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VIETNAM BUSINESS REVIEW

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FINANCE

Vietnam's food processor Nafoods raises \$5m senior loan from Finnfund



International Finance Corporation-backed niche food processor Nafoods Group has secured a \$5 million senior loan from Finnish development financier Finnfund, according to a statement by the Vietnamese firm. The loan facility, with a six-year term, will be used to build a new value-added products processing facility at Nafoods' Long An-based factory. The processing unit has a 150MT monthly capacity for soft dried sugar and non-sugar tropical fruits, and up to an additional 150

MT capacity for all-natural cashew and peanut butter.

The two-phase development will be completed by the end of 2020, Nafoods said. "Nafoods is very fortunate to have long-view partners like Finnfund to support our vision of delivering Vietnam-made, quality value-added products to developed markets in spite of Coronavirus' current global economic impact," commented Nafoods' chief growth officer and board member Ryan Galloway. Financing export-oriented agribusiness companies like Nafoods is a major focus of Finnfund's strategy, said Markus Pentikainen, Finnfund's investment manager.

Founded in 1995, Nafoods has been selling its products to more than 60 countries worldwide, claiming an annual revenue growth of over 42 per cent for the past two years. Its operations include seedlings, juice concentrate and frozen fruit, soft dried tropical fruit and nut butter. The firm recorded nearly 50 billion dong (\$2.15 million) in net profit last year, up from 40.4 billion dong a year earlier. It raised an \$8 million quasi-equity investment from the International Finance Corporation (IFC) in June 2019, which was a part of a \$28.2-million package including internally generated cash and equity/bank borrowings that IFC had proposed earlier.

IFC held 27.8 per cent preference shares of Nafoods as of September 2019, according to local financial information aggregator CafeF. The Helsinki-based Finnfund provides equity, long-term loans and mezzanine financing to private companies operating in developing countries. In Vietnam, it has also funded seafood firm Australis Aquaculture Vietnam. Among its other Southeast Asia investments are Frontier Tower and SaraRasa Biomass in Indonesia, Malaysia's Tropical Asia Forest Fund, mBank Philippines, Prasac Microfinance in Cambodia and Mekong Brahmaputra Clean Development Fund in Thailand./. Dealstreetasia

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European Council approves final procedure for EVFTA

The European Council on March 30 passed a decision to ratify the EU-Vietnam Free Trade Agreement (EVFTA), paving the way for the deal to come into force.



Once ratified by the Vietnamese National Assembly in May this year, the deal will officially take effect at the beginning of the summer. The EVFTA is expected to help Vietnamese enterprises reap the benefits of the trade pact, pushing up Vietnam's exports and diversifying its markets.

Under the agreement, Vietnam will cut 65 per cent of import tax on EU commodities right after the deal takes effect, while the rest will be erased over a 10-year period. Meanwhile, the EU will cut more than 70 per cent of tariffs on Vietnam's commodities right after the deal takes effect, while the rest will be abolished in the seven subsequent years.

The document, together with the EU-Vietnam Investment Protection Agreement, was signed in Hà Nội on June 30 last year. They include intensive, extensive and comprehensive commitments covering the fields of economy, trade, investment and sustainable development issues. /. VNS

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E-COMMERCE

Visa and NextPay sign MoU to promote cashless payments in Vietnam

Visa, the world-leader in digital payments, and NextPay, a provider of comprehensive digital transformation solutions (the parent company of Vimo E-wallet and the mPOS Payment Solution), today signed an MoU to promote cashless payments in Vietnam. Together, Visa and NextPay aim to strengthen the network of merchants that accept digital payments in Vietnam and expedite the application of innovative technologies and payment platforms globally.

Increasing cashless payments is one of the major priorities of the Government of Vietnam in order to

accelerate economic growth, digitise the payment infrastructure, and minimise the circulation of cash. In addition to promoting and developing innovative and convenient payment methods for consumers, expanding the network of accepting merchants is one of the key objectives to help develop a cashless society in Vietnam.



Dang Tuyet Dung, Visa country manager for Vietnam and Laos, said that, “mPOS technology allows us to connect with more merchants and cardholders in Vietnam

than ever before, which is why we’re so excited to be launching this partnership with NextPay. Small- and medium-sized enterprises (SMEs) make up the vast majority of businesses in Vietnam, and mPOS makes it even easier for these businesses to accept digital payments, allowing more individuals and businesses to participate in the digital economy.”

mPOS, or Mobile Point-of-Sale, uses a small payment card reader and a mobile app, giving merchants similar functionality to a traditional POS system. In recent years, NextPay has been one of the pioneers in developing the mPOS payment network. The company, in co-operation with key banks in Vietnam, has released more than 40,000 of these payment terminals to the market and has become the leading enterprise in helping to develop a network of new merchants. NextPay has set a goal of further expanding to a community of 300,000 merchants in Vietnam by 2023.

According to the MoU, Visa will provide consultancy on business strategy, technological support, and share its practical global experience in implementing and developing e-payments, helping NextPay to deploy appropriate plans and strategies for the Vietnamese market. The two parties will also co-operate in branding and other actions to encourage customers to use e-payments instead of cash.

The mPOS systems can also accept contactless payments, which allow consumers to simply tap their card, phone, or wearable against a terminal to pay. According to the Visa Consumer Payment Attitudes

study, 37 per cent of Vietnamese consumers said they are using contactless card payments, while 42 per cent are currently using mobile contactless payments.

Nguyen Huu Tuat, NextPay CEO, said that, “Having the chance to co-operate with Visa is a great honour for NextPay. By working with Visa, the largest payment network in the world, NextPay hopes to contribute to the transformation of the payment market in Vietnam, bringing ultimate value to customers and businesses, especially SMEs which have not yet deployed electronic payments.”

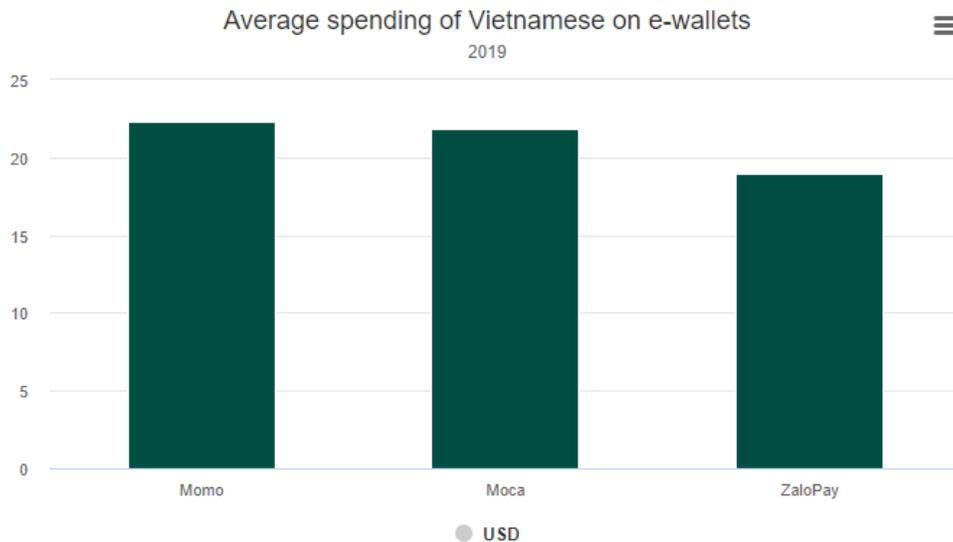
NextPay and Visa will be working together on developing economic potential across 63 provinces and cities nationwide by providing the market with innovative payment methods and services. The comprehensive co-operation between NextPay and Visa will be of great significance in the context of rapid evolution of digital payments, promising to bring the most optimal payment solutions for a cashless society in Vietnam and together aiming for digital transformation./VIR

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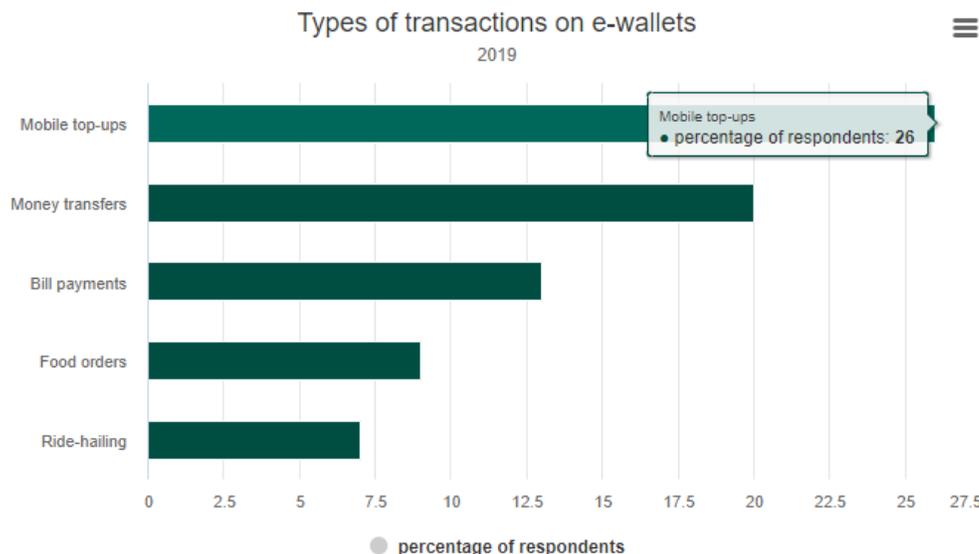
Vietnamese spend average of \$21.5 daily via e-wallet

Vietnamese e-wallet users perform 1.6 to 2.2 transactions on digital platforms daily with an average spending of VND500,000 (\$21.5), according to a survey.

On average, Moca users performed 2.2 transactions daily, and the figures for Momo and ZaloPay were two and 1.6. Momo users spent an average of VND520,000 (\$22.3) while it was VND506,000 (\$21.8) for Moca and at 441,600 (\$19) for ZaloPay, according to the survey by market research company Cimigo.



Le Xuan Phuong, deputy head of research at Cimigo, said the frequency and value of transactions carried out daily on e-wallets indicated the great need for these services and their potential in future. E-wallets were mainly used for mobile top-ups (26 percent), money transfers (20 percent), bill payments (13 percent), food orders (9 percent), and ride-hailing (7 percent).



As for customer loyalty, 95 percent of Moca users will stay with the service regardless of promotions. The rates for Momo and ZaloPay were 89 percent and 84 percent. The survey found six main factors contribute to customers' choice of e-wallet: user-friendly interface, varied and frequent promotions, safety and security, links with many banks, widespread service acceptance, and diversity of payment services.

Vietnam is among the ASEAN countries with the lowest cashless transaction volumes, according to a 2019 Standard Chartered Bank report. But the Covid-19 pandemic is changing consumer habits. For instance, the State Bank of Vietnam has advised people to limit cash usage and utilize digital payments to reduce the risk of infection.

It has licensed 32 companies to offer e-payment solutions. The government has drafted a national financial strategy to increase the rate of non-cash payments by 20–25 percent by 2025. Nearly 30 percent of Vietnam's population shopped online between 2016 and 2020, with the value being around \$350 per person per year./VNE

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START-UP

Vietnam-based startup accelerator VIISA kicks off seventh batch

Vietnamese accelerator VIISA has started its seventh cohort with startups in travel tech, edtech and medical tech – three sectors that are most impacted by COVID-19. “VIISA team took a pause during the selection phase of Batch 7 to seriously review and evaluate how the Coronavirus pandemic might impact the program,” said Hieu Vo, program director and board member of VIISA.



“And after careful consideration, VIISA determined to stand the schedule, so as to offer help to those startups who are in need of our mentoring and resources.” In order to prevent the spread of COVID-19, the accelerator added, all training sessions and other activities throughout the program will be implemented online. Similar to previous cohorts, VIISA continues to offer investment in cash and supporting services from its partners such as co-working spaces, Amazon Web Services, HubSpot, Google Cloud, Digital Ocean, Mapbox and Zendesk.

Graduated startups will be eligible to receive up to \$200,000 follow-on funding from VIISA Investment Track, when they secure external financing from other investors. The three new startups in batch 7 are tourist mapping service AskVietnamese; Medigo – a medical tech startup providing remote healthcare services and medicine delivery and Testuru – an online test platform that initially focuses on IELTS tests.

VIISA, short for Vietnam Innovative Startup Accelerator, is a partnership between FPT Ventures and Dragon Capital. Its previous six batches have produced 32 startup graduates, who have raised a total of \$5 million committed capital from external investors./Dealstreetasia.

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Vietnam's health-tech startup eDoctor raises funding from Japanese, S Korean VCs

Vietnamese health-tech startup eDoctor has raised a new round of funding from Japan's CyberAgent Capital and Genesisia Ventures, and South Korea's early-stage venture capital firms Bon Angels and Nextrans. Financial details of the investment were not disclosed but the startup said it has now raised more than \$1 million to date.



eDoctor had previously bagged \$500,000 in funding on the Shark Tank TV show from CyberAgent Capital, which was represented on the show by its country head Dzung Nguyen. “We will use the investment to further enhance our remote healthcare consultancy and the capacity in connecting offline services to the users,” said Huynh Phuoc Tho, co-founder of eDoctor.

The eDoctor platform allows users to send requests to doctors, and book health checkups and test services that can be conducted at their homes. The startup claims to have connected users with more than 500 nurses and over 400 doctors as well as 80 hospitals and clinics across the country. It boasts nearly 100,000 transactions by individual and corporate users. eDoctor has also built a website enabling users to access real-time data about COVID-19.

“Telemedicine, home healthcare and preventive healthcare are the service modules that eDoctor will complete in the near future,” the company said in a statement. “Online healthcare service has become an attractive market in other countries but has only scratched the surface in Vietnam,” said Dzung Nguyen, the Vietnam head for CyberAgent Capital. He said online healthcare services in Vietnam will grow fast, much like e-commerce years ago. “E-commerce was also new in the 2011-13 period. A number of businesses chose to enter the market then and have now become major players.”
./Dealstreetasia.

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RETAIL

Vietnam sees first reduction in retail sales of goods and services in March

Vietnam witnessed its first reduction in retail sales for five years in March due to the novel coronavirus (COVID-19) pandemic, according to the General Statistics Office (GSO). In March, the total retail sales of consumer goods and services were estimated at VND390 trillion (US\$16.4 billion), down 4 per cent from the previous month and down 0.8 per cent over the same period last year.

The spread of the pandemic has made customers restrict shopping at traditional markets, trade centres and supermarkets, travel and eating out, leading to the drop in total retail sales. Tourism revenue fell 44.7 per cent month on month and 62.3 per cent year on year to VND1.3 trillion after suffering the most severe impacts of COVID-19.

Revenue from accommodation and catering services also dropped sharply by 26.8 per cent year on year to VND33.9 trillion. Meanwhile, the retail sales of goods stood at VND316.1 trillion, up 4.7 per cent year on year. The revenue of other services reached VND38.7 trillion, down 6.5 per cent year on year.

In the first quarter of this year, Vietnam still gained low growth of 4.7 per cent in total retail sales of goods and services compared with the same period last year to VND1.25 quadrillion. Of which, retail sales of goods were estimated at VND985.8 trillion, accounting for 79.1 per cent of the total. This figure was up by 7.7 per cent over the same period last year. Especially, revenue increased by 9.3 per cent for food; 8.4 per cent for gasoline and oil; 7.7 per cent for the group of household appliances, tools and equipment; 6.6 per cent for garments; 5.4 per cent for vehicles; and 2 per cent for cultural and educational services.

The pandemic has helped online shopping develop while enough supplies of goods helped retail sales grow in the first quarter, the office said. Some localities did report growth in the retail sales of goods during the first quarter, including Hải Phòng (11 per cent); Hà Nội (9.3 per cent); Bà Rịa-Vũng Tàu (8.1 per cent); HCM City (8 per cent); Cần Thơ (7.3 per cent); and Thanh Hóa (6.9 per cent).

Meanwhile, tourism revenue in the first quarter was VND7.8 trillion, down 27.8 per cent year on year, while this sector posted growth of 23.2 per cent year on year in the first quarter of 2019. The localities that saw strong drops in the tourism revenue in the first quarter included Thanh Hóa (49.9 per cent); Bà Rịa-Vũng Tàu (48.3 per cent); Quảng Ninh (47.1 per cent); Khánh Hòa (43.9 per cent); HCM City (39.9 per cent); Bình Định (24.4 per cent); Đà Nẵng (19.5 per cent); Hà Nội (18.7 per cent); and Hải Phòng (14.9 per cent). VNS

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Laptop sales soar due to online work/study



Demand for laptops has risen significantly as students and employees are studying and working at home due to the COVID-19 crisis. Parents in HCM City and other provinces have said that while they had previously been content with having only one laptop to share or have their children use smartphones, they now have had to buy additional laptops for their children's studies.

Sales of laptops at national chain Mobile World saw an 80 per cent increase in the first two months of the year compared to the same period in 2019. Students and office workers make up the largest demographic, with office workers accounting for around 60 per cent of the customers. Hoang Van Dung, head of FPT Shop's laptop product line, said that sales of laptops in March were 150 per cent higher than the beginning of the year because of at-home work and study.

Le Tri Cong, director of Tri Cong Informatics Commerce and Service Co, Ltd, said that sales of desktops and used laptops have also increased, as parents are buying cheap, used laptops for their children. Several businesses are supplying laptops to their employees so they can work at home, such as Neilson Viet Nam and Unilever Viet Nam.

Many retailers said that certain laptop brands are at risk of being under-stocked since demand is rising, but supply is being hampered by COVID-19. Some retailers' stock has decreased by 20-30 per cent, and they are struggling to restock. Despite the higher demand, prices of laptops have remained relatively stable, and many retailers are offering promotions such as discounts and free installation of programs.

— VNS

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LOGISTICS

Vietnam Airlines increases cargo transport to ensure trade



The national flag carrier Vietnam Airlines has committed to intensifying the operation of freight flights, both domestically and internationally, amid the outbreak of the COVID-19 pandemic. From March 12-31, it has conducted 45 freight flights from Hanoi and Ho Chi Minh City to Japan, the Republic of Korea, China, Hong Kong (China), Singapore, Malaysia and Thailand.

Cargo flights, using Boeing 787-9 and Airbus A350, carry about 20-25 tons of goods each way. They are the first all-cargo flights by Vietnam Airlines, with no passengers and flight attendants. Pilots are equipped with necessary protective gear and the cargo hold is disinfected immediately after each flight.

Apart from commodities serving socio-economic activities, the carrier's flights have also transported products to serve the COVID-19 fight such as medical face masks, protective gear, and medical equipment. Recently, it supported the free shipping of more than 3 tons of protective gear and face masks of Cho Ray Hospital from Ho Chi Minh City to Hanoi and transported 10 ventilators funded by the Temasek Foundation from Singapore to Vietnam.

Freight flights are the national flag carrier's efforts to ensure trade, maintain production and business, especially in import-export activities, thus improving the social life of workers in big factories and industrial zones and joining hands with the Government in the pandemic fight.

In April, it plans to conduct around 150 domestic cargo flights between Hanoi and Ho Chi Minh City and from Nha Trang and Can Tho to Hanoi, and over 130 international flights to Japan, the Republic of Korea, China, Hong Kong, Thailand, Singapore, the UK, France, Germany, Russia and Australia./.VNA

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INVESTMENT

Vietnam healthcare market, a big draw for investors, foreign and local

Last year, VinaCapital's flagship fund, Vietnam Opportunity Fund (VOF), invested US\$25 million in a private hospital operator, Tâm Trí Medical Joint Stock Company. The deal gave VOF a stake in the company, which owns a hospital each in HCM City, Đồng Tháp Province, Nha Trang City, and Đà Nẵng City with a total 500 beds and more than 700 employees.



Also last year, South Korea's Sun Medical Centre acquired Nha Khoa Mỹ and went down in history as the first buyer of a Vietnamese dental clinic. Later in the year, Hậu Giang Pharmaceutical Joint Stock Company (DHG) became a subsidiary of Japan's Taisho Pharmaceutical Co Ltd after the latter acquired an additional 20.6 million shares in the former to increase its stake to 50.78 per cent.

The Vietnamese healthcare market has been seeing foreign investors inject trillions of đồng in merger and acquisition (M&A) deals. In 2018, Hoàn Mỹ Medical Corporation, backed by Singapore firm Richard Chandler, bought out Hạnh Phúc Hospital and Hữu Nghị General Clinic. The deals helped Hoàn Mỹ expand its nation-wide network and improve its maternity services, and benefit from the Singaporean firm's large customer database.

Polish company Adamed Group bought a 70 per cent stake in Đạt Vi Phú Pharmaceutical Joint Stock Company (Davipharm) for \$50 million. Not only foreign investors but also domestic ones are keen on entering the medical sector. For instance, Infrastructure Investment and Transportation Construction Investment Joint Stock Company (Intracom) has set up the Phương Đông General Hospital.

Chiong Woan Shin, general counsellor at the Singapore consulate in HCM City, was quoted by Đầu Tư (Investment) newspaper as saying Singaporean investors are extremely interested in the Vietnamese healthcare market. Living standards in the country have shown a marked improvement in recent years and so there is growing demand for high-quality medical services, she said. The fact that many Vietnamese opt to go abroad for medical treatment has caused Singaporean businesses to take interest in the country's healthcare sector, she said.

Speaking about the investment in Tâm Trí Medical Joint Stock Company, VinaCapital's managing director and chief investment officer, Andy Ho, said Vietnamese spend an estimated \$2 billion a year for medical treatment overseas, which is a good reason for investing to develop the quality of healthcare services in the country. Analysts said the healthcare sector is becoming more and more attractive to both domestic and foreign investors since demand for quality medical care is increasing. Meanwhile, the Government has outlined plans to pull out its investment in many pharmaceutical companies.

Business Monitor International reported that spending on healthcare in 2017 was estimated at \$16.1 billion, or 7.5 per cent of the country's GDP. It forecast the spending to grow to \$22.7 billion in 2021.

To explain this rapid growth, experts pointed to the fact that Vietnam is among the countries with the fastest growing middle class, which always seeks quality healthcare and education services.

A study by global measurement company Nielsen in the second quarter of 2019 confirmed this, saying health had become the top concern among Vietnamese. That health had gone past job security to become the top concern was something of a surprise but largely predictable, Louise Hawley, managing director of Nielsen Vietnam, said.

She wrote in the Vietnam Economics Times: "Vietnamese consumers care about their health more than ever. "Pollution in the air and in the environment are hot topics that are increasingly top of mind for people. With the current situation relating to pollution and increased consumer awareness, health is expected to continue to be a top concern in the third quarter."

Eng Aik Meng, chairman of the Singapore-Vietnam Cancer Centre, owned and managed by Vietnam Integrated Medical Services, said there is a big opportunity for private healthcare providers in Vietnam. He said the outlook for foreign investors in the healthcare sector is good since the country's population is ageing quickly. Some 10 per cent of the population was aged 60 or above in 2017, and in 15-20 years elderly people would account for a third, he said.

Besides, the rapid urbanization is stimulating demand for quality healthcare and overcrowding is expected to intensify in public hospitals, resulting in long wait times and a shortage of beds, he said. In addition to the increasing local demand for quality healthcare, the medical sector is also poised for strong growth due to medical tourism. For instance, the cost of dental services in the country is half that in developed countries though the quality is comparable.

All these advantages are the evident cause for the sharp increase in both domestic and foreign investment in the healthcare sector both directly and indirectly through M&A deals in recent years. The Nielsen report stated: "The demand for healthcare and safety has been increasing in line with people's awareness of health problems. Thus, the call to multi-national businesses to provide health-related services is critical considering the need for long-term investment." A report on private equity in Vietnam by Grant Thornton showed that healthcare and pharmaceuticals ranked third in terms of industry attractiveness for investors, 38 per cent of whom described it as "very attractive".

Deputy Minister of Health Nguyễn Trường Sơn said many international organizations and Vietnamese private businesses want to invest in the country's healthcare sector through public-private partnerships. "The health ministry completely supports their plans, and is ready to co-operate with foreign and domestic businesses to help them realize their investment projects."/ VNS

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Thai energy firm to invest \$457 million in Vietnam solar farms

Thailand's Super Energy Corporation has announced it will invest \$457 million in four solar power plants in southern Vietnam. The company said in a recent statement that it would pay \$72.9 million to acquire a controlling share in four solar power projects run by state-owned utility Vietnam Electricity (EVN) in Binh Phuoc Province, 120 km to the north of Ho Chi Minh City.



The Thai firm will acquire between 70-100 percent stakes in Loc Ninh 1, Loc Ninh 2, Loc Ninh 3 and Loc Ninh 4 solar plants with a total capacity of 750 megawatts that are under construction. The rest of the money, \$383.8 million, will be used to complete construction and develop the projects that are expected to become operational in December.

The Thai firm expects a feed-in-tariff (FIT) of \$7.09 per kilowatt-hour over 20 years, and a revenue of THB2.16 billion (\$66.1 million) annually from the four projects, starting next year. The Super Energy Corporation invests in waste-to-energy and industrial water services. It has said that it is looking for other renewable energy projects in Asia, including Indonesia and Japan.

Last year, 91 solar farms with a total capacity of 4,550 MW began operations in Vietnam. The surge in output overloaded the national grid, underlining the need for an upgrade to the transmission infrastructure. So far solar plants with a total capacity of 25,000 MW have been licensed, far exceeding the government's target of 4,000 MW by 2025./.VNE

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