PHOTO: BLOOMBERG

A logo is seen in the lobby of the SGX Centre which houses the Singapore Stock Exchange Ltd. in Singapore

Vietnamese firms need time to list on foreign bourses

Vietnamese companies generally need around 2 to 3 years to prepare for an overseas listing, given the differences between international and Vietnamese accounting standards, as well as the high standards required for corporate governance and internal controls, Tony Dang Quoc Tuan, Capital Market Services Leader of PricewaterhouseCoopers Vietnam (PwC Vietnam), tells *Vietweek*.

Recent news reports have said that some Vietnamese companies want to be listed on overseas stock exchanges. Do you think that now is a good time for them to do it?

I believe that many companies will be listed on foreign stock exchanges in the next few years. Since overseas listing is a long-term, important strategy for a company, the ideal time to do it would depend very much on the readiness of the company than other external conditions.

At a time of economic crisis, the value of the business may not be high as the management's expectations, but, the chances for successfully listing in overseas markets may be higher as the stock exchange and the relevant professional parties will put in more effort. Vietnamese companies can benefit more from raising capital by listing in overseas exchanges. Doing so will also enhance their image, internationally and domestically.

Listings continue to take place during tough economic conditions as can be seen from the well established stock exchanges in the region like the Singapore Stock Exchange ("SGX") and the Hong Kong Stock Exchange ("HKEx").

Although 2012 and the first 6 months of 2013 have been considered difficult periods, many companies from other countries made their IPOs on these two exchanges. In the first 6 months of 2013, HKEx had 23 IPOs raising US$5.1 billion, while SGX had 9 companies raising $2.6 billion. In 2012, HKEx had 64 IPOs raising $11.6 billion and SGX had 21 IPOs raising $3.7 billion.

To date, no Vietnamese company has successfully listed in foreign stock markets. Why?

In fact, there have been several companies in Vietnam that have successfully listed on overseas stock exchanges. Vedan International (Holdings) Ltd has listed on HKEx since 2003, Vietnam Manufacturing and Export Processing (VMEP) Ltd since 2007 and Luks Group (Vietnam Holdings) Co Ltd since 1987.

Other companies which have significant operations in Vietnam such as PXP Vietnam Asset Management, Vietnam Holding, VinaCapital, Vietnam Property Fund Limited and XP Power are listed on the London Stock Exchange. However, these companies were mainly owned by foreigners before their IPOs.

In that sense, it might be true that there is no "Vietnamese company" listed on overseas stock exchanges at the moment.

There are several reasons why Vietnamese companies have not listed overseas. These include commercial reasons (price is not right, poor cost benefit ratios), legal framework, compliance with rules and conditions of the overseas stock exchanges, etc. I would like to comment only on the areas that I'm more familiar with as the reporting accountant during the IPO process and as the auditor for companies listed on overseas stock exchanges.

There are three main factors that show Vietnamese companies may not be ready for overseas listings. First is the application of international accounting standards ("IFRS") in preparing financial statements. Almost all Vietnamese companies use Vietnamese Accounting Standards (VAS) to prepare their financial statements and there are significant differences between the two standards.

The second factor is that overseas stock exchanges require a high level of corporate governance and strong internal controls. Most Vietnamese companies are not ready for this.

The third factor is the lack of resources to ensure compliance with rules and regulations after listing on overseas stock exchanges.

Which are the foreign markets most suitable for Vietnamese companies to be listed in the short run?

Choosing the right market is one of the most important decisions that a company needs to make when it comes to overseas listing. Each market has its own advantages and disadvantages. For most companies in the region, the popular overseas markets would be the SGX, HKEx and London Stock Exchange.

There are some advantages when listing in Hong Kong. It is a well-recognised international financial centre with an established legal system (British based), excellent banking infrastructure, a leading, sizeable capital market, and it has emerged as a global IPO centre in recent years. All major investment funds have substantial presence in or connection with Hong Kong.

Singapore has the advantages of being the Asian gateway for listings and being the most international stock exchange in Asia. Foreign companies with origins in Japan, Korea, India, Greater China, Southeast Asia, Europe, Australia and the United States constitute approximately 40 percent of SGX market capitalisation. It has international disclosure and corporate governance standards and no visa requirement for Vietnamese.

What are the basic requirements that Vietnamese companies should meet for successfully listing in these overseas exchanges?

There are many requirements for an overseas listing and a company needs professional advisors to prepare for those requirements. In term of financial requirements, HKEx requires a company to have profit of at least HK$20 million (eq. $2.6 million) for the most recent financial year, and profit of at least HK$30 million (eq. $3.8 million) for the 2 preceding financial years, and market cap of at least HK$200 million (eq. $26 million).

Or HKEx requires a company to have market cap of at least HK$2 billion (eq. $256 million), and revenue of at least HK$500 million (eq. $64 million) for the most recent financial year, and positive operating cash flows of at least HK$100 million (eq. $13 million) in aggregate for 3 financial years. Or a company needs to have market cap of at least HK$4 billion (eq. $513 million), and revenue of at least HK$500 million (eq. $64 million) for the most recent financial year.

Meanwhile, SGX requires a company must have minimum profit of at least S$30 million (eq. $25 million) for the latest financial year and have operating track record of at least 3 years; or must be profitable in the latest financial year, have an operating record of at least 3 years and a market capitalisation of not less than S$150 million (eq. $125 million); or must have generated operating revenue in the latest completed financial year and have a market capitalization of not less than S$300 million (eq. $250 million).

You have mentioned some requirements that Vietnamese firms should meet for successful listing in the overseas exchanges of Singapore, and Hong Kong. How do you assess the ability of Vietnamese companies in meeting the requirements?

It is quite clear that many Vietnamese companies would meet the financial requirement mentioned above. However, this is just one of the many requirements. Vietnamese companies may need 2–3 years to prepare the valuation, strategy, investor story; advisors and listing venue selection, financial reporting, risk management; historical track record and due diligence; corporate governance, etc.

A company would need to involve a professional firm to do the overseas listing readiness assessment before incurring too much time and money to prepare for the listing.

What are the benefits for Vietnamese firms listing abroad?

As mentioned above, overseas listing is a long term and highly important strategic decision for a company. All the benefits should be considered against the costs involved. Some of the key elements that a company should consider include boosting its international profile, improving corporate governance and transparency standards, acquiring additional funding sources, accessing international capital, increasing the diversity of shareholders and increase trading liquidity.

Reported by NGAN ANH, VW