



Golden Gate Ventures

Vietnam: A Global Engine of Growth

with a contribution of **BCG** **BCGX**



Executive Summary

'Vietnam: A Global Engine of Growth' report provides a comprehensive analysis of Vietnam's investment landscape, aiming to provide valuable insights for the international investment community on the growth journey and future prospects of Vietnam, one of the most fastest growing economies in Southeast Asia, as well as its risks and challenges.

Over the past decades, Vietnam has emerged as an attractive hotspot with substantial capital inflows, attributed to robust economic growth, strategic location, and abundant market potentials. Vietnam ranks 70th over 190 other countries in “Ease of Doing Business” research by World Bank Group 2020, coupled with ongoing government’s effort on policy reforms, which paves the way for Vietnam’s pro-business environment going forward.

This report presents some highlight on **macroeconomic overview, business environments** as well as **investment opportunities** in the Vietnam: Tech-enabled sectors, modern B2B services and green-focused initiatives are among the most potential verticals for future growth. However, to ensure success, it is imperative to conduct a comprehensive evaluation of the market entry strategy and the ability to thrive, taking into account the various **economic, legal, operational and environmental challenges** that may arise.

Successful foreign investors largely possess 4 key factors:

- **Strategic long-term investment strategy** into government key areas, leveraging government incentives scheme
- **Strong local partnership** to leverage expertise and knowledge of local businesses, saving time and cost navigating local norms and business practices
- **Investment diversification** across multiple asset classes/industries in order to minimize risks from monopoly industries and external shocks as well as to maximize returns.
- **Strong risk management and mitigation strategy** in place to proactively manage risks associated with emerging market

Methodology. This report uses proprietary data from Golden Gate Ventures and public databases/reports to draw meaningful analysis.

Vietnam: At a Glance

ECONOMIC INDICATORS



GDP Growth rate
8.02% (2022)
3.32% (2023Q1)



FDI Inflows
US\$27.7b (2022)
US\$



Inflation rate
3.15% (2022)
3.35% (2023Q1)



GDP per Capita
US\$3607.23 (2022)



Benchmark Interest Rate
5.5% (May 2023)



Ease of doing business
Global rank: 70/190 (2020)

SOCIAL INDICATORS



Population
Nearly 100m



Government
(Single-party) Communist



Literacy
96% (2019)



Global Index of Digital Entrepreneurship Systems
Global rank: 63/113 (2022)



Global Innovation Index
Global rank: 44/132 (2021)



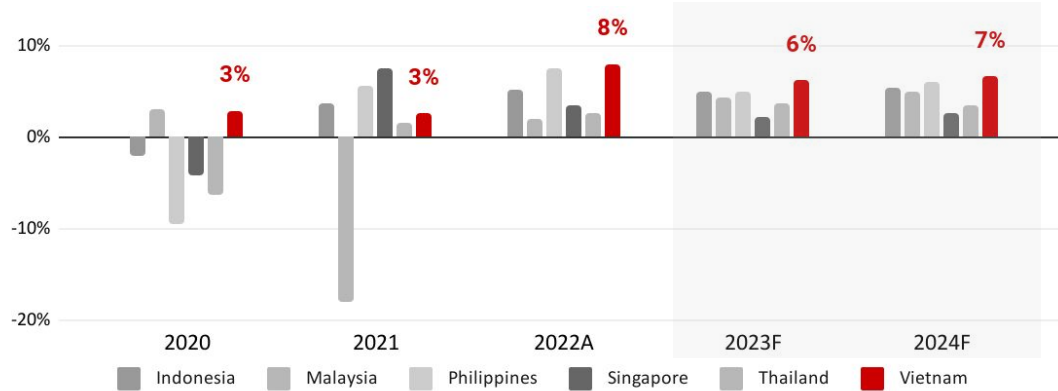
Internet Usage
74% of population (2021)



Macroeconomic overview | Vietnam has been one of the fastest growing economies within Southeast Asia

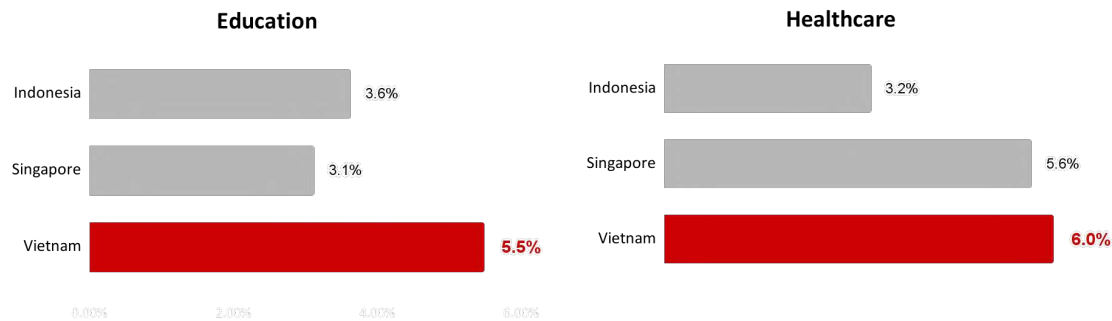
Vietnam has been outperforming its regional peers in terms of GDP growth rate and is expected to keep up with this momentum in the upcoming years

GDP Growth rate (%annual) - 2020 - 2024F



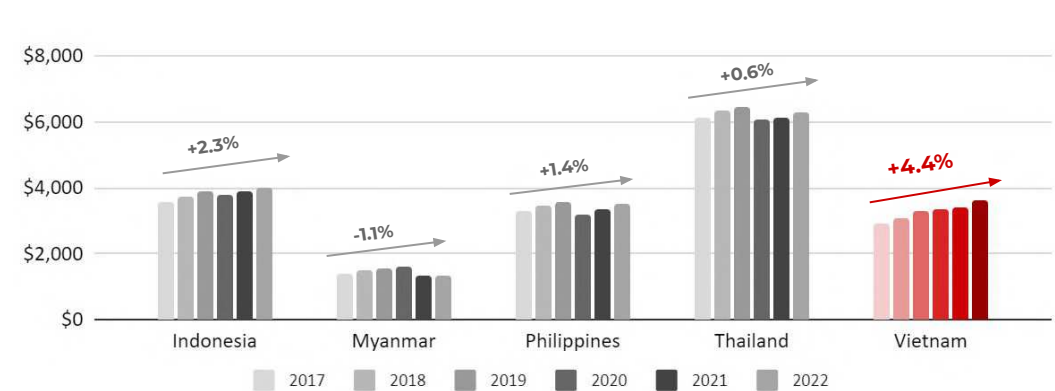
Vietnamese households focus on human development, proven by the highest % spending on education and healthcare than regional peers

Spending as % of household income in 2022



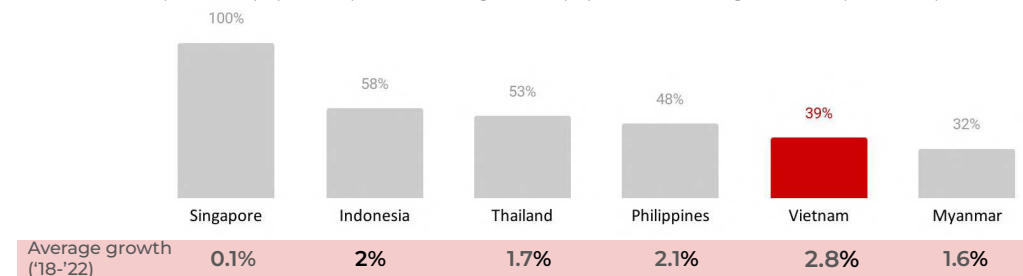
In 2022, Vietnam achieved economic stability despite global turmoil with decent economic growth and inflation being under control compared to regional peers

GDP per capita (\$US 2015 constant & CAGR from 2017-2022)



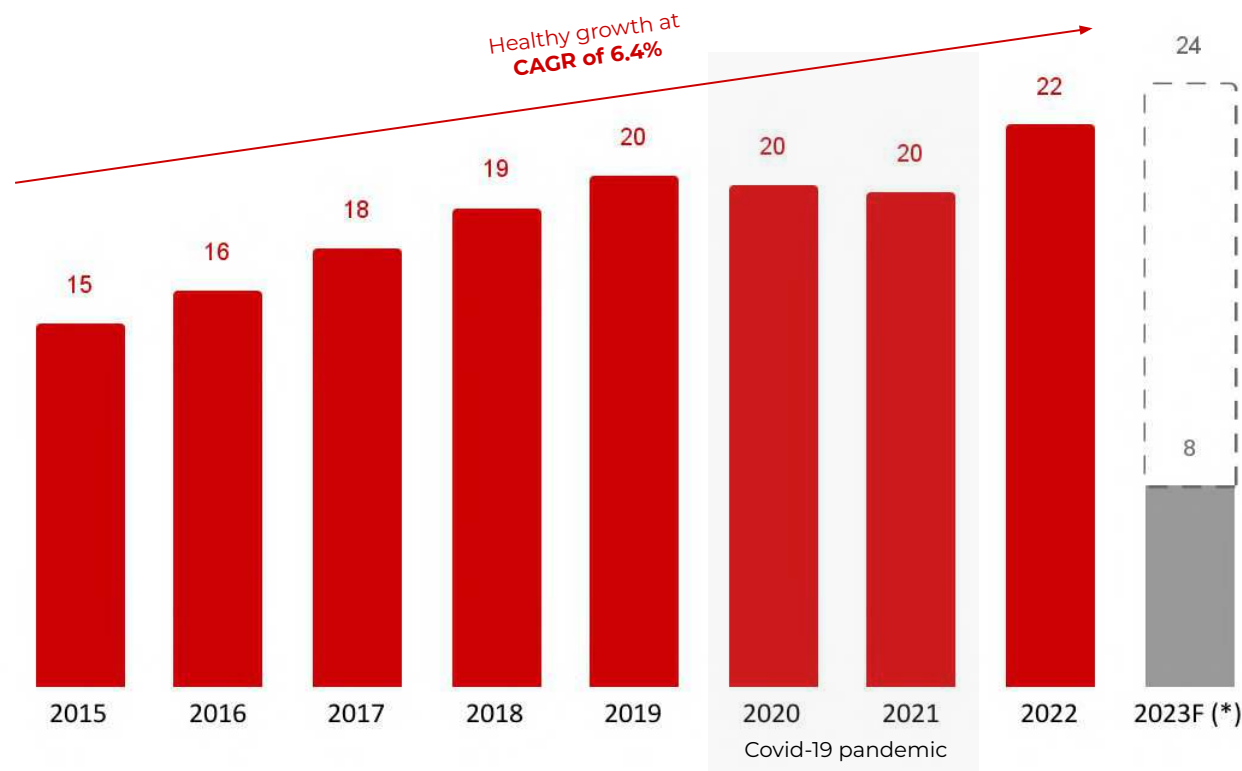
As a major agenda in the national development focus, urbanization has picked up speed to support Vietnam's ambitious growth trajectory

Urbanization rate (% of total population), 2022 & Average urban population annual growth rate (2018-2022)



Macroeconomic overview | Vietnam has emerged as a hotspot for FDI especially manufacturing, with APAC countries as major contributors

Vietnam, Disbursed FDI (2015 - 5M2023) and 2023 forecast, billion USD



Vietnam has emerged to be one of the most attractive destinations for FDI in the SEA region

Set by rapid economic growth and industrialization, Vietnam's FDI disbursement has been accelerating at a **CAGR of 6.4%** (2015-2022). The Vietnamese government has taken proactive steps to foster healthy investment climate for FDI movements such as administrative reform, legal and tax incentives.

- Top sectors for FDI disbursement:**
 - 1 Manufacturing & Processing
 - 2 Real estate activities
 - 3 Production, electricity, gas, steam & air conditioning supply
- Top Countries by Total registered capital:**
 - 1 Singapore
 - 2 South Korea
 - 3 Japan

(*) We expect Vietnam will maintain the current CAGR of 6.4% in FDI Disbursement in 2023 amid global economic downturns, amounting to \$24B for FDI projects by year-end 2023. The shaded area is actual figure for 5M2023. Source: Vietnam Ministry of Planning and Investment, Golden Gate Ventures

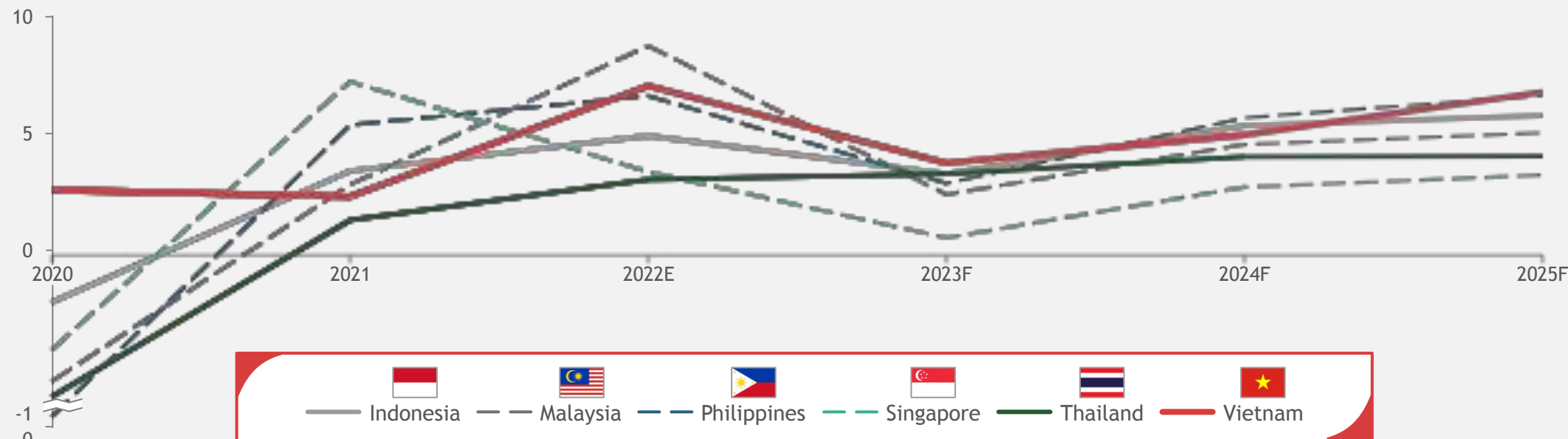
Macroeconomic overview | In the near term, Vietnam is expected to maintain strong momentum and achieve highest growth forecast

ASEAN-6 Real GDP growth (%), 2020–2025F

Vietnam was the **only one to log real economic growth in 2020**, thanks to its quick success in curbing the pandemic, whilst other economic recovery is further delayed by recurring and prolonged COVID waves

As the global supply chain shift continues to take place and manufacturing being the key driver, **Vietnam's export is expected to exceed most others in the region**

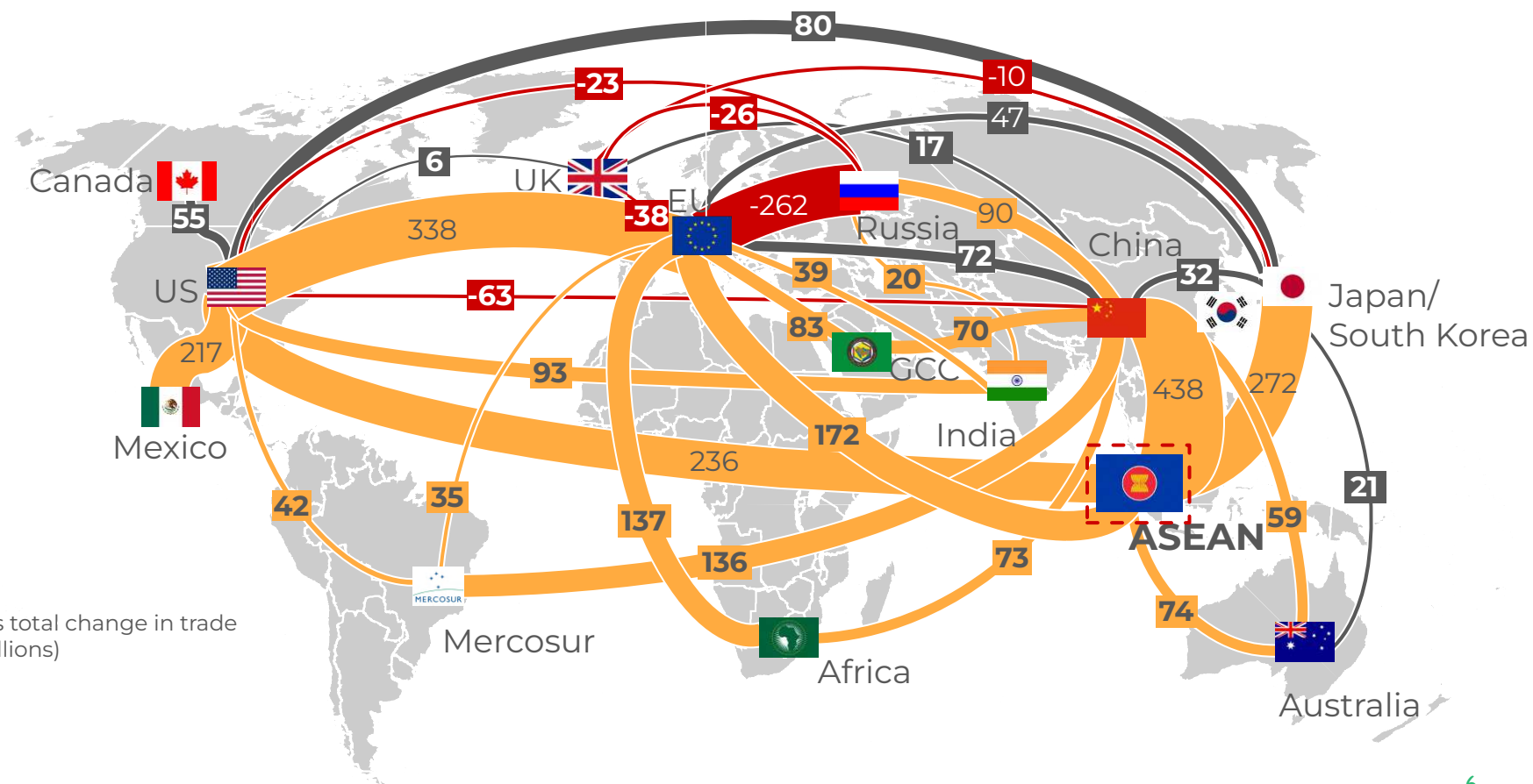
Vietnam is on track to **sustain its outperformer position in SEA** if leveraging well its strong growth momentum



Macroeconomic overview | Significant change in trade expected in next 10 years with ASEAN as the key winner

Change in trade of goods (major corridors¹, 2031F vs. 2021, \$B)

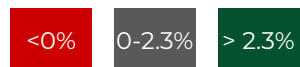
>\$1 Tn
Increase in trade for ASEAN 2031



Legend



Width of arrow represents total change in trade flows for 2031 vs 2021 (\$ billions)



Color of arrow represents CAGR for 2021-2031 (%)

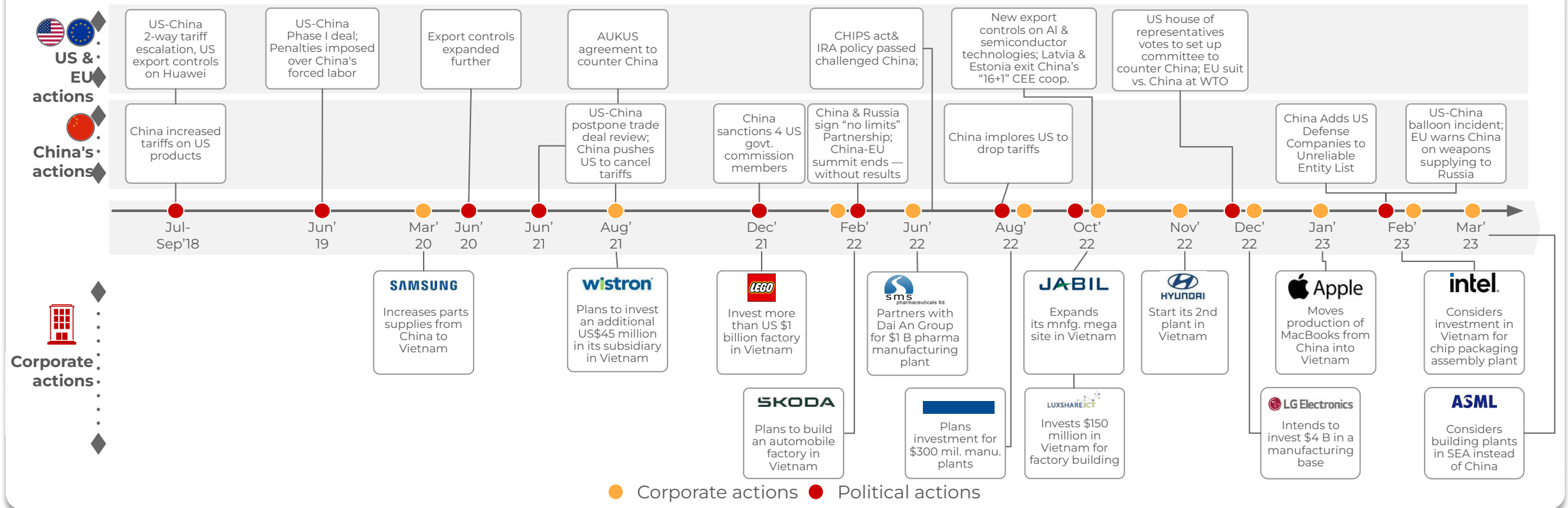
Sources: Natural Earth Country boundaries without large lakes

1. Corridors in the map above represent ~46% of global trade

Source: BCG Trade Finance Model 2022, UN Comtrade, OECD, WEF, IHS, TradeAlert, BCG Analysis

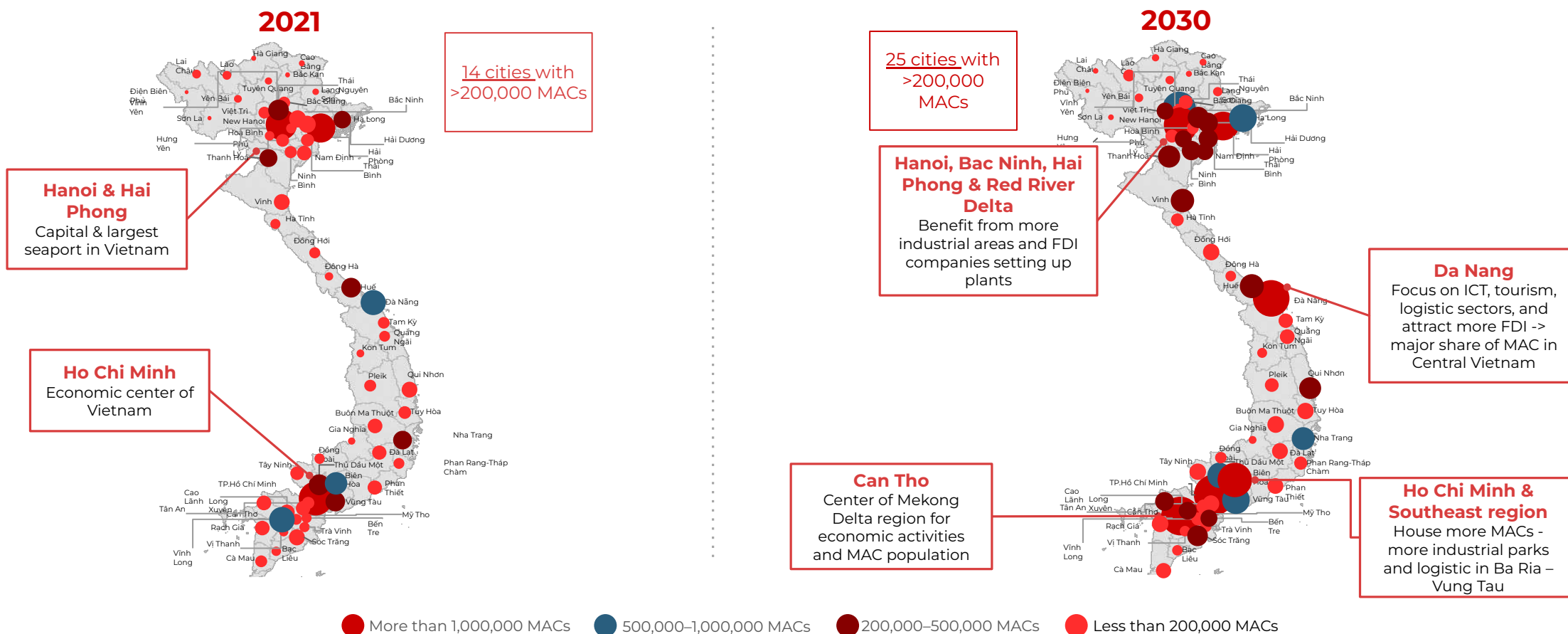
Macroeconomic overview | Global manufacturers are increasingly shifting production to Vietnam and SEA due to escalating geopolitics between China and the West

Selective



1. CAI: The EU-China Comprehensive Agreement on Investment; 2. Corporate action's date is the date of news article stating intention
 Source: Reuters, VnExpress, BCG Global Advantage Geopolitics & Trade Impact Analysis

Macroeconomic overview | Vietnam will see a significant growth in its middle class and affluent population in the next 10 years, especially in emerging cities



Notes: MACs – Middle and affluent classes
Source: BCG Vietnam wealth and population model, BCG geanalytics

Business environment | Recent regulatory reforms have created a more conducive environment for businesses in Vietnam

70th
Global rank

Rankings of **Vietnam** in **Ease of Doing Business** (2020) released by World Bank Group, measuring **regulatory performance** relative to other countries

Vietnam, Rankings on individual topics



Dealing with construction permits	25
Getting credit	25
Getting electricity	27
Registering property	64
Enforcing contracts	68

Protecting minority investors	97
Trading across borders	104
Paying taxes	109
Starting a business	115
Resolving insolvency	122



Vietnam has been working on regulatory reforms and technology infrastructure to ease the process of *getting construction permits, credit, and electricity* for entrepreneurs. However, improvements are still in need in *cross-border trading, tax payment process, and insolvency treatment*, posing foreseeable challenges for prospective investors and founders.

**Economies are ranked on their ease of doing business, from 1-190. A high ease of doing business ranking means the regulatory environment is more conducive to the starting and operation of a local firm.
Source: World Bank: Ease of Doing business 2020



Business environment | The strategic location and openness to the global economy through various trade agreements provide geopolitical advantages

Vietnam acts as an indispensable link into the global supply chain with long coastline of 3,260 km stretches across the country



Top 50
3 seaports of Vietnam named in the **World's largest cargo throughput (2020)** (1)

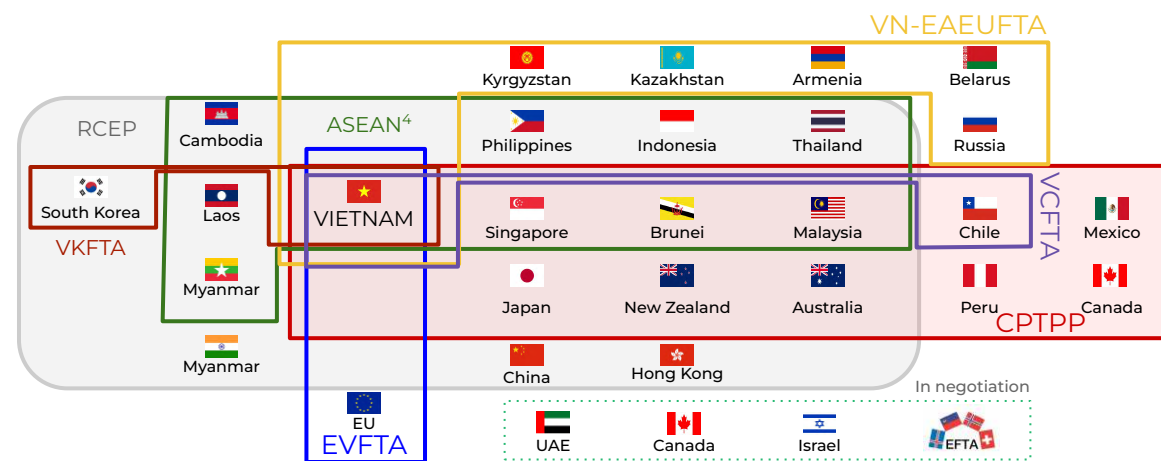
14th
Vietnam's rank on **Liner Shipping Connectivity Index (2022Q4)** (2)

Vietnam's sea area locates in the important maritime routes and the air lines between the Indian Ocean and the Pacific Ocean, between Europe, the Middle East and China, Japan and other regional countries.

33 airports (11 international airports)

320 seaports & river ports (163 international ports)

Being an export-driven economy, Vietnam has also established diplomatic connections with numerous nations and global powers



Currently, Vietnam has created diplomacy with **178 nations** and has developed economic, trade, and investment relationships with 224 countries and territories.

- Vietnam holds memberships in various international organizations



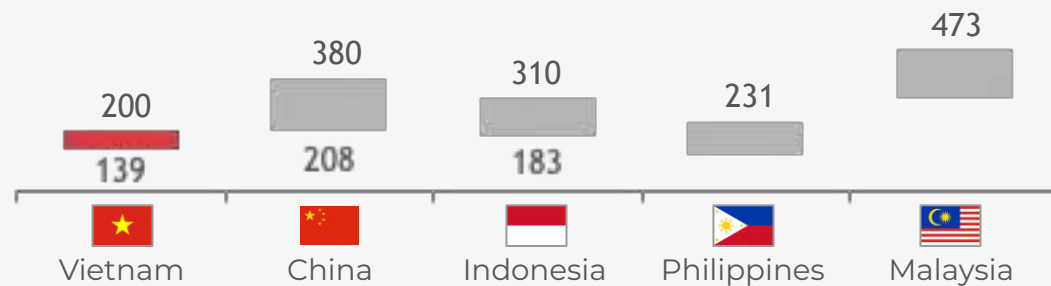
- Vietnam has **15 active (signed) Free Trade Agreements (FTAs)** and other **4** under negotiation. * Non-exhaustive

Notes: The RHS diagram is for visualization purposes only, this is non-exhaustive list of Vietnam's FTAs. Full list of Vietnam's FTAs is in Appendix - Vietnam FTAs.
 (1) According to Lloyd's list of 100 Ports 2020 at Lloyd's List, the latest update by Lloyd Maritime Company (UK): Sai Gon port (ranking 22nd), Hai Phong port (ranking 28th) Cai Mep port (ranking 32nd).
 (2) Vietnam had an index of 76.37 in 2022Q4 by UNCTAD. The index can be considered a proxy for accessibility to global trade through the shipping network. The higher the index, the easier it is to access a high capacity and frequency global maritime freight transport system and effectively participate in international trade.
 (3) EFTA including Norway, Switzerland, Iceland, Liechtenstein
 (4) ASEAN has multilateral trade agreements with India, China, New Zealand, Australia, Japan, South Korea, Hong Kong.
 Source: EY, SEA map attributed to VectorFlag.com, Lloyd's List Intelligence, Open Development Vietnam, Website of WTO Center under Vietnam Chamber of Commerce and Industry at <https://www.trungtamwto.vn/>, Vietnam General Consulate Houston, visualization adapted from Asia Briefing.

Business environment | Vietnam also offers powerful competitive advantages in workforce, living environment and corporate tax treatments

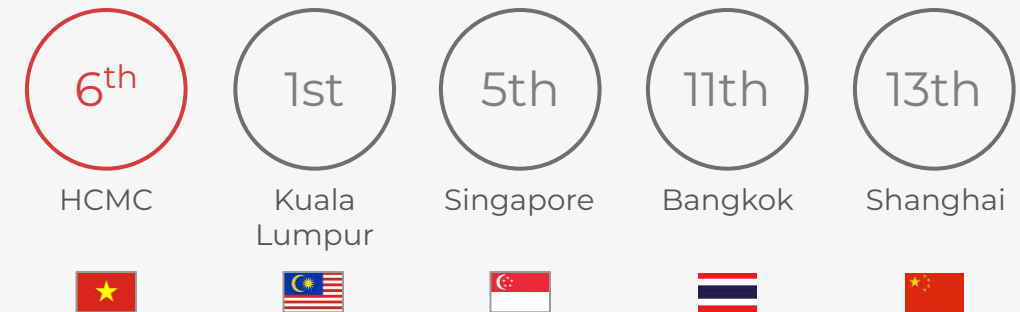
Competitive labour cost

Minimum monthly wages of Vietnam vs Countries, 2022, \$



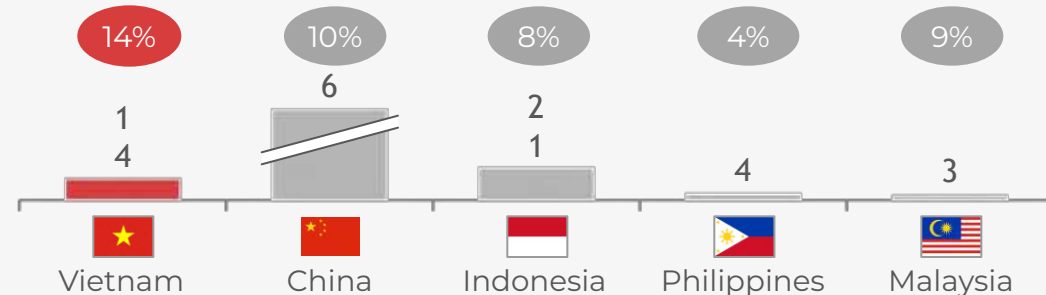
Hospitable living environment for expatriates

Expat City ranking, 2021



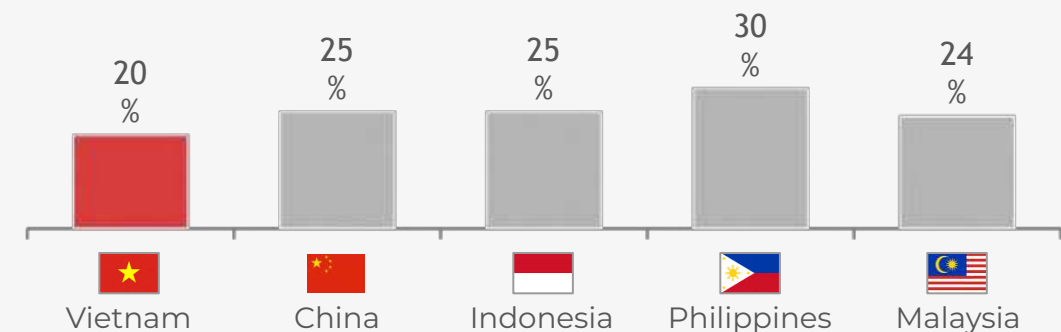
Formidable industry workforce size

Workforce in manufacturing sector, 2022, million people and percentage of total population



Favourable tax rate

Corporate income tax across major APAC countries, 2022



Business environment | Investment incentives are also provided to support economic breakthroughs in many key industries in Vietnam

Industry-based tax incentives in Vietnam

Summary of Prioritized Business Lines and Projects Eligible for Investment Incentives In Vietnam			
Class	High tech	Large scale	Social importance
Description:	Investment projects in the following sector categories: <ul style="list-style-type: none"> > Information technology > Biotechnology > New Material technology > Automation technology > Supporting products for high technology > Scientific research and development > Software production 	Manufacturing projects with a minimum invested capital of VND 6,000 billion, and which meet one of the following <ul style="list-style-type: none"> > Annual revenues of VND 10,000 billion by the fourth year of operations > Employment of at least 3,000 workers Manufacturing projects** with a minimum investment capital of VND 12,000 billion and which utilize certain technologies.	Investment projects in the following sector categories: <ul style="list-style-type: none"> > Education > Vocational training > Healthcare > Culture > Sports > Environmental
Incentives:	10 percent CIT for 15 years* CIT exemption for 4 years** 50 percent reduction on payable CIT for 9 years	10 percent CIT for 15 years* CIT exemption for 4 years** 50 percent reduction on payable CIT for 9 years	10 percent for entire life of project 4 years of CIT exemption** 5 years of 50 percent reduction on payable CIT

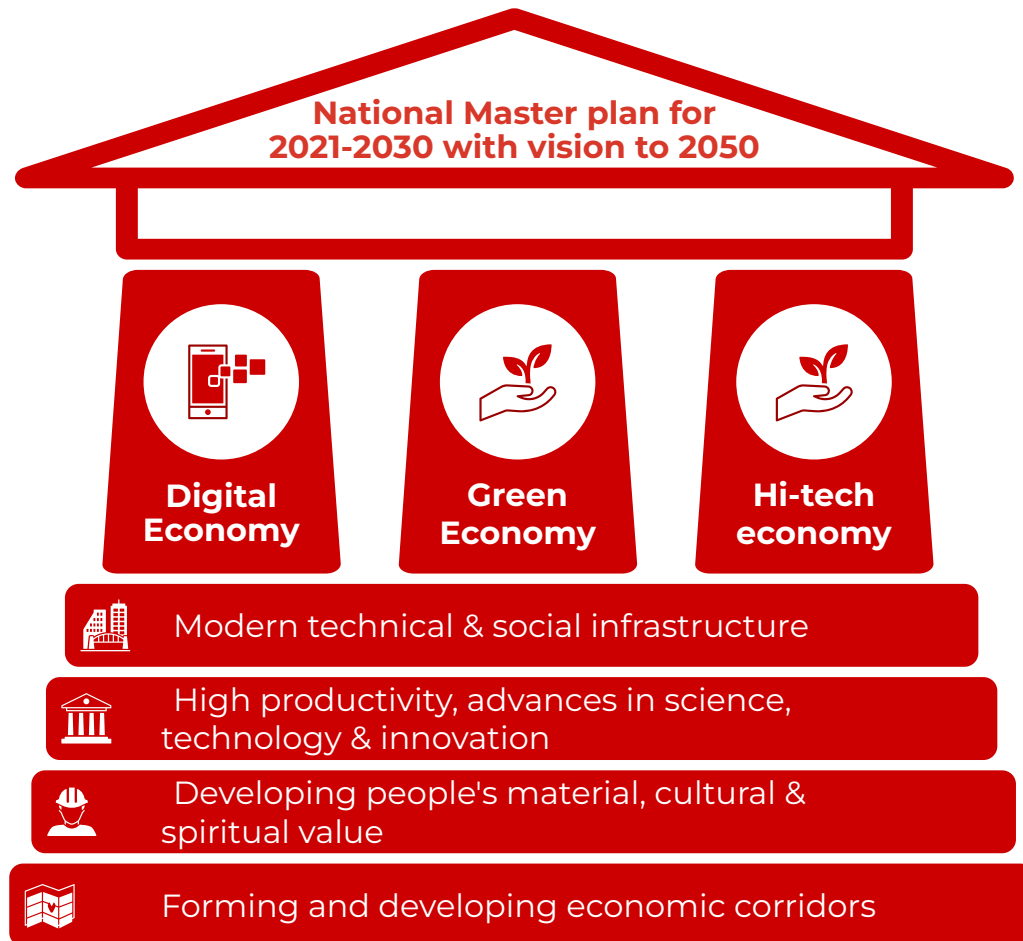
* From the first year of operating income generation

**from the first year of profit

Note: Projects invested into within economic zones may be liable to different treatment.

Source: Vietnam Briefing

Investment opportunities | Government direction to double down on 3 key growth pillars to restructure the engine of economic growth ...



From “High speed”...

By restructuring the engine of economic growth...

To “High quality”...



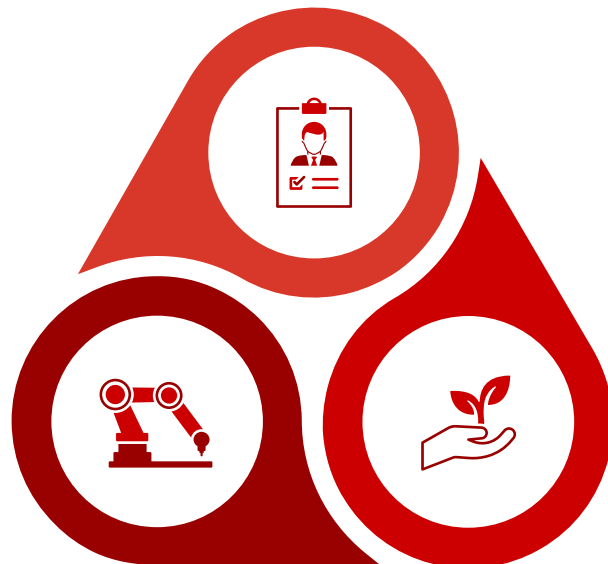
And moving to more sustainable development model



Investment opportunities | .. and shift focus to “higher quality” FDI

Vietnam’s shifting of FDI strategy from “attracting at all costs” to “selectively attracting”

High quality
Focus on project that blended into the development plan of the country



Technology efficiency
More technology, innovation, less labour intensive investment

Sustainability
More sustainable and eco-friendly investments



Key selecting factors for FDI

High quality



- Prioritizing **value added investment to the people** such as Education, R&D, Supply chain linkages, etc.
- Prioritizing businesses that **operate effectively** (high safety standard, fully integrated) & **fulfill their commitments** (e.g. providing jobs, paying tax, etc.)

Technology efficiency



- Encouraging **advanced/new/high/clean technology and modern management** projects
- Encouraging **technology transfer and governance for Vietnamese companies**

Environmental impact



- **Improving standards and technical regulations** on products, environmental protection, resources and energy saving in **line with regional and world standards**
- E.g. New projects manufacturing reproduction energy, clean energy, energy from waste

Investment opportunities | Future potential growth sectors worth investigating for foreign investors

Non-exhaustive

1

TECH-ENABLED SECTORS



- ☆ HealthTech
- ☆ FinTech
- ☆ EdTech

2

MODERN B2B SERVICES



- ☆ Asset-light Logistics
- IT & Digital services

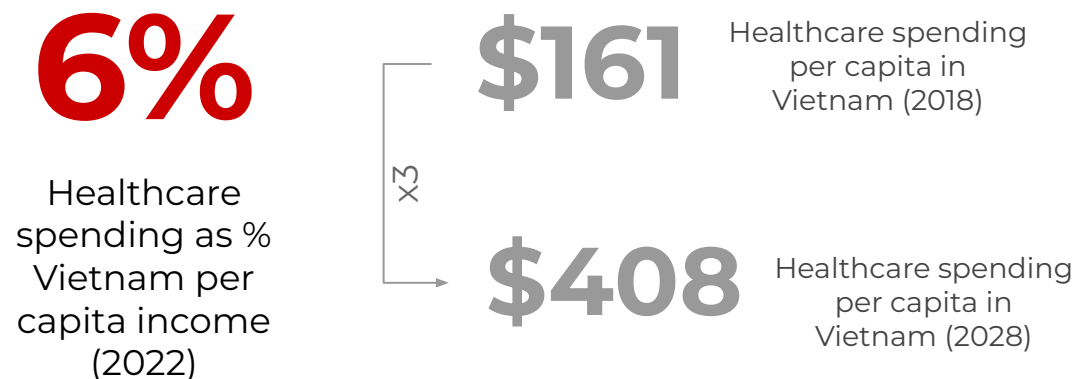
3

GREEN ECONOMY



- ☆ Renewables
- De-carbonisation services
- Recycling & circular economy
- ☆ Deep-dives in next pages

Tech-enabled sector: **HEALTHTECH**



An untapped sector with numerous unresolved pain points, HealthTech is emerging to be beyond promising

Attributed to the following drivers:

- **Growing tech-savvy population** with high propensity to spend on healthcare driven by expanding consuming class and rising health awareness.
- **Overloaded public hospitals, lack of public infrastructure investment and undersupplied healthcare professionals** have created a solid ground for innovative forms of healthcare such as remote monitoring solutions, telemedicine, AI-diagnosis and empowered the private healthcare sector to grow.
- **Unpleasant experience, long wait, outdated infrastructure** remain patients' pain points during offline health check-up at public hospital, giving a rise for private sector and patient-focus startup solutions.
- **Government support and preferential tax treatment** to encourage the development of healthcare sector and make room for innovation.

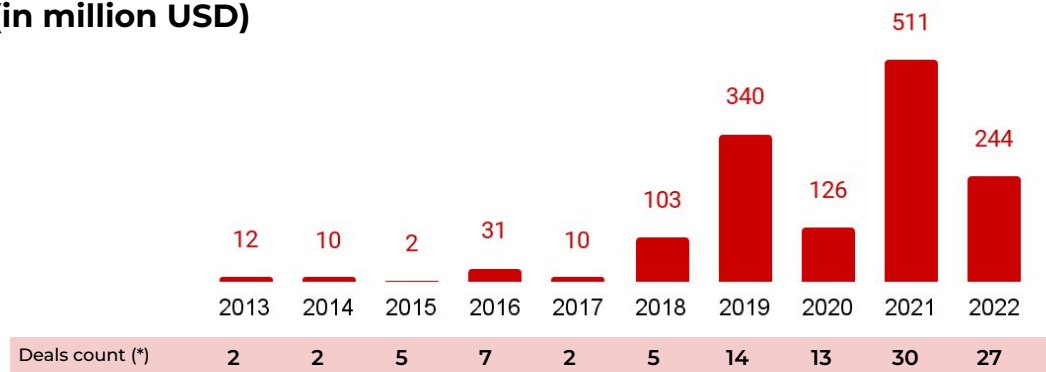
NOTABLE STARTUPS

Telemedicine/O2O	Booking/ Digital Pharmacies	Marketplace	Biotechnology
eDoctor Know Your Health	Jio Health	buymed	GENESTORY
DOCTOR ANYWHERE	MEDIGO	medici	GENE SOLUTIONS
Med247	NHI ĐỒNG 315		Genetica
	docosan		

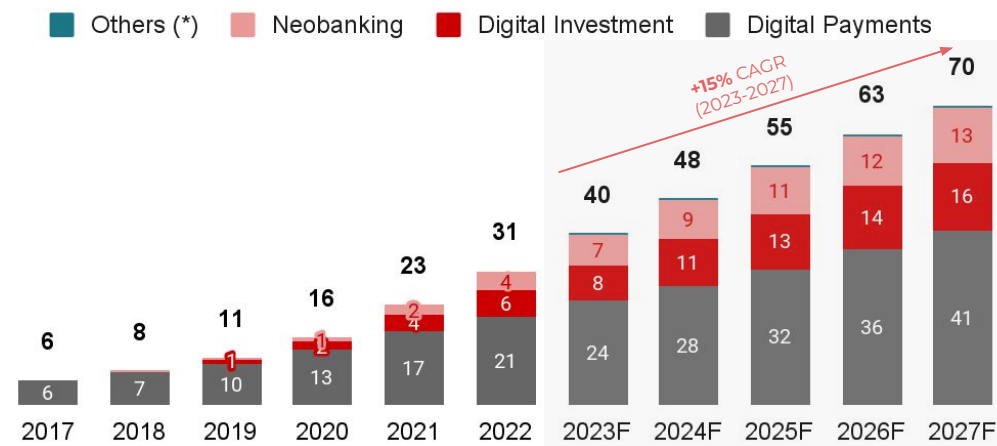
*The list is non-exhaustive and not ordinal.
Source: Insignia Ventures Partners, InnolabAsia, Tracxn Technologies

Tech-enabled sector: **FINTECH**

Vietnam, Total funding value & Count of fintech deals, 2016 - 9M2022 (in million USD)



Vietnam, Transaction value of the fintech sector, 2017 - 2027F, by segment (in billion USD)



Fintech is making a boom in Vietnam, the sector has received substantial funding while presenting huge room for growth

Attributed to the following drivers:

- **Young, tech-savvy population** of nearly 100 million people with increasing digital adoption and smartphone ownership.
- A significant proportion of the **unbanked population** remains untapped; MSMEs (representing 70% of Vietnam's GDP) are struggling with financing.
- Rising middle-class and buoyant economic activities further fortify **demand for fast, cost-effective and innovative financial services digitalization.**
- **Favourable government policies and initiatives** to promote digital payments, financial inclusion and innovation.

NOTABLE STARTUPS

Payment	Consumer finance	Data Intelligence	Blockchain

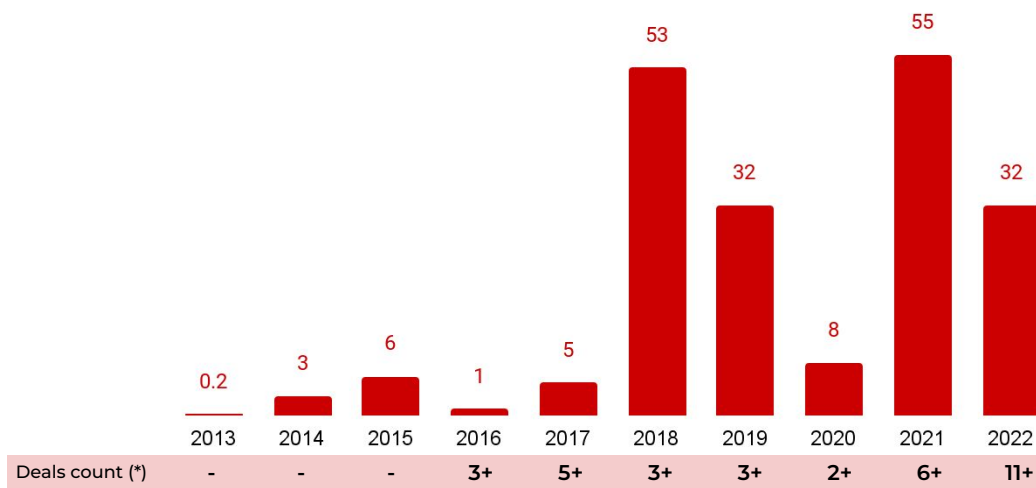
(*) Golden Gate Ventures preliminary count, non-exhaustive. Fintech sector includes but is not limited to core payment services, technological applications into financial services and banking.

*The list is non-exhaustive and not ordinal.

Source: World Bank, Statista, Do Ventures; Tracxn Technologies

Tech-enabled sector: **EDTECH**

Vietnam, Total funding value & Count of Edtech deals, 2013 - 2021 (in million USD)



NOTABLE STARTUPS



EdTech is gaining attention from purpose-driven investors

Attributed to the following drivers:

- **Large and growing young population** with a **strong demand in high-quality education** and professional development with **high level of digital adoption** into learning, teaching and educational experiences.
- **Higher spending propensity** on education due to deep-rooted belief in the importance of having educational advantages, coupled with rising disposable income and buoyant economic growth.
- COVID-19 has set a new learning and teaching normals that can be facilitated through online platforms.
- **Supporting government initiatives** to promote the development of education and edtech industry.

Digital transformation of education in Vietnam is still in its early stages. In 2019, Vietnam was among the top 10 fastest-growing online education markets worldwide, with an annual growth rate of **44.3%**. Currently, there are over 200 EdTech firms in Vietnam, serving 2 million users nationwide, with a market size estimated at no less than \$2 billion.

(*) Golden Gate Ventures preliminary count, non-exhaustive, not ordinal.
Source: Golden Gate Ventures, Crunchbase, Do Ventures, Cento Ventures, EdtechAgency.

Modern B2B services: **ASSET-LIGHT LOGISTIC**

Asset-light models are making a huge boom in business and investment landscape

The supply chain and logistics sectors have undergone significant changes in recent years. Traditionally seen as heavy-asset business models due to huge capital expenditure and large asset base, the emergence of innovative players and shifting global supply chain dynamics have allowed companies to leverage third-party services and adopt asset-light models.

With Supply-Chain-as-a-Service, organizations can focus on their core competencies while utilizing partners' key assets to adapt quickly to changing customer demands. This approach enhances operational efficiency and enables businesses to tailor their services more effectively, leading to improved outcomes and increased agility in the face of evolving market conditions.

Building blocks for Asset-light models: SUPPLY CHAIN AS A SERVICE	
Supply chain planning as a service	Supply chain management as a service
Logistics as a service	Manufacturing as a service
Commercial optimization as a service	Inventory as a service

** The list is not exhaustive and ordinal.
Source: Golden Gate Ventures analysis, Crunchbase, KPMG, Accenture

How the landscape has been transformed

Traditional industry	Innovative moves	Notable startups
Courier, express, and parcel	Last-mile delivery	
	Fulfillment service	
Transportation & Storage	Trucking platforms	
	Warehousing	
Supply chain solutions	Inventory/warehouse/order management	
	Route ops	

Green economy: RENEWABLES

>80%
of corporate
green capital

has been deployed in
Solar/Wind/Other
renewables project in SEA
(cumulative, 2020-2M2022)

RECENT DEVELOPMENT



plans building
3.9-GW offshore
wind farm in
Vietnam



intends to develop
\$13-billion wind
farm in Vietnam



aim to develop 1.5
GW of renewables
in Vietnam

NOTABLE STARTUPS ON SOLAR



Solano Energy



Green investments has been fueled by the new wave of ever-growing green opportunities driven by strong commitment to Net Zero target

In 2021, Vietnam's Prime Minister Pham Minh Chinh announced Vietnam's commitment to achieving its **net-zero emissions** target by 2050 at the *UN Climate Change Conference in Glasgow (COP26)*.

Renewables see great potential due to strong onshore & offshore technical wind/solar capacity, also attributed by the following drivers:

- **Governmental supports** to allow foreign investment in industries that were previously restricted, and revisions to laws that include foreign bidders in publicly-funded projects.
- Rising investment in infrastructure through **public-private partnerships (PPPs)**, promoting innovation and digitalization to support its net-zero transition.

Opportunities for capital investment (*):

- Early-stage capital: **Onshore/Offshore wind project & Small-scaled solar panel projects** with high risk - high return potentials amid unclear feed-in tariff policies.
- Mature capital: **Mature/operational onshore wind projects** with less risk thanks to projects that are already in operations by established developers.

(*) According to Bain and Temasek, with contributions from Microsoft, Southeast Asia's Green Economy 2022 Report: Investing behind new realities.

*The list is non-exhaustive and not ordinal.

Source: Temasek, Bain & Company with contributions from Microsoft, Chambers and Partners, asiaperspective.com, Press releases.

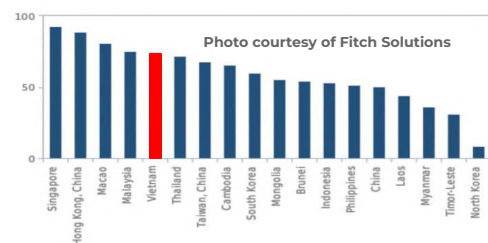
Risks & Challenges | Investors need to carefully manage the risks to ensure successful investment - *Political & economic risks*

1 A relatively open economy

- **Vietnam's economic openness ranks 5th out of 35 Asian markets:** score 74.6 /100 - higher than Asia's average of 46 and global average of 49.5, according to a report by Fitch Solutions.
- Vietnam is one of the most open economies to international trade in Asia: **Vietnamese trade represented 186% of GDP** in 2021 (World Bank, 2023).
- Nevertheless, **Vietnam's excessive reliance on exports and FDI** has been seen as a potential problem for the country. While foreign invested companies accounted for only 20.3% of Vietnam's GDP, they contributed a whopping 67.8% to Vietnam's total export turnover in 2019.

⇒ High foreign dependency can make **Vietnam vulnerable to global economic changes and changes from major foreign-invested enterprises** on which the Vietnamese economy is over-reliant.

One oft-cited example of Vietnam's over-dependence on foreign capital and exports is **Samsung**. It was Vietnam's largest foreign investor, with an accumulative investment of more than US\$17 billion as of March 2020. In 2019, Samsung Vietnam's revenue of USD68.3 billion was about 26% of Vietnam's GDP and had an outsized contribution of 19.4% to Vietnam's export turnover. A single foreign-invested company contributing ~20% to export turnover is unprecedented in Vietnam and rarely seen anywhere in the world. Should Samsung decide to wind up or scale back its operations in Vietnam, Vietnam's economy will suffer enormously.



Economic openness scores of East and Southeast Asian markets

Note: Fitch's economic openness is generated from 2 main indicators: trade and investment openness, which are based on import, export and FDI values as a percentage of GDP. It scores each market on a scale of 0-100, with 100 being the highest.

Source: Fitch Solutions, VIR, Vietnam Chamber of Commerce and Industry, ISEAS – Yusof Ishak Institute.

2 Territorial disputes in the South China Sea

- **Political risk in Vietnam is moderate.** The political and security environment has a track record of stability, helping to provide a conducive environment for doing business. The government remains committed to stamping out corruption and implementing policies to attract investment.
- **Territorial disputes in the South China Sea remain an ongoing risk** to Vietnamese relations with neighbouring countries, including China.

If recurrent tensions with China augment, there will be a risk for Vietnam's trade due to possible economic sanctions from China, given that China is Vietnam's largest import supplier and second goods export destination. Additionally, Vietnam's economy heavily depends on China's supply chains, notably electronics.

Hence, conserving good relations with China is crucial for VN. While both countries aim to promote bilateral trade and recently vowed to make their relationship a priority, the latter will remain vulnerable to developments in the territorial dispute.

Trade structure by destination/origin
(% of total, 2021)

Exports	Rank	Imports
United States 29.1%	1	33.8% China
China 17.0%	2	17.3% Korea, Republic of
Korea, Republic of 6.6%	3	6.9% Japan
Japan 6.1%	4	6.4% Taiwan
China, Hong Kong SAR 3.6%	5	4.6% United States

Source: Allianz Research, La Coface, Export Finance Australia

Risks & Challenges | Investors need to carefully manage the risks to ensure successful investment - *Legal & regulatory risks*

1 Legal risk analysis

- Vietnam's scores on Worldwide Governance Indicators are broadly in line with or stronger than the average for emerging Asian countries. The notable exception is voice and accountability.
- **Low risk of expropriation:** consistent with Vietnam's governance scores around the control of corruption and rule of law. The government can only expropriate investors' property in cases of emergency, disaster, defence, or national interest. The government is required to compensate investors if it expropriates property.



Source: World Bank, Export Finance Australia

Source: Export Finance Australia

2 Some industries are heavily regulated

Vietnam's productivity and competitiveness remain hindered by **high levels of government intervention** in the economy through regulation and the **dominance of state-owned enterprises (SOEs)**.

- SOEs have played a dominant role in several important industries, namely oil and gas, electricity, banking, telecommunications, transport infrastructure and production of some basic input materials for the economy. Up to 96% of customers use mobile phone networks of SOEs, including Viettel, VNPT, and Mobifone. State-owned commercial banks such as BIDV, Vietcombank, Vietinbank... accounted for more than 50% of the total loan balance of the whole banking sector.

⇒ Investors may not prefer startups operating in heavily government-regulated industries due to the implied risk of **competitiveness** and **regulatory barriers**.

E.g. In March 2023, 36 clean electricity investors signed a document to petition the Prime Minister about the inadequacies in the electricity generation pricing mechanism with wind and solar power, making their power plants cannot sell electricity to EVN - monopoly national power system, putting investors at risks of financial plan failure and increasing bad debts.

- However, Vietnam's divestment and equitisation plans have opened several opportunities for investors, incentivizing FDI in SOEs. For instance:

Enterprises	Industry	Year of Equitization	Share was Privatized
Vietcombank	Banking	2007	6.5%
Sabeco	Food and beverage	2008	10.41%
Bao Viet	Insurance	2007	7.97%
BIDV	Banking	2011	3%
Vietinbank	Banking	2009	4%
Viet Nam steel Corporation	Steel	2011	5.77%
Cosevco	Construction	2011	53.28%
Habeco	Food and Beverage	2008	1.89%
MHB bank	Banking	2011	3.95%
Song Hong Corporation	Construction	2009	22.62%

Source: VIR, Vietnamnet, nhandan.vn, Ministry of Finance

Risks & Challenges | Investors need to carefully manage the risks to ensure successful investment - *Operational Challenges*

1 Supply chain challenges

Management votes **“Lack of alignment between supply chain operating model and business direction”** and **“Lack of real-time visibility of cost, service level, inventory, etc. on the organizations’ end-to-end supply chain”** as top concerns within supply chain management.

(KPMG 2021, “Vietnam Supply Chain at a Glance”)

- **Shortcomings in production standards:** Majority of manufacturing facilities in Vietnam are inadequately equipped to reach international standards regarding quality, health, and safety that pose challenges to international new entrants.
- **Physical logistics Infrastructure in need of improvement:** Transportation infrastructure in Vietnam still presents limitation in terms of quality, connectivity of modes of transport, management, technology application that yet to meet the demand of delivering goods from factories to ports or distribution centers such as long lead time, transshipment problems, etc.
- **High logistics costs:** The latest report of the Việt Nam Logistics Association revealed that logistics costs were equivalent to around 20-22% of the country’s GDP, much higher than Thailand (19%), China (18%), Malaysia (13%) and nearly x3 higher than the US and Singapore (8%), leading to profitability headache to businesses.

2 Lack of local expertise

Foreign investors generally face difficulties to navigate local practices and understand the intricacies of the market

- **Lack of availability of specialized personnel, skills and knowledge:** Foreign investors often rely on local experts or industry advisors to get industry insights, sector-specific frameworks, and market dynamics.
- **Language and communication barriers:** Different languages used by investors and local stakeholders may hinder effective collaboration and potentially incur miscommunication during investment and operations processes.

3 IT challenges

Foreign investors should be aware of IT infrastructure and communication capabilities of Vietnam:

- **Quality of internet access is not high-speed and uniform across the country:** Median download speed is 38.23 Mbps via cellular mobile connection & is 76.16 Mbp via fixed broadband.

(*) Speedtest Global Index ranks Vietnam 47 out of 140 countries and 45 out of 182 countries in terms of the median download speed via cellular mobile connection and via fixed broadband internet.

Source: KPMG, Savills, Open Development Vietnam

Risks & Challenges | Investors needs to carefully manage the risks to ensure successful investment - *Environmental challenges*

1 Pollution

- **Air pollution has yet to met WHO guidelines:** The primary causes of air pollution in Vietnam is the use of fossil fuels for power generations, exhaust transportation vehicles and factory emissions. Along with industrial growth, Vietnam is expected to continue experiencing low air quality problems, especially near industrial zones.
- **Water pollution remains major concern:** A significant portion of Vietnam's wastewater is discharged without undergoing treatment, only 12.5% of municipal wastewater get treated. Treatment of wastewater is often neglected, resulting in the untreated discharge of wastewater from craft villages, factories outside industrial zones, and local healthcare facilities into rivers, lakes, and oceans.

Urban households' connection to drainage systems is limited to **46%**, only **3%** Industrial wastewater from industrial zones is treated, but centralized wastewater treatment facilities are available in only **9.4%** of industrial clusters.

(World Bank Group 2019, "Vietnam: Toward a Safe, Clean, and Resilient Water System")

2 Lack of regulatory comprehension for green initiatives

Amid renewables mania, Vietnam's government are yet to prepare a complete regulatory package for a smooth transition.

- **There is not yet clear guidelines for rooftop solar panel power generation:** Currently, majority of customers of solar energy are households and small-scale buildings. Vietnam's governmental agencies are in the process of developing policies for solar energy installation, usage, sales, and waste management. This may cause a delay in solar energy development and uncertainty for foreign investors.
- **Monopoly of EVN may hinder the development of renewables projects:** Up to now, EVN (Electricity of Vietnam) enjoys exclusive control over Vietnam's power transmission and distribution sector, creating high barriers to enter the market. EVN is now in charge of buying electricity from power generation companies and distributing to end-consumers, which diminishes bargaining power of independent renewable energy producers.

Potential exit options in Vietnam

Although exit strategies for PE/VC investors in Vietnam remain relatively complex and their efficacy at scale has not yet to be fully demonstrated, there are still some viable options

- 1

Domestic IPO

 - **Onshore listings** can be a viable (but not easy) option for private equity portfolio companies due to the thin liquidity of the country's key stock exchange, the Ho Chi Minh City Stock Exchange, and strict listing requirements, including the requirement that any issuer have a return on equity of at least 5% in the year preceding the year of the listing application and profitability for the 2 consecutive years prior to the year in which the listing application is made.
 - Given the limitations of the **domestic IPO market**, in recent years, a number of Vietnamese companies, including portfolio companies of private equity firms, have been exploring offshore IPOs. However, due to a combination of poor market conditions and a number of legal and technical hurdles, none of these companies have been able to complete an offshore IPO to date, though it is likely to be only a matter of time before one is successful. A Vietnamese company looking at consummating an offshore IPO will require complex restructuring in order for the offshore listing to be workable.

- 2

Trade sale
to strategic investor

 - In the context of a **trade sale or secondary exit**, most private equity sellers will agree to make fundamental warranties only.
- 3

Secondary buyout
by another PE firm

 - Holdbacks and escrow mechanisms are sometimes used but are rare in Vietnam.
 - Warranty and indemnity has been used more frequency recently in M&A transactions as foreign buyers seek to manage risks and streamline deals

- 4

Management
buyout or
redemption

 - **Management buyouts and/or redemptions** are relatively rare and will often come into play on deals that have not gone well for whatever reason.



Contributors



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About Golden Gate Ventures



- Golden Gate Ventures, with HQ in Singapore and offices in Indonesia and Vietnam, is a **Southeast Asian venture capital firm founded in 2011** that brings together knowledge and experience from Silicon Valley with passion and ambition for Southeast Asia.
- For over a decade, we've proudly backed some of the region's most audacious founders and had the privilege of being part of the region's incredible growth story: launched **4 funds, have US\$250M AUM, and invested in 80+ companies with 9 unicorns** across our portfolio.
- We're deeply committed to continue to play a supporting role - **spot trends, deliver data-driven insights, facilitate lasting global connections** - and always show up for those brave enough to catalyze change.

About GGVbrain



- Internal proprietary tool that helps us **analyse trends, predict new sectors, and signal sentiment and investibility** that guides our deal sourcing, deal screening and research processes.

About Boston Consulting Group



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About BCG X



BCG X is the pioneering new tech build and design division of Boston Consulting Group. It is uniquely positioned to support companies in Southeast Asia seeking to kickstart the journey to new markets through venture opportunities. BCG X brings together advanced tech knowledge and ambitious entrepreneurship experience to turbocharge BCG's trusted corporate offering. The division is positioned to help organizations embrace, enable, and succeed in delivering innovation at scale, backed by over 3,000 technologists, data scientists, programmers, engineers, and human-centered designers located in more than 80 cities across the globe

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Appendix - Business Environment

Key business environment factors contributing to investment decision in Vietnam



Vietnam's strategic location, stable political environment, and openness to the global economy through various trade agreements provide it with **geopolitical advantages**



Vietnam's workforce is also advantageous, with competitive labor costs and a formidable size



To further encourage investment, numerous **legal requirements** were amended to make investing in Vietnam more transparent and promising



Investment incentives are also provided to support economic breakthroughs in many key industries in Vietnam

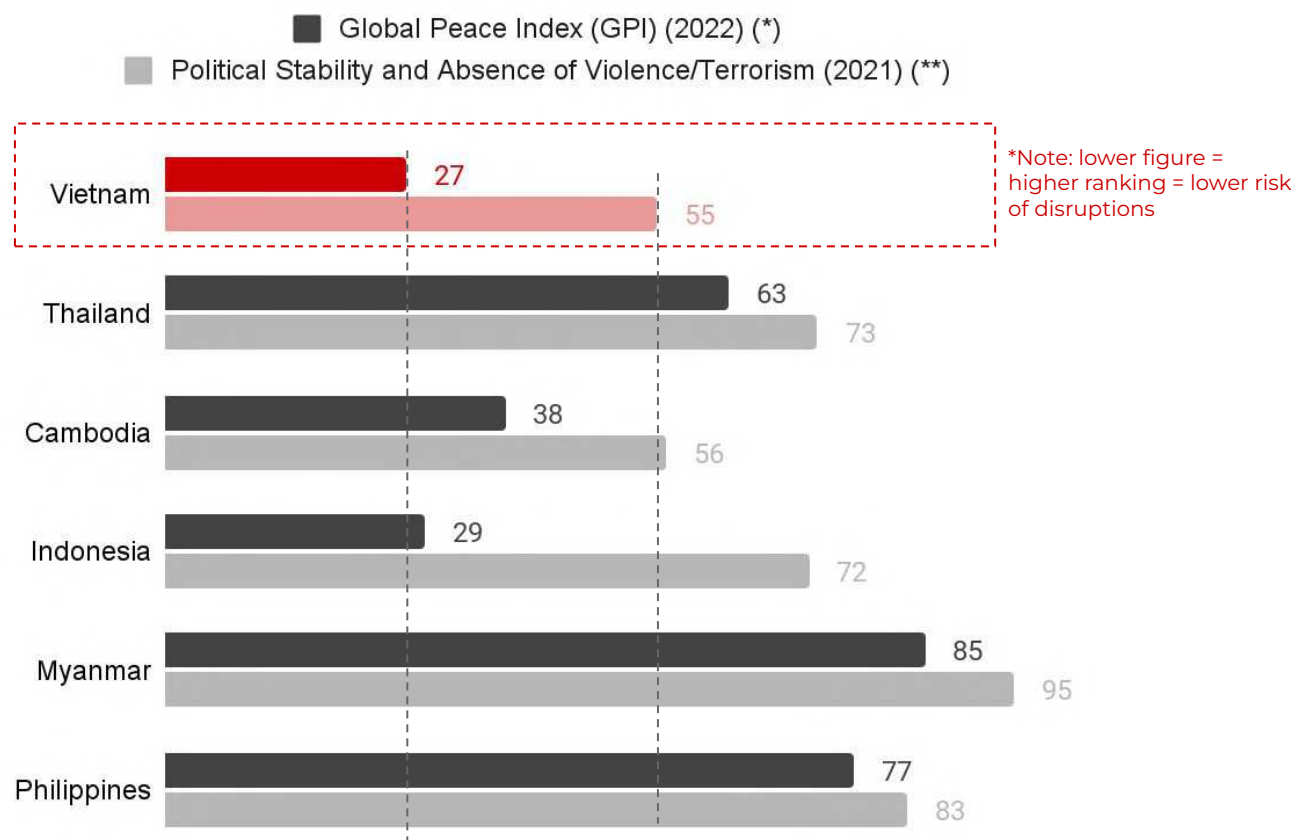


However, to ensure investment success, it's important to have a good understanding of the **legal and regulatory framework** surrounding corporate structure and taxation in Vietnam

Geopolitical advantages (1/2)

Relatively more politically stable than neighboring countries

Vietnam vs. neighboring ASEAN countries, Indices in percentile rank



Vietnam is considered having lower probability of political challenges and geopolitical disruptions than its regional peers

Attributed to:

- **“bamboo diplomacy”** highlighting the greatest prioritization of maintaining peace, preventing conflict, and fostering international cooperation in the context of the rapidly changing world, and
- **a single-party democracy system** that brings a high degree of governmental stability.

(*) percentile rank, rankings over 163 independent states and territories, 0 is the highest ranking, 100 is the lowest ranking, data from Institute for Economics & Peace.

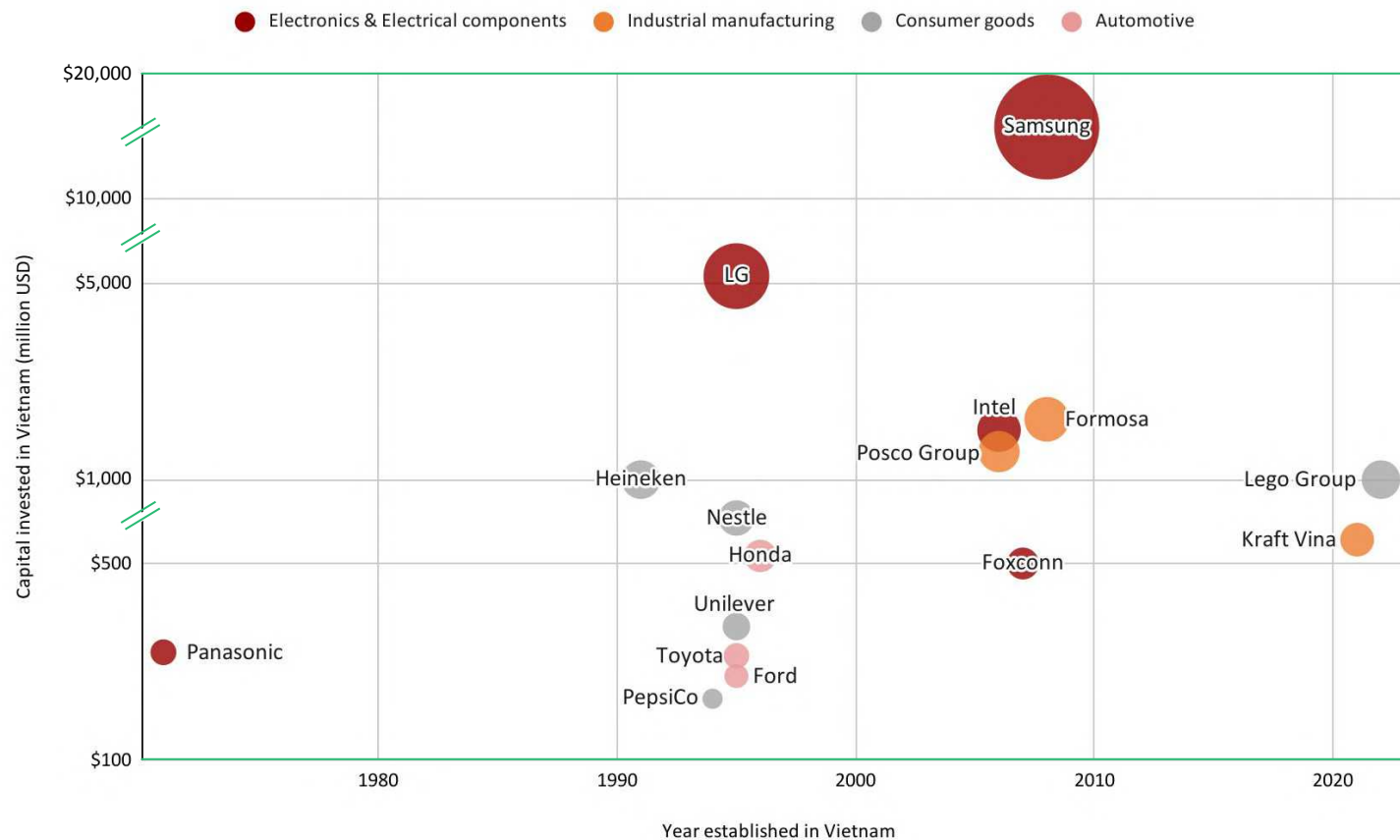
(**) percentile rank, rankings over 213 countries and territories, 0 is the highest ranking, 100 is the lowest ranking, data from World Bank.

Source: EY, World Bank, Institute for Economic & Peace, Press releases

Geopolitical advantages (2/2)

Vietnam emerges as a destination for *China+1* strategy

Foreign-owned corporations in Vietnam (with amount of foreign capital invested in million USD)



Multiple global giants name Vietnam as a long-term manufacturing base

The massive influx of FDI inflows can be attributed to increasing attractiveness of Vietnam as a solution for the **China+1 strategy**.

South Korea and **Japan** are among the first countries setting their production plants in Vietnam since the 1970s and still remain the top contributors to Vietnam's FDI until the present day.

Manufacturing is the leading sector attracting the most FDI due to Vietnam's favourable mix of competitive human cost, standard corporate tax rate, and being a member of many economic trade zones.

** The graph is for illustrative purposes only and does not represent an exhaustive list of all foreign-invested manufacturers in Vietnam. Source: Press release, Vietnam General Statistics Office

Ease of doing business: Legal requirements

Business sectors that foreign investors can access (Decree 31/2021/ND-CP guiding the Law on Investment 2020)(*)



Foreign investors are not allowed

Sectors which are not yet accessible for foreign investors (**Prohibition List** of Appendix I of Decree 31/2021/ND-CP)

Example: Security services, goods and services under state monopoly, Administrative and judicial services, Manufacture of military equipment or materials, etc.



Foreign investors are allowed with conditions

Sectors which are accessible with conditions for foreign investors (**Market Entry List** of Appendix I of Decree 31/2021/ND-CP):

- Foreign-owned ratio
 - Form of investment
 - Scope of investment
 - Investor capability and others
- => **In-principle approval** of higher-level competent authorities required

Example: Nuclear power plant, special use forests, headwater protection forests or border protection forests; construction of airports, terminals; petroleum processing; betting and casino for foreigners; golf courses; etc



Foreign investors are allowed

Foreign investors have the same market access as that of domestic investors (sectors not being mentioned in **Prohibition List** and **Market Entry List**)

The Government does not commit on market access, foreign investors may be subject to restrictions under **Vietnam's domestic law in the corresponding industries/sectors.**

(*) Full English version on Legal update of Decree 31/2021/ND-CP is available at [Decree 31/2021/ND-CP EN | KPMG](#).

**For more information on List A and B of Appendix 1 of Decree 31/2021/ND-CP, view [Appendix - Prohibition List & Appendix - Market Entry List](#).

Source: Vietnam Law on Investment, view full detail at [LEGAL FRAMEWORKS ON DOING INVESTMENT VIETNAM \(mpi.gov.vn\)](#).

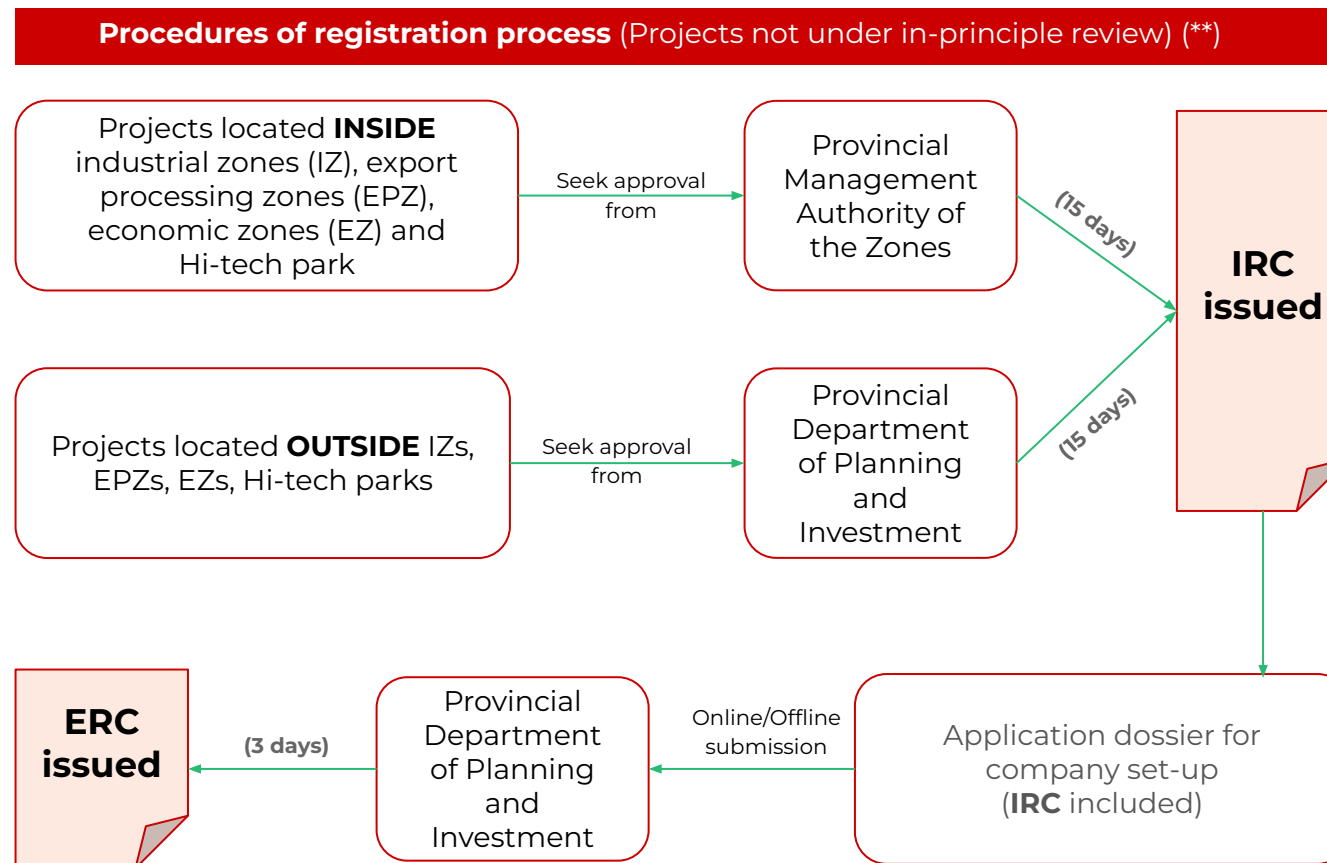
Ease of doing business: Legal requirements

Procedures to set up a company

Foreign investors are required to complete the necessary **registration process** with the relevant licensing bodies in order to legally engage in business operations in Vietnam. The new Law on Investment and Law on Enterprises requires foreign investors to follow 2 mandatory steps:

- 1 Acquiring the **Investment Registration Certificate (IRC)** (*)
- 2 Acquiring the **Enterprise Registration Certificate (ERC)**









(*) IRC is required only for investments by foreign investors or deemed-to-be foreign investors (i.e. companies with more than 51% of charter capital held by foreign ownership).



(**) Article 39 Law on Investment No.61/2020, Law on Enterprise No. 59/2020/QH14, dated 17 June 2020, issued by the National Assembly of Vietnam
 Number of days mentioned above are counted as business working days. View full detail at [LEGAL.FRAMEWORKS.ON.DOING.INVESTMENT.VIETNAM.\(mpi.gov.vn\)](http://LEGAL.FRAMEWORKS.ON.DOING.INVESTMENT.VIETNAM.(mpi.gov.vn))
 Source: Vietnam Investment Law, reproduced from Deloitte, EY

Ease of doing business: Case studies

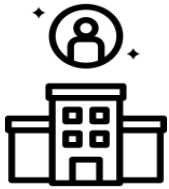

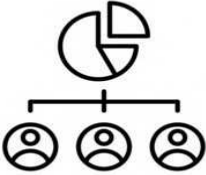



Case studies of foreign companies entering Vietnam market via M&A

	Acquirer	Target	Detail
Market Entry	 a South Korean top exhibitor	 a leading Vietnam-based cinema chain	Year of deal: 2011 Asset transfer: market share of 60%, 54 screens in 7 locations. Transaction value: \$73.6m
	 a Thai conglomerate having wholesales and retail business	 a subsidiary of Metro AG, a German retail company specializing in wholesale distribution	Year of deal: 2014 Asset transfer: 19 wholesale stores across the country, more than 3300 employees Transaction value: ~ \$711m
Market Expansion	 SHINHAN BANK a leading commercial bank in South Korea, established representative office in Vietnam in 1993	 retail arm of ANZ Bank in Vietnam - an Australian-based provider of banking services	Year of deal: 2017 Asset transfer: 8 branches located in Hanoi and Ho Chi Minh City, and ongoing roles for all retail staff. Transaction value: undisclosed
	 a Singaporean-based ride-hailing and on-demand delivery platform, entered Vietnam in 2014	 a ride-hailing platform, entered Vietnam in 2014 and being Grab's direct rival	Year of deal: 2018 Asset transfer: Uber's operations in SEA (Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam). Transaction value: ~ \$1.65b (as a part of regional deal (*))

(*) Golden Gate Ventures estimation based on announced Uber will hold a 27.5% stake in Grab, while Uber's CEO will join Grab's management board. Prior to Uber deal in 2018, Grab had a valuation of \$6b. Source: Press releases, MarketLine

Legal and regulatory framework (1/3)

Type of corporate structures

	Limited Liability Company		Joint Stock Company	Partnership	Private Enterprise	Joint Venture
Establishment	<p>With one member</p> <p>Established by its member(s) by way of capital contribution to the LLC.</p>	<p>With two or more members</p> <p>Established by its member(s) by way of capital contribution to the LLC.</p>	<p>Established by its founding shareholders on the basis of their subscription to shares of the Joint Stock Company (JSC).</p>	<p>Established by general partners. A partnership may include limited partners.</p>	<p>Established by a single individual.</p>	<p>Established by the owning partners of a foreign-invested Joint Venture with at least two foreign entities or at least one foreign and one local entity. A partnership of companies are created for a specific business purpose.</p>
Ownership	 <p>One legal entity or individual.</p>	 <p>Legal entities or individuals. Maximum number must not exceed 50.</p>	 <p>At least 3 shareholders. No maximum number of shareholders.</p>	 <p>At least two general partners who must be individuals.</p>	 <p>Owned by a single individual.</p>	 <p>Minimum contribution of 30% from foreign ownership. However, the government also mandates minimum contributions for domestic partners in JVs in some industries.</p>
Liability	<p>The company owner is liable for the debts and other liabilities to the extent of the company's charter capital.</p>	<p>The members are liable for the debts and other liabilities of the entity to the extent of their capital contributions, except for the case specified in Clause 4 Article 47 of the LOE 2020.</p>	<p>The shareholders are only liable for the debts and other liabilities of the entity to the extent of their capital contributions.</p>	<p>A general partner is liable for the company's obligations equal to all of his/her assets. A limited partner is liable for the company's debts equal to the promised capital contribution.</p>	<p>The owner is liable for the entire operation of the company equal to his/her total assets.</p>	<p>JV can be incorporated as a LLC or JSC (if there are more than 3 investors/parties). Each party is responsible for the company within the scope of its capital contribution to the charter capital of the company.</p>

Legal and regulatory framework (2/3)

Joint Ventures are very popular, why?

Establishing a joint venture (JV) with a local business(es) is a popular method used by foreign companies to enter the Vietnamese market thanks to the expertise of the local partner(s), as well as the low compliance risk. In some cases, it also is the only option for overseas brands to enter Vietnam. This is especially applicable when it comes to the industries that have a limit on foreign ownership of the business. Below are some examples of the benefits that foreign companies can expect from this collaboration model.

Compliance with local regulations

Some industries limit foreign ownership as some industries that are considered to be sensitive by the government. Below you can find a handful of industries and the foreign ownership limitations:

- Banking – 30%
- Goods transportation by rail or domestic waterway – 49%
- Goods transportation by road – 51%
- Cargo handling services – up to 50%, depending on the type of cargo

Therefore, establishing a JV might be the only way in for foreign companies in certain industries. However, this is more complicated and requires significantly more resources from the investors, both in terms of legal documents and human capital.

Access to local expertise

A great benefit of a JV is that you can utilize the local experience and network of the domestic Vietnamese partner.

- Foreign companies can establish their footprint in the domestic market while enjoying external support from someone familiar with the market for years. You and your partner can then bring your own strengths to further develop the JV.
- Your partner will support with related paperwork and documentation, as well as deal with local authorities. They can also provide insights about local practice, as well as established relations with relevant stakeholders, such as suppliers and distributors.
- Meanwhile, the foreign partner is expected to bring experience of globalization, technological innovation, and know-how, which typically are the weaknesses of the local party. Hence, the addition of a foreign company is considered a competitive advantage over local peers in the same industry.

Legal and regulatory framework (3/3)

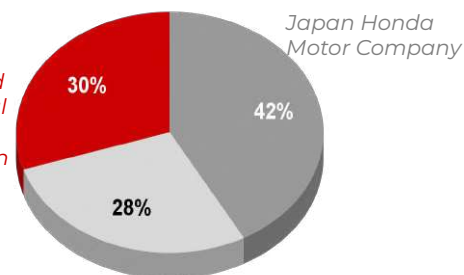
Example of Joint Ventures in Vietnam

Foreign Ownership
 Vietnam Ownership

Honda Vietnam



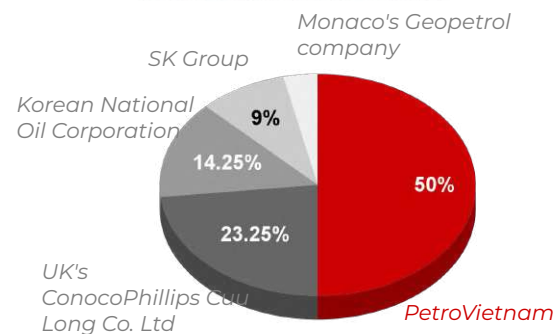
Vietnam Engine and Agricultural Machinery Corporation



Thailand Asian Honda Motor Company

Up to now, Honda Vietnam has invested over 400 million USD in the construction of 3 factories including two motorcycle factories and an automobile assembly plant in Vietnam, creating jobs for thousands of workers.

Cuu Long JOC



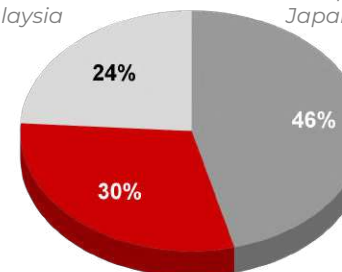
After the transition to exploitation and production in 2003, Cuu Long JOC always holds the 2nd position in Vietnam regarding crude oil output and export revenue. In 2022, the firm's estimated oil-equivalent production is expected to reach 25.25 million barrels, earning 1.44 billion USD and paying 863 million USD to the State budget.

Yamaha Motor Vietnam



Hong Leong Industries Berhad Malaysia

Yamaha Motor Company Ltd. Japan

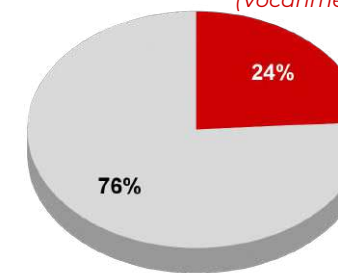


Established in 1998 and operating in the field of manufacturing and assembling motorcycles, Yamaha Motor Vietnam Company Limited now has more than 300 dealers and stores in Vietnam, a strong step up from only 33 stores in 1999.

CALOFIC Corporation



Vietnam Vegetable Oils Industry Corporation (Vocarimex)



CALOFIC is one of the most successful joint venture companies across Vietnam and has spearheaded the manufacturing and processing of vegetable oils in the country. CALOFIC operates over two factories in Quang Ninh and Ho Chi Minh City, capable of an output of 2,300 tons/day-night, and offices in both Hanoi and Ho Chi Minh City. Across the nation, almost 1,000 people work for the enterprise.

Business Taxes

Tax Treaties

Double taxation avoidance agreements (DTAAs) prevent businesses from being double-taxed on their income. Vietnam currently has approximately 80 DTAA's signed. These treaties effectively eliminate double taxation by identifying exemptions or reducing the amount of taxes payable in Vietnam.

Corporate income: For foreign-invested enterprises (FIEs), corporate income is what is earned from carrying out production and business activities in Vietnam.

Income earned from Vietnam by FIEs

- **Dividends**

No treaty benefit applies to dividends under DTAA's as there is no withholding tax on dividends in Vietnam. Companies are required to fulfill their financial and tax obligations in Vietnam before remitting dividends to their overseas parent companies. This means that the remitted dividends are after-tax profit which can be taxed again in the other signatory countries. Most tax and revenue jurisdictions allow tax offset for tax paid in other countries on dividends received.

- **Interest & royalties**

Interest & royalties are taxed around 5% to 10%. Tax on the interest is usually exempt under most DTAA while tax in royalty income is often reduced and ranges from 5% to 15%.

- **Technical, management, and consulting services**

Tax on service fees is often withheld at 10 percent, in which 5% is of value-added tax (VAT) and the other 5% portion is CIT. Under DTAA's, only the CIT portion is subject to an exemption.

Vietnam's Double Taxation Agreements

Summary of Withholding Tax Rates Contained Within each Agreement

Treaty Partner	Dividends (%)	Interest (%)	Royalties (%)	Refund of excess tax
	5/7/12.5	10	5/10	7.5 - 15%
	10	10	10	10%
	10	10	5/15	5 - 15%
	10	10	10	10%

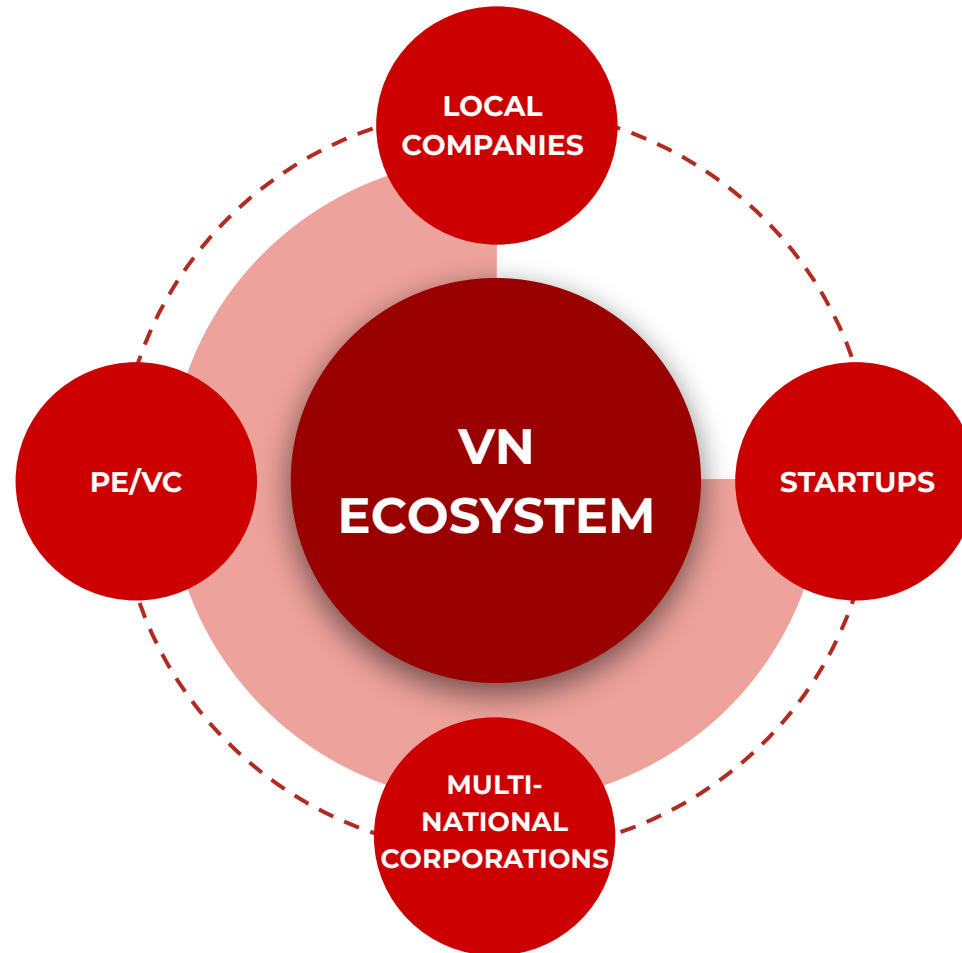
Note: In most cases, the limits set by the DTAA's are higher than the present withholding rates under domestic law; thus, the domestic rates will apply.

* The refund of excess tax = standard CIT (20%) - the double tax treaties maximum tax rate

** The list does not represent an exhaustive list of all DTAA's

Appendix - Ecosystem maps

An interconnected economic ecosystem creates solid ground for growth and success of Vietnam's economy



Ecosystem map (1/4)

Non-exhaustive

LARGEST PUBLIC LOCAL COMPANIES BY SECTOR



Vietcombank - Banking
Market cap \$20.94B

a foreign trade bank that provides a wide range of financial services in international trade.



BIDV - Banking
Market cap \$9.96B

a Vietnamese commercial and state-owned bank engaged in the provision of investment banking services for individual customers, corporate customers, and financial institutions.



Vietinbank - Banking
Market cap \$6.01B

a State-owned commercial bank whose traditional services as well as other modern and valued added services have reached all nation-wide users.



PetroVietnam Gas - Utilities
Market cap \$8.02B

has main business in gathering, importing, transporting, storing, processing and trading of gas and gas products



VINHOMES - Real Estate
Market cap \$10.82B

develops and trades integrated residential, commercial and industrial real estate, and provides real estate management and related services.



Vinamilk - Consumer goods
Market cap \$6.47B

a nutrition corporation providing dairy products, ranging from core dairy products to value-added dairy products.



SABECO - Consumer goods
Market cap \$4.14B

a leading beverage company, produces and sell beer, alcohol, beverages and related products including material and packaging materials



Hoa Phat - Manufacturing
Market cap \$6.96B

an industrial manufacturing company focusing on steel production. Its business includes trading and producing Furniture, Steel Pipe, Steel, Refrigeration, Real Estate, and Agriculture.

Date of valuation: July 21st, 2023

** The list is not ordinal and does not represent an exhaustive list of all entities in Vietnam.
Source: Crunchbase, Press release, TradingView

Ecosystem map (2/4)

Non-exhaustive

PE/VC WITH AUM >US\$ 50M

Global



KKR - PE
AUM \$504B

a global investment firm that focuses on real estate, infrastructure, digital transformation, food, consumer goods, and technology in Vietnam



Warburg Pincus - PE
AUM \$83B

a leading global private equity firm; one of the largest PE investors in Vietnam



Golden Gate Ventures - VC
AUM US\$250M

a Southeast Asian venture capital firm that brings together knowledge and experience from Silicon Valley with passion and ambition for Southeast Asia.

Local



VinaCapital - PE
AUM \$3.9B

a leading investment management and real estate development firm in Vietnam.



VinaCapital Ventures - VC
AUM \$100M

a Vietnam-focused venture capital focusing on investing in and building world-class technology companies and incorporating them into a full digital ecosystem.



Vietnam Investment Group - PE
AUM \$560M

a private equity firm that focuses on high-growth businesses in Vietnam.



Ascend Vietnam Ventures - VC
AUM \$64M

an early-stage venture capital firm on a mission to empower tech entrepreneurs in Vietnam.



Mekong - PE
AUM \$490.5M

a Vietnam-focused Private Equity firm, specializing in consumer driven businesses such as retail, restaurants, consumer products and distribution.



Do Ventures - VC
AUM \$50M

an early-stage VC firm focusing on investing in technology companies in Vietnam and Southeast Asia.

Ecosystem map (3/4)

Non-exhaustive

STARTUPS RAISED >US\$ 20M



VNLIFE - Fintech - Digital payment
Raised \$550M

a leading digital payment platform in Vietnam, offering secure and convenient electronic payment solutions to individuals and businesses.



MOMO - Fintech - Digital payment
Raised \$434M

a prominent digital wallet and payment platform in Vietnam, providing users with a secure and convenient way to make online and offline transactions



TIKI - Ecommerce - Marketplace
Raised \$471M

a Vietnam-based e-commerce platforms, offering a wide range of products with a focus on providing customers with a convenient and reliable online shopping experience.



SKY MAVIS - Blockchain - Enabled business
Raised \$311M

Sky Mavis is the creator of *Axie Infinity*, a popular blockchain-based game that combines elements of gaming and decentralized finance, allowing players to earn cryptocurrency by collecting, breeding, and battling digital creatures called Axies.



Trusting Social - Fintech - Credit data
Raised \$214M

a Vietnam-based fintech company specializes in alternative credit scoring and data analytics, leveraging innovative technologies to provide financial inclusion and access to credit for underserved populations.



Buymed - Ecommerce - B2B
Raised \$63.5M

operates an e-commerce website that connects pharmaceutical manufacturers, distributors, and clinics. Its platform, *Thuocsi.vn*, works on various projects, including e-commerce, seller centers, supply portals, WMS, POS, and logistics services.



OnPoint - Ecommerce - Enabler
Raised \$58M

a prominent ecommerce enabler offering a range of services and solutions to help businesses establish and optimize their online retail presence, including website development, digital marketing, logistics management, and payment integration.



KiotViet - SaaS
Raised \$51M

a popular point-of-sale (POS) system provider in Vietnam, offering businesses a user-friendly and feature-rich software solution to manage sales, inventory, and customer data, streamlining their retail operations and enhancing overall efficiency.

Ecosystem map (4/4)

Non-exhaustive

MULTINATIONAL COMPANIES WITH HEAVY ROOT IN VIETNAM



Samsung Electronics - Manufacturing
Invested \$18B

is a major subsidiary of the South Korean-based global electronics giant, Samsung, operating manufacturing facilities and research centers in Vietnam, representing the largest source of FDI from South Korea into Vietnam.



LG Electronics - Manufacturing
Invested \$5.3B

is a subsidiary of South Korean LG Corporation, involved in manufacturing and supplying a wide range of innovative consumer electronics and home appliances in high quality.



Intel - Manufacturing
Invested \$1.5B

is a key manufacturing and research subsidiary of the US-based Intel Corporation in Vietnam, producing and developing a wide range of cutting-edge semiconductor products.



Heineken - Consumer goods
Invested \$1B

is a subsidiary brewery as a part of the Dutch Heineken global brand, producing and distributing high-quality beers to Vietnamese consumers.



Nestle - Consumer goods
Invested \$730M

is a Swiss food and beverage company, offering a diverse range of nutritional products and beverages to Vietnamese consumers.



Honda - Manufacturing
Invested \$535M

is a Japan-based automotive manufacturer and distributor, producing a wide range of motorcycles and automobiles



Foxconn - Manufacturing
Invested \$503M

is a Taiwan-based consumer electronics and electronic components manufacturer, known for assembling for Apple's product



Unilever - Consumer goods
Invested \$300M

is a British consumer goods company, offering a portfolio of well-known brands in personal care, home care, and food products.

Appendix -

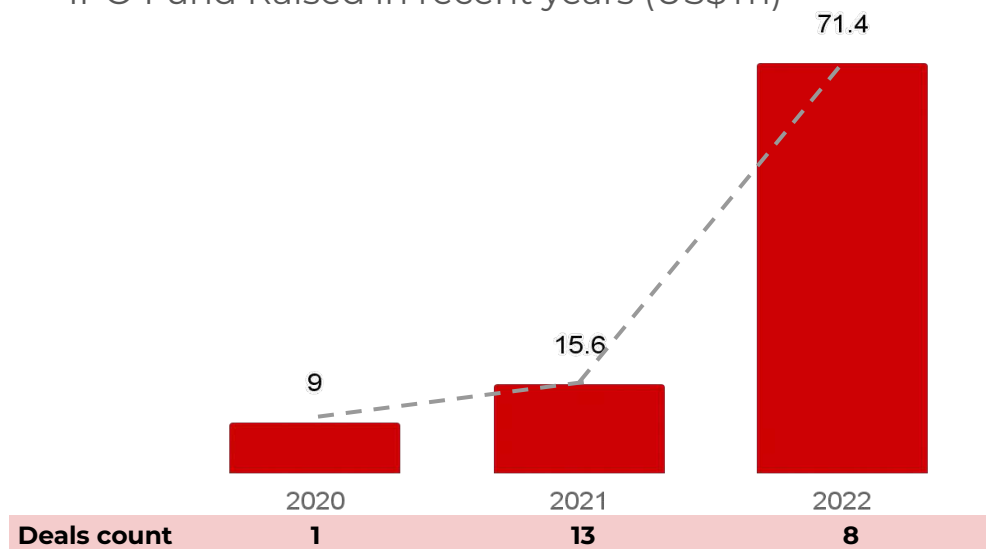
Exits

Vietnam IPO Market Overview

Snapshot

- Vietnam’s IPO market saw 8 successful listings in 2022. While this is lower than the 13 listings recorded for 2021, the amount raised has more than quadrupled, from US\$15.6 million to US\$71.4 million.
- **Top 3 IPO deals** in 2022 were Ton Dong A Corporation with US\$27 million raised, Nova Consumer Group with US\$21 million, and Green Plus Joint Stock Corporation with US\$7 million raised.
- In January 2023, Vietnam witnessed 5 successful IPOs, including VNG Corporation, Green Plus JSC, Da Nang Public Lighting JSC, 120 Mechanical JSC, Vinatrans DaNang JSC.

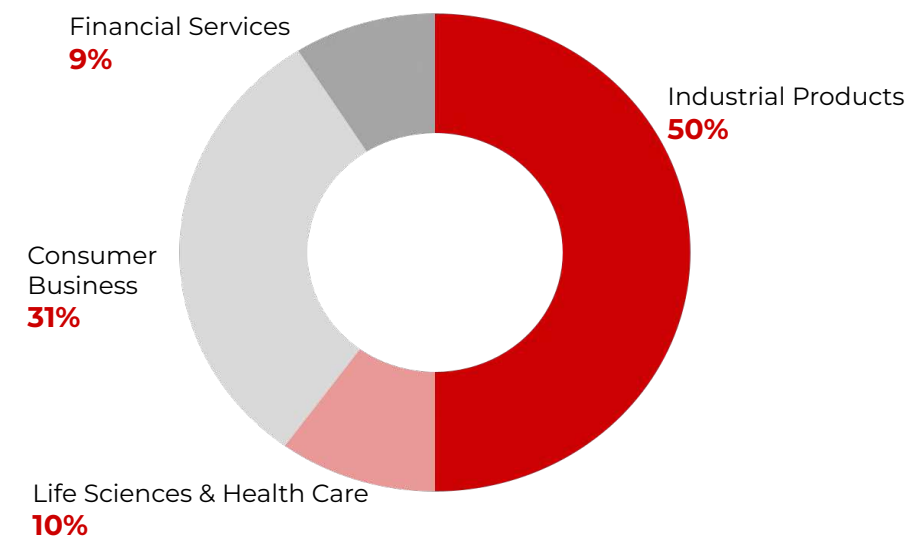
IPO Fund Raised in recent years (US\$m)







IPO Breakdown By Industry

- The IPO market focus has shifted from Real Estate in 2021 to the local capital market dominance of **Industrial Products** (\$35.7 million) and **Consumer Business** (\$22.3 million) in 2022.
- Consumer Business is foreseen to continue to play a vital role, with highly anticipated upcoming listings from this sector. Specifically, we expect to see a few Retail and FMCG companies go IPO in the near future.

2022 IPO Fund Raised breakdown by industry



It is estimated that the domestic public market may become an active channel for local startups in ~5 years

Country	Unicorn Startups	Industry	Established	IPO	Time gap
 Indonesia		Technology	2009	2022	13 years
		E-commerce	2010	2022	12 years
		E-commerce	2010	2021	11 years
 Singapore		Technology	2012	2021	9 years
		Technology	2005	2017	12 years
		Technology	2009	2017	8 years
 Vietnam		Technology	2004	2023	19 years
		E-Logistics	2013	TBD*	10+ years
		Fintech	2007	TBD*	15+ years

Vietnam is expected to witness **more IPO cases within 2025-2027, lagging about 5 years** behind regional countries like Singapore and Indonesia. The estimation is based on:

VN strict IPO standards

Vietnam's current regulations for IPO standards are still strict to minimize risks for investors, which is not supportive for startups:

- Any issuer must have ROE of at least 5% in the year preceding the year of the listing application.
- Must have profitability for the 2 consecutive years before the year the listing application is made.

VN startup ecosystem is still young vs. peers

Peers like Indonesia and Singapore already have well-established startup ecosystems early on. In 2000, tech companies sprouted up in Vietnam, but it was really in 2016 that the country's startup ecosystem was fully complete with all of its components, along with the approval of Project 844 by the Prime Minister and technology improvement (notably the growth of the internet and social media)

VN maturity of financial market

The time gap also shows a trend that the maturity of the financial markets shortens the time IPO, given that those of Singapore and Indonesia are more mature than Vietnam's.

*To be determined

** The list is not ordinal and does not represent an exhaustive list of all unicorn startups in three countries.

Source: Company websites, Crunchbase, Press release, Techsauce, Asia Development Bank

Vietnam M&A

As global players become more interested in SEA region, Vietnam domestic market is expected to support acquisitions worth of \$250M, especially big unicorns.



Internet/Fintech/Game

Investors: IDG Ventures, Tencent, Goldman Sachs, Temasek, Chiratae Ventures,...



Fintech/E-commerce

Investors: GIC, SoftBank, General Atlantic, Dragoneer Investment Group,...



Fintech (Payment)

Investors: Goldman Sachs, Warburg Pincus, Mizuho Bank,...



SKY MAVIS

Game Blockchain

Investors: Mark Cuban, Andreessen Horowitz, Binance,...

NOTABLE VIETNAM M&A TRANSACTIONS

Date	Investor	Target	Sector	Value (US\$m)	Stake
Jun-20	KKR's consortium	Vinhomes	Real Estate	651	6%
Oct-18	SK Investments	Masan Group	Consumer	474	9%
Aug-18	Hanwha Asset Management	Vingroup	Diversified	403	Undisc.
May-21	Alibaba, BPEA	The CrownX	Consumer	400	6%
Dec-18	Warburg Pincus	Techcombank	Financial Services	370	4%
Dec-21	TPG, Temasek, ADIA	The CrownX	Consumer	350	5%
Jul-19	GIC, Softbank	VNPay	Technology	300	Undisc.
Jan-19	GIC, Mizuho	Vietcombank	Financial Services	264	3%
Jun-22	Warburg Pincus	Noaland	Real Estate	250	Undisc.
Jul-21	General Atlantic, Dragoneer	VNPay	Technology	250	Undisc.
May-22	Shinhan Financial Group	Tiki	E-commerce	90	10%

*The list is not ordinal and does not represent an exhaustive list of all M&A transactions in Vietnam.

Appendix - Vietnam FTAs

VIETNAM FTAs

FTAs	Signing members
ASEAN Trade in Goods Agreement (ATIGA)	10 ASEAN member countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore Thailand, Vietnam)
Comprehensive and Progressive Agreement for Trans-Pacific partnership (CPTPP)	Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam (*)
ASEAN - Japan Comprehensive Economic Partnership (AJCEP)	10 ASEAN member countries and Japan
ASEAN - Korea FTA (AKFTA)	10 ASEAN member countries and Korea Republic
ASEAN - India ETA (AIFTA)	ASEAN member countries and India
ASEAN - China FTA (ACFTA)	10 ASEAN member countries and China
ASEAN- Hong Kong FTA	10 ASEAN member countries and Hong Kong
ASEAN - Australia - New Zealand (AANZFTA)	10 ASEAN member countries and Australia, New Zealand
Vietnam - Chile FTA (VCFTA)	Vietnam, Chile
Vietnam - Korea (VKFTA)	Vietnam, Korea Republic
Vietnam - Japan Economic	vetnam, Japan
Vietnam - Eurasian Economic Union FTA (VN-EAEU FTA)	Vietnam, Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia
Vetnam - European Union FTA (EVFTA) <i>*Good exported from Vietnam to the EU are still entitled to GSP benefits until 31</i>	Vietnam, 27 EU member states
Regional Comprehensive Economic Partnership (RCEP) (**)	10 ASEAN member countries and Australia, China Mainland, Japan, Korea Republic, and New Zealand
Vietnam - UK FTA (UKVFTA) (***)	Vietnam, the United Kingdom

Notes: (*) The CPTPP Agreement officially took effect on 30 December 2018. The CPTPP took effect in Vietnam on 14 January 2019.

(**) RCEP agreement was signed on 15 November 2020 and entered into force on 1 January 2022. (***) The UKVFTA was signed on 29 December 2020. The Agreement has been temporarily applied from 23:00 p.m. on 31 December 2020 GMT or 6 a.m. on 1 January 2021, Vietnam time and officially took effect on 1 May 2021

Source: EY from Website of WTO Center under Vietnam Chamber of Commerce and Industry at <https://www.trungtamwto.vn/>, Vietnam General Consulate Houston.

Appendix - Vietnam Market condition list

Vietnam Market Entry Condition List

Appendix I of Decree 31/2021/ND-CP: Prohibition List (foreign investors are not allowed)

1	Trading goods and services on the list of goods and services on which monopoly is held by the State in the commercial sector.	21	Navigation services to ensure maritime safety in water areas, water areas and public navigational channels; marine electronic information service.
2	Press activities and information gathering in any form.	22	Inspection (inspection, testing) and certification services for means of transport (including systems, components, equipment, components of vehicles); inspection and issuance of certificates of technical safety and environmental protection for vehicles, specialized equipment, containers, and dangerous goods packaging equipment used in transportation; inspection services and issuance of certificates of technical safety and environmental protection for oil and gas exploration, exploitation and transportation means and equipment at sea; technical inspection service of occupational safety for machines and equipment with strict requirements on occupational safety installed on means of transport and means, exploration and exploitation equipment and oil and gas transportation at sea; fishing vessel registry services.
3	Fishing.		
4	Security and investigation services.		
5	Judicial administration services, including judicial assessment services, poste restante services, property auction services, notary services, liquidator services.		
6	Overseas contracted employment agency services.		
7	Investment in the construction of infrastructure of cemeteries and graveyards to transfer land use rights associated with such infrastructure.		
8	Waste collection services directly from households.		
9	Public opinion polling service (public opinion polling).		
10	Blasting services.		
11	Manufacture and trade in weapons, explosives and supporting tools.		
12	Import and dismantling of used seagoing vessels.	23	Natural forest investigation, assessment and exploitation services (including gathering wood and hunting, trapping rare wild animals, management of the sources genes for plants, livestock and microorganisms used in agriculture).
13	Public postal services.		
14	Goods transshipment business.	24	Researching or using genetic resources of new livestock breeds before being appraised and evaluated by the Ministry of Agriculture and Rural Development.
15	Temporary import for re-export business.		
16	Exercise of the right to export, import, and distribution of goods on the list of goods for foreign investors, foreign-invested economic organizations are not allowed to exercise the right to export, import, distribute.	25	Tourism services, except international tourism services for international tourists to Vietnam
17	Collection, purchase and handling of public goods in armed forces units.		
18	Trading in military materials or equipment and supplies for the people's armed forces, military weapons, technical equipment, ammunition and specialized vehicles used for the army and police; components, accessories, spare parts, supplies and specialized equipment and technology used for their production;		
19	Intellectual property representation services and industrial property assessment services		
20	Services of the establishment, operation, maintenance and maintenance of aids to navigation, water zones, water areas, public navigational channels and maritime routes; service of surveying water zones, water areas, public navigational channels and maritime routes serving maritime notices; services of surveying, constructing and publishing nautical charts for waters, seaports, navigational channels and maritime routes; building and publishing marine safety documents and publications.		

Vietnam Market Entry Condition List

Appendix I of Decree 31/2021/ND-CP: Market Entry List (foreign investors are allowed with conditions)

1	Production and distribution of cultural products, including visual recordings	32	Auditing, accounting, bookkeeping and tax services.
2	Production, distribution and broadcast of television programs and music, stage performance and motion picture works.	33	Valuation services, consulting services on corporate valuation for equitization.
3	Supply of radio and television services.	34	Services related to agriculture, forestry and fishery.
4	Insurance, banking, securities brokerage, and other services related to insurance, banking, and securities.	35	Aircraft manufacturing.
5	Postal services, telecom services.	36	Manufacture of railway locomotives and wagons.
6	Advertising services.	37	Trading tobacco products, tobacco raw materials, and specialized machinery and equipment for the tobacco industry.
7	Printing service, publication issuance services.	38	Publishers' activities.
8	Measurement and mapping services.	39	Ship building, and repair services.
9	FlyCam services.	40	Waste collection services, environmental observation services.
10	Educational services.	41	Commercial arbitration services, arbitration mediation services.
11	Exploration, extraction and process of natural resources, minerals, oil and gas.	42	Logistic services.
12	Hydropower, offshore wind power and nuclear energy.	43	Coastal shipping.
13	Transport of goods and passengers by railway, airway, road, waterway and conduit [pipeline].	44	Cultivation, production or processing of rare crops, breeding of rare wild animals, processing and handling of these animals or plants, including live animals and products thereof.
14	Aquaculture cultivation or breeding.	45	Production of construction materials.
15	Forestry and hunting.	46	Construction and related technical services.
16	Betting and casino business	47	Motorcycle assembly.
17	Security guard services.	48	Services related to sports, art activities, performing arts, fashion shows, beauty and model contests, and other entertainment.
18	Construction, operation and management of river ports, seaports and airports.	49	Air transport support services; ground technical services at airports and airports; catering services on the aircraft; navigation information services, aviation meteorological services.
19	Real estate business.	50	Sea transport services; shipping tugboat [ship towing] services.
20	Legal services.	51	Services related to cultural heritage, copyright and related rights, photography, video recording, recording, art exhibitions, festivals, libraries, museums.
21	Veterinary services.	52	Services related to tourism promotion.
22	Goods sale and purchase activities and activities directly related to goods trading activities of foreign service providers in Vietnam.	53	Agent, recruitment and scheduling, management for artists, athletes' services.
23	Technical inspection and analysis services.	54	Family related services.
24	Travelling [tourism] services.	55	E-commerce activities.
25	Health and social services.	56	cemetery business, cemetery services and funeral services.
26	Sports and entertainment services.	57	Airborne seeding and chemical spraying services.
27	Paper production.	58	Maritime pilotage services;
28	Manufacture of transport vehicles with more than 29 seats.	59	Investment sector, business lines under the pilot mechanism of the National Assembly, The Standing Committee of the National Assembly, the Government, and the Prime Minister.
29	Development and operation of wet markets.		
30	Commodity Exchange operations.		
31	Domestic LCL collection services.		

Vietnam Market Entry Condition

Briefings of some conditions under Market Entry with condition (Vietnam's Law on Investment 2020)

(*) Foreign-owned ratio:

Foreign investors have the right to possess unlimited charter capital in a business entity, with a few exceptions:

- For listed companies, public companies, securities trading organizations, and securities investment funds under law on securities: comply with law on securities
- For state-owned enterprises undergoing equitization or transformation: comply with the provisions of the law on equitization and transformation of state-owned enterprises.
- For other cases: comply with other provisions of relevant laws and international treaties to which the Socialist Republic of Vietnam has ratified.

() Form of investment:**

Foreign investors have two main approaches: direct investment or indirect investment. The various forms of foreign investment in Vietnam including:

- Establishing economic organizations through investment.
- Investing through capital contribution, purchasing shares, or acquiring capital contributions.
- Carrying out investment projects.
- Investment in the form of a business cooperation contract (BCC).
- Exploring new investment forms and economic organizations as stipulated by the government's regulations.

(*) Scope of investment:**

- In industries and sub-sectors where Vietnam has made commitments and foreign investors fulfill the investment conditions, the investment registration agency will review and approve the IRC or registration of capital contribution, share purchase, or capital contribution of foreign investors according to the Law on Investment.
- For service sectors and sub-sectors not covered by Vietnam's commitments in international investment treaties or specified in the Schedule of Commitments, but are subject to investment conditions under Vietnamese law, foreign investors must comply with the provisions of Vietnamese law.

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