



**Vietnam Market Entry**

# Take a bold new path

2018 and beyond

[kpmg.com.vn](http://kpmg.com.vn)







## 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 1,200 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:

## Fast Growing Economy:

As one of Asia's and the world's fastest growing economies, Vietnam's GDP is at a 10-year high of 6.8% in 2017.

## Integration to Global Economy:

Vietnam's participation in numerous FTAs has attracted foreign investments in the recent years. This helps to provide a Market Entry alternative for both new and existing participants.

## Strategic location:

With large and relatively low labor cost, Vietnam remains one of the most attractive locations for foreign investors. The Mekong Region (including Thailand, Cambodia, Laos, Myanmar and the southern provinces of China) provides access to an affluent market of over 250 million people.



# Market Entry Group

“

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 in Vietnam and Cambodia



The 2018 Economic Scenarios Conference **Breakthrough Opportunity For Business Growth** in March, 2018 in HCM City

KPMG's Chairman and **CEO Warrick Cleine** (first from the right), **Dr. Vu Tien Loc**, Chairman and President of VCCI (second from the left).

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 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.



# Market Entry Strategy

“

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

”

## Dr. Nguyen Cong Ai

Senior Partner

Head of Market Entry

KPMG in 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

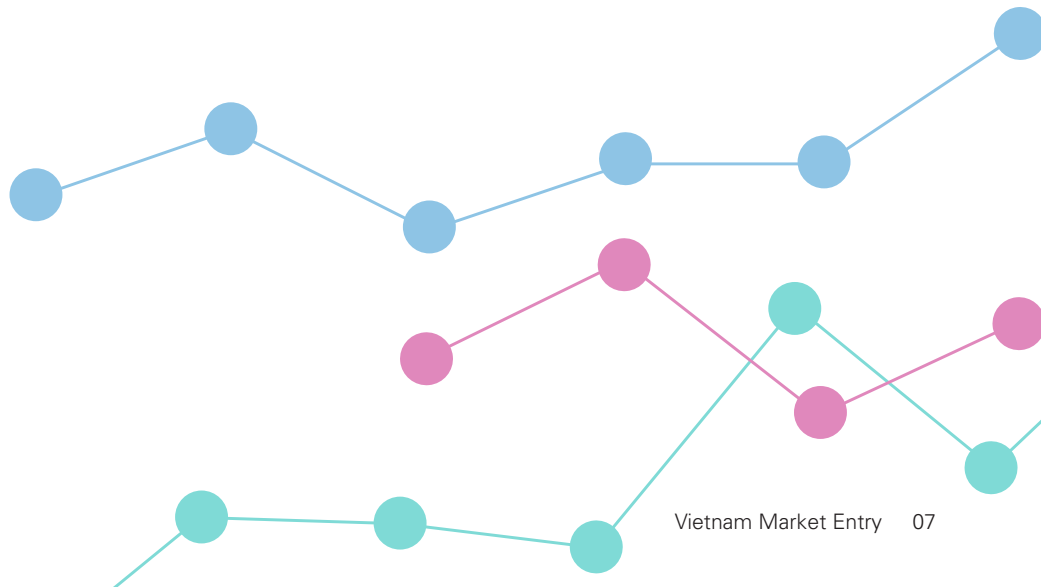
business partner in Vietnam by evaluating their business licence, operations, and financial situation, as well as the reputation of the management team.

### 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. In 2018, obtaining a work permit for foreigners has become more and more difficult and time consuming, due to the more stringent regulations as well as stricter licensing practice applied by the local labour authorities in the past few years. Our consultants can assist you to obtain a work permit.

### Japanese Desk:

**Kanaoka Hidehiro (HCM)**  
hidehirokanaoka@kpmg.com.vn

**Taninaka Yasuhisa (HN)**  
yasuhisataninaka@kpmg.com.vn

### Korean Desk:

**Won Il (HCM)**  
ilwon@kpmg.com.vn

**Park Song Hak (HN)**  
hakpark@kpmg.com.vn

### Chinese Desk:

**Jiahuey Ji**  
jiahueyji@kpmg.com.vn

### Thai Desk:

**Phakkhanit Daengsupha**  
dphakkhanit@kpmg.com.vn

## FDI By Sector in 2017

### Energy and Resources

\$9,751 million of total capital,  
27 new projects and \$79  
million of increased capital

### Real estate and Construction

\$2,875 million of total capital,  
199 new projects and \$417 million  
of increased capital

### Industrial Manufacturing

\$2,860 million of total  
capital, 396 new projects  
and \$1,117 million of  
increased capital

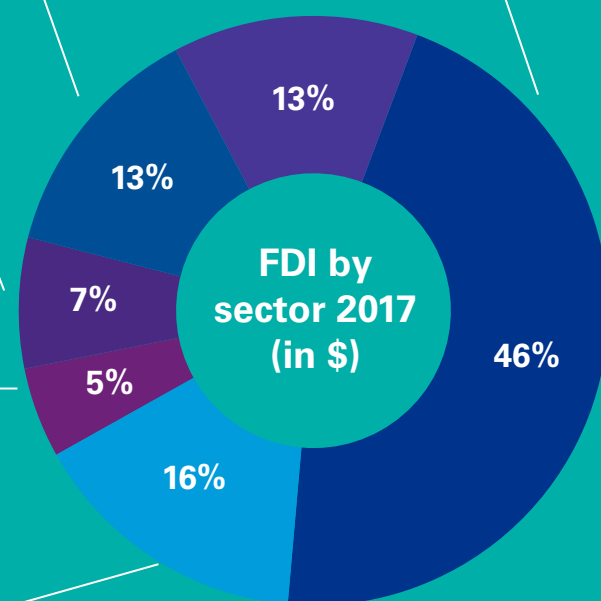
### Textile and Garment

\$1,525 million of  
total capital, 191 new  
projects and \$1,911  
million of increased  
capital

### Electronics

\$1,048 million of  
total capital, 182  
new projects and  
\$3,133 million of  
increased capital

### Other



## FDI By Country in 2017 (by value)



Japan

37%



South Korea

19%



Singapore

16%



China

7%



Hong Kong

4%



Others

17%



# Tax and Legal Analysis

“

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 in 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



Global M&A Professionals, 2017

Year		Ranking
2017	KPMG	1 <sup>st</sup>
2016	KPMG	1 <sup>st</sup>
2015	KPMG	1 <sup>st</sup>
2014	KPMG	2 <sup>nd</sup>
2013	KPMG	2 <sup>nd</sup>
2012	KPMG	1 <sup>st</sup>

Source: Thomson Reuters SDC and Mergermarket

KPMG global M&A platform continue to be the leading choice for Deal Advisory.

**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.

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.

## 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.



# Post Deal Support

“

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 in 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, 2017**



**Vietnam Ministry of Planning and Investment, 2017**

# Post Deal Support

“

Our team works closely together to help you focus on key questions at each stage of the process, working with you to overcome even the most challenging aspects of the integration.”

**Macallister, Ross**  
**Managing Partner**  
**Head of Consulting Services**  
KPMG in Vietnam



## Consulting Services

It is critical that integrations or divestitures are planned and implemented effectively so that they can realize their stated goals that led them to the transaction in the first place. Companies are seldom able to sustain an internal group to facilitate this whilst also maintaining business as usual. Our Consulting Services team can provide the necessary experience and effectively support you in realizing value as quickly as possible, while meeting statutory requirements.

Our professionals combine strong technical capabilities with relevant industry experience and the ability to offer practical advice with draws on our extensive domestic and international resources.

**By smoothly consolidating operations and streamlining processes** during the transaction closing process and in the months after a merger, we can help you realize the expected benefits of the deal. These benefits include both cost and revenue synergies related to rationalized organization structures, consolidating back-office, information technology, supply chain and operational functions, and optimized sales channels.

### Some of the services we provide are:

- Integration/Divestiture Management Office services and change and communications management
- Preparation for “Day one”
- Target operating model and organizational design
- Functional integration including: Finance; IT; HR; Supply Chain; Procurement; Sales & Marketing; Customer Services
- Risk & Compliance



**Ministry of Finance (2016),  
Alphabe (2018)**



**Vietnam EconomicTimes,  
2006 - 2018**



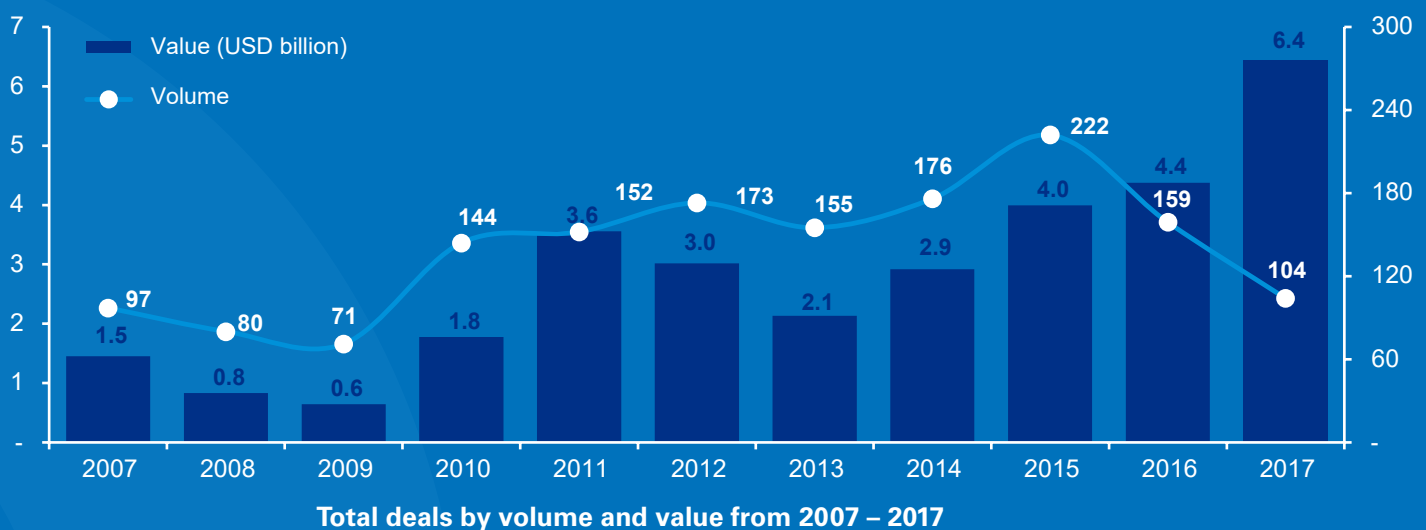




# Vietnam M&A landscape

M&A activities in recent years focus on the investors' penetration and expansion in Vietnamese market. In addition, the investors are also seeking for Target companies ("Targets") that already have strong manufacturing capability and/or distribution network to market their products to the 95-million-people economy.

The government is accelerating the privatization process of the State-owned Enterprises ("SOEs"), hence, the M&A market is expected to witness more robust activities.



Note:

Deal value does not disclosed for a large number of transactions  
Deal means M&A and private placement transactions

Source: KPMG analysis, Capital IQ, accessed on 05 January 2018

## A big push in the Vietnamese M&A market

The privatization of SOEs such as Sabeco and Vinamilk has been a big push for the Vietnamese M&A market and is expected to continue in coming time with the upcoming privatization of PVOil, Genco3, Habeco, etc.

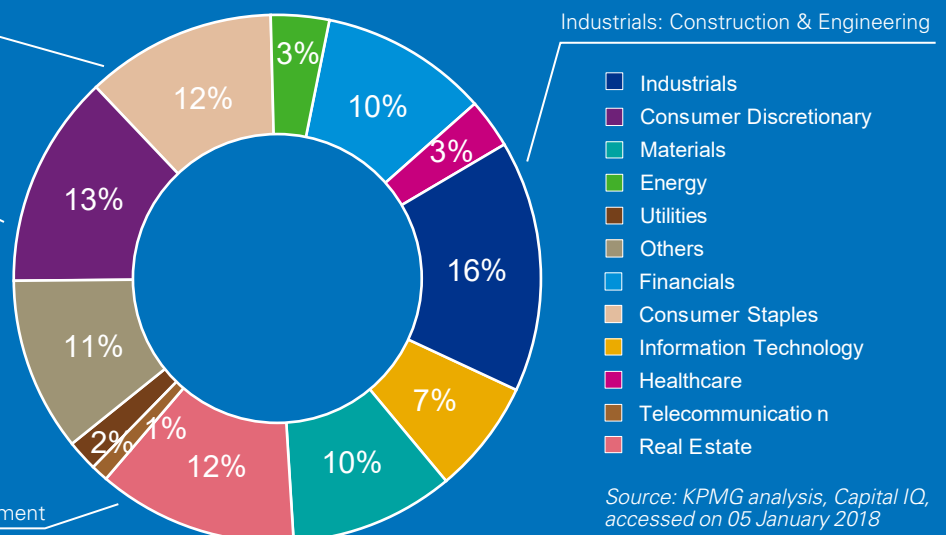
The positive macro picture of Vietnam in recent years has attracted significant cash inflow from global investors, which seek to capitalize on the growth of middle class and consumer market.

## Industrials, Consumers and Real Estate are among the most attractive target sectors.

Consumer Staples: Packaged Foods and Meats

Consumer Discretionary: Home Furnishing

Real Estate: Office & Apartment



Source: KPMG analysis, Capital IQ, accessed on 05 January 2018





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

The recent highlighted M&A transactions in Vietnam are the government's divestment in Sabeco; the acquisition of Big C Vietnam and Metro Cash & Carry Vietnam.

By Volume	2007- 2017
Japan	169
Singapore	82
United States	80
South Korea	52
Malaysia	46
Thailand	43
United Kingdom	34
Denmark	26
Taiwan	22
France	21

By Value (USDm)	2007- 2017
Thailand	9,484
United States	2,235
Japan	2,120
Singapore	1,788
France	1,176
Netherlands	895
Taiwan	656
Malaysia	597
United Kingdom	570
Hong Kong	472

Source: KPMG analysis Capital IQ

## Key deal considerations

### 1. Transaction process matters

Agreements/contracts (with other business partners, suppliers and customers) that prohibit the Target(s) from entering the potential transaction or working with other partners

Extended, inefficient process - expect delays

Short term business planning by the Target(s)

Unrealistic pricing expectations / lack of basis for pricing

Changing deal structure and parameters

### 2. Financial due diligence matters

Two accounting books (for tax purpose and management purpose)

Accounting errors

Non-compliance with international accounting policies (e.g. IFRS)

Inadequate records, controls, governance

Real underlying earnings of the business/ impact of one-off/non-recurring items

Related party transactions

Funding - cost and availability of debt, business impacts

Instituting change post deal

Commitments and contingencies

### 3. 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

### 4. Legal and regulatory matters

Changing/inconsistent regulatory landscape

Foreign ownership restrictions/limitation

Nominee structures / legal and beneficial ownership

Lock-up period / Right of first refusal

Lacking licenses and permits

Unenforceable commercial contracts

No culture of compliance

Contingent liabilities from commercial disputes

Ownership to immovable property not reflected in Land-use-right

Mortgaged assets / immovable property

Present and future environmental obligations

### 5. Valuation matters

Income approach is the primary valuation approach for companies which generate a steady income stream that provides an adequate return on the capital employed

The quality of the financial projections prepared by management of the Target(s) and/or Acquirer ("Management") will largely determine the robustness of the valuation result

In order to estimate the fair value of the Target(s), minority interests should be identified and deducted (if any)

# Vietnam in numbers



**Land area**  
Approximately  
**330,000km<sup>2</sup>**  
**Capital City**  
**Ha Noi**  
Provinces  
& Cities **63**



**Population**  
**93.7** (2017) million  
**98.2** (2020(f)) million



**Avg annual Income**  
**\$2,200-2,500**



**69.9%**  
Is working age  
Average age  
**32**



**Inflation**  
**4.1%** (2017)  
**Total FDI registered capital**  
**35.9 billion**



**GDP Growth %**  
**6.8%** (2017)  
**6.2%** (2020(f))



**GDP**  
**\$220.8** million (2017)  
**\$270.2** million (2020(f))



**GDP/capita**  
**\$2,385** (2017)  
**\$2,752** (2020(f))



**GDP by Sector**  
**41%** Service  
**33%** Industrial Park & Construction  
**15%** Agriculture



**New FDI projects**  
**2,591**

Source: GSO, EIU, Worldbank

## Import (\$billion) 2017

Total \$211.1 billion USD



**37.7**

Computers,  
Electronics

**35%**↑



**33.7**

Machinery,  
Instruments

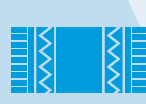
**18%**↑



**16.3**

Telephones and  
parts thereof

**54%**↑



**11.3**

Textile fabrics

**8%**↑



**9.0**

Iron, Steel

**11%**↑

(year to year growth)

## Export (\$billion) 2017

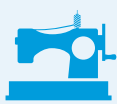
Total \$214.02 billion USD



**45.3**

Telephones and  
parts thereof

**31%**↑



**26.0**

Textiles,  
Sewing products

**9%**↑



**26.0**

Computers,  
Electronics

**36%**↑



**14.7**

Footwears

**12%**↑



**12.8**

Machinery,  
Instruments

**26%**↑

(year to year growth)

Source: Vietnam Customs



# Meet our experts



## Consumer & Retail

**Chong Kwang Puay**  
Managing Partner



## Consumer & Retail

**Ditty, John**  
Managing Partner



## Infrastructure & State-owned enterprises

**Do, Thi Thu Ha**  
Senior Partner



## Real Estate

**Ninh, Van Hien**  
Partner



## Private Business

**Lam, Thi Ngoc Hao**  
Partner



## Financial Services

**Tran, Dinh Vinh**  
Partner



## Manufacturing

**Casihan, Nelson**  
Partner



## Energy & Natural resources

**Ta, Hong Thai**  
Partner



## Automotive

**Hoang, Thuy Duong**  
Partner



## Healthcare

**Treloar, Luke**  
Director



# Contact us



## **Warrick Cleine**

### **Chairman & CEO**

KPMG in Vietnam and Cambodia



## **Dr. Nguyen Cong Ai**

### **Senior Partner**

Head of Market Entry Group



## **Richard Stapley-Oh**

### **Partner**

Head of Legal



## **Hanoi**

46<sup>th</sup> Floor, Keangnam Landmark 72  
E6 Pham Hung Road, MeTri Ward  
South Tu Liem District, Hanoi, Vietnam  
T: +84 (24) 3946 1600  
F: +84 (24) 3946 1601  
E: [kpmghanoi@kpmg.com.vn](mailto:kpmghanoi@kpmg.com.vn)

## **Ho Chi Minh City**

10<sup>th</sup> Floor, Sun Wah Tower  
115 Nguyen Hue Street, Ben Nghe Ward  
District 1, Ho Chi Minh City, Vietnam  
T: +84 (28) 3821 9266  
F: +84 (28) 3821 9267  
E: [kpmghcmc@kpmg.com.vn](mailto:kpmghcmc@kpmg.com.vn)

## **Da Nang**

Unit D3, 5<sup>th</sup> Floor, Indochina Riverside Tower  
74 Bach Dang Street, Hai Chau 1 Ward  
Hai Chau District, Da Nang, Vietnam  
T: +84 (236) 351 9051  
E: [kpmgdanang@kpmg.com.vn](mailto:kpmgdanang@kpmg.com.vn)

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