Highlight

Qualcomm will launch its first R&D center in Vietnam

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What's in it today?

FINANCE

Big players enter Vietnamese stock market

A large amount of cash released in quantitative easing packages by central banks will be an abundant source of capital for the domestic stock market in the near future.

Some banks are collecting treasury stocks to reduce the number of shares in circulation and reduce foreign ownership ratios. This is seen as preparation to receive 'big fish' who are ready to spend big money to acquire Vietnam's bank shares.

VP Bank has approved a plan to buy back shares for treasury stocks (5 percent of total shares in circulation) and reduce the foreign ownership ratio from 23.45 percent to 15 percent.

The bank said some foreign investors sold VP Bank shares on the bourse during Covid-19, and it believes that this is an opportunity for it to buy back the shares and reserve a share proportion for some foreign investors who can help the bank develop.

"If we sell shares to these investors, we will get bigger benefits than issuing shares in small quantities to small investors," Bui Hai Quan, vice president of VP Bank, explained. "We reduce the room for investors trading shares on the market and reserve a large proportion of shares for big investors," he said.

A representative of the bank also revealed that the bank may offer to sell 49 percent of its subsidiary FE Credit. The bank has resumed negotiations with partners after a period of interruption because of Covid-

19. VinaCapital, in its report about attracting FII (foreign indirect investment) to Vietnam, said that Vietnam has the opportunity to lure huge investment capital in post-Covid-19 period as central banks may print $6 trillion more in 2020 through quantitative easing programs.

The amount of money is likely to flow into frontier and emerging markets where investors can expect higher profitability. The US FED president Jerome Powell said that the agency may inject $4 trillion more into the US economy to save companies from bankruptcy. VinaCapital thinks the move is similar to what it did in the years just after the 2008 global financial crisis.

The scale of quantitative easing packages this year is three times bigger than that in the post-2008 financial crisis. This is the reason why Nasdaq index has risen by 4 percent compared with the beginning of the year. A proportion of the amount is predicted to flow into markets like Vietnam. VinaCapital believes that Vietnam should try to attract huge capital flow by offering larger room for foreign investors and equitize enterprises such as Viettel (telco), MobiFone (telco), EVN (electricity) and PetroVietnam (oil and gas)./.VNN

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In Vietnam, M&A 'wave' strong in Covid-19 crisis

Many companies have been sold during the COVID-19 crisis due to lack of capital and longterm financial durability. In late April, the market was stirred up by the news that DOJI, a gold, silver and gemstone group, had completed the takeover of The Gioi Kim Cuong (Diamond World).

With the deal, The Gioi Kim Cuong's 100 shops, mostly located at shopping centers and supermarkets such as Big C, Vincom and Co-op with nearly 1,000 workers, now belong to DOJI. The value of the deal remains a secret, but analysts said the amount of money DOJI to buy one of the top 3 in the jewelry market, must be huge. Thu Duc Housing's Board of Management has announced it will complete the deal on transfering all 49 percent of shares, 1.813 million shares (VND48,400 per share, worth VND87.75 billion) of Thu Duc Agricultural Products Market Management JSC in June.

A representative of Thu Duc Housing said the transfer aims to help the company gather strength on its core business field. The owner of a resort real estate project in Bau Trang, Phan Thiet City of Binh Thuan province, covering an area of 100 hectares, has to sell the project for VND480 billion because he cannot financially implement the project. "The capital we hoped we could get from other business fields has be o e stuck because of Covid-19," he explained. "We have to sell the project to gather strength on the production. "

A report found that in the first five months of the year, foreign investors spent $2.99 billion on capital contributions and buying into Vietnamese enterprises, equal to 39.1 percent of that of the same period last year. However, the number of deals was 11.6 percent higher, meaning that fewer deals had occurred. Vu Tien Loc, chair of the Vietnam Chamber of Commerce and Industry (VCCI), said many Vietnamese enterprises have been hit hard by Covid-19, and have to sell their companies at low prices in many cases.

"The capital inflow into M&A is quite large, creating a strong wave, but the value of the deals may not be as expected," Loc commented.Su Ngoc Khuong from Savills Vietnam said many foreign investors want to buy real estate projects in Vietnam. Most of the projects Savills Vietnam is providing consultancy to, worth $500 million in total, kicked off in late 2019. As sellers need money, deals could be made very quickly.

Raymond Clement from Savills Hotels Asia Pacific said in addition to the retail sector, Covid-19 has affected the flexibility of the resort real estate market. That is the reason behind large M&A deals./.VNN

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E-COMMERCE

Vietnamese, Japanese businesses enhance cooperation through online platform

The Vietnam Chamber of Commerce and Industry (VCCI) and the SME Support Japan organisation introduced J-GoodTech, a Japanese online business matching platform, to Vietnamese enterprises on June 19.

J-GoodTech is an online platform connecting business between Japanese small- and medium-sized enterprises (SMEs) with partners. The platform currently has 17,000 Japanese SMEs as members and more than 7,000 businesses from other Asian countries. J-GoodTech members are businesses operating in many fields and categories, such as electronics, machinery, metals, food, distribution, logistics and B2B services. Vietnamese enterprises participating in the platform can connect, share information on their businesses, products, cooperation needs, as well as learn similar information from other members. From that, Vietnamese firms can associate businesses, consume products, and co-operate in production.

Nguyen Van Hai, head of the foreign affairs department under the VCCI, said that in response to the COVID-19 pandemic, many countries had applied import and export restriction policies and implemented strict medical quarantine measures. This has made business matching and partner and customer searching with the outside markets of both Vietnamese and Japanese businesses in the traditional form difficult, said Hai. In that context, taking advantage of digital technology to connect businesses via online trade was a very useful solution, he added. SME Support Japan will also hold a free online business matching event to support business cooperation between Vietnamese and Japanese businesses from July 13-17 through the online platform Microsoft Teams.

Vietnamese businesses only need to register fully-authenticated information, and use mobile phones or personal computers and laptops to participate in the matching./.VNA Back to top

50% Vietnamese to make regular e-payments by 2022

According to analysts of Robocash Group, 55% of the population in Vietnam will make five and more e-payments weekly during 2021 in contrast to 23% in 2019. At the same time, the share of unsecured consumer loans issued online will approach 70%.

Social distancing has caused a shift in consumption patterns and accelerated the adoption of digital services and payments by businesses and customers. Due to the rapid development of digital payments and alternative lending recently, Southeast Asia serves as a strong example. According to a survey conducted by Facebook with Bain & Company, 85% of respondents tried new digital apps during the first quarter this year. The list includes e-commerce and digital payments platforms too.

According to PWC, only 37% of the Vietnamese made mobile payments in 2018. In one year, the share grew to 61%. In the Philippines and Indonesia, the rate of such payments in 2019 was a bit lower: 45 and 47%, respectively. A survey conducted by Robocash Group in early 2020 showed further dynamic. Thus, 73% of the company customers in Vietnam made e-payments last year. However, only 23% conducted five and more such payments weekly. This is close to the findings in the Philippines (13%) and Indonesia (16%). As for online lending, 62% of respondents in Vietnam took their first loans in 2019 remotely.

To sum up, habits formed during COVID-19 pandemic and social distancing will contribute to the continued expansion of digital payments and lending. Moreover, speeding up the transfer of funds, reducing the weight of the informal economy and increasing tax inflows to the budget, it can add up to 0.5% to GDP growth in the countries of South-East Asia in 2022-2025./.VNI

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START-UP

Tech startup Sapo raises millions dollar from South Korea's Smilegate Investment

Vietnam's multi-channel sales and management platform Sapo Technology raised a Series A funding round led by South Korean investor Smilegate Investment, a senior executive of the company told Deal Street Asia. The funding round also received the participation of Vietnam's homegrown venture capital Teko Ventures, an existing investor in the startup, said Sapo CEO Tran Trong Tuyen, who refused to disclose the investment amount, but said it was a seven-digit amount in US dollar.

With the additional investment, Sapo will expand its product ecosystems to the payment field and corporate finance, as well as entering the Southeast Asian market. While Teko Ventures supports the firm with its local expertise, Smilegate will help the startup to boost growth through its regional network and experience.

In Vietnam, Sapo is Smilegate's second investment after Series B investment in tech startup Lozi. Last year, Korean Smilegate announced the establishment of an investment fund exclusively for Vietnamese startups. Smilegate focuses on investing in several fields including IT, energy, biotechnology.

Sapo Technology JSC was established in August 2008, formerly DKT Joint Stock Company, specializing in providing products of Multichannel Sales and Management Platform. The firm claims to have over 67,000 customers using its products. In early 2014, the Vietnamese startup received an investment from Japan's Cyberagent for potential development companies operating in the IT sector./. Dealstreetasia

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RETAIL

Local outlets of Zara possibly subject to major restructuring by Inditex

Losses following COVID-19 caused Zara's parent company Inditex to close many of its fashion shops, and both Vietnamese Zara outlets could be included.

Entering Vietnam four years ago, Zara has been present in the local market with two outlets, one in Ho Chi Minh City and another in the capital of Hanoi. Both are located at favourable locations which, in turn, also is reflected by high monthly rents of hundreds of millions of US dollars. During Vietnam's national social distancing nearly two months ago, both stores had no choice but to interrupt operation, which resulted in unavoidable damage to the outlets' revenue.

As soon as this year's initial losses were reported, Inditex – Zara's Spanish parent company – decided to shut down around 1,200 stores across the globe in the next two years, equalling 16 per cent of its total retail points. The decision also includes some of Inditex' other fashion brands, such as Bersha, Pull&Bear, and Massimo Dutti. The Spanish group announced to particularly close those shops that were performing inefficiently, with the restructuring aiming to accumulate profits from the more profitable establishments as well as its online vendors.

In the period between February and April, Inditex recorded a deficit of over $460 million and a net profit of just under $830 million. Meanwhile, the group has made plans to invest around $1.13 billion into building up its online shopping platform in the next three years.

Moreover, Inditex will also invest another $1.92 billion to upgrade its integrated digital platforms in its store system. Accordingly, the company's physical outlets will be both, distributors for its online business and places for customers to come in and enjoy a direct shopping experience. Last year, Inditex's online business occupied about 14 per cent of its total revenue. The group expects the proportion to grow to 25 per cent in 2022. In April alone – the peak of COVID-19 in many countries – saw its online sales spiked to around 95 per cent.

Despite planning to shut down a large number of its physical stores, Inditex asserted that the number of its staff will remain stable, with some of them moving to other departments and others being responsible for the online shopping arm. /.VIR

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Vietnam's auto consumers expected to enjoy 50 percent cut in registration fee

The Ministry of Finance has officially asked the Government to cut 50 percent of the registration fee for customers who buy locally-produced and assembled automobiles. The draft decree was opened to ideas from ministries, sectors, localities, the business community, organisations and individuals before being sent to the Government for approval.

The ministry has received 47 contributions, including those from ministries of Foreign Affairs and Industry and Trade, to ensure compatibility between the decree with relevant international treaties, of which Vietnam is a member. All participants agreed with the need for this decree for the development of the domestic automobile industry as well as its contents.

The ministry's preliminary assessment shows that the cut of 50 percent of the registration fee for locally-manufactured and assembled vehicles will affect local budget revenue in the last six months of this year, with an estimated amount of 3.7 trillion VND (159 million USD). According to current regulations, the buyers of cars with nine seats or less have to pay registration fee of 10 percent of the car value in cities and provinces, except for Hanoi, which applies a rate of 12 percent.

Meanwhile, buyers of pick-up trucks with transport volume of less than 1,500 kilos and five seats or fewer, and vans with capacity of 1,500 kilos or less, will pay an amount equal to 60 percent of the nine-seat car's registration fee.

The average revenue generated by the registration fees on locally-manufactured and assembled vehicles is about 16 trillion VND per year. Vietnam has initially controlled the COVID-19 pandemic, but the disease continues to affect countries around the world, showing no signs of slowing down. Many industries are heavily affected, including domestic automobile assembly and manufacturing.

During the social distancing period, most of the large car manufacturers and assemblers, such as Thaco, Thanh Công, VinFast, Toyota, Ford and Honda, had to suspend production and assembly activities, causing disruptions to supply chains and demand.

Insiders said that domestic automakers have restarted production and resumed supply chains, but due to the severe impact of the COVID-19 pandemic many difficulties lie ahead, especially for domestic automobile manufacturing and assembly enterprises who are dealing with high volumes of inventory. It's predicted that the automobile market will not only be impacted this year but also for a few years to come.

The Vietnam Automobile Manufacturers' Association (VAMA) says its members units consumed nearly 19,100 various cars in May, up 62 percent compared with the previous month. Of the sales, there were more than 13,000 passenger cars, 5,800 commercial vehicles, and 260 special purpose vehicles. VAMA members sold 83,200 cars of all types this year, down 34 percent year-on-year.

The above figure does not include sales from other brands, which are not VAMA members, including TC MOTOR, Audi, Jaguar Land Rover, Subaru, Volkswagen and Volvo. TC MOTOR (representative of Hyundai Thanh Cong brand), saw the highest volume in May sales with 4,800 units, bringing the total sales in the first five months of this year to 22,400 vehicles of all kinds.

Experts said that Vietnam's automobile market rebounded sharply in May because the country removed social distancing regulations in April, helping stimulate demand. In addition, many auto businesses have launched discount and promotional programmes for customers, so the May sales figures improved./.VNS

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LOGISTICS

No licenses for transport firms with foreign holding of over 51%

Vietnamese transport firms wherein foreign investors contribute over 51% of the chartered capital will not be licensed, according to the Ministry of Transport. Recently, some transport firms with over 51% of foreign stake had questions about the investment in vehicles for the road transport business.

In response, the Ministry of Transport stated in a document that the granting of badges and transport licenses is based on Decree 10/2020 and certain trade agreements. For example, in line with the trade deals and commitments of Vietnam while joining the World Trade Organization, since its participation in the organization, foreign service suppliers are allowed to provide cargo and passenger transport services through contracts or joint ventures. The capital contribution from foreign investors must not exceed 49% of the total capital. “Three years after the participation, based on the demand of the market, joint ventures to supply cargo transport services will be permitted to be established, but the stake owned by foreign investors must not exceed 51%, and 100% of the drivers of these joint ventures must be Vietnamese,” according to the document.

As such, firms where foreign investors contribute over 51% of the chartered capital and whose investment certificates do not cover the transport business sector, as regulated, will not be granted licenses for the road transport business. As for the sea transport sector, foreign investors or firms can hold a stake of not more than 49% of the chartered capital in Vietnamese enterprises active in the sector, while similarly, the foreign holding in inland waterway and railway transport firms must not exceed 49%. As such, road, sea and railway transport firms with over 51% of foreign investment will not be qualified to be licensed for the transport business in Vietnam./.SGT

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Viet Nam's biggest shipping firm reduces charter capital

Viet Nam National Shipping Lines (Vinalines), the country's biggest shipping firm, has to reduce its charter capital by another 15 per cent due to unability to sell shares. Recently, the State Capital Management Committee at the enterprise decided to reduce the charter capital of Vinalines from VND14.046 trillion (US$604 million) to more than VND12 trillion.

The capital is equivalent to 1.2 billion shares with the par value of VND10,000 each. Of which, the State is holding more than 1.19 billion shares, accounting for 99.469 per cent of charter capital; the firm's employees are holding 392,500 shares or 0.038 per cent of the stake, the trade union of the firm is holding 500,000 shares, or 0.452 per cent of the stake while the last 5,420,900 shares, representing 0.452 per cent of the stake, will be sold to the public.

Chairman of the State Capital Management Committee at the enterprise told the firm to carry out the relevant procedures to organise its first Shareholders General Meeting to announce the successful transfer to a joint stock company and complete the remaining procedures for equitisation as per the law. Before, the firm planned to sell 207.8 million shares to strategic investors and 280,921,160 shares in a public auction. However, it could not choose any strategic shareholder, thus had to offer the shares in an IPO in 2018 instead of selling to strategic investors.

However, in the IPO, the firm was able to sell only 0.452 per cent out of the 34.8 per cent stake offered. According to the provisions of Decree No. 126/2017/ND-CP, in case of failure to sell all shares in accordance with the approved equitisation plan, the equitised enterprise must adjust its charter capital structure.

As the biggest local shipping firm, Vinalines, founded in 1995, is a 100 per cent State-owned enterprise. It was transformed into a holding company in 2006 and a State-owned one member limited company in 2010. Currently trading on the Unlisted Public Company Market (UPCoM), shares of the firm were rated at VND11,000 each./. VNS

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INVESTMENT

Qualcomm will launch its first R&D center in Vietnam

US-based Qualcomm has joined the global wave of relocating business to Vietnam by announcing plans to launch a research and development (R&D) centre in Hanoi this year.

The leading US chip manufacturer has just officially announced plans of setting up a new facility in the Vietnamese capital Hanoi to maintain the production of Snapdragon chips that have been manufactured by Taiwan-based TMSC, China-based Global Foundries, and South Korea-based Samsung.Thus, the new R&D centre in Vietnam may aim to replace its manufacturing line in China as a result of US-China tensions and also supply chains disrupted by COVID-19.The in-house lab for the new 5G Snapdragon and three other subsidiaries responsible for developing mobile technology will be opened to Hanoi. Notably, the new facilities will also provide testing services for local partners such as VinSmart, BKAV, and Viettel.

VinSmart is collaborating with Qualcomm and Japanese technology equipment and service company Fujitsu to produce 5G smartphones in Vietnam. The US chip manufacturer initially entered the nation in 2003 by opening its representative office in Hanoi. 11 years later, it launched a second office in Ho Chi Minh City. As of now, Qualcomm has partnered with many mobile operators to carry out 2G, 3G, and 4G services on smartphones./.VIR

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Samsung to shift major portion of monitor production from China to HCMC

Samsung Vina Electronics announced on June 19 that a major portion of Samsung's monitor production would be shifted from China to the Samsung HCMC CE Complex at the Saigon Hi-tech Park in District 9, HCMC, this year.

The South Korean tech giant is developing a production chain for over 40 monitor models at its factory in HCMC. Once the shift is complete, Vietnam will become one of the largest suppliers of Samsung monitors in the world, according to Tuoi Tre newspaper.

A Samsung representative said the shift will help Vietnamese consumers become the first to use the company's latest monitors, while the country will also help Samsung monitors increase their market presence in Southeast Asia.

Data from global market intelligence firm IDC indicated that Samsung is the leading producer of monitors in Vietnam, with Samsung monitors of 24 inches or larger accounting for 34% of the Vietnamese market in the first quarter of 2020./.SGT

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Telephone	+84-24-6275-5246 ; +84-24-6273-6989
Fax	+84-24-6273-6988
URL	www.seiko-ideas.com
PIC	Tram Nguyen (Ms.)
Email	tram.nguyen@seiko-ideas.com

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