

Title: Southeast Asian M&As gathering momentum

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Vietnam Investment Review

Southeast Asian M&As gathering momentum

Vietnam's mergers and acquisitions market continues to be a magnet for Southeast Asian buyers, especially those from Thailand and Singapore that are increasingly taking over local assets in the country.



Most recently, Thailand-based Banpu Pcl. acquired the El Wind Mui Dinh Wind Farm in the south-central province of Ninh Thuan. The purchase with a value of about \$66 million is subject to customary approvals and conditions precedents, with completion expected to take place in the fourth quarter.

The investment was made through associate company BRE Singapore Pte., Ltd. (BRES), in which the Thai company holds 50 per cent of shares through Banpu NEXT Co., Ltd. For this project, Banpu secured a feed-in tariff of 8.5 US cents per kilowatt-hour for a period of 20 years, in accordance with the power purchase agreement with Electricity of Vietnam.

Somruedee Chaimongkol, CEO of Banpu said, "The investment in wind in Vietnam is a testament to Banpu's continuous commitment to our greener and smarter strategy.

The El Wind Mui Dinh Wind Farm is our latest addition that helps expand the company's portfolio of renewable energies and generate more revenue and cashflow for Banpu."

Thai investors are the most active in Vietnam's mergers and acquisitions (M&A) market. As such, ThaiBev – one of Asia's largest beverage companies – spent nearly \$5 billion in 2017 acquiring stakes in Vietnam's leading brewer Sabeco.

Central Group made headlines by spending \$1.05 billion on Big C supermarkets, previously owned by the French company Casino Group in 2016. Prior to this deal, TCC Holdings, another conglomerate from Thailand, bought out the wholesaler Metro Vietnam Cash & Carry. The deal was valued at \$800 million.

Commenting on this trend, the representative of the Thai Business Association said that Thailand has expertise in consumer goods production and food processing. Meanwhile, Vietnam has abundant resources and the government is promoting exports. Therefore, the agribusiness industry is a perfect match, similar to consumer goods.

In addition, Thai businesses have expertise and potentials in renewable energy. As Vietnam is promoting green development, it also attracts Thai investors in the respective sectors. Likewise, Singaporean investors are also interested in M&A deals in Vietnam. For example, state-owned investment company Temasek Holdings and US private equity manager KKR are among a group of investors that acquired a 6 per cent stake in Vietnam's property developer Vinhomes for VND15.1 trillion (\$650 million) from its parent Vingroup in June. Temasek is very active in Vietnam's M&A market. In March 2019, Temasek also invested about \$100 million to become a major shareholder of VNG – the only unicorn to date in Vietnam. Last October, Temasek funded Vietnam-based logistics platform Scommerce, a leading e-logistics services company that is the parent of delivery startups AhaMove and GiaoHangNhanh (GHN).

Ong Tiong Hooi, transaction services partner of PwC Vietnam, told VIR that over the past five years, he noticed a significant increase in investments from ASEAN countries, notably Singapore and Thailand. Specifically, almost all investments made via Thailand have come through corporates looking to expand their value chain both horizontally and vertically into sectors such as beverages, retail, construction, packaging-related materials, and industrial products.

However, investments made via Singapore are mainly sovereign wealth funds into sectors such as last-mile delivery, commercial real estate, financial services, and e-payments. “In the last two years, some notable deals with values exceeding \$100 million are GIC’s stake acquisition in Vietcombank, VNPay, and VinMart, Temasek’s participation in Scommerce, and Stark Corporation’s stake in Thinh Phat Real Estate Cables JSC,” Hooi said.

Samuel Son Tung Vu, partner at law firm Bae, Kim & Lee Vietnam, said that Singaporean investors have been very active in Vietnam since the early years of the renovation in the 1990s with a strong presence in real estate projects, and industrial zones.

“Vietnamese companies are growing strong in fast-moving consumer goods and services, including finance, technology, and fintech thanks to the large and young population. That, together with steady economic growth, is an attractive feature for Singaporean buyers,” Vu added.

Despite such robust activities, Hooi believed that the scale of investors from the ASEAN has yet to match the diversity and volume of those coming from South Korea and Japan.

“For most of the ASEAN buyers, our general observation is that they do understand the general business practices in an emerging country, like Vietnam, as most of their countries underwent the same business trajectory before,” Hooi said. “Nonetheless, with the revelation of financial scandals in Europe in recent years, there is still a sense of caution among global investors – including ASEAN ones. Therefore, it is expected that they look for improvements in corporate governance, reporting standards, and business ethics in the near future.”

With the ongoing pandemic, it has been challenging for foreign investors to enter the country to conduct on-site visits and meetings. Although this has dampened the overall M&A market, there are increased activities by local corporates and funds as they are on-the-ground and able to move around freely.

Nonetheless, according to the PwC expert, it may be interesting to see developments over the coming months, especially as many countries are now facing new COVID-19 waves. Foreign corporates may now need to decide whether to continue expanding value chains or focus domestically on managing internal affairs.