi Minh City and developed road infrastructure will attract residents.

Price increase plan at risk of being delayed

- Up to now, the progress of water price negotiations has lasted for one or two years but has not yet been approved by the People's Committee. The reason is that although the impact of Covid-19 has negatively affected the lives of people and businesses, water prices in Binh Duong province continue to increase according to the 2018-2022 roadmap. The water prices remain unchanged from 2023, which is consistent with the goal of supporting the province's economic recovery. BWE assesses that the current price still ensures its financial health and does not affect the ability to pay a minimum dividend of 13%/year.

Sewage treatment segment

- BWE currently owns four sewage treatment plants. The company does not charge treatment fees from residents and businesses. Instead, the fees will be paid by the People's Committee based on the unit price multiplied by the amount of wastewater and solid waste collected. Although this orientation of BWE does not bring profit, it will contribute to the development of the province's infrastructure and help attract businesses to invest and expand production.
- The company shared that it currently holds an absolute market share in the field of household sewage treatment and 70–80% of the market share in industrial waste treatment. Currently, the unit price for domestic waste treatment is around VND520,000/ton, while the unit price for industrial waste is two–three times higher. While BWE's competitors often contend with cheaper waste treatment prices by using less environmentally friendly methods such as landfilling and ash incineration, BWE focuses on developing modern technology, providing green treatment solutions and meeting the requirements of FDI enterprises.
- As a by-product of solid waste treatment, compost fertilizer is being tested for commercial sale and has shown positive results. Some households using compost for growing citrus trees (oranges, grapefruits, and lemons) responded that their plants have achieved good yields. The company expects the product will be welcomed by the market thanks to its high benefits for crops, however, the project is assessed to have not contributed significantly to the overall business results as the initial testing phase will cost a lot to promote and provide product samples.

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Investment Ratings for Stocks

(Based on the expectation of 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 the assessment of sector prospects over the next 6 months)

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

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