

# Spotlight on Alternatives Platform

Q1-2023 |





## MESSAGE FROM VINACAPITAL'S CHIEF EXECUTIVE OFFICER AND FOUNDING PARTNER

Happy Lunar New Year 2023!

This year marks VinaCapital's 20th anniversary. In 2003, we and my then-partners launched the company with a single fund of USD9.5 million to invest in listed and private equity as well as real estate. Today, that fund, now called the VinaCapital Vietnam Opportunity Fund, is listed on the Main Market of the London Stock Exchange, with a net asset value of approximately USD1 billion, while the company's assets under management now total USD3.6 billion.

From VinaCapital's very beginning, we knew that we wanted to provide investors with solutions to participate in Vietnam's economic growth across all major asset classes, not just listed stocks. We recognized back then that the opportunities for investment were virtually limitless, and we continue to believe that some of the most exciting investments in Vietnam tend to be outside of the stock market.

Our approach to alternative investments has evolved over the past two decades. What started out as a modest co-investment vehicle focused on private equity is today a diverse, multi-asset platform investing in venture capital, real estate and hospitality, infrastructure, and clean energy, along with private equity, with investors that include some of the leading multinational players in their respective industries and regions.

I am proud that VinaCapital is the only investment management company in Vietnam that gives investors access to these kinds of opportunities. If you have any questions about what you read in this newsletter or would like more information about VinaCapital's alternative investment platform, please do not hesitate to contact me or our business development team.

Wishing you all the best for a happy, healthy, and prosperous 2023!

Don Lam





# ENERGY & INFRASTRUCTURE

Vietnam's energy sector is at an inflection point. The country is focused on developing sustainable energy solutions, and VinaCapital is at the forefront of private sector investment across a diverse portfolio of energy projects, providing both transitory and long-term solutions for Vietnam.

## KEY MARKET INSIGHTS

### Energy

- In just five years and from a low base starting point, Vietnam's renewable energy sector has grown significantly, with solar power capacity of 16.5GW and wind power capacity of 4GW as of the end of 2022.
- With the promising capacity allocation in the draft Power Master Plan VIII and the Government's commitment to the net-zero target by 2050, renewable energy is poised to become an important part of Vietnam's energy mix.
- The plan is backed by international support, as evidenced by the International Partners Group (EU, UK, France, Germany, US, Canada, Japan, Norway and Denmark) commitment to mobilise USD15.5 billion of public and private financing over the next three-to-five years to support Vietnam's green transition through an initiative called the Just Energy Transition Partnership (JETP).
- Vietnam is also expected to lead renewable energy deployment in ASEAN region during the period from 2022 to 2027, according to an IEA report.
- The renewable sector continues to attract interest from international investors, especially in the offshore wind segment.

### Infrastructure

- Infrastructure remains a pivotal investment theme of the government's economic recovery strategy.
- The infrastructure sector is an untapped investment opportunity in Vietnam, as the country needs c.USD240 billion for infrastructure development until 2030 to achieve the UN's Sustainable Development Goals.
- The government issued a list of 157 infrastructure projects, of which 79 are physical infrastructure (\*) with total investment amount of c. +USD47 billion that need FDI investment during the period 2021-2025.
- To grow the market, the government will need to leverage domestic and international capital markets and attract private investment.
- Therefore, there are ample opportunities for private investors in infrastructure, by developing projects independently or via the Public-Private Partnership path.

(\*) Physical (hard) infrastructure is the physical system needed to run a modern, industrialized nation (e.g roads, highways, bridges..)

Social (soft) infrastructure represents human capital and institutions necessary to maintain an economy that delivers certain services to the population (e.g schools, hospitals..)



## 2022 ACTIVITY HIGHLIGHTS

- We entered an official agreement with EDF Renewables following our MOU execution in Paris last year. The platform with EDFR will develop a minimum of 500MW of onshore wind projects in the central highlands of Vietnam.
- The Long An LNG project is on track, with the Environmental Impact Assessment approved and the Feasibility Study submitted to Ministry of Industry and Trade.
- SkyX Energy, our rooftop solar company in partnership with EDFR, has grown significantly to double in operating capacity via both organic growth and M&A.
- We set up a new platform in 2022 to focus on developing urban infrastructure projects which are approved by the government for the period of 2021-2030, such as waste-to-energy projects, water and waste processing plants, toll roads, and bridges.

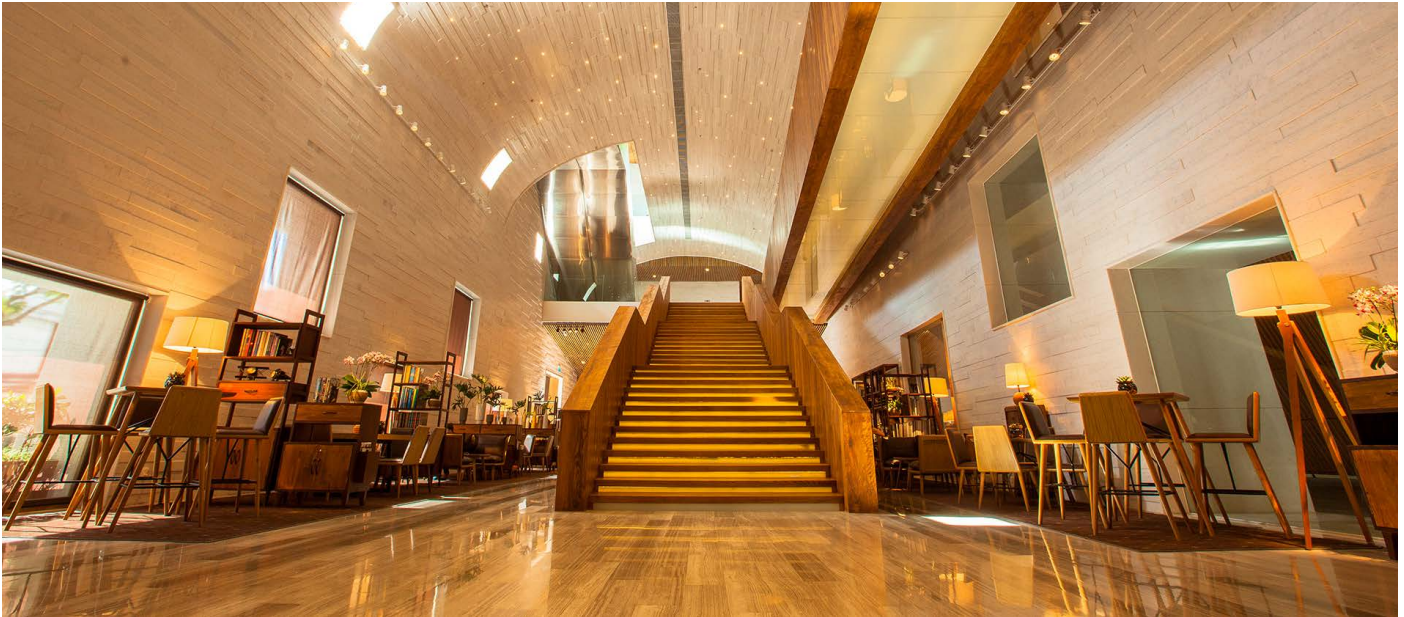


## STRATEGY/PLAN FOR 2023

- Large-scale renewable energy: To fundraise and develop a portfolio of c. 1.0GW of renewable energy in the coming years. VinaCapital will aim to own a diverse portfolio of both developing and operating renewable projects.
- Rooftop solar: Portfolio grows to 200MWp and secures long-term partnership with strategic FDIs in Vietnam.
- Long An: To embark on PPA negotiation and execution, and EPC bidding to achieve target planned commercial operation date.







## PRIVATE EQUITY

The VinaCapital Co-Investment Fund focuses on making mid-market, growth capital investments in Vietnam by co-investing with the VinaCapital Vietnam Opportunity Fund, which is listed on the Main Market of the London Stock Exchange. With a track record since 2003 and total AUM over \$1 billion, the private equity team led by Andy Ho is the leading growth capital investor based in Vietnam. Investments are in companies across a range of sectors benefitting from Vietnam's domestic growth story, such as healthcare, education, consumer staples, real estate, and materials. Its strategy is to seek alignment with strong management teams, to obtain performance commitments and downside protections, and to achieve exits via strategic sales or IPOs over a 4–6-year horizon.

## KEY MARKET INSIGHTS

Global M&A activity during 2022 dipped significantly from the record levels seen in 2021, and Vietnam was no different. Investor appetite for M&A and private equity investments eroded over the course of 2022 due to interest rate hikes by the US Federal Reserve, a corresponding rise in the value of the US Dollar relative to the Vietnam Dong, and certain actions taken by the Vietnamese authorities to better regulate the corporate bond market, especially for real estate developers.

However, the fundamentals of Vietnam's fast-growing economy continued to be strong, with GDP growth at around 8% for 2022 driven by retail sales, manufacturing activity, and FDI disbursement into Vietnam at its highest-ever level of USD22.4 billion. VinaCapital's private equity strategy is centred around businesses that grow with domestic consumption, which is being propelled by a rapidly increasing middle class. We anticipate that these factors will continue, presenting good opportunities for investments in the coming years.



## 2022 ACTIVITY HIGHLIGHTS

During 2022, VinaCapital's private equity team continued the pace of its activities with over twenty-five potential investment opportunities reviewed, six transactions that proceeded past initial review, and two completed investments – with over USD50 million deployed. A major divestment was concluded with the sale of Ngoc Nghia Group, a leading manufacturer of plastic packaging, via a strategic sale to Indorama Netherlands.

We are pleased that our Co-Investment Fund investor agreed to commit to the second vintage of the fund. We anticipate making investments over the next two years, with the first transaction already concluded in early January 2023.





## STRATEGY FOR 2023

The various macro-economic headwinds mentioned above have increased borrowing costs for Vietnamese corporates and drained liquidity out of Vietnam's stock markets as investors switched to bonds. Looking forward, the current low levels of public company valuations (the VN-Index is now trading at around PER 10.6) presents good opportunities in private markets as well. We are optimistic that investors can find well-managed businesses that need capital to continue growth in these difficult times.

Our private equity team will continue to focus on mid-market, growth capital investments, taking significant minority stakes in businesses which have a sustainable business model with strong leadership teams. Given current conditions, our terms may focus more on downside protections and convertible instruments. We will be selective with the sectors that we invest in during 2023, choosing those that have the most immediate capacity for growth, such as consumer staples, education, and healthcare.





## VENTURE CAPITAL

VinaCapital Ventures is a Vietnam-focused venture capital platform that invests in and builds world-class technology companies with the goal of incorporating them into a full digital ecosystem. Its mission is to help entrepreneurs build companies that make a significant impact on the lives of people in Vietnam and beyond.

### KEY MARKET INSIGHTS

While most markets witnessed major declines in venture activities, venture funding in Southeast Asia showed positive signs in the first nine months of 2022 at USD12.7 billion (versus full year 2021 at USD14.2 billion).

2022 also witnessed a slow transition in preferences for Seed & Pre-A to A and B round participation, as VCs are willing to follow on investments within sectors that show resilience during turbulent times.

Late-stage rounds saw a dramatic decline due to concern for inflated valuations, as most VCs expect valuations to continue to fall. IPO prospects have been paused in an environment of rising interest rates and plummeting valuations.

### 2022 ACTIVITY HIGHLIGHTS

#### Investment activities

Led and completed the seed financing round of M3TA Inc., a Web3 Data Analytics Platform. Within six months, M3TA has analyzed over 10 Terabytes of on & off-chain data from 213 projects and 21M+ crypto wallets on the Klaytn protocol (Korea's leading layer 1 blockchain). This seed financing round included participation from notable Korean investors.

#### Follow-on investments included:

1. HomeBase, a leading proptech platform that provides real estate investment and financing solutions for individuals in Vietnam. The company surpassed USD21 million in gross transaction value and currently has 77 properties under management. Other investors for the pre-series A round included Y-Combinator, Partech Partners, and Goodwater Capital.
2. Validus, the top SME-lending marketplace in Southeast Asia, which secured a first tranche in a series C-1 round with the participation of VinaCapital Ventures, Vertex, and FMO, as well as new strategic names from Korea & Japan (NongHyup Group, NorinChukin Bank, Aizawa Asset Management, and Lotte F&L Singapore).

#### Leading position of portfolio companies:

**DutyCast:** Successfully expanded to Singapore; completed integration with omnichannel e-commerce and live-streaming partners (TikTok, GoStream, Appota, etc.)

**Ecomobi:** The biggest creator platform in SEA with over 300,000 content creators joining; opened new offices in PH and TH.

**Urbox:** Net cash positive after three years, onboarded over 256 brands and 11k+ stores nationwide. 77K active app users & 2.3 mil. vouchers redeemed. Raised USD2.2 million pre-series A funding from Touchstone, Pavilion Capital, and VinaCapital Ventures.





**NextPay:** 30% market share of the total POS terminal market, currently the largest non-bank player.

**Validus:** Disbursed loans worth over USD2 billion in total to SMEs in Southeast Asia; acquired the loan portfolio of Citi Singapore's small business banking unit; together with Citibank established a USD100 million **securitization facility**.

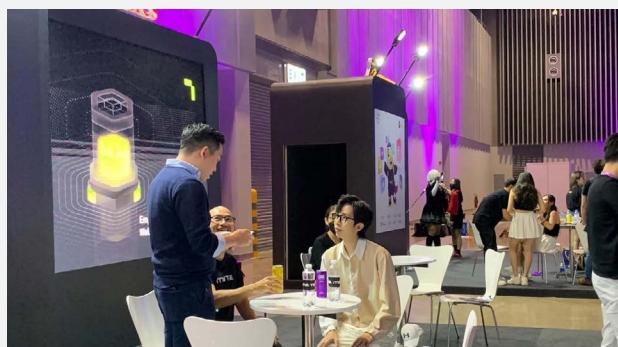
**Sygnum:** Received In-Principle Approval from the Monetary Authority of Singapore; possible equity valuation of USD1 billion, officially making the company a "unicorn."

Of VinaCapital Ventures' portfolio, 11 out of 16 companies are currently in the process of raising funds, with total capital raised to date of over USD175 million.

### Community Activities



Actively connecting enterprises and investors with startups



Attended notable events to meet with potential start-ups across SEA



Joined as panel speakers or judges at several local and regional events

## STRATEGY AND PLAN

### V2 Plan for 2023

Expected to close an additional 4-5 deals by the end of 1H23

### V2 – 3-Year Objectives

30% of the current portfolio of companies is successfully divested

3x return on multiple (MOIC)

To launch USD100 million new Growth-Stage VC Fund ("V3")







## VINALIVING

VinaLiving is Vietnam's first lifestyle and tailored-living brand that caters to the new generation of Vietnamese homeowners. The VinaLiving collection of properties delivers customized living environments across a range of developments situated in premium locations. Our properties are developed to meet the growing demand in Vietnam for something "above the normal". It's not simply about building houses, but about designing a lifestyle and a vision for the future.

## KEY MARKET INSIGHTS

During the first half of 2022, housing prices soared on the back of the post-pandemic economic recovery and the growing demand from homebuyers. However, the industry was put in reverse in the last few months of the year as the government changed its stance on the credit and corporate bond markets.

Although the real estate sector is facing a liquidity problem, prices have steadied on the back of a tight supply of new residential projects. According to recent surveys, there remains substantial demand for affordable houses and investment assets with unique features and locations. As the market goes through a challenging period in the cycle, we see opportunities for developers that are well-capitalized and able to quickly roll out products that meet market demand.

## 2022 ACTIVITY HIGHLIGHTS

Despite market turbulence, the construction progress of VinaLiving's key projects was largely on track thanks to prudent financial and development management.

Our Quy Nhon portfolio, The Ocean Villas Quy Nhon (Maia Quy Nhon Phase 2), has exceeded expectations on both the sales and construction fronts, with 290 villas set for delivery in Q1/2024.

December 2022 saw the handover of 77 kiosks of The Thon, our modern twist to a traditional market with F&B and merchandise outlets that will provide livelihoods for local small business owners and complement the surroundings of our Vinh Hoi Project.

For our Ben Luc Waterfront project, the designs and master plan dossiers are ready for submission. As the compensation process marches towards the finish line, we are close to securing additional funding for the clearance and development of the project.

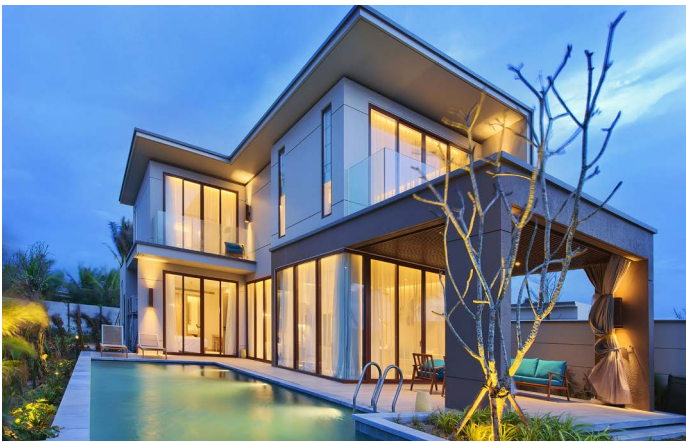
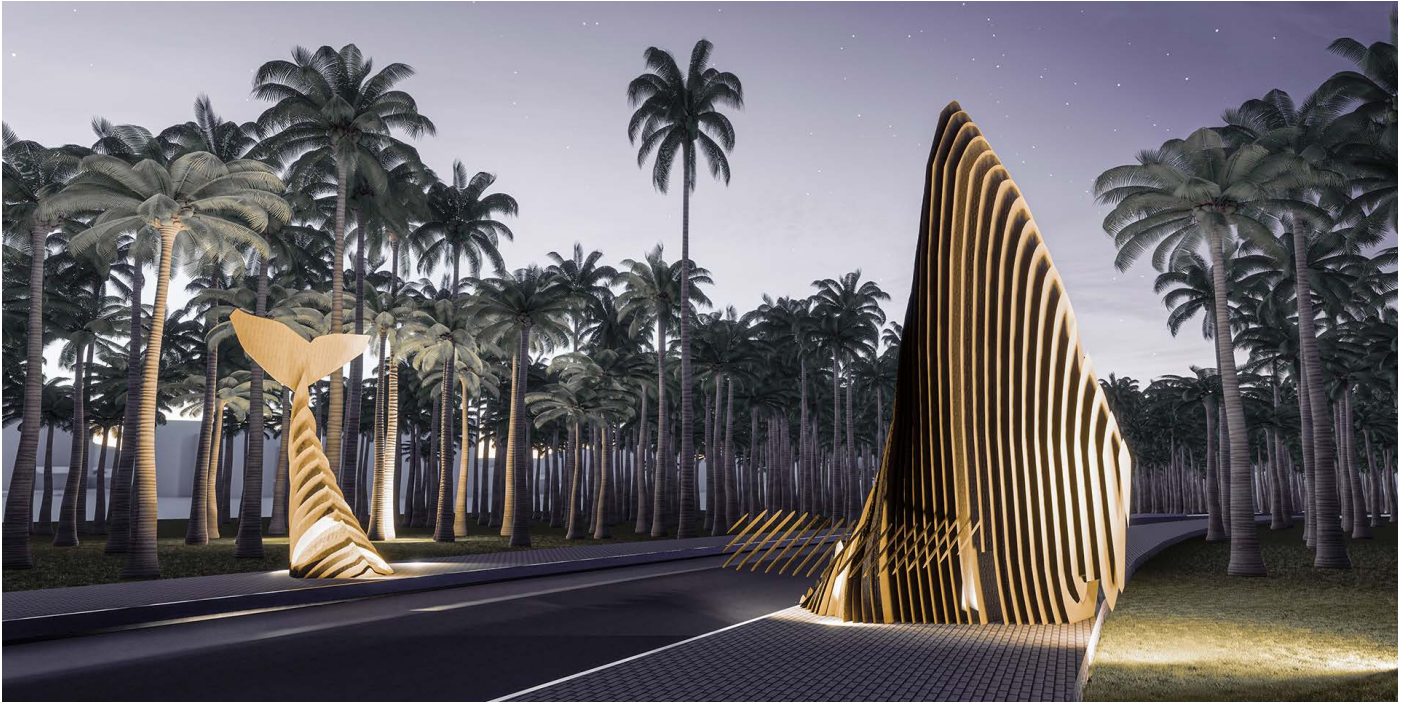




# VINALIVING

## STRATEGY / PLAN FOR 2023

Our priorities in 2023 include recalibrating our sales program to reflect the new market conditions and refining our design and development to capture the evolving tastes of our target customers. Given VinaLiving's solid financial position and our network of investors and partners, we believe this as an excellent time for potential acquisitions across all geographical and product segments.







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