

## Highlight

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# VIETNAM BUSINESS REVIEW

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## FINANCE

### M&A deals in Vietnam reach nearly US\$ 5 billion in the first half of 2022

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Merger and acquisition (M&A) in Vietnam sustained its strong pace in the first six months with a total deal value of \$4.97 billion. Despite emerging from the pandemic, Vietnam's M&A sector had a strong start to the year.

Du Vinh Tran, EY's Indochina strategy and transactions leader, said: "In the Vietnamese market, we still observed a strong growth of PE and VC investments during the first half of the year despite some turbulence in equity and debt markets." According to an analysis of M&A data by EY, the total deal value transacted in the first half of 2022 in the country was almost the same as the total for the whole of 2021 (\$4.97 billion).

"However, deal activities may slow down in H2 as investors become more conservative about several macro trends impacting Vietnam's economy. While the country's fundamentals are still strong, we are not immune from such negative movements as the downturn in the capital flow from developed countries to emerging markets, geopolitical tensions, and high inflation. Those trends cast doubt on investor confidence in Vietnam and many other markets," said Du.

However, the technology sector has not been as strong as expected, although it still has strong interest from investors. "There were only four tech-related deals announced in H1 as reported by Mergermarket, compared to seven deals in the previous cycle," Du said. "A sizable one in H1 was a deal of Vietnam-based e-commerce solutions provider OnPoint, worth \$50 million, with an indirect wholly-owned subsidiary of Temasek. The deal targeted Vietnam's fast-growing e-commerce industry and became the largest private fundraising round in Southeast Asia's e-commerce-enabler industry in the last five years." In recent years, the main technology fields that have attracted a large amount of investment capital in Vietnam included e-commerce, fintech, edtech, logistics, and business automation. Globally, M&A activity in H1 has been resilient, despite major geopolitical and financial headwinds.

With 2,274 deals with a total value of \$2.02 trillion, M&A in H1 may have seen a drop compared to this time last year, down 27 per cent by value and 18 per cent by volume, but activity is up compared to the average of the last M&A cycle (up 35 per cent and 13 per cent respectively). Andrea Guerzoni, EY's global vice chair of strategy and transactions, said: "A trend that I expect to become a mainstay in the coming months is the use of private capital in both the equity and debt portions of transactions. Driven by the vast amount of private capital available and rising interest rates, I expect this trend will continue making the role of private markets even more fundamental to the global economy."

"A barrier to this flow of deals will be if conditions deteriorate to the extent that debt financing dries up or becomes prohibitively expensive. While global M&A activity has proved remarkably resilient in the face of major geopolitical headwinds, it is uncertain whether it can sustain further shocks, whether that is further lockdowns, heightened geopolitical tensions or a recession," he said. VIR

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## Vietnam with non-stopping effort to stabilize economy amid global downturn

Despite the current global economic downturn, Vietnam will "not sit and wait" but vigorously seek ways to stabilize and restore the economy, says Prime Minister Pham Minh Chinh.



Chinh's assertion came as he presided over a Monday conference on maintaining macroeconomic stability, managing inflation, stimulating growth and ensuring a balanced economy. He noted that the global geopolitical environment has changed dramatically in the last months, fluctuating fast and in complicated ways. The Russian-Ukrainian tension was far from abating. These factors have both short-term and long-term implications for the global economy and Vietnam.

Amid this challenging time, Vietnam will not sit and wait but actively find ways to ensure that macroeconomic and development goals are met, the PM stressed. Chinh said that Vietnam has maintained macroeconomic stability, particularly in light of instabilities in several major economies, risks and recession. Inflation was under control and capitalization and monetary policies adequate for the situation.

According to the Ministry of Planning and Investment, Vietnam was able to maintain market stability in the first eight months with budget revenues increasing by more than 19% year-on-year. Vietnam's trade surplus rose 15.5% year-on-year to approximately \$500 billion during this period. Its labor market rebounded following the Covid outbreak and GDP growth was likely to exceed 7% in the third quarter if no major (adverse) developments occurred.

"Full-year growth is predicted to exceed the target of 6-6.5% and if additional efforts are made, it is likely to be even higher," Nguyen Chi Dung, Minister of Planning and Investment, said at the conference. International organizations have given Vietnam's growth forecast high marks.

Most recently, credit rating agency Moody's has upgraded Vietnam's rating from Ba3 to Ba2 thanks to strong manufacturing sector and export growth. The agency changed its outlook for Vietnam from positive to stable.

Vietnam's Covid-19 recovery index was second in the world, up 12 places, according to the Nikkei Covid-19 Recovery Index released in July.

Other international organizations, including the World Bank (WB) and the International Monetary Fund (IMF), have all upgraded their projections for and valuation of Vietnam's economic growth. Francois Painchaud, the IMF's representative in Vietnam, said that the country was recovering, inflation under control and the exchange rate stable. "The State Bank of Vietnam has made measures to lower inflation, preserve macro stability, and is doing extremely well," he said, adding that "financial circumstances are also rigorously monitored."

The IMF has raised its economic growth forecast for Vietnam this year from 6% to 7%, which is the only significant upward revision among major Asian economies. Andrea Coppola, WB's lead country economist and program leader for equitable growth, finance and institutions in Vietnam, also assessed that the country was recovering, the inflation rate well controlled, and exchange rate kept stable.

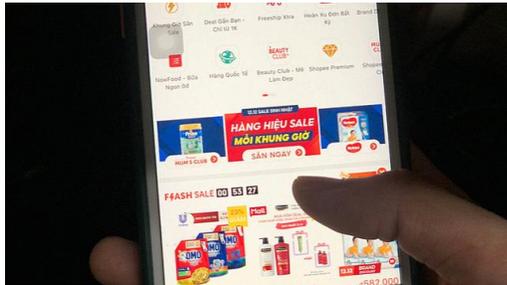
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## E-COMMERCE

### Vietnamese Online purchasing power stable despite higher inflation

Online purchasing power among Vietnamese remains stable despite higher inflation and easier travel with Covid under control, said Lazada CEO.



At a forum held earlier this month in Singapore, James Dong, CEO of online trading platform Lazada, said Vietnamese still actively engage in online shopping because the local economy is developing soundly.

A survey conducted among 134,000 consumers from 13 markets released in July by Japanese market research firm Rakuten Insight Global showed that 47% of Vietnamese online shoppers said they bought more goods in the last three months, while 32% said they their current online spending was similar to last year.

Facing higher inflation, consumers are opting for products with lower prices or packed in smaller bags or boxes, or buy goods in combo to enjoy discounts, Dong said.

Shifting from offline to online shopping is not short-lived amid Covid-19 outbreaks, but has partly become a long-term habit, he added. For years, online trading platforms have spent big on creating the habit among consumers.

Now, the four biggest online trading platforms in Vietnam, namely Shopee, Lazada, Tiki and Sendo, are competing for higher rankings. In April, a new player named TikTok Shop entered the Vietnamese e-commerce market.

Social media companies will enter e-commerce markets sooner or later, Dong stated, noting that in the early stage, they would focus on goods that easily attract consumers like fashion and cosmetics items.

Vietnam's e-commerce market is currently worth \$13 billion a year, and would increase to \$39 billion by 2025, surpassing Thailand to become Southeast Asia's second biggest market after Indonesia, a recent report by Google, Temasek and Bain & Co report titled 'e-Economy SEA 2021,' said. Vnexpress

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## E-commerce platforms to pay taxes on behalf of their vendors

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The Ministry of Finance wants e-commerce companies such as Shopee, Tiki and Lazada to pay taxes on behalf of their vendors to simplify administrative procedures.



In a recent draft decree that is awaiting government approval, the ministry repeated its proposal from last year that was met by objections from e-commerce platforms who said it would increase their costs and that they were "not capable" of filing and paying taxes on behalf of vendors.

It said since the platforms control everything in a sale process from ordering to payment and know each vendor's revenues, they are fully capable of doing this. It is an optimal solution that would simplify administrative work as one platform could pay taxes for hundreds of thousands of people, it pointed out.

If the decree is approved, e-commerce companies will have to pay 1.5% of each vendor's revenues in excess of VND100 million (US\$4,250). As of 2020 Shopee had 210,000 vendors and Tiki had over 8,800, according to tax authorities.

There are around 100 active e-commerce platforms in Vietnam. Tax officials have said that the current taxation regime is unfair to traditional sellers since online sellers avoid paying several taxes. Taxing sellers through e-commerce platforms would also help keep out contraband and fake goods, they added.

The e-Conomy Southeast Asia 2021 report by Google, Temasek and Bain & Co. forecasts Vietnam to surpass Thailand by 2025 to become the second biggest Internet economy in Southeast Asia at \$57 billion, behind only Indonesia (\$146 billion). Vnexpress

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## ENERGY

### VinaCapital led consortium to invest in US\$13 billion wind power project

The consortium of VinaCapital Group and EDF Renewables proposed surveying four locations to implement an offshore wind power project in Ba Ria - Vung Tau province with a total project investment of about \$13 billion and a capacity of 3,000MW.



A VinaCapital Group and EDF Renewables consortium plans to survey four locations for an offshore wind power project in Ba Ria - Vung Tau province, with a total project investment of about \$13 billion and a capacity of 3,000MW.

According to the online portal of Ba Ria - Vung Tau province, on September 9, leaders of the Provincial People's Committee held a meeting with the consortium about the project set for waters off Ba Ria-Vung Tau beach.

At the meeting, representatives of VinaCapital Group and EDF Renewables proposed surveying four locations for a wind power project off the coast of Ba Ria-Vung Tau, between 40 to 258km from the beach.

According to Electric City of Vietnam, by the end of 2021, the total installed capacity of power sources of the whole system reached 76,620MW, an increase of nearly 7,500MW compared to 2020. The total capacity of renewable energy sources is 20,670MW (up 3,420MW compared to 2020) and accounts for 27 per cent of the total.

Representatives of VinaCapital and EDF Renewables expect that most of the electricity produced will be exported abroad. Speaking at the meeting, vice chairman of the Provincial People's Committee Nguyen Cong Vinh said that the province supported the consortium in implementing the project. However, he

noted that investors needed to consult with central ministries and branches to ensure national defence and energy security.

This is not the first large-scale energy project proposed by VinaCapital and its partners. In December 2021, VinaCapital, SkyX Solar, and EDF Renewables announced investment of more than \$100 million to develop 200MW of rooftop solar and distributed solar energy projects for commercial and industrial customers in Vietnam.

For liquefied natural gas, VinaCapital has partnered with GS Energy, a South Korean energy conglomerate, to develop a 3000MW power plant in the Mekong Delta province of Long An, with investment of up to \$3 billion.

Once completed, the plant will be one of the largest in the south, supplying more than 5 per cent of national electricity.

Despite pandemic headwinds, the project is moving forward and is on track to start in 2026/2027. The complex will act as a transitional and cleaner energy solution for Vietnam as it moves toward its long-term net-zero targets. VIR

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## Australia is keen to co-operate and support Vietnam in energy transition efforts

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Australia is keen to co-operate and support Vietnam in energy transition efforts towards achieving its net zero emissions goal by 2050 as committed at the recent 26th UN Climate Change Conference (COP26), said Mark Tattersall, Chargé d'Affaires at the Australian Embassy Hanoi.



The senior Australian official made the statement during a working session held on September 8 with Deputy Minister of Industry and Trade Dang Hoang An.

The Australian Government is willing to provide financial and technical expertise to several of its important partners, including Vietnam, to meet its commitments, he said.

He pointed out that there remains plenty of room ahead for the further development of the renewable energy market in Vietnam, which has so far captured the attention of major Australian investors.

In response, Deputy Minister An highlighted the numerous achievements in Vietnam-Australia relations over recent years, especially in the fields of trade and energy.

Australia has risen to become Vietnam's 10th largest trading partner and one of the country's most important partners in the energy and industrial sectors, which is of great significance ahead of marking the 50th anniversary of establishing diplomatic relations next year.

An suggested that Australia continue to support and share experience in the energy sector, including expertise in operating the electricity retail market.

The Vietnamese trade official expressed his belief that both sides will advance to the signing and implementation of the Memorandum of Understanding (MoU) on the establishment of the Vietnam-Australia Energy Dialogue mechanism.

The MoU is expected to provide a solid foundation to promote co-operation in the field of energy between the two countries in the near future, he noted. VOV

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## RETAIL

### Aeon launches clothing line to compete with fast fashion in Vietnam

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Japanese retailer Aeon launched a new label in Vietnam, focusing on cheap everyday clothing, as an answer to brands like H&M or Uniqlo.



The new lineup, called My Closet, features around 400 items that cost 50%-75% that of its competitors, targeting 16- to 24-year old women, a group of consumers that is growing fast in terms of population and spending.

Its T-shirt, for example, costs around VND 150,000 (US\$ 6). That of other Western or Japanese brands is usually priced at VND 200,000-300,000. "We aim

to make it Aeon's first fast-fashion" foray, Aeon Vietnam General Director Yasuyuki Furusawa told Nikkei Asia.

Vietnam is becoming Aeon's "most important market" as it tries to expand beyond Japan, with the local capacity of handling clothing production thanks to a cheap and abundant labor force, which can minimize risk of supply disruption and bring costs down.

It is also considering selling those items on Vietnamese e-commerce sites as well as in neighboring countries, Nikkei reported. Aeon entered Vietnam in 2014, and has opened around 200 stores in the country, including supermarkets and six malls.

Its rivals, Uniqlo and H&M, entered the market in 2019 and 2017, respectively. They have less locations than Aeon, but are growing fast thanks to the rising middle class that have more money and are eager to shop.

Vietnam has a population of nearly 100 million -- behind only Indonesia and the Philippines in the Association of Southeast Asian Nations -- with a young average age of 33. Its economy grew at over 7% a year before the pandemic, and has been bouncing back as coronavirus curbs are removed. Vnexpress

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## LOGISTICS

### Project to develop international merchant fleet in the pipeline

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The Ministry of Transport's Vietnam Maritime Administration (VinaMarine) is collecting feedback from other ministries and agencies on a draft project to develop Vietnam's international merchant fleet.



According to VinaMarine, the country's ports in recent years have been developed and are now able to welcome some of the world's largest ships.

However, containers imported and exported to and from Vietnam are mainly handled by foreign shipping lines, especially on long-distance sea routes to developed countries such as Europe and the US.

The domestic fleet currently mainly undertakes domestic transportation and short international routes in Asia. The international shipping market share of Vietnam's fleet has been on a downward trend in recent years. The fleet structure is not as good as it could be with mainly small tonnage ships carrying dry and bulk cargo. There is a lack of container ships and large tonnage ships operating on international routes.

A VinaMarine representative proposed that the first thing to do is to improve mechanisms and accelerate public administration reforms, providing a stable legal corridor for maritime transport firms to operate efficiently. It is also crucial to improve the quality of crew members and adopt incentives designated to support seafarers. VinaMarine has been urging the private sector to invest in personnel training, including sending potential workers to study overseas. VNA

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## INVESTMENT

### Vietnam's innovation start-up ecosystem to see an investment of US\$ 2 billion

Vietnam's innovation start-up ecosystem is forecast to see an investment of US\$2 billion, maintaining the form of a "rising star" of start-ups in South Asian countries.



At the current turning point, Vietnam's open innovation ecosystem needs fulcrums so that innovative start-ups, domestic and foreign businesses and investors will fully grasp new innovation trends, and at the same time discover new opportunities for co-operation and investment, so that the country can rise to the top in the region in terms of open innovation readiness. In order to continue the mission of elevating and connecting the entire innovation start-up

ecosystem, the Vietnam Open Innovation Ecosystem Report 2022 was launched after its first release last year with many remarkable results, receiving more than 800 start-ups registered, over 2,000 downloads and reached over 25,000 individuals in 20 countries. Under the theme InnoNation (a combination of Innovation and Nation), the report expresses BambuUP's aspiration and vision for an innovative Vietnam co-created by "residents", which are startups, businesses, investors, institutions, innovation-promoting organisations.

Pham Thi Thu Hang, Chairman of the Board of Directors of BambuUP Innovation Connection Platform said at the launch ceremony: "The report is a source of information to help promote co-operation opportunities between businesses and start-up companies; help open investment from domestic and foreign investors into the innovation ecosystem; and help the Government and local authorities plan policies to support the start-up ecosystem and innovation." The information is researched, collected and aggregated from official research sources combined with statistics. In particular, the content of this year's report is supported by more than 60 leading experts in economic fields inside and outside Vietnam, including more than 20 village heads and co-heads from Techfest Vietnam 2022. Speaking at the event, Le Hoang Uyen Vy, director of Do Ventures, the representative for the investment fund's partners, emphasised that she believed that innovative businesses were the driving force of the digital economy when accounting for nearly 8 per cent of the national GDP.

"With constant efforts, especially from the founders, ecosystem support units such as BambuUP, innovative startup advisors, central and local governments, investment figures for Vietnam's innovation startp ecosystem this year will be even bigger," said Vy. The launch and co-operation signing ceremony for the Report on Vietnam Open Innovation Ecosystem 2022 took place last week. The report was released under the auspices of the National Agency for Technology Entrepreneurship and Commercialization Development (NATEC) and the National Startup Support Center of Vietnam (NSSC), and implemented by BambuUP. It is expected to be officially released at the end of November at the Vietnam National Innovation Day Techfest 2022 in two formats of print and soft copy. VIR [Back to top](#)

## Vietnamese edtech startups attract global investors

Two Vietnamese edtech startups raised US\$16 million in funding in 09 September, marking the latest episode of foreign investment and expansion in the country. Online tutoring platform Vuihoc raised \$2 million in its latest funding round led by BAce Capital, a venture fund backed by Japanese giant Ant



Group, and with the participation of Vulpes Venture, DT&Investment & Colopl Next and Nextrans.

Founded in 2019, it now has over 400,000 learning materials including online courses, video lessons and quizzes. It hopes to reach one million subscriptions by 2024. English self-learning platform Edupia raised \$14 million in a series A round led by Jungle Ventures with eWTP Capital (a venture fund under Alibaba and Ant Financial) and ThinkZone Ventures participating.

Edupia has five million users, including 400,000 paying students. Tran Duc Hung, who founded the company in 2018, said Edupia is on track to exceed its \$100 million revenue target in the next three years. Most of its users are in Vietnam, but it is also expanding into other Southeast Asian markets like Indonesia, Thailand and Myanmar, and adding more subjects, including math and coding. Many foreign edtech firms also plan to expand their operations into Vietnam.

In August, Singapore's leading online learning platform Geniebook announced plans to enter Vietnam, making the country its second market in Southeast Asia outside Singapore after Indonesia. According to Geniebook, the expansion comes on the back of a profitable 2020 when it recorded an annual recurring revenue of \$10 million. Launched in 2017, it is an edtech platform that uses artificial intelligence and machine learning to personalize learning by recommending assessment concepts and questions based on students' strengths and challenges.

Vietnam has a significant market for education, with 16 million students in primary and secondary schools and 1.7 million in universities. It is one of the fastest growing markets globally and its value would hit \$3 billion next year, industry researcher EdTech Agency said in a report in July. "We believe there is significant potential for Vietnam's edtech market," BAce Capital managing partner Benny Chen said after the fund invested in Vuihoc. "Vietnamese culture highly emphasizes education and the online format has achieved wider adoption during the pandemic."

Giang Tran Minh Thanh, Vietnam country manager KVision, the investment arm of Thai KBank, said the education market has great potential since Vietnamese parents are willing to spend big money on their children. Vnexpress

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