



FOR IMMEDIATE RELEASE

Sabeco auction a milestone for Vietnam's capital markets

VinaCapital CIO Andy Ho comments on the positive developments that have led to a stock market re-rating

HO CHI MINH CITY, December 18, 2017 – Vietnam has reached a major milestone in the development of its capital markets, with the government moving toward the successful sale of a 54% stake in the country's largest beer company, Sabeco. This transaction will allow the government to raise USD4.85 billion, a valuation based on the closing price of VND320,000 per share (taken on November 28, 2017), giving Sabeco a market capitalization of around USD9 billion. This reflects a trailing price-to-earnings ratio (P/E) of over 46x and a price-to-book ratio of 14x. The VN Index currently trades at a trailing P/E of slightly over 18x.

Andy Ho, Chief Investment Officer of VinaCapital, commented on the transaction, as well as the broader development of the capital markets in 2017:

This Sabeco transaction will certainly bring a lot more attention to Vietnam's capital market and hopefully more foreign capital inflow, which has already been at a record level this year. Foreign Indirect Investment stands at USD5.3 billion in the first 11 months of 2017, according to the General Statistics Office.

Toward the end of the second half of 2017, we saw a few major transactions that have significantly re-rated Vietnam's capital market valuation, with the VN Index expanding from the lower teens into the upper teens. Vietnam is now in line with the regional average of around a P/E of 18 to 19x TTM.

Vietnam saw two major IPOs, VP Bank and Vincom Retail (VRE), which went public at valuations of USD2.6 billion and USD3.4 billion, respectively. It then saw Jardines buy 10% of Vinamilk, which currently has a valuation of USD13 billion, a nice step up of over 30% within a few weeks.

The implications for the capital market are a bit uncertain. One could conclude that we are now heading into a lofty valuation range, but one could also argue that many markets around the world, including the US, are in this territory. As such, investors are constantly looking for excuses to take profit and brokers are also looking for excuses to reign in margin lending, which coincidentally is at a record level of over USD1.8 billion.

The positive effects of the Sabeco transaction also bode well for the foreign exchange and bond markets. The VND should become even more stable as we expect this money, in USD, to go straight into the State Bank of Vietnam's foreign reserve, which we believe currently stands at around USD46 billion. Further, the additional capital into the bond market will result in lower bond yields. Last week, on the

back of rumors of this deal, the 10-year bond yield declined 14bps to 5.28%, despite the US rate increasing by 25bps.

In summary, this is very good news for Vietnam's equity and debt markets. The total market capitalization of both the Ho Chi Minh and Hanoi stock exchanges is currently over USD145 billion, which is around 65% of total GDP. We look forward to more major assets being sold by the Government in 2018, which along with more IPOs from large private businesses, should boost this ratio to 100% of GDP in the coming years.

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About VinaCapital

Founded in 2003, VinaCapital is a leading investment management and real estate development firm headquartered in Vietnam, with a diversified portfolio of USD1.8 billion in assets under management. VinaCapital's expertise spans a full range of asset classes including capital markets, private equity, real estate, venture capital, and fixed income. For more information about VinaCapital, please visit www.vinacapital.com.

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