

## Vietnam's M&A waiting for a new boom

**Vietnam has witnessed dynamic mergers and acquisitions in both domestic and foreign firms of all sizes.**

 The rapid growth comes from opportunities created by trade agreements with other countries and Vietnam's new policies to increase foreign ownership in Vietnamese enterprises and allow foreigners to buy houses in Vietnam.

The Vietnamese M&A market heated up again last year reaching US\$4.2 billion, up 15% from 2013. The average was worth **about US\$11 million**. Most of the deals involved large foreign corporations.

Retailing was the biggest attraction: 36% of the value of the M&A deals were in retailing. With a population of 90 million, 60% of them of working age, Vietnam is attractive to both domestic and foreign retail investors.

Last year, Vingroup became a dominant M&A player by acquiring Ocean Mart to build its Vinmart brand. Other noteworthy deals are Thai BJC Group's acquisition of Metro Cash & Carry Vietnam and Aeon of Japan's plan to invest in Citimart and Fivimart.

The second most attractive sector was consumer goods manufacturing, with 21% of total M&A value in 2014.

By the middle of this year, the banking sector had seen mergers between Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank) and Petrolimex Group Bank (PG Bank), between Saigon Commercial Bank (Sacombank) and Phuong Nam Bank, and between the Bank for Investment and Development of Vietnam (BIDV) and the Mekong Housing Bank (MHB).

Nguyen Thanh Ha, Director in charge of customer service for Vietnam Prosperity Commercial Bank (VPBank), said "there are well-run businesses who want to expand their investment in already successful areas but need capital. They are ready to call on trading **partners** who have the same business and orientation to help them grow in a sustainable manner for their mutual benefit. This is an obvious orientation in M&A deals that we are promoting."

Economists say M&A activities in Vietnam will boom this year because the law on investment and the revised enterprise law took effect early last month along with the removal of the foreign ownership limit for listed companies, the accelerated equitisation of several large SOEs, the continued interest of foreign investors, and the growth of domestic companies.

Thai Viet Anh, Deputy Director of PetroVietnam Securities Incorporated, said "starting this year, state-owned enterprises are likely to experience many M&A deals because, first, it's pursuant to the government's directive to speed up SOE restructuring and second, there are mechanisms for SOEs to sell shares more flexibly to shareholders, especially foreign investors."

Vietnam's coming participation in the TPP and other FTAs represents a significant opportunity for more

M&A activities. And 2015 is also the deadline for ASEAN to establish its own free trade area. Once that happens, all ASEAN economies will become a single market with 600 million consumers.

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