



Vietnam Market Entry

Seize the opportunity

2017 and beyond

KPMG was established in Vietnam in 1994, at a time when Vietnam was reopening its doors to investment.

KPMG is the largest professional services firm in Vietnam with offices in Hanoi, Ho Chi Minh City, Da Nang, and Thanh Hoa. KPMG also has an office in Cambodia's capital city Phnom Penh. With more than 1,000 professionals in Vietnam, KPMG is proud of its ability to deliver international standard professional services encompassing:

- Audit
- Tax & Legal
- Consulting
- Deal Advisory

KPMG is recognised by the Ministry of Finance (MOF) and Vietnam Association of Certified Public Accountants (VACPA) as Vietnam's largest Audit and Advisory firm in terms of revenue, partner numbers, and overall human resources. KPMG has also received awards and accolades from the Vietnamese government for its contribution to the nation's audit, tax, legal and advisory professions.

As a leader in the professional services industry, KPMG regularly advises the Government of Vietnam and international organisations in support of Vietnam's reform and integration programmes.



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Why Vietnam?

The fast growing Vietnam market offers a number of attributes that makes investing in Vietnam attractive to foreign investors:

Stability:

As one of Asia's and the world's fastest growing economies, Vietnam has remained a country with political and social stability.

Transparency:

Vietnam is campaigning hard to combat corruption and enhance its reputation as a safe country for foreigners to live, work and invest in. Bureaucratic reforms in recent years were aimed at streamlining business processes and providing a more consistent interface between market participants and the Government.

Geography:

The Mekong Region (including Thailand, Cambodia, Laos, Myanmar and the southern provinces of China) provides an increasingly affluent market of over 250 million people. Vietnam's GDP growth averages 6-8% per year.

Increasing Integration:

Vietnam has implemented a raft of legal reforms and is a member of ASEAN and the WTO, and signed numerous FTAs. This helps provide a comprehensive roadmap towards economic prosperity in the next decade and enhanced Market Entry alternatives for both new and existing participants.

Unlimited Upside:

Vietnam has a young, educated and motivated population of around 90 million.

Market Entry Group

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We have responded to the need for comprehensive, reliable and quality Market Entry support through compiling a team of professionals drawn from KPMG's Tax, Legal & Advisory divisions in Ho Chi Minh City and Hanoi.

”

Warrick Cleine

Chairman & CEO

KPMG Vietnam and Cambodia



KPMG Vietnam in The Discussion with Minister of Planning and Investment “Vietnam economy 2015: Opportunities and challenges” on March, 2015 in Hanoi.

KPMG's Chairman and CEO Warrick Cleine (the 7th from the left), H.E Minister Bui Quang Vinh (the middle) along with other KPMG's partners.

Our experts come from various backgrounds including accounting, finance and law. They work together in order to share ideas and add value to your business.

The mission of this group is to provide international standard services to potential market participants. The group acts as a bridge between participants and Vietnam's authorities and trading partners, providing intelligence, advice and support regarding Vietnamese regulatory, financial and commercial issues.

Where necessary and appropriate, KPMG will work with external partners, including Vietnamese consulting firms, to ensure the success of Market Entry projects.

Whether providing a comprehensive “turnkey” market entry solution, or addressing a specific issue or problem in support of a larger project, KPMG has the resources and expertise to provide dedicated professional support to entities exploring, entering or altering their presence in the Vietnamese market.

Market Entry Strategy

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Our Strategy team advises clients on the issues that influence their investment decisions.

”

Dr. Nguyen Cong Ai

Senior Partner

Head of Market Entry

KPMG Vietnam



The Strategy team's multi-disciplinary and industry-focused professionals work on both local and cross-border transactions, drawing upon KPMG's global network of industry specialists to advise on specific deal issues. We bring you the right mix of strategy skills, commercial knowledge and practical deal experience, whether you are considering an acquisition, expansion, divestment, merger, joint venture, 100% foreign invested enterprise or other strategic alliances.

We offer a range of services across the deal spectrum from pre-deal investigations to post-transaction advisory. We highlight some of our key services below:

Market due diligence

With your planned investment in mind, we study the market size and growth potential, regulatory and competitive environment, key drivers and possible future developments in detail. We help you assess the attractiveness of the industry and evaluate whether the opportunity is realistic as you build a strategy to enter or expand in the market.

Corporate intelligence / background check

Keeping in mind that having the right partner in a new market is the key to success, we help you assess your

business partner in Vietnam by evaluating their business licence, operations, and financial situation, as well as the reputation of the management team.

Commercial due diligence (CDD):

When you wish to enter the market through acquiring an existing market player ('the target'), we will assist you in the decision-making process by conducting a CDD. In short, a CDD is the process of evaluating a target in reference to its market and, above all, whether the company is positioned to succeed. We tackle the key issues such as market conditions and outlook, macroeconomic influences, industry structure, regulatory environment, competitive position and relationships with key customers and suppliers. Most importantly, we will challenge the target company's forecast growth assumptions in light of market changes.

Regional and location analysis

The process of choosing the right location for your operation can be tricky. Not only will you have to consider the costs involved, but also the plethora of regulatory complications of each province or locality. We can help you analyse and develop a series of financial and non-financial elements for the specific factors that drive your investment decision.

Profit and capital repatriation strategies

Profits can generally be repatriated, so long as all applicable taxes are paid and regulatory requirements are met.

Our research is conducted confidentially, and reports can be provided in English, Japanese, Chinese or Vietnamese.

Target identification and analysis

When you wish to enter the market through acquiring an existing market player, we will help you in identifying a list of potential targets that may meet your investment criteria. We will then make initial contact with the potential targets to gain more information on their view on the potential investment opportunity, as well as to obtain more detailed information on the targets' business. We will then report the results of the discussion to you for your further consideration.

Labour Issues

Our consultants can advise you on salary requirements, social security, pensions, and unemployment and health insurance. On 1 November 2013, obtaining a work permit for foreigners has become more difficult due to procedures having become stricter. Our consultants can assist you to obtain a work permit.

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FDI By Sector

Industrial Manufacturing

\$15.600 million of total capital, 1020 new projects and \$5.100 million of increased capital

Transportation and warehouse

\$880 million of total capital, 88 new projects, however minor \$30 million of increased capital

Technology

\$930 million of total capital, 282 new projects and \$315 million of increased capital

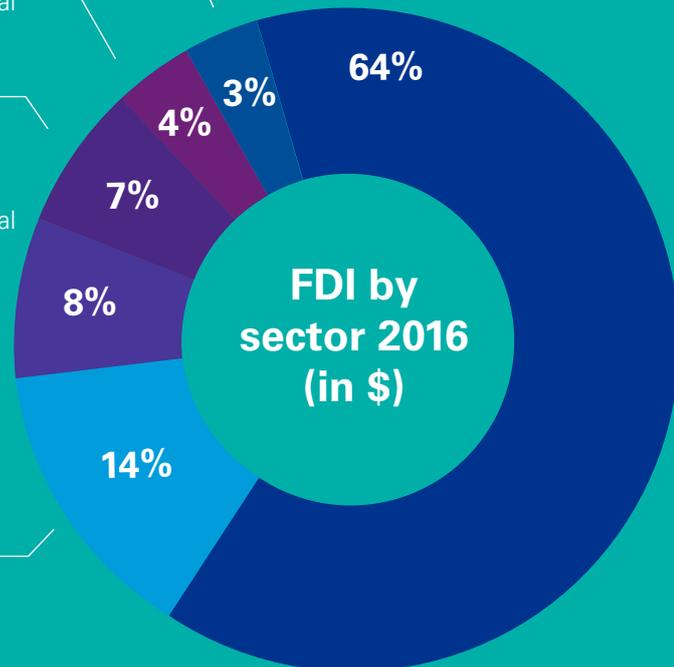
Real Estate

\$1.700 million of total capital, 59 new projects, however minor \$560 million of increased capital

Retail, Automotive

\$1.900 million of total capital, 505 new projects and \$320 million of increased capital

Other



FDI By Country

 **29%**
South Korea

 **10%**
China

 **8%**
Singapore

 **11%**
Japan

 **8%**
Taiwan

Market Entry Process

KPMG's Market Entry process recognises that the key to a successful project is rigorous enterprise, and industry-specific research and analysis, before decisions and commitments are made. This applies whether the Market Entry is conducted by way of an acquisition, greenfield investment, or third party contractual arrangement.

Understanding the market landscape is a key requirement for potential investors in strategic decision making.

Market due diligence

We will provide advice on your proposed business activities, including the options available under Vietnamese investment regulations and international commitments.

Regional and location analysis

Our expertise permits us to provide you specific advice concerning the geographical areas attracting investments incentives.

Corporate Intelligence / Background check

Our research team can provide market, government and competitor intelligence, relevant to your business decision.



Tax and Legal Analysis

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KPMG can provide comprehensive analysis and advice on the regulatory, commercial and practical issues associated with entering the Vietnamese market.

”

Richard Arthur Mark Stapley-Oh

Partner, Head of Legal
KPMG Vietnam



The purpose of our Pre-Entry Issues Advice is to ensure that decisions and market entry plans are made based on all available information to avoid any surprises, and covers:

Deal structuring and Corporate Structuring Options

We analyse, and provide you with, a set of alternative structures for your deal and business presence in Vietnam. In our analysis, we will highlight the advantages and disadvantages of each particular structure.

Vietnamese Tax Issues

This includes going over corporate taxes, transaction taxes and import and export duties. Specifically, we will analyse and advise on ways to obtain maximum tax incentives.

Business licensing issues

We will discuss the licensing body and licensing process, with a focus on restrictions, conditions and procedures, and will highlight the practical issues associated with the process.

Employee issues

This includes employing a foreign and local labour force, and associated tax and immigration issues.

Profit and capital repatriation strategies:

Foreign exchange issues, as well as accounting and financial reporting issues



International Tax Review, 2017

This service can include “anonymous” discussions with, or formal approaches to, the relevant authorities to assess their attitude or approach in respect of uncertain or contentious issues.

Deal Execution



Year		Ranking
2015	KPMG	1 st
2014	KPMG	2 nd
2013	KPMG	1 st
2012	KPMG	1 st

Which approach is taken in the licensing or deal execution phase will depend on the nature of the Market Entry strategy adopted. Acquisitions will include comprehensive financial, tax and commercial due diligence.

Commercial due diligence (CDD)

As we already mentioned, a CDD is the process of evaluating a target in reference to its market and, above all, whether the company is positioned to succeed. We tackle the key issues such as market conditions and outlook, macroeconomic influences, industry structure, regulatory environment, competitive position and relationships with key customers and suppliers. Our integrated approach, which combines commercial, financial and tax due diligence services, gives you a deeper understanding of the business.

Tax and Legal due diligence

A Tax and Legal due diligence helps you to evaluate the potential tax liabilities of the target by reviewing and assessing the past, present and future tax situation of the company. Our professionals will work in close co-operation with your team and may approach the local tax authorities if required.

Financial due diligence (FDD)

KPMG's Deal Advisory Services professionals will assist you in evaluating the target's financial situation and assessing the assumptions made in their projections.

Licensing support

KPMG will help you to get a clear Deal Execution view of Vietnamese legal requirements, licensing procedures, as well as the latest policies from the Government by providing you with our research and analysis of current regulations tailored to your business needs and strategy. In addition, any deal made in Vietnam is subject to the approval of the licensing authorities, whether it is an acquisition or a joint venture contract. By using our well established network that includes Government agencies at various levels, we will support our clients in the preparation of JV contracts, a feasibility study and company charter, and other documents required to be included in an application file; hence, we will follow up with the authorities until a full investment licence is issued.

Negotiation assistance

We will assist you in negotiations with your target, the JV partner or licensing authorities, making use of our thorough understanding of Vietnamese law, culture and local expertise. This is to ensure that you will not experience any surprises in your negotiations with various parties in Vietnam.

KPMG also provides support in liaising with authorised translation firms in Vietnam, obtaining domestic legalisation of foreign documentation and providing Vietnamese contacts and liaison personnel.

Post Deal Support

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KPMG is committed to ensuring the ongoing success of projects that it is associated with. The issue of an investment licence or the conclusion of a deal signals the start - not the end - of a successful market entry strategy.

”

John Ditty
Managing Partner
Head of Advisory
KPMG Vietnam



To help you realise value in your deal, our post-deal services start well before the transaction is concluded. Building on the pre-deal synergy evaluation, we validate and quantify the available synergies. Feeding these into our integration framework enables us to flag integration issues early and helps prepare the business for a smooth post-deal operation from day one. The framework defines the organisational, operational, employee, customer and regulatory concerns that must be addressed. We will also advise you on risky areas of the transition period which could erode the value of the combined business going forward.

Immediate post-licensing services such as statutory establishment public notices, tax code and official seal applications, labour issues, key personnel registration and accounting system registration. Our post-licensing support effectively manages your compliance effort in a timely manner while saving your valuable time for business related work.

Tax compliance as well as tax and regulatory advisory services. Our tax professional help our client meet the more demanding and more complicated requirements of the Vietnamese tax authorities in tax compliance obligations, including meeting the deadline for filing tax returns, paying the right amount of tax and enjoying the maximum tax incentives which are available in Vietnam.

In addition to the above services, KPMG offers Audit, Advisory, Transfer Pricing and Customs Advisory to our clients.



Global Sourcing Association, 2016



VN Ministry of Planning and Investment, 2016

Vietnam M&A landscape

M&A is essential component for business. Along with the excitement of the M&A market on both a regional and global level, the M&A in Vietnam also demonstrated positive impacts.

Trends in the Vietnamese M&A market are primarily driven by the emerging middle class, changes in Asia's manufacturing landscape, early positive results of the banking restructuring efforts, and opportunities from the privatisation of State-Owned Enterprises.



Total deals by volume and value last 10 years and 5-year forecast

Note:

Deal value not disclosed for a large number of transactions

Deal means M&A or private placement transaction

*KPMG Forecast

Source: KPMG analysis Capital IQ, accessed on 22 July 2016

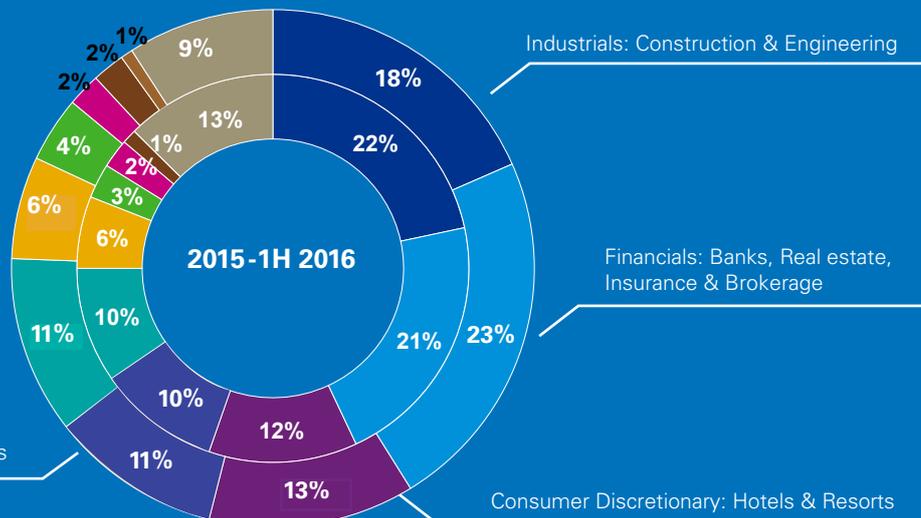
Moving towards a USD10 Billion M&A market in 2020

A new wave of M&A and foreign direct investments is coming into Vietnam due to macro-economic stability, an emerging middle class and changes in Asia's manufacturing landscape.

Although Vietnam witnessed impressive growth, this could have gone faster if the importance of corporate governance, transparency and preparation had been better understood.

Industrials, financials, consumers remain attractive

- Industrials
- Consumer Discretionary
- Materials
- Energy
- Utilities
- Others
- Financials
- Consumer Staples
- Information Technology
- Healthcare
- Telecommunication



Japan leads with volume, Thailand leads with value...

A new wave of M&A and foreign direct investments is coming into Vietnam due to macro-economic stability, an emerging middle class and changes in Asia's manufacturing landscape.

By Volume	2015- 1H2016	2005- 2014
Japan	34	111
Singapore	16	114
United States	11	73
South Korea	9	35
Hong Kong	8	21
Malaysia	8	38
Thailand	8	34
France	4	19
Switzerland	3	9
Taiwan	3	29

By Value (USDm)	1H2016- 2015	2005- 2014
Thailand	2,095	618
United States	732	1,190
Japan	438	2,137
Hong Kong	344	279
Singapore	322	1,177
Taiwan	266	1,111
Malaysia	172	450
South Korea	136	251
China	48	163
Canada	37	20

Source: KPMG analysis Capital IQ, accessed on 22 July 2016

Key deal considerations

1. Transaction process matters

Extended, inefficient process – expect delays

Poor business planning by the Target

Unrealistic pricing expectations / lack of basis for pricing

Changing/inconsistent regulatory landscape

Changing deal structure and parameters

2. Financial due diligence matters

Unreliable information provided by the Target/Vendor

Poor record of historical earnings/trading experience of the Target company

Immediate and future tax consequences of the proposed acquisition

“Black holes” or prima facie errors

3. Commercial due diligence matters

Lack of sufficient market and competitor information to enable benchmarking the Target's current performance

Current market size

Breakdown by key products and services

Market share/ current sales/distribution network

Future outlook and development plan

4. Taxation and structural matters

Non-compliant tax practices and tax payments

Unreliable indication of the future rate based upon historical effective tax rate

Lack of legitimate supporting documents to determine actual deductibles

5. Legal due diligence matters

Non-compliant corporate legal documentation is done properly during the implementation of the ideal transaction structure

Lack of understanding of the possible legal risks associated with the Target

Insufficient understanding of the legal impact of the proposed deal creates difficulty in anticipating possible burdens to any post-deal conditions

6. Valuation matters

Lack of focus on the relationship between risk and return, which ultimately translates into biased valuation

Lack of adequate information and consistent criteria to determine pricing of a business

Changing competitive forces and industry trends, which may challenge the applicability of historical results in projecting future performance

Vietnam in numbers



Land area Approximately

330,000 km²

Population

94.4 (2016) million

98.2 (2020(f)) million

Provinces & Cities

63

Import (\$billion) 2016



28.4

**Machinery,
Instruments**



10.5

Textile fabrics



8.0

Iron, Steel



6.9

Consumer Products



6.3

Plastic materials





Capital City
Ha Noi



GDP
\$201.4 ⁽²⁰¹⁶⁾ million
\$270.2 ^{(2020(f))} million



GDP/ capita
\$2,132 ⁽²⁰¹⁶⁾
\$2,752 ^{(2020(f))}

Export (\$billion) 2016



34.3

Telephones and parts thereof

20% ↑



23.8

Textiles, Sewing products

11.5% ↑



19.0

Computers, Electronics

17-18% ↑



13.0

Machinery, Instruments

10-15% ↑



10.1

Plastic materials

13% ↑

Projected annual growth rate (up to 2020)

Source: data.eiu.com





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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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