



By Bich Ngoc

Experts look to 2023 for top M&A deals

Although the merger and acquisition market in Vietnam has been slow going in 2022, opportunities next year should be abundant even despite concerns from prolonged global economic storms, according to various insiders.

Although Vietnam's economy is projected to enter a period of slower growth, most other economies in the region and beyond are predicted to endure much lower or even negative growth.

Tran Quoc Phuong, Deputy Minister of Planning and Investment, said that maintaining political stability, good economic growth, stable macroeconomics, controlling inflation, and improving the business investment environment will be an important foundation to both attract and promote investment.

"These will be big drivers for Vietnam's economic growth in 2023, and the driving force for Vietnam's merger and acquisition (M&A) market to develop. The recent slowdown of such activities in Vietnam is expected to be short-term and will recover soon. The market in this country has always been assessed as a safe and attractive market to activate new opportunities," Phuong said.

At the 14th Vietnam M&A Forum, organised by *Vietnam Investment Review* last week in Ho Chi Minh City, editor-in-chief Le Trong Minh said that although the world economy was in a state of instability, Vietnam's economy is recovering strongly after the pandemic, and has shown fairly stable resistance to external impacts thanks to the guidelines and decisions of the Party and state.

Along with the government's efforts in restructuring state-owned enterprises, there may be some divestment of state capital out of large enterprises, thereby bringing new vitality to the M&A market.

According to KPMG Vietnam, deals in areas such as technology, retail, and consumer goods is forecast to remain active. In particular, there will be opportunities in the banking and finance sector. Although 2022 has been slow, many deals have been in the preparation stage for years and could come to fruition in 2023.

Notably, capital flows from pri-

ivate equity (PE) funds globally are becoming the driving force for the M&A market to accelerate. According to a 2022 report by Bain & Company, private equity funds in Asia are at a record high of \$650 billion.

In Vietnam, PE and venture capital activities still grew strongly in the early part of 2022, despite uncertainties in the capital market and bad debt. In particular, the country's innovation startup ecosystem for this year is forecast to see total investment of about \$2 billion, maintaining the form of a rising star in startups in Southeast Asian countries.

Initial public offerings in the regions are also expected to have a brighter future in 2023. Although current valuations may be lower for technology companies, those with a strong business background and proven profitability will still be able to achieve best market valuations and benefit from global capital markets, KPMG added. In addition, in the context of tight domestic capital, many

businesses are forced to restructure, sell assets, and call for investment due to financial pressure.

According to data analysis company GlobalData, Q3 was the worst quarter in terms of global M&A activity, with deal value down 48 per cent compared to the same period in 2021. Warrick Cleine, chairman and CEO of KPMG Vietnam and Cambodia, said that the drop in activity comes from global geopolitical concerns and the risk of high inflation affecting cross-border transactions.

Data from KPMG Vietnam shows that in the first 10 months of 2022, the total value of M&A deals reached \$5.7 billion, down 35.3 per cent compared to the same period in 2021. Singapore is the leading country in cross-border transactions with about \$1.2 billion, followed by the US with \$570 million and South Korea with \$370 million.

The average transaction size for a transaction of published value has

decreased from \$31.1 million in 2021 to \$16.5 million in the first 10 months of 2022. Only 13 super transactions with a value of over \$100 million were reported in the first 10 months of 2022, compared to 22 deals in the same period last year.

The main sectors to attract plenty of funding have included consumption (\$1.2 billion), real estate (nearly \$1 billion), and industry (\$800 million). In particular, the energy industry has become the hottest areas of 2022 regarding value growth, reaching nearly \$600 million – an increase of six times compared to the whole of 2021.

In the real estate sector, Novaland received investment of \$250 million from Warburg Pincus. In energy-utilities, renewables group EDP Renovaveis signed a contract with Xuan Thien Group to buy two solar power projects with total capacity of 200MW in the south-central province of Ninh Thuan. The transaction value reached \$284 million.

In the consumer goods sector, The Sherpa Company under Masan Group acquired 65 per cent of Phuc Long Heritage for \$260.6 million. Elsewhere, Seletar Investments, Seatown Private Capital Master Fund and Periwinkle Singapore acquired 36 per cent in Golden Gate for about \$234 million. ■



ALEX CRANE
Managing director
Knight Frank

Regarding the real estate sector in Vietnam, 2022 has been an interesting year, with total registered foreign direct investment at \$3.8 billion into real estate, a 29.8 per cent increase from the same period in 2019.

In this quarter, when the government initiated a review into some

developers and their financing, liquidity in the markets has dramatically stopped. The fallout from this has now started to take effect, and this will create a very interesting outlook for 2023.

We feel that two potential markets will emerge to pick up projects and assets from various developers that are now looking unlikely or restricted from getting access to credit. First is local-to-local, very fast transfers of assets from sellers to investors. These buyers are well-funded and opportunistic.

The second will be foreign investors who will take a more conservative approach and likely seek greater discounts to valuations undertaken 8-12 months ago.

What had traditionally been an in-demand market for foreign buyers in Vietnam – institutional yield-

ing large-scale assets – will see demand cool as the number of active investors reduces. This is also affected by external impacts, as investors can consider larger discounts in gateways/core mature markets than we are seeing in Vietnam.

That said, there will be a measured but real opportunity for sellers that have clean and clear development opportunities or operating assets that are in core locations in Vietnam. Investors are still looking for affordable to mid-end residential development, and well-located industrial and revenue-producing commercial assets will be the first to be snapped up through M&A. There will likely be further deals in the industrial and logistics segment between current operators as access to capital and interest rates become more burdensome.



NGUYEN MAI PHUONG
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We believe that cross-border energy M&As will become a hot trend in 2023. Renewable energy has been appealing to foreign investors over the past few years with attractive feed-in tariffs. Since the attractive tariff application for wind and solar power ended,

deals in the power sector have been inevitably slowed.

The Vietnamese authorities are working hard to build up a transparent and appealing regulatory framework for the power sector including, for example, the National Power Development Plan VIII (PDP8), the tariff mechanism for wind and solar power projects, and a direct power purchase agreement pilot. If the foregoing regulatory framework is to be finalised and become effective in 2023, it will shed light on the landscape of power generation and transmission in Vietnam from an investors' perspective.

Given the credit crisis in the real estate market, 2023 could also be the year for real estate M&A as developers may be looking for equity financing to fund their projects or divesting to cut losses.



KEN ATKINSON
Founder and senior advisor
Grant Thornton Vietnam

In 2023 we would expect to see continued high interest and growth in M&A transactions. In keeping with Vietnam's commitment to net-zero carbon emissions by 2050, the country will maintain strong attraction in terms of opportunities in the solar and wind sectors, but also

areas such as waste-to-energy.

The current upheavals and slowdown in the residential real estate sector on the back of supply constraints and tightening credit mean we can expect to see an increase in deals in residential and hospitality assets.

Whilst the economy will likely face some strong headwinds from the recession starting in many of our main export markets, the middle class here is expected to continue to help drive domestic growth. As such, we can expect to see continued M&A activity in the consumer retail sector.

Tech is expected to remain another active sector in Vietnam, with the nation showing that it is developing into a major startup hub thanks to the ecosystem supported by the government and private sector, and the growing technology pool.



JACK NGUYEN
Deputy CEO
Talentnet Corporation

It will be very interesting for Vietnam in the next 6-12 months as we observe how the country's overall economic activities will be, but one area that should remain very busy is M&A activities. There is evidence Vietnam has rebounded significantly this year and it continues to be a favoured country in ASEAN for foreign investments.

However, geopolitical issues, rampant inflation, and China's

continued pandemic policy is impeding Vietnam's economic rebound and development. As a result, the market will be ripe for industry consolidation and M&A deals.

Sectors that are candidates for M&A include technology, manufacturing, energy, real estate, and retail industries. Vietnam's continued integration into the regional and global economy, coupled with Vietnam's inclusion in a number of free trade agreements, will attract global companies to look at the Vietnam market and a popular entry into the market is through M&A.

Vietnam's vibrant tech startups offer a number of attractive opportunities for foreign players to invest in. Real estate is another area that may see more M&A activities. The recent credit crunch in the bank sector is restricting real estate developers from further developments, and some companies that do not have deep pockets may look to foreign strategic partners to inject liquidity into their companies.



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Vietnam continues to enjoy favourable macro level economic conditions for investors, such as positive GDP growth, a stable political climate, focused trade agreements, increasing urbanisation of its population, a young and educated work force, and investor-friendly regulations.

These factors bode well for in-

creased M&A activity, especially in certain sectors, as we head into the new year. New legislation requiring localisation of data will certainly increase interest in data centre projects. The new land law, expected to be issued sometime next year, may generate more interest in real estate projects, especially if issues pertaining to foreigner land use rights can be resolved.

The issuance of the PDP8 will presumably provide more transparency and confidence for investment in rooftop solar, onshore/offshore wind generation, battery storage, hydrogen, and other ventures.

Additionally, the current trends show positive M&A growth for Vietnam in several other sectors, such as retail, fintech, edtech, logistics, business automation, e-commerce, infrastructure, and hospitality. Medical equipment and pharma also seem to exhibit continued interest among investors. ■



Domestic corporations turn to global credit financing sources

By Le Luu

Given current challenging fundraising and bleak merger and acquisition circumstances, a number of Vietnamese groups are looking to financing sources from overseas credit facilities to strengthen their resilience in the face of market fluctuations.

Viet Capital Securities last week announced a new \$100 million syndicated loan package from a group of leading financial institutions, led by Maybank Kim Eng Securities, with Malayan Banking Berhad (Singapore branch) as one of the lenders. The loan package is expected to be disbursed in two phases, with a maximum credit of up to \$150 million.

Other major banks participating in loan syndication include First Commercial Bank, Hua Nan Commercial Bank, Taishin International Bank, Chang Hwa Commercial Bank, Taiwan Business Bank, Taiwan Cooperative Bank, KEB Hana Bank, and Sunny Bank.

Vietnamese securities firms, such as VNDIRECT, have also wrapped up syndicated loan packages for new additional capacity to broaden their horizons and provide fresh financial services to customers. Earlier this month, the company announced its enrolment in a \$75 million offshore unsecured syndicated loan with the green shoe option to increase the total limit up to \$200 million from foreign financial institutions, including Maybank Securities Pte., Ltd. – a member of Maybank Investment Banking Group – and Taipei Fubon Commercial Bank Co., Ltd. as the co-lead arrangers for the loan.

This is the second offshore syndication VNDIRECT has raised in 2022 to provide working capital for its business and future activities.

Also in November, VIB completed the disbursement of a \$150 million loan from the International Finance Corporation (IFC). With a term of five years, the IFC-led loan aims to support VIB to boost

its loan portfolio for individual customers looking to buy, build, and repair houses. Meanwhile, at least 30 per cent of the disbursement value will be financed for home loans worth less than \$35,000.

In addition, this bank has just announced a report to collect shareholders' opinions on adjusting foreign investors' maximum share ownership to 30 per cent. Its current largest foreign strategic shareholder, Commonwealth Bank of Australia, has been holding about 20 per cent from 2010 to now.

"IFC's disbursement of a loan with a term of up to five years to VIB shows the trust that partners have for the bank," said Han Ngoc Vu, general director of VIB.

"This new loan will be added to the bank's capital structure, used to better meet customers' needs and enhance its stability in the face of market fluctuations."

SeABank also raised capital from the US International Development Finance Corporation with a loan of \$200 million.

Previously, VPBank successfully signed a syndicated loan agreement worth \$500 million from five major financial institutions, including the Asian Development Bank, Sumitomo Mitsui Banking Corporation (SMBC), Japan International Cooperation Agency, ANZ Bank and Maybank Securities Pte., Ltd., a member of Maybank Investment Banking Group.

The above international loan is the second successful capital mobilisation by VPBank in 2022 after the bank was disbursed a \$600 million syndicated loan in April from major European financial institutions in Asia, including SMBC, Maybank, Cathay United Bank, CTBC Bank, and the Central Bank of India.

"VPBank has continuously consolidated its strong financial potential to meet the increasing credit needs of customers for production and business activities as well as investment and development, by proactively diversifying capital sourcing both domestically and abroad," a

senior leader of VPBank said.

Besides the financial services sector, Vietnamese conglomerate Masan Group and The Sherpa Company, a direct subsidiary of Masan, have wrapped up a \$600 million syndicated term loan to enhance their footprint, marking the largest syndicated advance it has ever raised. While in syndication, the deal attracted 37 lenders despite several obstacles. The initial target of \$375 million was upped to \$600 million on the back of a strong market response.

HSBC acted as joint mandat-lead arranger, underwriter, and bookrunner on this landmark transaction. Stephanie Betant, head of Wholesale Banking at HSBC Vietnam, noted, "We are delighted to contribute to the development of Vietnam's consumer market through this breakthrough deal. Despite the uncertain global environment, we have successfully arranged the fully underwritten transaction to fuel Masan's passion for uplifting the lives of Vietnamese consumers."

According to FiiRatings, the actual cost of foreign currency-denominated debts may fluctuate between 13 and 17 per cent due to various elements, such as nominal interest rates, exchange rate insurance charges, guarantee costs, and transaction fees.

In light of stringent and restricted domestic capital mobilisation channels and limited M&A agreements, overseas financial sources and syndicated loans are nonetheless seen as a promising indicator for business expansion.

"This demonstrates the faith of international financial institutions in the sustainable development of significant Vietnamese firms, provided that the necessary data and credit profile are transparent. Fund-raising events may go forward as planned and their risk profiles will be considered in the interest rates. Some businesses have been able to alleviate debt maturity pressure and the requirement for debt restructuring," FiiRatings said. ■



An IFC-led loan will support VIB to boost its loan portfolio for individual customers