

M&A 'taste' changing

If the real estate, consumer, banking sectors, etc. were the leading targets for the merger and acquisition (M&A) activity, many new groups of industries have emerged this year.

Typical is the automotive industry. Due to economic difficulties, the strong decline in the industry's profit, the increasingly intense competitive challenges, many businesses have chosen not to increase scale through M&A activity in order not to be left behind.

Starting the M&A wave in this industry was Hoang Hoa Service Investment JSC (coded HHS). Earlier this year, this company announced the plan to acquire 99.78 percent stake in Hoang Giang Service Development JSC. Through the above-mentioned M&A, Hoang Huy will increase its position in the business segment of medium and heavy trucks against many famous brands. If the M&A is successful, the company's revenue in 2015 is expected to reach nearly 3.4 trillion dong and the after-tax profit is 283 billion dong.

Being famous and having a large scale in the industry, Vietnam Motor Industry Corporation (Vinamotor) has also hit the market in recent years when the Ministry of Transport wants to divest entire state capital in Vinamotor (97.7 percent of the share).

Recently, there have been at least four businesses that want to gain a dominant role in this company, including TMT Automobile JSC, Sacom Investment and Development JSC, Motor N.A Vietnam Co., Ltd and Thanh Cong Ninh Binh JSC.

Talking with reporters of the local newswire Vnexpress, the representative of Vinamotor says that they are waiting for the capital divestment method from the consulting unit. And if investors are still interested, they will auction as prescribed. However, this unit still expects that the final partner has the same major industry to continue the path that Vinamotor has chosen which is the production and installation of the cars.

Not as bustling as Vinamotor or Huy Hoang, just in the beginning of March, the market has appeared a new factor when a Thailand automobile business, namely Chairatchakarn spent nearly \$3 million to purchase a 22.6 percent stake in Truong Long Auto and Technology company (coded HTL), a major agent of Hino Motors Vietnam.

Commenting about the excitement of this industry, a leader of a securities company in HCM City says that the market capitalisation of automotive businesses is still low so the M&A activity will be even "hotter" in the near future.

As exciting as the automobile industry is the aviation and port sectors which are also welcoming the "M&A" wave. Especially, many domestic private investors want to own these two new fields.

For seaport sector, the deal that attracts most attention from many investors is that T&T group, owned by Do Quang Hien, wants to become the controlling shareholder of the second largest port in the North - Quang Ninh port. This giant has submitted documents to the Ministry of Transport and the government proposing the acquisition of the entire state capital at minimum 490 billion dong.

Moreover, T&T also wants to own Phu Quoc International Airport.

Apart from Hien, other giants in the construction and real estate sectors also participate in the “game”. They have surveyed the market over many recent years, but till the beginning of last year, the emerging giant in the construction industry Tran Tuan Loc proposed to the Ministry of Transport to become the strategic shareholder of Nghe Tinh port (Nghe A). Or Quy Nhon port (Binh Dinh) also received special attention from a real estate business headquartered in Hanoi.

For aviation sector alone, apart from international airports sought by many investors, the successful IPO of the big giant in the industry namely Vietnam Airlines also creates a new “wind” helping M&A wave in this field to increase. Recently, the Ministry of Transport has urged Vietnam Airlines to quickly list on the stock exchange. This shows that the state has partly ceded the managing right to private investors.

An industry, though still struggling, even being considered as having saturated as electronics, is still looking to by both foreign and domestic investors.

Marking the first M&A activity in this industry is in this January, Power Buy – a unit belonging to Thailand’s Central Group completed the purchase of 49 percent stake in NKT New Solution And Technology Development Investment JSC that owns Nguyen Kim Trading company. This activity not only helped Nguyen Kim overcome many difficulties, but also helped the foreign investor have change to win the market share in Vietnam more easily and quickly.

After Nguyen Kim, some other units in the electronics industry also make M&A plan. Most recently was Mobile World Group (MWG). At the company’s annual general meeting in early March, MWG declared that it would strengthen the M&A activity this year. No specific name of an organisation was mentioned but the business leader says that they are interested in chains in the same industry and **partners** who specialise in repairing and maintaining electronic equipment.

Talking with reporters of the local Newswire Vnexpress, economic expert Dinh The Hien says that, the M&A 2015 is taking place in the context that the market is becoming more vibrant and diversified than in the previous years. “If previously, real estate, consumer and banking sectors were exciting with large deals, infrastructure sector has now become the playing field for investors who have large and long-term potential”, said Hien.

He also adds that if previously, the infrastructure sector fell entirely in the hand of the government then now, with the strengthened socialisation process, the State has reduced the ownership rate and its intervention in the business activity so the above-mentioned businesses have become more attractive in the eyes of investors.

On the other hand, as Vietnam will participate in Asean Economic Community (AEC), Vietnam-EU Free Trade Agreement (FTA), Trans-Pacific Partnership Agreement (TPP) in 2015, the competition will be very intense. Therefore, only by restructuring and teaming with investors who have potential, ambition and good strategy can businesses overcome difficulties. “Especially, for infrastructure sector, including aviation, ports, it is very necessary to have investors with large capital scale and good long-term strategic thinking. Therefore, M&A in this field is expected to be most attractive this year”, strengthened Hien.

Forecasting the M&A market this year, as per Hien, the M&A deals in real estate and retail sectors will not decrease. For the production and agriculture sectors, there has been nothing outstanding except for Kinh Do's M&A. The year 2015 will be the start for the shift of M&A to new fields in a stronger and more substantial way.

Source: <http://www.intellasia.net/>