



VIETNAM BUSINESS REVIEW

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FINANCE

JB Financial acquires Vietnam-based Morgan Stanley Gateway Securities

JB Financial Group, one of South Korea's largest financial conglomerates, has successfully acquired Vietnam-based brokerage Morgan Stanley Gateway Securities. The move is a part of the giant's mergers and acquisitions (M&A) strategy in Southeast Asia and Vietnam.



Specifically, JB Financial has paid around \$16.1 million to wholly acquire Morgan Stanley Gateway Securities, which was established in 2006 with backing from international investment bank Morgan Stanley. The local security firm's capital was VND300 billion (\$13 million) as of last year.

South Korea is one of the largest foreign investors in the Vietnamese financial industry, with a slew of lenders and brokerages pouncing on shares. "The M&A was completed successfully, considering our payment was merely 1.05 times higher than Morgan Stanley Gateway Securities' equity capital which came to KRW18.9 billion (\$15.3 million)," The Investor cited from JB Financial's representative.

Previously, VIR also reported on JB Financial ramping up investment in Vietnam, Myanmar, and Cambodia. Ki-Hong Kim, chairperson of JB Financial, highlighted that the company would increase its footprint in Vietnam, Myanmar, and Cambodia for overseas businesses. Hence, looking for potential tie-up deals is one of the most feasible ways to penetrate these markets.

"Southeast Asian nations are growing fast, while their banking infrastructure is growing," Kim said. "Korea's banking industry has matured, so we are turning to overseas markets spearheaded by consumer finance services."

JB Financial is the parent firm of Jeonbuk Bank, Gwangju Bank, JB Woori Capital, and JB Asset Management. According to TheInvestor, through its newly acquired firm, JB Financial will also provide domestic investors with investment strategies regarding real estate and infrastructure development in Vietnam. The group also plans to provide the Vietnamese companies with services like arranging corporate bond issuance or M&A advisory services.

According to South Korea's Financial Supervisory Service, South Korean lenders' business in Vietnam saw profits grow from \$5.72 billion in 2017 to \$6.43 billion in 2018. South Korean appetite also comes from the Vietnamese economy being on a solid footing with 7.02 per cent GDP growth in 2019./VIR

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SSI asset management to IPO new fund by end of June

SSI Asset Management Co Ltd (SSIAM) will launch an IPO for its exchange-traded fund ETF SSIAM VN30 between May 26 and June 29. The new fund mimics the movement of the large-cap tracker VN30-Index, which contains the 30 largest stocks by market value and trading liquidity on the Ho Chi Minh Stock Exchange (HoSE).



The initial value of the fund is estimated at VND50 billion (US\$2.13 billion). SSIAM gained approval from the State Securities Commission for the IPO in 22 May. SSI Securities (SSI), Mirae Asset Vietnam Securities and BIDV Securities are the managers of the fund, while the supervisor is the Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank).

The ETF will be listed on HoSE following the offering.

SSIAM VN30 ETF is the second fund that tracks the large-cap VN30-Index. The first is the VFMVN30 ETF managed by VietFund Management (VFM) with a total value of VND6 trillion (\$255.75 billion). According to SSIAM, the 30 stocks in the VN30 basket account for 73.4 per cent of total market capitalisation. Those stocks are also leading companies in their sectors.

The new fund is expected to become a good-quality and low-cost option for investors. It will help increase capital flowing into investment funds and make investors pay more attention to fund certificates in addition to buying stocks.

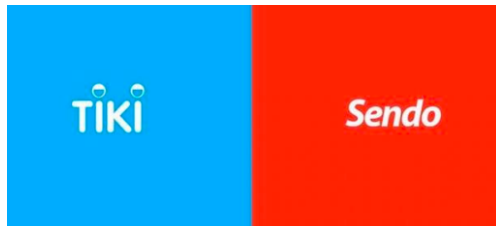
On March 18, SSIAM's exchange-traded fund SSIAM VNFIN LEAD debuted on HoSE. /.VNS

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E-COMMERCE

Tiki and Sendo reach merger deal

After being in merger talks for nearly a year, Tiki and Sendo have finally reached an agreement to join forces to beat overseas e-commerce platforms Lazada and Shopee.



Dealstreet Asia quoted some people familiar with the matter as saying that the two local firms Tiki and Sendo have just agreed to merge to deal with the sharpening competition in the local market. The move comes in the context of powerhouses being born in e-commerce, with Lazada backed by Alibaba and Shopee by Singaporean tech giant SEA Group.

E-commerce, despite being lauded as a fertile sector in Vietnam, is not accommodating for players at all. To date, not a single e-commerce firm at the market has made any profit. As of the end of 2018, the accumulated losses of Tiki were nearly VND1.4 trillion (US\$60.87 million), while Sendo saw a deficit of about VND1.3 trillion (US\$56.5 million).

Shopee's accumulated losses exceed VND2 trillion (US\$86.96 million). Lazada, as of March 31, 2019, reported about VND7.111 trillion (US\$309.17 million). Otherwise, constantly welcoming new investments has fragmented local firms' shareholder structure. At the end of 2019, 61.1% of Sendo's shares were held by overseas investors after getting US\$61 million capital in its Series C investment round. In addition to FPT, Sendo's shares have been picked up by SBI, Beenext, Econtext Asia, and Daiwa.

Tiki also raised capital in June and December last year. The two main shareholders are VNG with 24.6% and JD.com with 21% of the shares. The others include Ubiquitous Traders Pte., Ltd. (nearly 9%), CyberAgent, STIC, and Sumitomo. Last week, Tiki surprised the local e-commerce market by announcing plans to be listed on the local stock exchange./VIR

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E-wallet companies spend big money to beat rivals

'Bleeding money' is the strategy that all the three biggest players – MoMo, Moca and ZaloPay – have been using to gain part of e-wallet market share.



Connections with bank accounts, free cash withdrawal and remittance, and non-cash payment for bills are the most common services that e-wallets offer to users.

However, these are not enough to lure users. E-wallets have to regularly run promotions to catch users' attention and increase their presence in the market. Analysts say that the positioning of e-wallets in Vietnam is determined by the spending of e-wallets on

promotion programs.

A recent survey by Cimigo found that the development of e-wallets with a friendly easy-to-use interface plus diverse and regular promotion programs help brands increase their competitiveness in the Vietnamese market. MoMo, Moca and ZaloPay, the three biggest players, have become known after many years of spending big money on programs to lure new users and retain existing users.

MoMo is willing to give hundreds of thousands of dong to people who can introduce new users. Zalo offers cinema tickets at nearly zero dong, while Moca offers a series of preferences to those who pay for essential services on Grab Even during Covid, Moca offers huge preferences to users who book food and drink services, or use payment delivery and shopping services.

Analysts believe that ewallets' investments can partially show their financial capability.

In January 2019, MoMo successfully called for capital for the third time from Warburg Pincus. It did not declare the exact figure, but said this was the highest investment deal ever committed by a foreign fund for a fintech in Vietnam. Prior to that, in March 2016, the ewallet received \$28 million from Standard Chartered Private Equity and Goldman Sachs.

Meanwhile, Moca, thanks to the strategic cooperation deal with Grab, got support from international investors and financial companies.

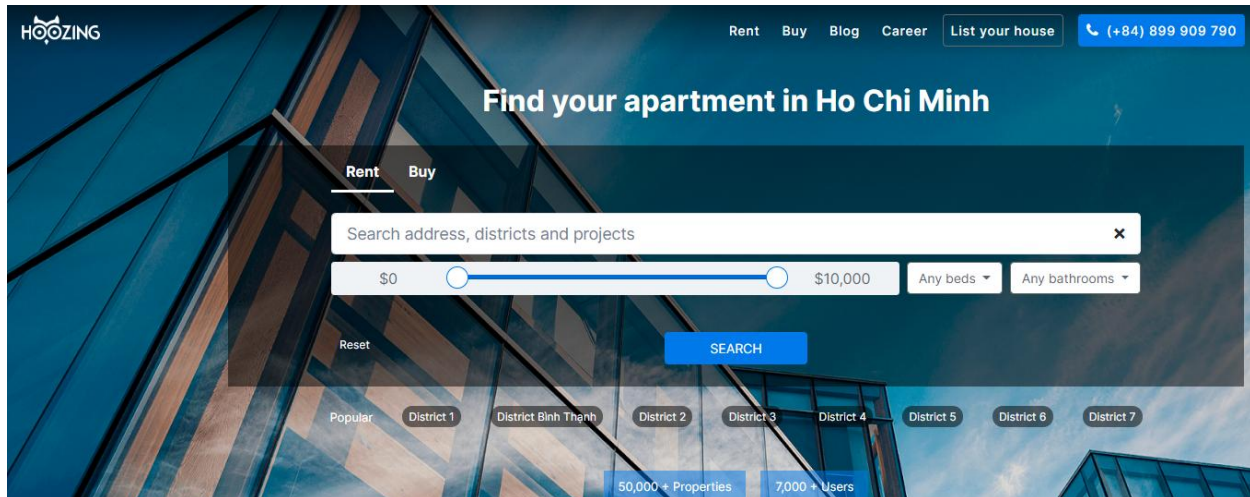
In August 2019, Grab once again showed it wanted to 'play big', announcing the investment of another \$500 million in Vietnam to develop fintech solutions, mobility technology and logistics. If the amount of money is divided by three, Moca, which is a fintech solution of Grab, might receive more than \$100 million. Spending big money on huge promotion programs has brought certain effects, but analysts think this should not be applied for a long time. They need to 'think outside the box' instead./VNS

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START-UP

Hoozing raises funding from Smilegate Investment

Vietnam’s proptech startup Hoozing has announced that it raised an undisclosed amount from South Korean investor Smilegate Investment.



Vietnam’s proptech startup Hoozing has announced that it raised an undisclosed amount from South Korean investor Smilegate Investment. Backed by Singapore-based venture capital firm Expara Ventures, Hoozing seeks to digitalize real estate transactions in Vietnam, make the process more transparent. The company claims its ecosystem has data of more than 50,000 properties and 7,000 agents. It plans to launch its real estate transaction supporting platform that will help landlords and customers find the right deals effectively.

Smilegate Investment, established in 1999 initially as MVP Venture Capital, has operated 50 funds and invested in about 400 companies. The firm specialises in investments in M&A, buyout, early and mezzanine stages. We recently have reported that Smilegate is planning to launch a second country-focused fund this year. Called Kairo Fund II, the second vehicle is expected to be larger in size. The firm has also invested in Vietnam-based multi-channel sales and management platform Sapo Technology./Dealstreetasia

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Bizzi.vn raises funding from 500 Startups

Bizzi.vn, a Vietnam-based accounting automation tool, has raised an undisclosed amount from 500 Startups along with other angel investors, according to a statement.



Founded by Nghia Vu and Nguyen Nguyen, Bizzi.vn aims to digitize the financial operations of small and medium enterprises. The company claims that its tool can cut time and costs spent on daily financial processes by as much as 80%. “In a very short period of time, the Bizzi team has built an international product and global customer base with

superior technology compared to legacy fintechs — we’re excited about what’s to come from this company,” said Eddie Thai, General Partner of 500 Startups Vietnam. In Southeast Asia, 500 Startups manages two Durian funds totaling \$49 million to back regional startups, as well as country-focused funds for Thailand and Vietnam. The Vietnam fund was oversubscribed and closed at \$14 million, while 500 TukTuks is seeking to raise \$20 million for its second vehicle, following a \$15-million first fund./.

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RETAIL

Covid-19 resets operational mode of Vietnam retail market

Revenue from e-commerce has increased rapidly during Covid-19, but many traditional retailers have had to give back business premises to landlords.



The General Statistics Office (GSO) reported that retail revenue of accommodation and catering, and travel sectors decreased by 9.6 percent and 27.8 percent, respectively, in Q1 2020 compared with the same period last year. The number of shoppers at shopping centers in HCM City and Hanoi, according to CBRE Vietnam, has dropped by 80 percent.

CBRE Vietnam predicted that if the epidemic can be contained in Q2, the vacancy rate in the central areas would be stable until the end of the year, while the rate in non-central areas would increase slightly by 1-2 percentage points. If the epidemic lasts until September, the vacancy rates would increase in both areas, with the rate in non-central areas surging by 5-7 percentage points. The future supply in HCM City is predicted to drop by 76 percent and it may happen that there will be no new project in Hanoi.

The retail revenue decrease turns out to be a leverage for e-commerce and online shopping businesses to grow. Of the biggest players in the e-commerce market, Tiki has seen the highest growth rate with a record high 4,000 orders per minute. SpeedL and Saigon Co-op see geometric growth rates. Grab has activated a new platform 'GrabMart' to serve the food online shopping demand.

In Asia Pacific, omni-channel and online retail have been operating well during the epidemic. Consumer goods and cosmetics to luxurious products such as cars and museum excursion services all can be provided online.

The giving back of retail premises to landlords has yet to become common because tenants enjoyed rent reduction during the social distancing time. However, analysts affirmed that the phenomenon has become more common. The businesses giving back retail premises are small ones that cannot maintain operation. They are mostly owners of restaurants, eateries and beer clubs.

Though the social distancing policy has been loosened since late April, the business still has not returned to normal. The revenue is predicted to fall by 90-100 percent in April in comparison with the same period last year and by 60-70 percent compared with March. The stagnant business performance has forced landlords to cut rent to support businesses and assist them to overcome difficulties. In March, when the government closed entertainment facilities, landlords offered a rent cut of 10-30 percent. In April, many landlords accepted a 50-100 percent cut and offered more flexible deposit and payment methods./VNN

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The US becomes Vietnam's largest supplier of fruits and vegetables



The US becomes Vietnam's largest supplier of fruits and vegetables

Vietnam's overall fruit and vegetable imports fell 42 percent to 376.9 million USD, but imports from several countries such as New Zealand, the US and Korea increased. In the same period last year the US had accounted for only 10 percent of imports.

Pham Thien Hoang, owner of GreenSpace Store, a fruit importer, said fruits from the US are very popular among Vietnamese consumers. Apples, grapes and cherries are among the biggest imports from that

country.

Vietnam is also a substantial exporter of vegetables and fruits, and in the first four months earned 1.2 billion USD these products, a 12.5 percent drop./ . – VNA

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LOGISTICS

Funding shortage may leave 25 traffic projects suspended

As many as 25 traffic projects in Vietnam could be suspended or delayed due to capital shortages, according to the Ministry of Transport.



These projects, forming part of the country's 2016-2020 medium-term public investment plan, are funded by the State budget, but they have yet to receive the designated amount of capital, the ministry noted in a report sent to the National Assembly.

The suspension will cause the wastage of funding that has already been invested in the projects. Further, much more funding will be wasted when the projects are resumed after suspension.

Many of these projects do not require a large amount of extra capital and can be executed after they are properly funded to reach completion within a short period of time, the ministry reported.

The transport ministry proposed the Government prioritize funding projects under the medium-term public investment plan for the 2016-2020 period, which will help address debts faced by some projects and support the 25 traffic projects.

Regarding investment for the railway system, the ministry has approved all four major railway projects to rehabilitate and upgrade the Hanoi-HCMC railway. These projects are expected to be completed in 2021.

Besides this, the ministry will continue to renovate the existing North-South rail route and concurrently work on a prefeasibility study for the development of a high-speed rail route stretching from the north to the south./SGT

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INVESTMENT

Electricity of Vietnam calls for investment in solar power plants on reservoirs

Electricity of Vietnam (EVN) is seeking investors in new electricity projects, including solar power plants on reservoirs, in an effort to ensure the safe and stable operation of the country's electricity market.



Home to nearly 7,000 reservoirs covering millions of square kilometres, Vietnam has the conditions necessary to develop solar power plants on water surfaces, with total capacity amounting to 15,000 MW.

According to Deputy Minister of Agriculture and Rural Development Nguyen Hoang Hiep, the Ministry has received numerous proposals for solar power plants on reservoirs over the last three months.

The 420 MWp solar power plant in the semi-flooded area of Dau Tieng Reservoir in southern Tay Ninh province and another with a capacity of 47.5 MWp on the Da Mi Reservoir in south-central Binh Thuan province are the first of their kind in the country and are operating successfully. These projects have safely churned out commercial electricity for the national power grid, said Nguyen Dinh Chien, Deputy Director of the Da Nhim-Ham Thuan-Da Mi Hydropower JSC in Binh Thuan.

According to Hoang Tien Dung, Head of the Ministry of Industry and Trade (MoIT)'s Electricity and Renewable Energy Authority, as at May 11, 6,000 MW of solar and wind power had been turned out commercially. Some solar and wind power plants have been transferred partially or fully to foreign investors from Thailand, the Philippines, and China, he added.

Regulations allowing private and foreign investors to engage in electricity development without Government guarantee have made the sector more appealing to investors. Under its production and business plan for 2016-2020, EVN is to diversify the mobilising of capital at home and abroad and effectively use State budget funds for site clearance in service of power projects.

EVN Director General Tran Dinh Nhan said the group will continue to coordinate with relevant ministries and agencies to accelerate the capacity release of the solar power projects, which are scheduled to be completed in the third quarter of this year./VNA

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Ha Nam becomes attractive destinations for investors

The northern province of Ha Nam has become an attractive destination for domestic and foreign investors thanks to the locality's transparent investment policies and mechanisms.



In recent years, Ha Nam has focused on selecting investors with sound financial capacity that use advanced production technologies. To fully tap its potential, the locality is focusing on upgrading and developing modern transport infrastructure systems connected to neighbouring localities to form a synchronous network, serving the locality's socio-economic development roadmap.

It has paid heed to improving the quality of services in industrial parks (IPs) and vocational training, thus facilitating production and business activities while meeting the demand for skilled human resources. Attention has also been paid to accelerating administration reforms, and taking measures and incentives to support businesses.

The IPs in Ha Nam with a high occupancy rate are Dong Van IPs I, II, and III.

By the end of the first quarter, Ha Nam was home to 956 valid investment projects worth over 5.36 billion USD, including 302 foreign-invested projects.

In 2019, enterprises operating in the locality contributed nearly 6 trillion VND (over 257.6 million USD) to the State budget, accounting for 66.67 percent of the province's total budget revenue. They created jobs for nearly 144,000 labourers./VNA

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