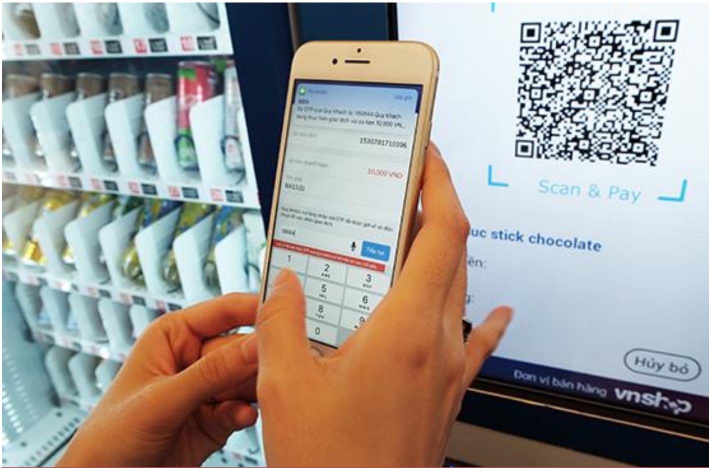

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Highlight

Cash payment habits change in Asia Pacific

VIETNAM BUSINESS REVIEW

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What's in it today?

FINANCE

Local banks earn high profits from bancassurance activities

Local credit institutions are enjoying a rise in bancassurance activities with more exclusive deals coming, according to industry insiders.

Many banks have unveiled their first-quarter financial reports with soaring profits in the last months, even compared to pre-COVID-19 times. Soaring profits not only come from escalating interest income but also a jump in earnings from bancassurance.

CEO of Vietcombank Nghiem Xuan Thanh said in the first quarter this year, his bank recorded more than 8.6 trillion VND (373.9 million USD) in pre-tax profit during the period, a 70% jump on-year. Of this figure, 390 billion VND came from the revenue of the bancassurance activities (bancassurance is an arrangement between a bank and an insurance company allowing the insurance company to sell its products to the bank's client base. This partnership arrangement can be profitable for both companies).

During the bank's annual general shareholder meeting, the bank's board of directors said the exclusive insurance partnership between Vietcombank and FWD Group (a multinational insurance company based in Hong Kong) was the biggest transaction in Vietnam. Last year, Vietcombank ranked 13th in life insurance distribution channels. It took 8th place in the first quarter of 2021.

Nguyen Thi Phuong Thao, HDBank's standing vice chairwoman, said that HDBank's profits to be gained from bancassurance activities were expected to reach 1 trillion VND in 2021.

HDBank and Dai-ichi Life Vietnam signed a long-term exclusive bancassurance partnership agreement in 2015. However, the bank has just restarted its bancassurance activities from the end of the fourth quarter of 2020.

According to industry insiders, four years ago, the value of bancassurance partnership agreements fluctuated around 100 million USD for 15-year cooperation. After many local banks joined this lucrative segment, the value of bancassurance partnership agreements has sharply increased.

Earlier last year, Vietcombank and FWD made a deal of about 400 million USD, while ACB Bank signed a 370 million USD partnership agreement with Canadian insurer SunLife.

SSI Securities Corporation of Vietnam reports that two major exclusive bancassurance partnership agreements signed between ACB and SunLife Vietnam and VietinBank and Manulife Vietnam will create many changes in life insurance market share.

LienVietPostBank signed an exclusive partnership agreement with Dai-ichi Life Vietnam for 5 years and the agreement will finish in 2022. The bank will negotiate to sign exclusive partnership agreements with other partners. This year, the bank sets a target of earning revenue of 700 billion VND from bancassurance activities. Last year, the bank posted 451 billion VND.

In another development, after receiving complaints from clients who are forced by credit institutions to buy compulsory insurance products in order to get bank loans, the Ministry of Finance states that it asked insurers to strengthen supervision on their insurance agents at credit institutions and commercial banks.

Authorised agencies also required insurance companies to work with commercial banks to uncover and strictly handle any insurance agents forcing clients to buy insurance products.

The Ministry of Finance also said that to make the insurance distribution channels at banks more effective and not cause inconvenience to insurance buyers, the ministry will continue working with the State Bank of Vietnam to improve policies and strengthen their management and supervision activities as well.

Any insurance companies or agents found violating the law will be strictly handled by authorised agencies.

Shares forecast to correct on cautious sentiment

Vietnamese stocks are forecast to stay on a downward trend this week due to caution among investors and accelerated selling pressure from foreigners, analysts said.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 0.7% to close Friday at 1,241.81 points. It gained 0.2% last week.

An average of 763.6 million shares were traded on the southern exchange during each session last week, worth VND21.35 trillion (US$932.9 million).

Investors make transaction orders at Bao Viet Securities Co's transaction floor. It is forecast that the market will see corrections at the beginning of this week.

Experts from KIS Securities Vietnam Joint Stock Company (KIS) said the COVID-19 pandemic would dampen market sentiment in the short term. Traders should be careful and wait for the next signals. The level of 1,200 points had become the most important short-term support level.

The 1,300 point zone is expected to be a resistance level this week, the company said.

According to Saigon-Hanoi Securities Joint Stock Company (SHS), this week, the market may drop to lower thresholds to find a bottom-fishing force.

Regarding the movements of stock groups, banking stocks rose the most last week, with gainers like Techcombank (TCB), increasing by 14.8%, Vietinbank (CTG), rising by 7.4%, VIBank (VIB) rising by 5.6%, VPB gaining by 5.1% and Asia Commercial Bank (ACB) rising by 1.6%.

They were followed by construction materials stocks, such as Hoa Phat Group (HPG), rising 4.6%, Nam Kim Group (NKG) soaring 15.4% and Hoa Sen Group (HSG) up 15.6%.

On the other side, consumer goods were the strongest losers, with Sabeco (SAB), down 8.4%, Vinamilk (VNM), down 7% and Masan Group (MSN) losing 3.1%.

On the Ha Noi Stock Exchange (HNX), the HNX-Index declined 0.44% to close Friday at 279.86 points. The northern market index had lost 0.67% last week. An average of 118.6 million shares were traded on the northern exchange during each session, worth VND2.3 trillion.

April liquidity

The liquidity of the HoSE in April stood at the highest level from the outset of the year, with a total of more than 14.51 billion stocks traded at a value of more than VND366.94 trillion ($15.94 billion), according to the Ho Chi Minh Stock Exchange (HOSE).

The average transaction value per session was in excess of VND18.34 trillion, up 18.68% from March, and 47.41% from the same time last year.

HOSE also said that trading of covered warrants (CWs) also heated up in the month, with more than 506.38 million items sold at the value of VND2.32 trillion.

The market also saw the benchmark VN-Index set a 20-year record high of 1,268.28 points on April 20, with a total value of market transactions on the day topping VND22.46 trillion.

The index in April edged up 4.02% from the previous month to end at 1,239.39 points and surged 12.28% year-on-year.

Material, finance and real estate stocks performed well in the month, with VNMAT stocks rising 16.2%, VNFIN surging 10.55% and VNREAL up 10.47%.

Meanwhile, energy, utility, and consumer goods stocks suffered respective declines of 10.03%, 5.04%, and 2.95%. Net sales of foreign investors fell 93.87% from March to VND751 billion.

HOSE saw no newly-listed stocks in the month, while five codes of Long An Food Processing Export Joint Stock Company (LAF), Tri Viet Securities Joint Stock Corporation (TVB), PAN GROUP JSC (PAN), Bank for Investment & Development of Vietnam Securities Company (BSI) and ASG Corporation (ASG) moved to the Hanoi Stock Exchange.

As of April 29, 511 security codes were being traded on HOSE, including 391 stocks, three close fund certificates, seven exchange-traded funds (ETF), 79 CWs, and 31 bonds.

The stock market capitalisation on HOSE topped VND4.46 quadrillion, increasing 4.12% from March, and accounting for about 73.87% of the country’s gross domestic product in 2020. — VNS

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E-COMMERCE

Cash payment habits change in Asia Pacific

Under the impact of the Covid-19 epidemic, the interest in new payment technologies is growing in the Asia-Pacific region.

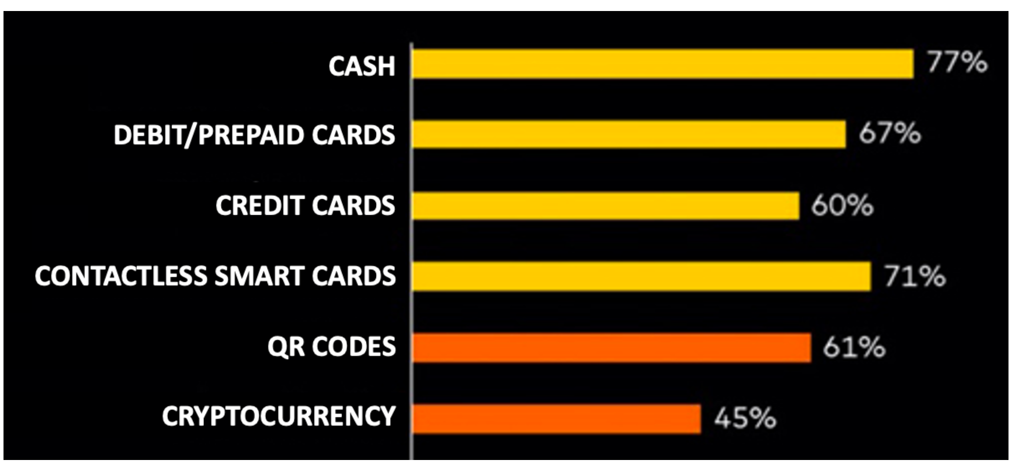
According to a survey conducted recently in 18 countries by MasterCard, 94% of respondents said they would consider using at least one new payment method such as QR codes, e-wallets and cryptocurrencies next year. Notably, up to 74% of respondents said they would shop regularly at small businesses if there were more payment options.

In 2020, 84% of consumers in Asia Pacific said they used more emerging forms of payment. Notably, up to 64% of respondents (75% of them belong to Generation Y - millennials) said they tried using new payment methods because of the pandemic impact.

Along with this is a change in consumption habits. Consumers are expecting to be served both directly and online. In fact, 60% of the respondents said they would avoid stores that do not accept any form of electronic payment.

In the future, the use of payment technologies will increase, while the use of cash will gradually decrease.

In fact, 69% of Asian consumers plan to use cash less next year. Meanwhile, e-wallets have become quite popular among consumers in this region. At least 68% of respondents plan to use this type of payment next year. This is higher than the global average (about 62%).



Payment methods have changed in 2021, according to a survey by MasterCard

In Vietnam, according to the State Bank of Vietnam's statistics, more than 255,000 transactions made via e-wallets were conducted in the third quarter of 2020, with a total value of over VND100 trillion. In general, e-wallet transactions in the third quarter of 2020 increased by 123.1% in the number of transactions and 141.5% in value over the same period in 2019.

This shows that like people in most other countries in the region, Vietnamese are gradually changing. Instead of using cash, Vietnamese consumers are using digital payment utilities.

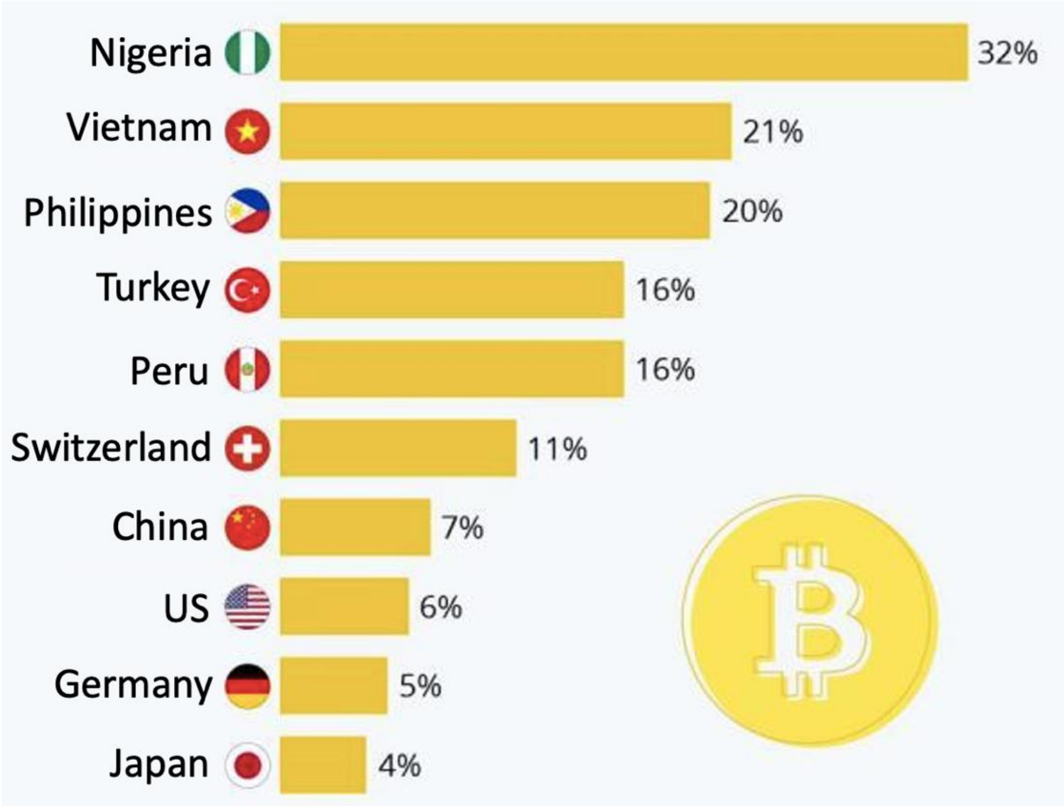
Among emerging payment methods, QR code payments are particularly popular in the Asia-Pacific region. This type of payment has a particularly great attraction in the Asia-Pacific region compared to the rest of the world.

Among those using QR codes for payment, 63% said in 2020 they used this method more often than in the past.

The rate was 64% in both Thailand and India, higher than the global average of 56%. The survey by MasterCard shows that convenience and hygiene were the main reasons for users to make touchless payments through their mobile devices.

In Vietnam, according to the State Bank of Vietnam's statistics, although the QR code payment has been implemented for a short time, 30 banks and about 90,000 transaction points have accepted payment via QR Code.

Besides QR Code, cryptocurrencies are asserting their positions. In the Asia-Pacific region, 45% of the respondents said they might consider using cryptocurrencies next year. This figure is well above last year's 12%, and 40% higher than the global average.



Popularity of Crypto currency worldwide (Source: Statista)

Geographically, more consumers are more comfortable with using cryptocurrencies in Thailand (46%) and India (44%) compared to Australia (17%). However, with their volatile prices, cryptocurrencies are more of an investment item than a currency to spend.

In Vietnam, cryptocurrencies are considered an illegal means of payment. The issuance and use of cryptocurrencies as a means of payment will be handled according to the provisions of law.

However, many statistics show that Vietnam currently ranks second in the world for the popularity of cryptocurrencies. According to Statista's survey, of every five Vietnamese, one said they used to use or own cryptocurrencies.

Cross-border e-commerce: game changer to help local traders boost exports

With borders closed and travel restricted since early 2020, cross-border e-commerce has proved itself as a game-changer, setting the scene for Vietnamese traders to climb up the global supply chain and reducing the risk of disruption caused by an unprecedented crisis like COVID-19.

Việt Nam is among countries with the world's fastest-growing e-commerce, said Lại Việt Anh, deputy director of the Vietnam e-Commerce and Digital Economy Agency (IDEA). Last year, local e-commerce revenue grew 18 per cent to reach US$11.8 billion, accounting for 5.5 per cent of total retail sales of consumer goods and services nationwide.

Given that global B2C e-commerce turnover is expected to hit over $2.88 trillion in 2023, cross-border e-commerce will be a very effective channel for enterprises to expand markets, she said.

The COVID-19 pandemic has been having adverse impacts on traditional in-person trade, said Trần Quốc Toản, Director of Co Do Co., Ltd., a producer of Vietnamese handicrafts which has exported its products to 50 countries and territories. His company has been displaying products on the world's largest online marketplace Amazon in a hope of reaching more foreign customers.

Using Amazon, Co Do expects to sell its handicraft products directly to end-users, Toản said.

Another handicraft manufacturer, Vinescraft Co., Ltd., used to access overseas markets via a network of importers, distribution centres, shops and sellers. The Hà Nội-based company started selling products on Amazon five years ago, said Director Trần Đức Chung, adding that it took him two years to explore American taste and learn how to make use of the e-commerce website.

Vinescraft now receives around 300 – 500 orders, worth $19 – 40 each, every day, Chung said.

Any digital platform has its own pros and cons, so the most important thing is to find the compatibility between a producer and the cross-border online marketplace it uses in order to boost sales, he shared. Firms must also quickly adapt to changes in customers' needs and the website's policies to be able to succeed, he added.

According to data from Amazon Global Selling Vietnam, total sales of Vietnamese sellers on Amazon exceeded the $1 million mark in 2020, tripling 2019's figure.

Vietnamese enterprises should further accelerate digital transformation, look towards sustainable development and diversify distribution channels, Gijae Seong, Vietnam Country Manager for Amazon Global Selling, said. They also need to be adaptive to consumers' changing needs and optimise products and services based on customers' reviews.

Short video market grows fast amid pandemic

The COVID-19 pandemic in the last half of 2020 saw Vietnamese people download and use more phone applications than in 2019, according to the Mobile Application 2021 report from Appota Group. Appota's annual series of mobile market reports, released on May 11, said TikTok boomed with 16 million downloads in 2020, making short video applications a new entertainment trend in Vietnam.

The report forecast the market for short videos will grow further in 2021 with the entrance of Instagram and YouTube.

The report also said the smartphone market was still led by Samsung and Apple while the mobile game market received a 40% growth compared to 2019, reaching 168 million USD in revenue and is expected to grow another 22% to reach 205 million USD in revenue by the end of 2021.

In addition, mobile e-sport games also showed signs of sudden growth amid the pandemic. Appota's survey found that 80% of players said they spent more time using e-sports content during the social distancing period. On average, players spent 2 hours and 55 minutes a day playing e-sports games, while the average amount of time they spend watching livestreams or e-sports tournaments and related content is 2 hours and 10 minutes.

At the same time, food delivery applications also became more popular during the pandemic as the rate of food ordering from such apps grew from 58% in 2018 to 82% now. The report also announced GrabFood, Now.vn, Go-Food, Bea Min as main players of the food order apps.

According to Appota, the e-wallet and e-commerce markets have also been aided by the pandemic. In 2020, there were 121 start-ups operating in the fintech sector in the country, of which the e-payment sector had the largest number of start-ups, accounting for 31%, twice as many as the peer-to-peer lending sector at 16%.

The report found the pandemic and the push for cashless payments from the Government in 2020 resulted in a strong increase of e-wallet users, benefiting local firms.

The nation's largest e-wallet firm MoMo has reached more than 20 million users while VNPAY is valued at more than 1 billion USD, becoming the second "unicorn" in Vietnam.

The business to customer e-commerce industry grew 18%, reaching 11.8 million USD in revenue while mobile e-commerce enjoyed rapid growth, forecasting 7 billion USD in revenue for the year 2021 and likely to overtake desktop platforms in the next few years, said the report./.

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ENERGY

Foreign investors increase acquisitions of renewable energy projects in VN

Foreign investors from China, Thailand, and Singapore are increasingly acquiring renewable energy projects located at strategic positions from domestic enterprises.

Chinese investors are increasing their ownership in numerous renewable energy projects in Central Vietnam, the Central Highlands region, and Southwest Vietnam.

Notably, in Dak Nong Province, the joint venture between Hung Bac Energy Investment JSC and The North Investment Construction and Development JSC are developing three wind farms with a total capacity of 300MW and the total investment capital of VND10.5 trillion ($456.5 million). 80% of the investment capital would come from loans.

According to newswire Theleader.vn, Sungrow Power (Vietnam) Co., Ltd. holds a 70% stake in the joint venture.

Sungrow Power (Vietnam) was established in September 2019 with the charter capital of VND23.4 billion ($1 million), under Sungrow Power (Singapore) Pte., Ltd. – a China-based renewable energy group.

In Binh Thuan Province, Hong Phong 1 Wind Power JSC planned to develop a 40MW wind farm with the cost of VND1.7 trillion ($73.9 million). However, the construction of the project has yet to be kicked off and the board of directors proposed the province to transfer the stake in Hong Phong 1 Wind Power JSC to foreign investors.

Three months since Hong Phong 1 Wind Power JSC sent the proposal, the company now has two large foreign shareholders namely Indochina Wind Pte., Ltd. (Singapore), and Asian Wind Power 2 HK Ltd. (Hong Kong), which hold 51 and 48.9%, respectively.

Asian Wind Power 2 HK Ltd. (Hong Kong) is also one of the investors Binh Thuan People's Committee approved the investment planning for Hong Phong 2 wind farm project in July 2020.

TTC Group co-operated with Gulf Group (Thailand) to develop TTC 1 and 2 Solar Power Plants in Thanh Thanh Cong Industrial Zone, Trang Bang District, Tay Ninh Province. At first, Gulf owned 49% in the joint venture, however, the figure has increased to 90% in September 2019.

Besides, Gulf spent $200 million to buy into two onshore wind farms (Ia Pech 1 and Ia Pech 2) in Gia Lai Province from Dien Xanh Gia Lai Investment Energy JSC. The construction is expected to start this year and the two projects will come into effect in the fourth quarter of 2022.

The Thai investor also owns a 95% stake at Mekong Wind Power JSC. The company operates the Mekong Project comprising of a 30MW solar farm and a 310MW offshore wind farm. The Mekong Project is located in Binh Dai District of Ben Tre Province in Southern Vietnam. The first 30MW component of the project is expected to enter commercial operation in 2021. The second phase of approximately 49MW is also scheduled to begin operating in 2021, and the 231MW third phase is expected to come into operation between 2022 and 2023.

DPPA pilot to prompt low-carbon adoption

Vietnam's much-awaited direct power purchase agreement pilot will be an effective tool for global companies to meet their sustainability commitments, but it remains to be seen how Vietnam can meet the green energy demand from global businesses.

To meet renewable energy targets and promote private sector investment in energy, Vietnam is currently reviewing and finalising a direct power purchase agreement (DPPA) mechanism that will allow businesses in Vietnam to procure electricity directly from private companies producing renewable energy and enable them to power their operations with 100 per cent renewable energy.

The Electricity Regulatory Authority of Vietnam under the Ministry of Industry and Trade has released a draft circular guiding implementation of a DPPA pilot programme between private renewable power generation companies and power consumers.

Global businesses had been ramping up calls for such a pilot over the years, with 26 leading international companies and organisations, who purchase more than 16 million megawatt-hours of electricity and have the total investment in Vietnam worth $1.57 billion, signing a declaration of support for DPPA in Vietnam in 2019.

HEINEKEN Vietnam sustainability manager Bui Thi Loan, at the Vietnam Low Emission Energy Program, which assisted with formulating a DPPA in Vietnam, said, "We are willing to take part in a DPPA as that is the only chance for us to reach our ambition for sustainability commitments."

Loan explained that pursuing sustainability is the right thing to do not only for the business, but for the country the company operates in. "We have six facilities across the nation so the demand for energy is high. HEINEKEN Vietnam has set an ambitious target to achieve zero waste, 100 per cent water balance, and use 100 per cent renewable energy by 2025."

International clothing brands, which rely heavily on Asian garment factories including Vietnam, are under pressure from shareholders and consumers to reduce emissions in their supply chains.

Nike's government public affairs director Giang Vu said that half of Nike products sold globally are made in Vietnam. "From now to 2025, Nike aims to reduce CO2 emissions by 6 per cent from rooftop solar and 5 per cent CO2 from the DPPA pilot at partner factories," Vu said. "Since Vietnam is Nike's largest supplier, the implementation of a DPPA is of great significance, and has an impact on our global commitments."

In Adidas' annual report for 2020, the sportswear giant said it is working closely with key suppliers in Vietnam, providing technical guidance and expertise to enrol and access the first off-site renewable energy pilot. "The pilot programme features DPPA mechanisms between renewable energy developers/power generation companies and private power buyers/consumers. DPPA mechanisms are surging around the world as a new driver and catalyst for renewable energy projects," it said.

As part of its 2021 carbon priorities and goals, Adidas aims to accelerate initiatives that drive low-carbon manufacturing within its supply chain. "That is why, in 2021, we will focus on scaling the adoption of renewable energy at existing Tier 1 and Tier 2 facilities," said Adidas' senior director of social-environmental affairs Tracy Nilsson. "Through the adoption and scalability of renewable energy and coal replacement, our aim is to keep our emissions flat against the 2017 baseline year by 2025."

This trend is growing rapidly as large companies are paying more attention to the sustainability of their businesses through their commitments to reduce their CO2 emissions. Moreover, pressure is growing on businesses to become more sustainable, thanks to initiatives such as the Paris Agreement, national and local targets to cut carbon emissions, and more environmentally-conscious consumers. Customers and employers are also demanding sustainable products.

Lorenzo Mancini, regional sales director of Total Solar Distributed Generation, said that off-site PPAs are common instruments in the United States and Europe which however are mature and liberalised electricity markets. "The generators are a separate entity from the transmission and distribution company; the transmission and distribution company sits between the generators and the consumers and is the market enabler tasked with transferring the energy smoothly and efficiently from one to the other," he said.

"In Vietnam, on the other hand, the power market is still concentrated, with a single, state-owned player which is both generator and distributor. Enabling a market-based structure in such an environment is a challenge," Mancini added.

This is because the supply side is one and the same with the market settler (the grid operator), so the market price is artificially set. In effect the grid operator could set one purchase price to solar photovoltaic developers and a different one to its own gas or coal generating facilities.

"The grid operator then delivers the electricity at the customer connection point (and is paid distribution and transmission charges to do so). This is where it really gets tricky," Mancini wrote. "Because the grid in Vietnam is struggling to cope with surge both in demand, due to new factories being built and in supply, due to solar being injected in the grid. The grid operator has already warned that blackouts and brownouts will be unavoidable in the next two-three years, while grid upgrading work takes place."

Compared to the previous draft DPPA decision released at the beginning of 2020, the new draft circular still follows the virtual model where the power consumer will indirectly purchase power from the power generation company through the Vietnamese wholesale electricity market while introducing several new requirements for participating power generation companies and power consumers.

- Pilot scheme to be implemented nationwide from 2021-2023 and limited in scale to 1,000MW;

- Participation is via competitive selection;

- Participating generators limited to wind/solar plants (greater than 30MW) and prior power development plan approval;

- Participating offtakers limited to industrial consumers who purchase electricity at 22kV or more;

- Projects must reach commercial operation date no later than 270 working days from the date of the scheme's commencement;

- Generators must submit a binding in-principle agreement with power consumers and supporting project financing documents as part of the selection process;

- Generators to sell physical power to Electricity of Vietnam (EVN) at the spot price under a standard form PPA;

- EVN to supply power to offtakers at a price equal to the sum of the energy cost (at spot) and DPPA charges/fees; and

- Generators and offtakers to enter into a binding in-principle agreement based on a contractual strike price.

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RETAIL

Modern pharmacy retail chains ramp up expansion

Modern pharmacy retailers are aggressively expanding their chains and embracing digital transformation solutions to conquer the promising market.

Pharmacity, Vietnam's largest pharmacy chain that currently operates close to 600 stores in 15 cities and provinces, with plans to expand to 1,000 stores across several provinces by the end of 2021, by opening an average of two new stores per day. By the end of 2025, the company aims to open 5,000 stores in several provinces in Vietnam, allowing 50% of the population access to a Pharmacity store within a 10-minute drive.

In the next five years, the company aims to develop a healthcare ecosystem, integrating its traditional retail business with primary medical services, insurance products, and healthcare services.

Pharmacity is also strengthening its digital infrastructure. As part of its 2025 vision, Pharmacity will launch a "super app" that will provide various services, such as e-pharmacist and e-doctor, healthcare records, emergency ambulance booking, and at-home or in-patient care services.

It is hoped the ambitious five-year plan will help Pharmacity earn a turnover of over $1.5 billion and create a workforce of more than 29,000 employees, up from the current 4,000 employees.

Founder and CEO Chris Blank said, “My vision is to turn Pharmacity into the most convenient pharmacy chain that Vietnamese people can entrust with their health and wellness. The company is a pioneer in the pharmaceutical sector in Vietnam, creating the first modern pharmacy chain and brand in the country, offering convenience and product variety, with a price and quality brand promise to our customers.”

Pharmacity has strong local and international financial backing, including by Vietnam-based private equity firm Mekong Capital and by TR Capital, a leading secondary private equity investment firm based in Hong Kong.

Another player, FPT Retail – part of technology firm FPT Corporation – is ramping up the expansion of its Long Chau Pharmacy chain. FPT Retail has so far opened 222 stores and plans to reach 350 stores by the end of this year. The retailer also focus on applying technology to optimise its sales process. For example, its real-time system can monitor the expiration date of its 5,000 products, thereby cutting the cost of disposing of expired drugs.

According to the chairwoman of FPT Retail's Management Board Nguyen Bach Diep, Long Chau Pharmacy aims to become a sustainable market leader and will make heavy investment in expansion efforts over the next few years. Thus, the chain will continue to incur losses in 2021-2022 and start to make profit in 2023. As of the first quarter of 2021, 90% of Long Chau Pharmacy stores operating for over six months have broken even or made profit.

Diep added that Vietnam's pharmaceutical retail market has huge potential for growth in the long term. Long Chau is building a reputation in the market although it has fewer stores than some rivals. Compared with traditional drug chains, Long Chau Pharmacy has the edge in technology solutions as well as experience in managing supply chains and seeking store locations. By adopting technology, the company can gains actionable insight into the shopping habits of customers, thereby offering suitable products to meet their needs.

According to the 2020 healthcare committee white book by the American Chamber of Commerce in Vietnam, the pharmaceutical retail sector in Vietnam has undergone significant development in terms of accessibility and quality improvement over the past decade. The market is shifting from the model of traditional independent pharmacies to modern pharmacy chains which benefit consumers, in terms of accessibility, product and service diversity, and quality consistency.

"Currently capturing just 3% of the market, modern pharmacy chains are gaining traction with consumers and are attracting private investment from both domestic and foreign players," the report said. "Market competition has become increasingly intense with the rapid expansion of modern pharmacy chains, such as Pharmacity, Long Chau, Medicare, Phuc An Khang, and others, competing for brand positioning and market share."

Findings from a Ken Research report show that Vietnam's pharmacy retail industry is expected to witness a compound annual growth rate of 8.1% on the basis of revenue by 2025. A fast-growing and ageing population is projected to positively impact the industry with median age in the country expected to hit 42.1 years by 2050.

Seeing the opportunity in the country, pharmacy chains with large presence in Southeast Asia, including Matsumoto Kiyoshi and Watsons, have recently entered the market and more players are expected to enter into the industry and expand their presence.

On the back of the aggressive expansion, modern pharmacy chain sales are growing significantly. However, according to the report, the overall strong growth is hiding a very distinctive dynamic by pharmacy chain, with many having difficulties to grow sales per established outlet and few top players experiencing both a double-digit growth of sales in their established outlets as well as incremental growth from rapidly opening new stores.

Following the acquisition of a 40% stake in the Phuc An Khang pharma chain in 2017, Mobile World remains cautious in its expansion. Mobile World chairman Nguyen Duc Tai said that the company has not acquired majority interest in the pharmacy retail chain due to regulatory barriers and unfavourable business environment. Also, the scale of the pharmacy retail market remains small and highly fragmented with 57,000 mum-and-pop pharmacies.

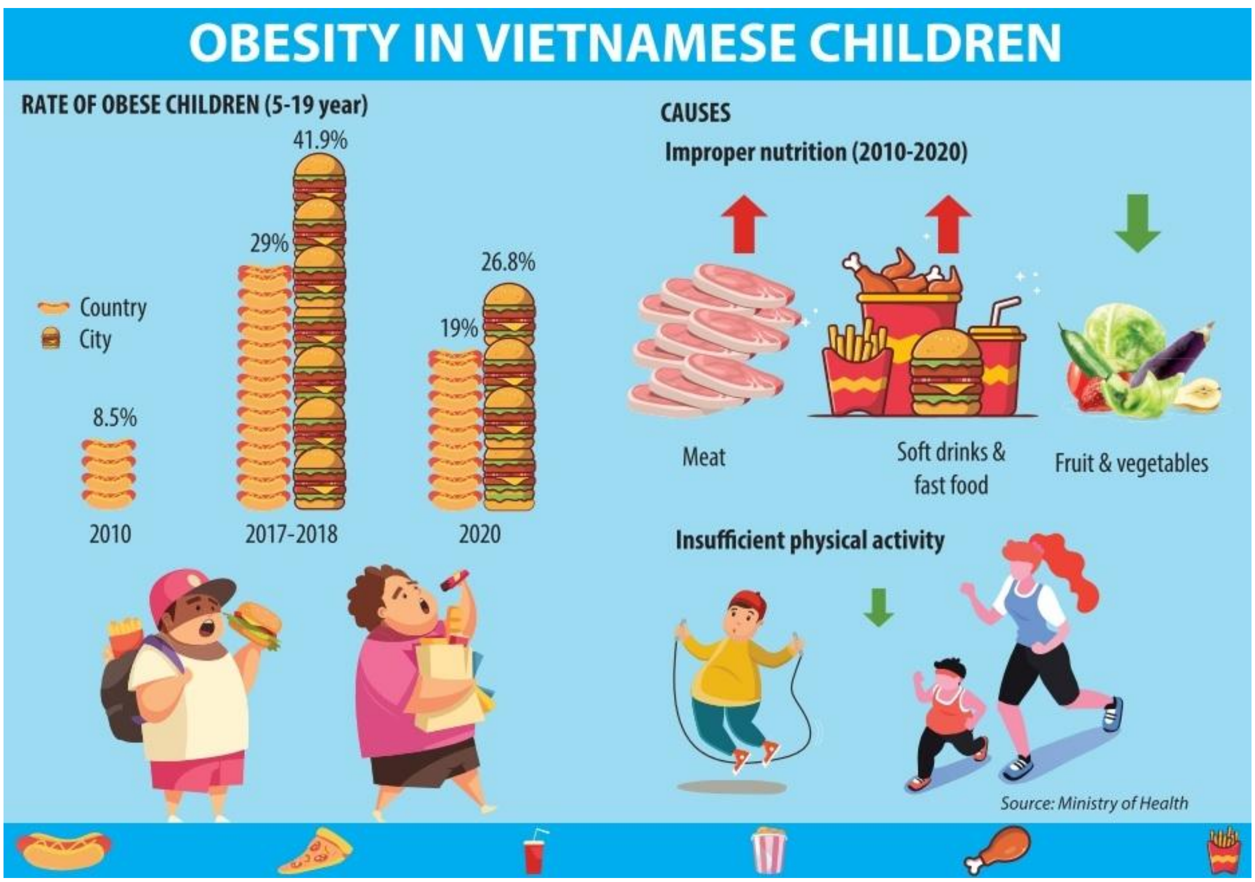
According to its financial statement for the first half of 2020, Mobile World invested VND62 billion ($2.68 million) in the pharmacy chain, suffering losses of VND8 billion ($348,000). The company is incorporating some pharmacy outlets inside its Bach Hoa Xanh grocery store to explore growth opportunities.

Other pharmacy chains such as Phano and My Chau have been present in Vietnam for over a decade but have yet to leave any impressive marks on the market. Analysts at Viet Dragon Securities Company have also pointed out that it is not drug retail chains but individual stores which dominate the market. These stores have advantages in low rent and store owners who offer consultancy to buyers; they also have high flexibility and competitive operation costs.

Meanwhile, drug retail turnover in Vietnam only accounts for 30% of the total revenue of the pharmaceuticals market. In comparison, the figures are 64% in Brazil and as much as 80% in the Philippines.

Expanding fast food outlets place strain on obesity worry

As international organisations are at pains to warn of an increasing obesity problem in Vietnam, the country's fast food industry continues to swell despite mounting losses for some chains and difficulties in attempting to alter local eating norms.



Despite its fast-paced development, Lotteria Vietnam has been operating at a loss. In 2020, the chain's net losses surpassed $8.97 million, reducing its book value from $24 million at the beginning of the year to a little less than $14 million.

The COVID-19 pandemic was not the main culprit behind the chain's losses, as it was only a continuation of the VND20 billion ($870,000) losses it suffered between 2017 and 2019.

Lotteria is not alone in this situation, as others like McDonald's and Jollibee are also amassing losses.

Chain owner South Korea's Lotte Group last month sent the market spinning after rumours surfaced that it would shut down its Lotteria restaurant chain in Vietnam. However, a representative refuted the news, saying that the chain will not only remain open but will expand with 10 new outlets as well as a food preliminary processing factory in the southern province of Long An. The company blamed the confusion on a misunderstanding of a South Korean media report, and the fact that it is leaving the Indonesian market.

Since its entry in 1998, Lotteria has opened 260 stores in Vietnam, including 100 through the franchising model.

According to Sean T. Ngo, CEO of VF Franchise Consulting, there are many reasons for the ongoing losses of foreign fast food chains despite their long presence in Vietnam, including increasing competition, high rental costs, and the limited supply of affordable premises.

"Other reasons include a supply chain that needs significant improvements and more qualified suppliers, fast-rising labour costs due to nearly annual increases in minimum wages throughout the country, and generally lower disposable incomes compared to many neighbouring countries," he said.

However, the difficulties do not seem to stop the onslaught of fast-food chains, with more outlets being opened not only in commercial centres and big cities but also in the provinces, making the market more competitive.

Acquiring a taste

According to data from Euromonitor International, Vietnam's fast food market is still growing strongly at 18-20% a year. This comes partially from people incorporating more and more Western meals – including fast food but also pastries and dairy-based smoothies – into their diets.

Changing consumption habits are partially driven by rising incomes as well as modern Vietnamese families shifting to a busier, more cosmopolitan lifestyle that includes fewer home-cooked family meals and more dine-out and takeaway options to save time as well as money.

According to a survey of nearly 600 people across Vietnam published in August 2020 by Q&Me, 87% of respondents had fast food in the past three months, with 55% saying they went because of "good taste" and 39% because of the location. Additionally, 87% of respondents ordered fast food online due to ease of use (71%) as well as good prices/promotions and low delivery costs (43-43%).

The Lotteria at Hang Than street in Hanoi is a popular lunchtime haunt for secondary and high school students. Trung Thanh, a local student, told VIR, "We like coming here because it is close to our school. The food is delicious and the space is comfortable. It is also a good place to get out of the sun during summers."

The obesity epidemic

The increase in demand for fast food is one of the causes of the rising rates of obese and overweight children in Vietnam. Last month the Ministry of Health's National Institute of Nutrition published the National General Nutrition Survey for 2019-2020, highlighting alarming increases in the number of obese and overweight children across the country.

The survey is the largest of its kind in Vietnam and involved over 22,000 households in 25 cities and provinces representing six ecological areas. It collected anthropometric data as well as data on micro-nutrients, individual food portions, food security, and food hygiene and safety.

The survey showed that the rate of overweight and obese school-age children (5-19 years old) increased from 8.5% in 2010 to 19.0% in 2020. Within this figure, the rate reached 26.8% in urban areas and 18.3% in rural areas.

Speaking at a conference to announce the results of the survey, Rana Flower, the representative of the United Nations Children's Fund (UNICEF) cum acting chief of the Food and Agriculture Organization of the UN in Vietnam, said that the country is facing the triple burden of stunting, overweightness-obesity, and lack of micronutrients.

UNICEF's State of the World's Children 2019 report in addition directly linked the marketing of unhealthy foods and sugar-sweetened beverages to the growing number of overweight and obese children.

"Marketing, packaging, and aspirational status symbols have a seductive pull on all consumers, but adolescents are especially influenced by these factors. Fast food and prepared snacks are widely available in urban areas worldwide and can be especially appealing to young people. Fast food restaurants, with their clean, bright interiors, are places where teens can hang out with friends," the report noted.

Tran Minh Chau, health coach and the operator of HAB Cyber Club in Hanoi told VIR that while fast food might taste good, they are extremely rich in aromatic spices and trans fats, one of the most unhealthy kinds of fat to consume.

"Fast food is very harmful to health because the oil used to fry food is of a very high temperature and is reused many times. Fast food increases visceral fat and has been proven to contribute to the incidence of cardiovascular diseases and even cancer," Chau said. "The problem is that these diseases set in slowly, so parents often overlook the signs and are unaware of how harmful their children's diets are."

McDonald's

Six years ago when McDonald's opened its first restaurant in Vietnam, thousands of people lined up for a taste. The chain set the target of opening 100 stores within 10 years. So far, they have only 23 stores in Hanoi, Binh Duong, and Ho Chi Minh City, while in culturally similar markets such as China and Japan, the chain has more than 2,000 stores.

Reacting to comments that its meals do not match Vietnamese people's taste, in September 2020, McDonald's launched a Pho burger. However, it has thus far failed to satisfy the taste buds of customers and is deemed too pricey at around $3.

To date, McDonald's Vietnam has not published its business results, but its worldwide operations are not too bright. It reported a 68% drop in net profit in the second quarter of 2020 to $484 million. Its in-store sales in the second quarter of 2020 decreased by 24%. Its revenue fell 30% on-year to $3.76 billion.

KFC

Famed American fried chicken brand KFC entered Vietnam in 1997 by opening its first restaurant in Ho Chi Minh City. Since then, the chain has increased to over 140 units in 32 cities and provinces across the country, generating jobs for over 3,000 employees.

In the early years, it took KFC seven years to open 10 stores and begin generating profit in Vietnam. Since then, profit has been fluctuating.

According to its financial statement for 2019, KFC Vietnam Joint Venture Co., Ltd. reported revenues of $65.2 million, up 1.3% on-year.

The chain reported an average pre-tax profit of $4.35 million in the period of 2017-2019. Notably, the pre-tax profit of 2017 was $4.47 million, $5.17 million in 2018, and $4.43 million in 2019.

According to the Q&Me survey conducted in August 2020 of people between the ages of 18 and 55, KFC is by far the most frequently visited fast food restaurant chain in Vietnam, with 45% of respondents visiting its stores often.

Jollibee Vietnam

A brand from the Philippines, Jollibee entered Vietnam in 1996 and started franchising in late 2015. Currently, it has 120 stores in 47 cities and provinces nationwide, with plans of further expansion. In 2019, Jollibee Vietnam acquired approximately $43.5 million in revenues, an increase of over 40% compared to 2018. The chain's average growth rate in 2017-2019 was slightly above 37%, far outperforming KFC (4%) and Lotteria (5%). However, of the three names, only KFC made profit.

Jollibee is planning to expand to Japan and the United States with the target of reaching 4,000 stores worldwide by the end of 2017. On its home turf, Jollibee opened its 1,000th branch in Taguig to celebrate its 40th year of establishment.

In Vietnam, the company launched a food processing factory in the southern province of Long An in 2019. The plant has four production lines comprising of pre-processing chicken, sauce processing, flour mixing, and baking. The company expects the plant to help it dominate the quick service restaurant sector in Vietnam. The company also had set the target of opening 300 stores in Vietnam by 2020. Despite initial confidence, five months into 2021, it is only halfway to the target.

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Five localities' airport development proposals rejected

The Civil Aviation Authority of Vietnam (CAAV) has rejected proposals by Ha Giang, Bac Giang, Ninh Binh, Binh Phuoc and Ha Tinh provinces to build new airports in their localities or develop their military airports into mixed-use facilities.

In a report sent to the Ministry of Transport, CAAV proposed maintaining the total number of airports in the country at 28 until 2030 and adding the Cao Bang Airport by 2050, news site VnExpress reported.

Nguyen Anh Dung, deputy head of the Department of Planning and Investment under the Transport Ministry, said CAAV and transport consulting firm Tedi had set up six main criteria for the necessity and feasibility of new airports, comprising demand, contribution to socioeconomic development, national defense and emergency, natural conditions and their distance to central urban areas and adjacent airports.

They have weighed the proposals carefully, learned from international experiences and concluded that the number of airports must be in line with the country's natural conditions and socioeconomic development strategies, Dung added.

He noted that all the airports which annually serve two million passengers a year have recorded losses. Airports built within 100 kilometers from each other will likely result in low efficiency.

According to Dr Nguyen Bach Tung, an aviation expert, some airport development proposals were unfeasible. For example, Ha Giang has mainly mountainous terrain and does not have enough flat land for the development of an airport, while Ninh Binh has a large area of rice fields that are the main source of livelihood for locals.

Tung said most domestic airports had yet to reach their design capacities. Moreover, residents of Ha Tinh can use the Vinh International Airport in Nghe An or the Dong Hoi Airport in Quang Binh, or passengers in Ninh Binh can fly from the Tho Xuan Airport in Thanh Hoa or the Cat Bi Airport in Haiphong.

According to Pham Van Toi, vice chairman of the Vietnam Association on Aviation Science and Technology, many airport proposals had been made without thorough surveys and calculations. Ha Giang, for example, proposed a mixed-use airport for both military and civil purposes, while it has limited land and airspace.

In its report, CAAV also proposed identifying the position of the second international airport in the northern city of Hai Phong's Tien Lang District.

Tung said Tien Lang had a land fund of 4,000-6,000 hectares available for building an airport with a capacity of up to 100 million passengers a year. The location is some 120 kilometers from Hanoi and less than 100 kilometers from Ha Nam, Thai Binh, Nam Dinh and Hai Duong, so it can serve residents in the south and southeast of Hanoi and ease current overloads at the Noi Bai International Airport.

Toi shared the view, saying that Tien Lang is a good location as it has a large land fund and there is an expressway from it to Hanoi, while the Cat Bi Airport cannot be expanded as it is located near a river.

A Tedi representative said until 2040, a second airport for the capital area is not necessary. After 2040, the competent agencies will decide if a second airport for the area should be built in Tien Lang.

Asian giants retain grip of Vietnamese logistics sector

There will be little change in current trends of mergers and acquisitions in Vietnam's logistics industry this year as domestic players remain sellers and Asian investors continue to gain the upper hand.

Nguyen Tuong, senior advisor to the Vietnam Logistics Business Association's (VLA) chairman, two weeks ago sat in his small office chatting with has recently talked to a potential South Korean investor about the possibilities of buying stake in a Vietnamese logistics firm.

He said that such meetings and business trips have been key in recent times and are expected to continue during 2021 as more merger and acquisition (M&A) deals emerge.

"Several South Korean and Japanese firms are working with the VLA on possible acquisitions of some Vietnamese logistics firms to expand their footprint here, where demand for qualified logistics services are growing," he told VIR.

According to Tuong, there is no change in the M&A trend in the logistics industry in terms of players and order. Asian investors, especially those from South Korea and Japan, have remained the most interested over the past few years. Back in 2019 the majority of M&A deals came from Asian buyers, with prominent transactions involving SG Holdings, CJ Group, and Shibusawa Warehouse.

"European firms may not be interested in this channel of investment much because there are differences in development levels and a long time is needed for market research, so there is not yet demand," Tuong admitted.

In the order of dealmaking, Vietnamese logistics firms remain sellers in M&A transactions. "They are still weak in financial capacity and services, while its infrastructure is not much developed," the VLA deputy secretary general explained.

According to VLA statistics, Vietnam now has more than 3,000 logistics service providers, of which 89 per cent are domestic Vietnamese firms, 10 per cent are joint ventures, and the remainder are foreign-invested. Despite the huge number, Vietnamese logistics firms are mostly small- and medium-size ones with traditional warehouses and weak infrastructure.

Tuong attributed the Asian interest to increasing trade and investment activities from the region, and among businesses of the two countries in Vietnam. As shown in statistics from Vietnam's Ministry of

Planning and Investment, South Korea and Japan remain Vietnam's top foreign investors, making up about 20 per cent of the country's total foreign investment, with more projected in the months to come.

Tuong elaborated that upcoming M&A deals will focus on trucking, warehouses, and the cold supply chain in the Mekong Delta and Ho Chi Minh City. "The infrastructure remains insufficient in Vietnam, especially the serious lack of a cold supply chain in the country," he said. "Acquiring Vietnamese firms is increasingly attractive to foreign investors as it can help them lower costs – as local partners already have networks, manpower, and experience in the market. At present, foreign-invested firms have to lease Vietnamese-owned infrastructure to serve their business activities."

According to the VLA, Vietnam's logistics industry has been growing 14-16 per cent annually in recent times with annual market value of $40-42 billion. It also ranks 39 among 160 countries worldwide in terms of development and fourth in ASEAN, only behind Singapore, Malaysia, and Thailand.

While the trend in the logistics industry remains traditional, that in the real estate and manufacturing sectors is changing where domestic firms have been heading to acquire stakes of foreign ones to develop them into powerful multi-sector groups. For example, Masan Group has acquired 52 per cent of Proconco, and Vingroup made a purchase of 51 per cent of Mundo Reader.

After a year of silence in 2020 due to COVID-19, Tuong forecast that the M&A picture in the industry could eventually change in upcoming years with more involvement of European firms on the back of free trade agreements, as well as the restructuring of global supply chains.

According to the VLA, while some domestic Vietnamese logistics firms are merging with one another, they lag behind regional and global movements, with M&A being among the most bustling.

"M&A is one of the three key trends in the region and the wider world in a move to link sources of goods and integrate all the arisen service chains during transportation via ports," said Tuong. "A port-centric approach will be inevitable in logistics because it helps cost optimisation, increase of added value, all-in service package, optimisation of human resources, improvement of competitiveness, and increased volume of transportation."

Thus far, a number of major alliances of shipping lines made their debut in recent times with involvement of those calling at the Haiphong seaports in northern Vietnam such as the 2M Alliance of the world's biggest shipping companies Maersk Sealand and MSC; the Ocean Alliance of CMA-CGM (France), COSCO (China), Ever Green (Taiwan); and the Alliance of HapagLoyd, Yangming (Taiwan), and One (Japan).

In addition to this, shipping lines are expanding operations by acquiring aviation service firms and establishing international multimodal transportation logistics firms which provide aviation transport services, shipping services, and other logistics. For instance, Maersk absorbed Damco's air and ocean less-than-container-load shipping to combine it with Maersk's logistics and services products.

Elsewhere, CMA CGM successfully completed acquisition of CEVA Logistics to confirm its position as a leading worldwide transport and logistics group. Similarly, Yang Ming established Yes Logistics, while Ever Green founded Eva Airlines, among others.

Tran Viet Huy - Managing director, Tracimexco, Supply Chains and Agency Services JSC

The logistics service industry has not been affected too directly by COVID-19. Over half of logistics services providers (LSPs) have better income performance compared with pre-pandemic. This positive performance is taking place not only in once-specific logistics sectors, but also in freight booking, warehousing, and cooltrans.

Local LSPs are interested in collaboration, joint ventures, and M&A deals with oversea partners not only for investment capital but also for better utilisation of each other's strengths. South Korean, Japanese, Chinese, Thai, and Singaporean investors are interested in M&A in logistics, if there is potential local LSPs. The challenge is that most Vietnamese LSPs are small while overseas investors prefer such providers with an annual turnover over $15 million, and ideally $30-40 million.

Filippo Bortoletti - Senior manager, International Business Advisory Dezan Shira & Associates

Before 2020 the local logistics industry was very appealing for foreign investors. Even if COVID-19 had an impact on the overall number of M&A deals closed in 2020, transactions in logistics are likely to surge in a world post-pandemic. Firstly, Vietnam has a stable government which is valued extremely highly especially considering recent events in neighbouring countries, and legal certainty – with an ambitious plan for developing local transport infrastructure.

Secondly, logistics in Vietnam is characterised by a strong presence of small- and medium-sized enterprises (SMEs) whose cash flows have been impacted by pandemic, creating further opportunities for M&A transactions in the industry. Lastly, as most local logistics firms are SMEs, M&A deals are likely to not trigger an M&A notification under the Law on Competition.

Inflow of foreign investment into local logistics is an opportunity for the industry to further develop and it will likely improve overall competitiveness of Vietnam's logistics in the global chessboard. Due to current composition of local logistics, SMEs constitutes the large majority of companies in the industry, and it is likely they are struggling with cash flow issues during pandemic. The inflow of capital will help local companies sustain their growth as Vietnam is continuing to become more and more relevant in international trade.

Also, collaborations with foreign partners can foster application of new tech as well as widen reach of local players. M&As might determine a change in the industry leading a concentration process where a number of players increase their size and potentially emerge as market leaders.

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INVESTMENT

Sunny FDI outlook amid supply strains

While concerns over interruption of global supply chains linger due to serious outbreaks of COVID-19 in India, Thailand, and elsewhere, Vietnam is attempting to remain on the front foot with continued business confidence and inflow of foreign investment.

In late April, Nguyen Thanh Truc, Deputy Chairman of Binh Duong People's Committee, met with Finnish Ambassador to Vietnam Kari Kahiluoto and a delegation of enterprises from Finland seeking business and investment opportunities in environmental hygiene, water, waste treatment, education, technology, construction, and architecture.

Kahiluoto said he and the embassy will strengthen ties between Finnish businesses and Binh Duong, while organising seminars on sharing experience in smart city creation.

Finnish businesses' move is in line with the country's acceleration in sustainable development and digital transformation. And also importantly, they are gearing to benefit from the EU-Vietnam Free Trade Agreement.

Finnish businesses are among those from the EU eyeing more opportunities in Southeast Asia and Vietnam in particular, showing their strong confidence in improvement of the local business climate, despite serious regional developments of the pandemic in Cambodia, Thailand, and the increasing humanitarian disaster unfolding in India.

New data from the European Chamber of Commerce in Vietnam (EuroCham) shows that European business leaders started 2021 positive and optimistic about Vietnam's trade and investment environment. As shown in EuroCham's Business Climate Index, the index hit 73.9 points in the first quarter of 2021 – the highest score recorded since the third quarter of 2019 before the COVID-19 pandemic hit global trade and investment. This continues a positive upward trend in the index, with the score rising more than 47 points over the last 12 months.

Jeffrey Wandly, vice president of the Singapore Business Association Vietnam added, "At this moment, it is too early to predict what impact COVID-19 may have on investments in Vietnam as the situation is constantly developing. However, I am cautiously optimistic that the impact of the pandemic on Singaporean business and investment activities in Vietnam would be minimal."

While there may be a dip in inflows in the immediate aftermath of COVID-19, Wandly noted, Vietnam still remains a key economy for Singaporean business and investment activities due to its long-term economic prospects for businesses and investors, especially with COVID-19 kept under control in Vietnam.

Meanwhile, business and investment activities in Vietnam among companies from the likes of India, Cambodia, Thailand and EU nations remain stable. Despite a general improvement in investment activities in Vietnam, money coming in from these regions remains modest, thus not much affecting the country's overall foreign direct investment (FDI) picture.

The Indian Business Chamber in Vietnam expected the two governments' recent efforts to promote mutual trade and investment ties will strengthen bilateral cooperation in the fields of energy, science and technology, AI, 5G network, and startup links.

The confidence is reflected in the latest statistics from Vietnam's Ministry of Planning and Investment (MPI). In the first four months of 2021, Vietnam attracted $12.25 billion worth of total newly-registered, added FDI and stake acquisitions, equal to 99.3 per cent on-year, while FDI disbursement rose 6.8 per cent on-year to $5.5 billion. And in the first quarter, the country's total FDI even reached $10.13 billion, up 18.5 per cent on-year.

The MPI's Foreign Investment Agency said that foreign-invested enterprises are continuing their recovery, and maintaining their business operations in Vietnam. Investment from the country's biggest FDI contributors – Singapore, South Korea, and Japan – keeps flowing. Singapore remains Vietnam's biggest foreign investor, accounting for 39.6 per cent of the country's total FDI. Japan ranks second, making up 20.5 per cent, and South Korea is third at 12.1 per cent.

Nguyen Mai, senior economist and chairman of the Vietnam Association of Foreign-Invested Enterprises said, "This is a positive result and better performance than previous months of 2020, demonstrating strong business confidence."

This confidence is helping to ease concerns over the breakup of global chains and its impacts on Vietnam. With India considered a fairly new power in the global supply chain, unprecedented collapse in the demand due to the pandemic sits alongside widespread supply chain disruptions due to the unavailability of raw materials.

Industry insiders said that as international businesses experienced the interruption of global supply chains last year when the pandemic emerged, they have made future scenarios for possible breaks again – therefore, negative impacts may be dampened compared to 2020.

Sun from KorCham admitted, "South Korean businesses in Vietnam do not rely on supply chains from India and Thailand, but from South Korea, Japan, and China. Moreover, the global market is recovering fast thanks to COVID-19 vaccination programmes."

Startups attracting funds with M&A

Vietnamese startups are still drawing in local investment capital as they emerge as the most sought-after targets for dealmakers.

In the first three months of 2021, there were 16 deals involving Vietnamese startups compared to 20 deals in 2020 and 30 deals in 2019. Although the number of deals decreased, the total value of the deals (excluding undisclosed funding amounts) reached $150 million, up 34 per cent against last year's period, according to the latest report by Nextrans Venture Capital Fund.

The report pointed out that seed and Series A remain dominant in the given period, accounting for 70 per cent of deal count. Fintech captured the most attention of investors with four deals.

Investors also focused on key sectors such as logistics, services, property, edtech, and medtech. Some notable deals include $2.6 million in pre-Series A funding for Dat Bike, and $6 million for Got It from VNG as well as $15 million for Duong Minh Logistics.

Commenting on the growing investment value into Vietnamese startups, Nguyen Kim Hoa, senior manager of financial advisory services at Deloitte Vietnam, said that over the past couple of years there have been more and more startup founders who have solid business and technology backgrounds through their time studying, researching, and working overseas. They had opportunities to learn from scalable business models elsewhere as well as gain easier access to foreign capital sources, which means more chances at fundraising.

"Pre-pandemic, it is encouraging to observe that Vietnamese startups are approaching later stages. The number of startups that raised Series C quadrupled in just two years from 2017 alone. The exits, however, are mostly to local acquirers in the range of $20 million."

In addition, Vietnam also witnessed a sharp increase in investment activities, with nearly 180 Vietnamese-based capital firms in the country. Among the most active are Nextrans, VSV Capital-Vietnam Silicon Valley, Mekong Capital, 500 Startups Vietnam, Vietnam Investment Groups, and IDG Ventures Vietnam. In addition, Japanese and South Korean venture capital firms are also actively looking for potential startups.

Recently established funds have also been very active. Do Ventures was only founded last year but has already raised $50 million for Do Ventures Fund I and has invested in three deals.

Last month Touchstone Partners announced the first close of its inaugural $50 million venture capital fund backed by notable investors including Pavilion Capital, Vulcan Capital, and several other institutional investors and family offices. Its founders are Khanh Tran and serial entrepreneur Tu Ngo, co-founder and chairwoman of YOLA Education.

Lim Boon Chow, coordinator of NINJA Accelerator in Ho Chi Minh City, said that thanks to the government's timely support policies for small- and medium-sized enterprises, as well as the close support of the startup community, startups in Vietnam still have the opportunity to access appropriate resources during the global health crisis, though it is in terms of capital investment, networking, or capacity training.

Chow added that the field where startups develop ideas is extremely diverse, from the environment and e-commerce to entertainment, education, and media advertising. Shortly, sectors such as healthcare, e-payments, and online real estate are likely to create spikes in fundraising rounds.

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