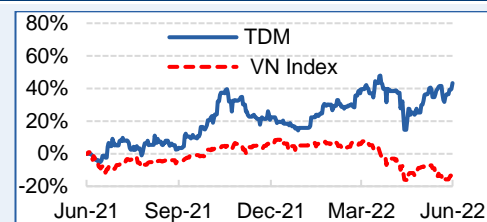




Thu Dau Mot Water (TDM)

Earnings Flash

Industry:	Utilities		2021	H1-22	2022F
Report Date:	July 18, 2022	Rev YoY	8.1%	11.7%	16.6%
Current Price:	VND39,900	F.D. EPS YoY	94.1%	-45.1%	-41.2%
Target Price*:	VND39,900	Recur EPS YoY*	-12.2%	14.7%	30.7%
Upside to TP:	+0.0%	NPAT (VND bn)	329	92	213
Dividend Yield:	+3.3%	DPS	1,200		1,300
TSR	+3.3%	EV/EBITDA	12.0x		11.6x
Rating*	OUTPERFORM	P/E	11.6x		22.0x



Market Cap:	USD170mn		TDM	Peers	VNI
Foreign Room:	USD68mn	P/E (ttm)	15.7x	15.5x	12.8x
ADTV30D:	USD410,000	P/B (curr)	1.9x	1.3x	2.0x
State Ownership:	0.0%	Net D/E	12.9%	53.1%	N/A
Outstanding Shares:	100 mn	ROE	13.3%	9.1%	15.6%
Fully Diluted Shares:	110 mn	ROA	10.5%	4.4%	2.5%

* Last updated May 17, 2022

(*) Excluding one-off item & BWE's dividend accounting treatment

Company Overview:

TDM is a private water supply company in Binh Duong Province (southern Vietnam). The company started with a capacity of 50,000 cbm per day in 2015. In 2020, TDM had a capacity of 260,000 cbm per day. In addition, TDM has a 37% stake in BWE — a full value chain water company in Binh Duong Province.

Slightly weak Q2 results; capital raising progressing

- TDM announced Q2 2022 results with revenue and NPAT of VND125bn and VND51bn, respectively. The top line increased 10.4% YoY thanks to 5.7% YoY volume growth and a 5% water tariff increase while NPAT edged up 5.0% YoY. The discrepancy between the top and bottom lines in Q2 2022 was mainly due to higher depreciation expenses from new water plants (Di An phase 3 and Bau Bang phase 2) as well as provision for financial investments.
- Reported H1 2022 NPAT declined 45.1% YoY due to a lack of dividend income from BWE; however, NPAT from water generation increased 14.7% YoY. We note that TDM's associate BWE advanced its 2021 cash dividend payment at the end of 2021.
- H1 2022 NPAT was VND92bn and completed 43% of our full-year forecast. We see slight downside risk to our 2022 NPAT forecast due to financial provision and slightly lower-than-expected volume, pending a fuller review.

Q2 2022 YoY sales volume growth was marginal. TDM's Q2 2022 sales volume accelerated compared to the previous quarter to 18.1 million cbm; however, it represented only 5.7% YoY growth. In H1 2022, sales volume was 33.3 million cbm (+6.6% YoY) vs our full-year forecast for 11.0% growth. We attribute the weak water demand to cool weather and an early rainy season.

TDM submitted issuance documents to HOSE. As approved at the company's AGM, TDM plans to issue 10 million shares (10% of outstanding shares) in 2022. The issuance will be conducted via a public auction, and the starting price will be not lower than the average closing price 30 days before the auction and/or TDM's book value per share as of December 31, 2021 or June 30, 2022. The main purpose for this issuance is to invest in two water companies in Can Tho in addition to Dong Nai Water Supply JSC (UPCoM: DNW) and Gia Tan Water Supply JSC (GIWACO). TDM plans to spend VND213bn — VND143bn on CTW and VND70bn on Can Tho 2 JSC.

Figure 1: Purpose of equity raising plan

	Investment cost
M&A	
Invest in Can Tho Water Supply – Sewerage (UPCoM: CTW)	VND143bn (USD6mn)
Can Tho 2 Water Supply JSC	VND70bn (USD3mn)
Gia Tan Water Supply JSC	VND49bn (USD2mn)
Dong Nai Water Company	VND36bn (USD1.5mn)
Total	VND298bn (USD13mn)
Upcoming expansion water projects and working capital	

Source: TDM, VCSC

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Figure 2: TDM's Q2 2021 results

VND bn	Q2 2021	Q2 2022	YoY growth (%)	H1 2021	H2 2022	YoY growth (%)	% of 2022F
Sales volume (million cbm)	17	18	5.7%	31	33	6.6%	47.4%
Revenue	113	125	10.4%	206	230	11.7%	47.3%
COGS	-53	-58	10.5%	-101	-112	10.7%	44.5%
In which: Depreciation expenses	-31	-36	14.4%	-62	-72	15.2%	45.0%
Gross profit	61	67	10.4%	105	118	12.7%	50.4%
SG&A expenses	-2	-2	-3.0%	-5	-6	11.2%	56.6%
Operating profit	58	65	10.9%	100	112	12.7%	50.1%
Financial income	0	1	188.5%	87	1	-98.3%	8.3%
Financial expenses	-8	-13	60.7%	-16	-18	11.8%	93.0%
In which: Interest expenses	-7	-7	-3.3%	-14	-12	-20.1%	60.9%
Other income/loss	0	0	339.6%	0	0	120.9%	N.M
Profit before tax	51	53	5.0%	171	97	-43.6%	43.3%
Income tax expense	-3	-3	6.0%	-4	-5	14.9%	49.0%
NPAT	48	51	5.0%	167	92	-45.1%	43.0%
NPAT from water generation	48	54	13.6%	80	92	14.7%	43.0%

Source: TDM, VCSC

VCSC Rating System

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BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
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Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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