



“INVESTMENT OPPORTUNITIES AND SUCCESS STRATEGIES IN VIETNAM POST-COVID-19”

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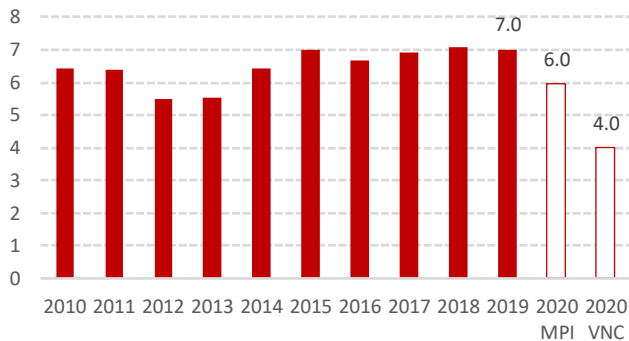


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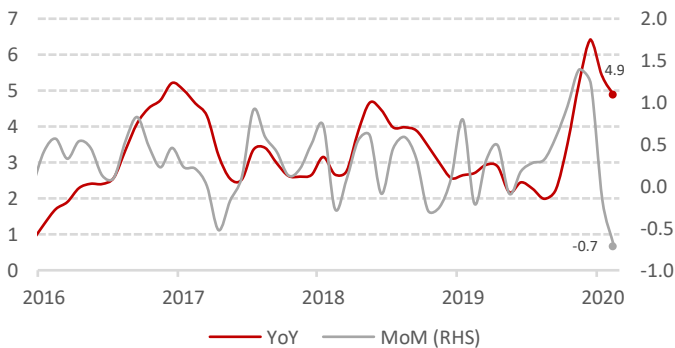
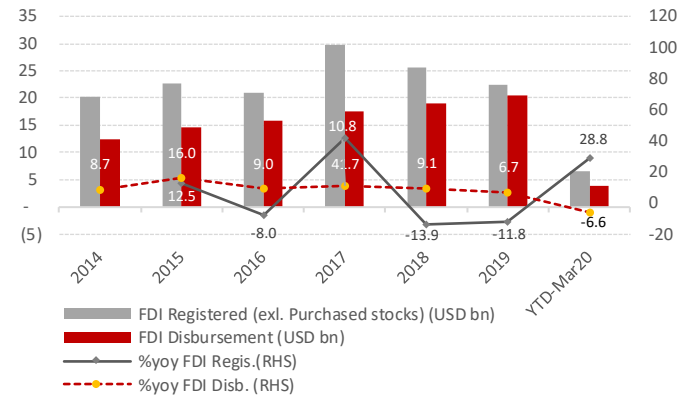
Vietnam 2020 Outlook, Pre-COVID-19

Going into 2020, Vietnam's economy was among the world's fastest growing



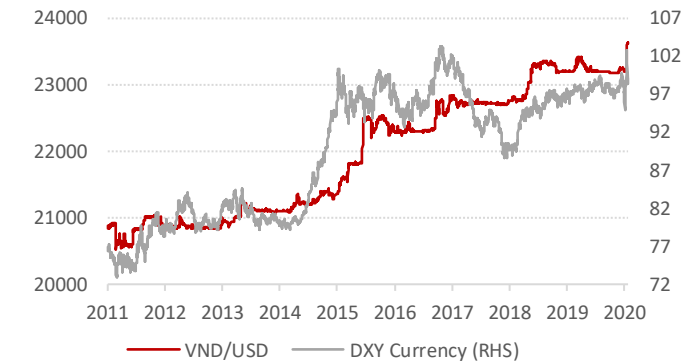
7% GDP Growth in 2019

Strong FDI



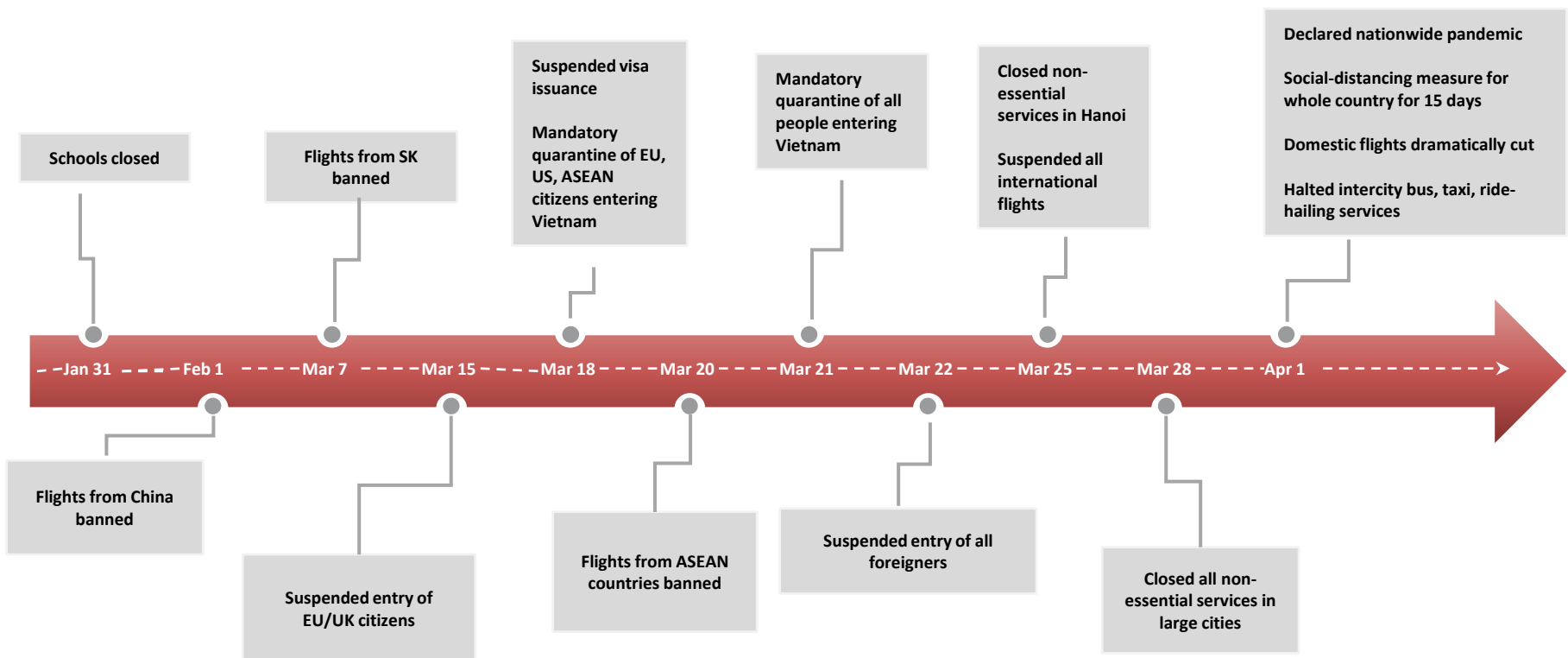
Manageable inflation

Stable currency



COVID-19 Pandemic Hits

Vietnam's government has been very aggressive and proactive in its approach to containing the outbreak from the start – on a “war-footing”



The Result: Few Cases, Many Recoveries, No Fatalities

Vietnam has made enormous progress in containing the outbreak, especially compared to other Southeast Asian countries

	Confirmed Cases	Recovered	Deaths
Singapore	10,141	740	11
Indonesia	7,418	913	635
Philippines	6,710	572	446
Malaysia	5,532	3,197	93
Thailand	2,826	1,928	49
Vietnam	268	216	0

As of 22 April 2020. Source: Government updates, ASEAN Briefing

Vietnam's Response has Earned International Recognition

US applauds Việt Nam's efforts in the fight against COVID-19

How Vietnam Learned From China's Coronavirus Mistakes

International media hail Vietnam's response to COVID-19

WHO praises VN's response to COVID-19 outbreak

Vietnam's coronavirus offensive wins praise for low-cost model

Hanoi mobilises limited resources by focusing on quarantines and contact tracing



Government Ramps Up Stimulus

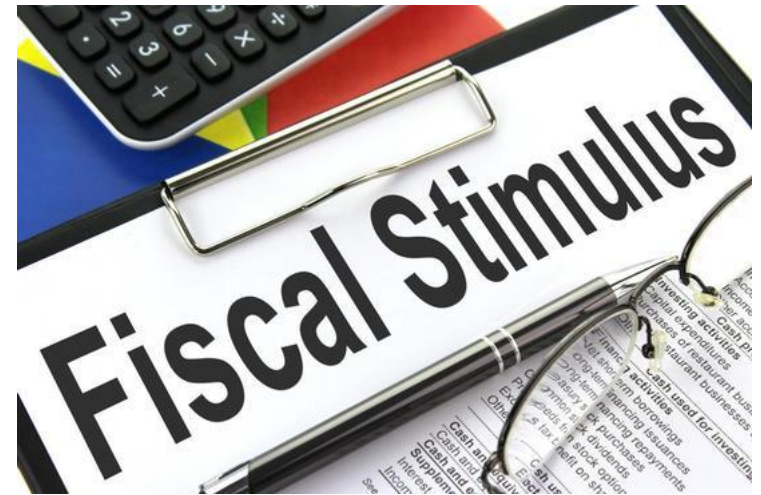
Vietnam's Government has approved a comprehensive stimulus package to aid people and businesses affected by the COVID-19 outbreak that amounts to 4.7% of GDP

- Social security package consisting of:
 - Direct cash handouts to affected workers, household businesses, poor for 3 months (US\$2.6b)
 - Interest-free loans to affected companies to pay employees (US\$700m)
 - 12-month delay on social insurance payments (US\$400m)



Government Ramps Up Stimulus

- Fiscal package for affected businesses, initially valued at US\$3.4b but possibly rising to US\$7.6b
 - 5-month tax break for VAT, corporate income tax, and personal income related to household businesses
 - Applies to a wide range of sectors
- Credit package, to be issued by banks at preferential lending rates (at least 1% lower than standard rate) for businesses in impacted sectors (US\$13b; not included in total on previous page)



When Will Recovery & Reconstruction Begin?

- Given current trends, we expect Vietnam's outbreak should be under control soon
 - The Government has made progress in “flattening the curve”
 - A warm climate and young demographics do not appear to be conducive to serious COVID-19 cases or deaths, according to research
 - However, the regional and global situations will also be significant factors in determining when the Government will feel reasonably confident to gradually start lifting restrictions that have been implemented

Vietnam's Vulnerabilities

- **Exports + Imports:** Circa 200% of GDP
- **Manufacturing:** 1/3 of inputs sourced from China, lower US/EU demand
- **Tourism:** High value-added for each dollar spent in Vietnam (compared to manufacturing)
- **Domestic Consumption:** Public health measures, global events to dampen sentiment

COVID-19's Impact on 2020 Growth

	<u>2019</u>	<u>2020F</u>	<u>Δ GDP %pts</u>
GDP growth	7%	4%	
• Manufacturing Output	11%	7%	-1%pts
• Tourist Arrivals	+16%	-50%	-1.5%pts
• Domestic Consumption Growth <i>(VinaCapital estimate, ex-tourism)</i>	6%	5%	-0.5%pts

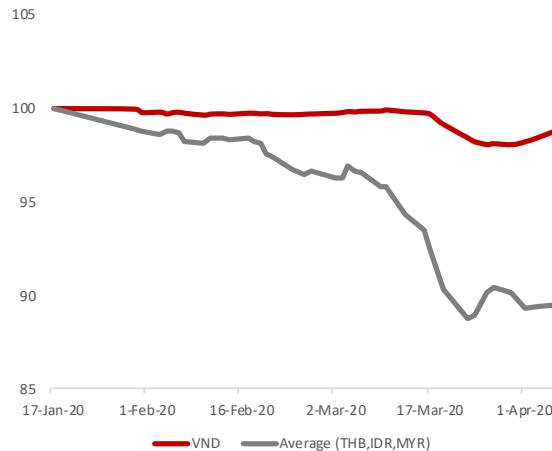
We expect GDP growth to fall from 7% in 2019 to 4% in 2020

- No recovery for tourism in 2020...but no drag on growth in 2021
- Manufacturing more-or-less sideways for the rest of 2020
- Domestic consumption, “U-Shaped” recovery in H2

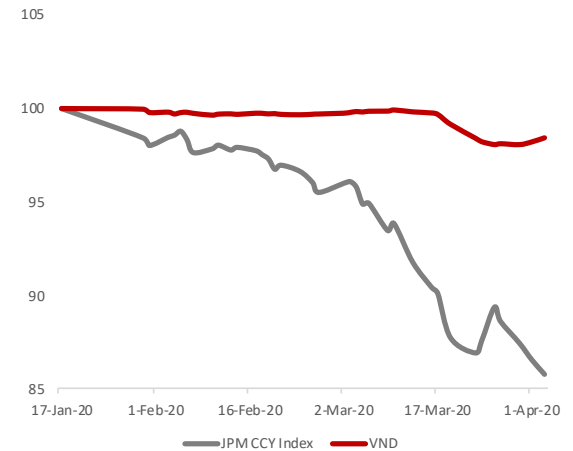
The VN Dong has Remained Resilient

- Vietnam is in much better financial condition in 2020 than it was before the GFC
 - The VN Dong depreciated ~20% over 2009-2011
 - The country had about 1 months' imports of FX reserves
- There is no risk from “hot money” outflows now
 - Investors withdrew US\$380M from Vietnam in March compared to a record US\$83B from EM markets
 - Vietnam’s US\$85B FX reserves are much larger than ~ US\$15B maximum outflows
- The currency was set to appreciate before COVID hit
 - **33%/GDP** of FX reserves, and **9-year** of C/A Surplus, and covers 4-months of imports – better than the minimum recommendation from the World Bank, IMF

The VN Dong vs. THB/IDR/MYR



The VN Dong vs. JP Morgan EM CCY Index



Vietnam Set to Prosper Post-Outbreak

FDI will flood into Vietnam, Post-COVID-19

- US-China trade war will intensify
- Globalization will enter a new phase, with a more regional focus
- Supply chains will diversify – accelerating the migration of production out of China – and will be increasingly regional
 - Examples: electronics will re-locate from China to Vietnam, other parts of Southeast Asia, and India; Mexico has surpassed China and Canada as the US's main trading partner

Investors will pour money into EM stock and bond markets

- Enormous amounts of money being printed
- US Fed predicts minimal stock market returns over next decade

Vietnam Set to Prosper: FDI

- We expect more manufacturers to expand or locate operations to Vietnam – an acceleration of a trend that has already brought significant levels of investment
 - Foxconn & other suppliers announced plans to move factories to Vietnam after the COVID-19 crisis emerged
- Important: Multinationals will start to help build Vietnam's supply chains
 - Technology & operating skills transfers coming



Vietnam Set to Prosper: Market Inflows

- Investment returns in US/EU will not re-bound post-COVID-19
 - The “Japanification” of the US now happening (Japan’s stock market fell –52% since 1989)
 - Stock buy-backs in the US will become much less common
- Expect ~US\$5-7T of Quantitative Easing/money printing next 2 years
 - In 2017, US\$1T of QE in Europe pushed VN-Index up +50%
- US pension funds are under pressure
 - Funds assumed 6-7% annual investment returns
 - Vietnam will be one of the few stock/bond markets in the world where pension funds can make 7%+ returns over the next decade

2. Promising Sectors

Promising Sectors

Sectors that are benefitting from urbanization, a growing middle class, and young demographics have the greatest potential

- Consumer (F&B, modern retail)
 - Continued growth of middle class driving discretionary/non-discretionary spending including dining out, jewelry, etc.
- Healthcare
 - Private providers help ease burden on public system



Promising Sectors

- Energy
 - Limited capacity and strong demand have made this sector a top government priority
- Domestic manufacturing
 - Companies that are involved in infrastructure and/or catering to needs/desires of growing middle class
- Tech
 - Fintech, AI, logistics, real estate all seeing startups aiming to solve pain points in Vietnam and the region



Tourism will make a come back in 2021

- Foreign tourist arrivals hit a record of 18 million in 2019 (up from just 5 million in 2010), while the level of domestic travelers reached 85 million.
 - Tourists from Asia comprised about 80% of all foreign arrivals.
- Lower cost destinations will be poised to welcome more visitors once the world feels comfortable traveling again – benefitting Vietnam, which is seen as a safe haven from COVID-19.
 - Timing depends on global economy, transport, medical situation



3. Investing in Vietnam

How to Invest

There are multiple ways to invest in Vietnam's growth, depending on objectives/role: active or passive

- **FDI**
 - Most suitable for manufacturing, infrastructure, property development
- **FII**
 - Equity, public or private
 - Strategic stakes
- **Funds**
 - Can provide exposure while mitigating risks
 - IMAs
 - Co-investments with local investors
 - ETFs

Investment Considerations During the COVID-19 Outbreak

- Listed equity valuations have declined 30%-40% during the outbreak, with many stocks now attractive. Vietnam's market now trades at a trailing P/E of 10.3x – the cheapest since 2012 and the lowest in the region. Focus should be on companies:
 - Blue chip and fairly liquid
 - Available foreign room
 - History of foreign inflows
- Other factors to consider:
 - High beta stocks, which will do well during the recovery
 - Companies assisting MNCs efforts to diversify supply chains into Vietnam
 - Takes advantage of domestic consumption
 - Products that have a “delay” element vs. a “lost forever” element

Investment Considerations During the Recovery & Beyond

- A return to fundamentals including strong balance sheets and market share/position
- However, the recovery (and growth) will be slow, which may lead to:
 - Re-focusing on asset classes such as private equity and fixed income
 - Focusing on businesses that weak balance sheets but own real assets (notably those in the travel industry)



4. Cautionary Notes

How to Successfully Invest in Vietnam

- Take a long term view.
 - The days of “fast money” are over
- Conduct thorough due diligence.
 - “Trust but verify” is critical, whether relating to financial statements, company ownership, or real estate
- Take the time to fully understand the market.
 - Successful foreign investors are those who tailor their products, services and work places to Vietnam
- Have a trusted local partner.
 - There is no substitute to having an experienced Vietnamese partner with relationships, networks, and knowledge of how things work

5. Conclusions

Conclusions

- The global economic recovery will take time, but Vietnam is well-positioned to rebound once the COVID-19 outbreak is under control.
 - Revised forecasts still rank Vietnam among the fastest growing economies in the world
- Vietnam continues to offer tremendous opportunities for investors who know how to identify and access them and avoid pitfalls.

Thank you. Cảm ơn.

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