

What is in store for PE investors in 2017?

April 2017



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Foreword

Private Equity investment in Vietnam remains a significant driver behind Vietnam's economic growth. The sentiment expressed by those operating in the Private Equity sector has an important impact on the economy as a whole, which this survey seeks to measure.



In this our 16th survey on the Private Equity sector, carried out in March 2017, the majority of respondents (78%) were positive about Vietnam's economy.

2016 was a year filled with market volatility which could create a negative impact on Vietnam's business environment. China, the largest trade partner of Vietnam, has been experiencing an economic slowdown. In addition, the expected demise of TPP after President Trump decided to withdraw from the agreement caused significant concerns about foreign trade and investment in Vietnam.

In this survey, the respondents expressed optimism towards Vietnam investment outlook with regards to the acceleration in investment attractiveness and level of investment activities, while Vietnam is chosen to be the second most preferred destination for PE investors in SEA.

In terms of attractive industries, the "Transportation and logistics" sector gained more interest from PE investors, increasing 7% compared to our last survey. Meanwhile "Retail" sector and "Food and Beverage" (F&B) sector still maintain the top two most attractive sectors for Private Equity transactions according to our respondents.

"Corporate Governance" remains a substantial concern for PE investors and cited as the most likely area requiring hands-on performance.

Thanks to recent government's resolutions towards equitisation, "SOE equitisation" has returned to be the most significant source of deals, accounting for the majority of 52%.

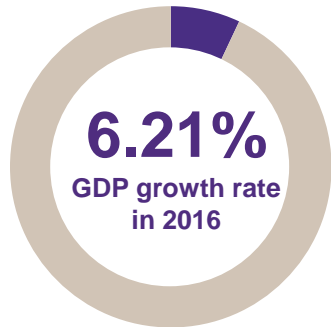
When investing in Vietnam, dealmakers consider various factors to facilitate their investment. "Economic growth" and "Sector specific opportunities" are considered the top two opportunities to invest in Vietnam. Meanwhile, "Difference in valuation expectations" and "Resistance to sharing deal risk" are the top deal breakers for PE investors.

With an optimistic view of the Vietnam economy, in spite of the turmoil in the economic situation in 2016, we are looking forward to steady growth in Private Equity investment in the upcoming 12 months.

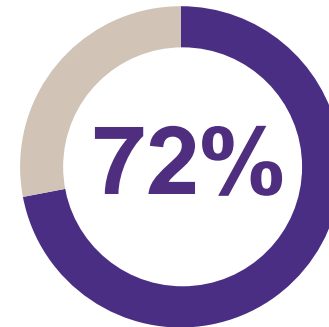
INVESTMENT ENVIRONMENT



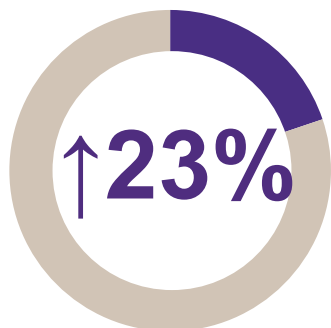
Investment Environment



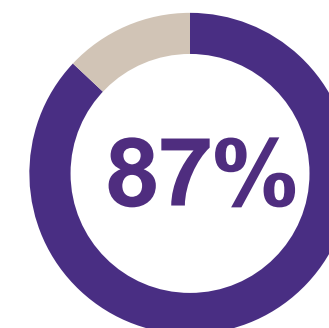
lower than the targeted 6.7% set by the Vietnamese Government for 2016



considered Vietnam "more attractive" and "extremely attractive" in terms of investment attractiveness in today's global economic context



78% responded in positive view about Vietnam's economic outlook in the next 12 months



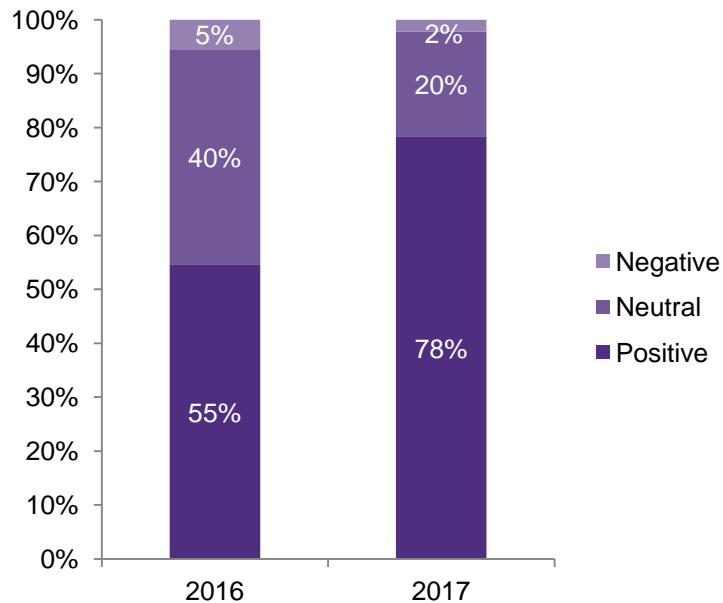
flagged "Corruption", "Infrastructure" and "Government red tapes/processes" as the biggest obstacles when investing in Vietnam

Economic outlook over the next 12 months

More positive view

In this survey, the majority of respondents expressed a positive sentiment on the Vietnamese economic situation, which has increased by 23% compared to last year.

GENERAL OUTLOOK FOR THE VIETNAMESE ECONOMY OVER THE NEXT 12 MONTHS



¹ General Statistic Office

In second half of 2016, Vietnam's GDP growth rate achieved 6.21%, representing a higher growth than the figure of first half of 2016 by 0.69% and exceeding World Bank's expectation of 6%. Nevertheless, it was lower than the 6.68% figure of the same period in 2015, marking the first slowdown in 4 years and missing government target of 6.7% for the fiscal year of 2016. In terms of inflation, 2016 CPI was at 4.47%, which was under the target of 5%. Interest rates were stable at 6.5% and the credit growth increased 18.71% compared to that of the same period in 2015 and controlled within target range of 18-20% for the year 2016¹.

The fiscal year 2016 marked certain difficulties for Vietnam's economy. An environmental disaster, caused by

Formosa Steel, led to the decline in tourism and mass fish deaths. Adverse weather, which affected agricultural production, additionally contributed to the slower GDP growth rate.

Corruption, constraint of the national budget, weak competition from SME's, low management standards are potential problems for the economy in the future.

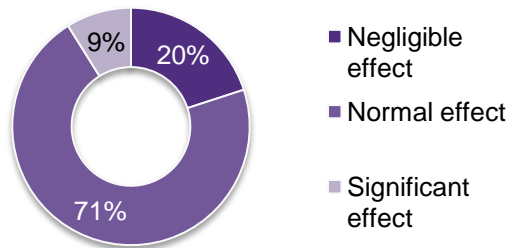
Despite challenges and global geopolitical upheaval, the country proved to be resilient, with the corresponding optimistic view on Vietnam's economic outlook from survey respondents (78%). New listed private companies and SOEs expect to yield remarkable opportunities in PE.

Economic outlook over the next 12 months

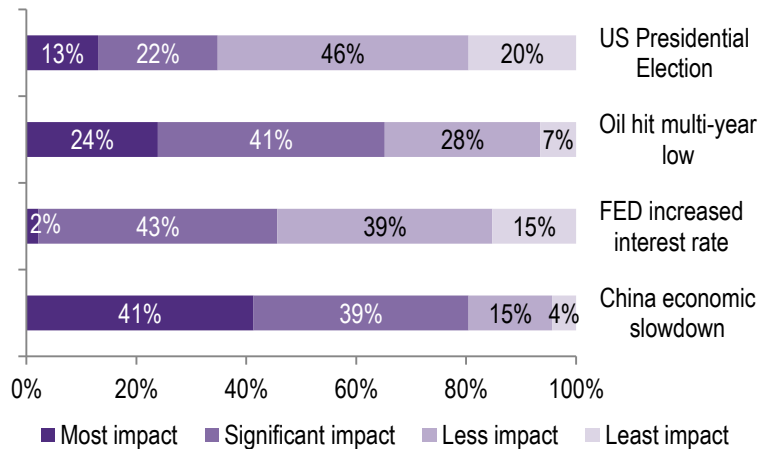
Significant concern towards China economic slowdown

80% of our participants express worry about the downtrend of the China economy which critically influences Vietnam's business environment.

THE EFFECT OF THE EXPECTED DEMISE OF TPP ON PROSPECT OF VIETNAM ECONOMY



THE IMPACT OF EVENTS HAPPENING IN 2016 TOWARD VIETNAM INVESTMENT ENVIRONMENT



In 2016, the global economy has witnessed remarkable political and economic turmoil. The survey respondents perceived *China's economic slowdown* to be the most influential factor on the Vietnam investment environment, as supported by the majority (80%), followed by *Oil hitting multi-year low* with 65%; whereas *US Presidential Election* is expected to have the least impact.

As Vietnam's biggest trade partner since 2007, China is considered to have significant influence towards Vietnam's economy. The downtrend in China's business environment may result in a widening Vietnam trade deficit. With the increasing flow of Chinese low-priced products, Vietnamese exports to China would crucially struggle, particularly agriculture products.

Government data indicates that the trade deficit between Vietnam and China was US\$28 billion in 2016. Imports from China reached US\$49.8 billion while exports to China climbed up to US\$21.8 billion. Although the rate has reduced, China still proves to be Vietnam's largest import partner.

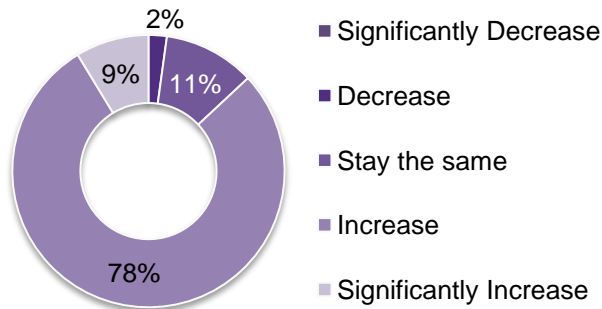
In November 2016, Donald J. Trump was elected as President of the US in a surprise victory. The President decided to withdraw from Trans-Pacific Partnership (TPP) on his first day in office. US absence is a crucial concern for TPP member countries, including Vietnam. When joining TPP, Vietnam was considered to be one of the biggest beneficiaries under this agreement in terms of trading opportunities with US and Japan. Furthermore, TPP help counterbalance China's influence on the economy. Despite the expected demise of TPP, our respondents claimed that it will not negatively impact the Vietnam economic situation as Vietnam is party to sixteen other FTAs including those with Korea, EU, Russia and ASEAN.

Investment outlook

Increase in level of investment activities

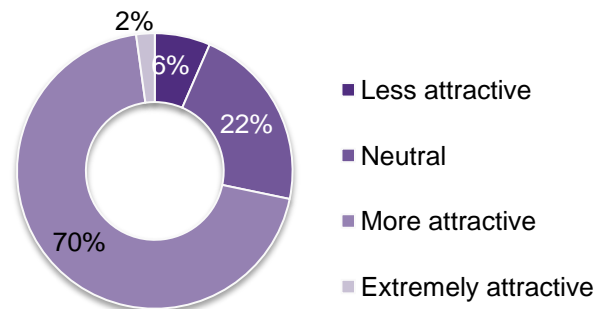
87% of our participants forecast the level of investment will increase, a slight decrease of 4% compared to the last survey.

FORECAST LEVEL OF INVESTMENT ACTIVITY IN VIETNAM



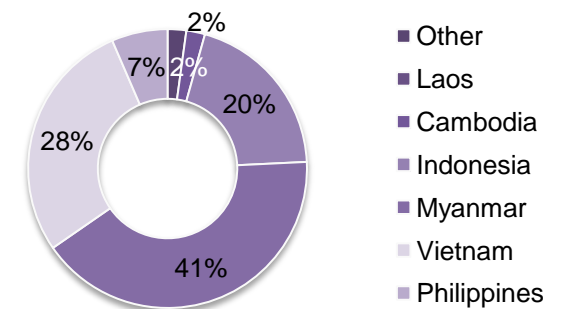
87% of survey responses foresee an increase in the level of investment activity in Vietnam in the next 12 months. According to the Foreign Investment Agency, in 2016, there was US\$15.8 billion newly registered and additional capital contributions from existing FDI enterprises, increasing by 9% compared to the same period of 2015 and reaching the highest for many years. The growth of FDI was significant from South Korean investors who pledged the most funds in 2016. The positive outlook has been achieved with the help of several FTAs including agreements with Korea, Japan, EU, Russia. The establishment of AEC is also expected to bring more investment to Vietnam. Although the expected demise of TPP represents a disappointment, the influence is expected to be negligible to Vietnamese economy.

VIETNAM RANKING IN TERMS OF INVESTMENT ATTRACTIVENESS



In terms of investment attractiveness, PE investors consider Vietnam's investment environment to be "more attractive" and "extremely attractive" accounting for the largest proportion, with 72%, illustrating a similar trend as in 2016. However, responses "extremely attractive" notably decreased to 2%, a reduction of 7% compared to 2016. Foreign companies continue to invest in Vietnam to take advantage of its highly competitive, abundant labor and low cost and the growing middle class and incomes generally.

LEVEL OF INVESTMENT ATTRACTIVENESS, COMPARED BETWEEN OTHER S.E.A REGION



Compared to countries in the Southeast Asia region in terms of investment attractiveness, 28% of the respondents agreed on "Vietnam" as an attractive destination for investors, holding the second place after the promising investment spot "Myanmar" which has highlighted their potential with rapid economic growth, focus on the infrastructure sector and the new investment law to provide more favorable conditions for foreign investors.

Indonesia has maintained its position as the third most attractive market voted by PE investors, accounting for one-fifth of the respondents.

In this survey, Bangladesh was for the first time chosen as a potential and interesting destination for investment.

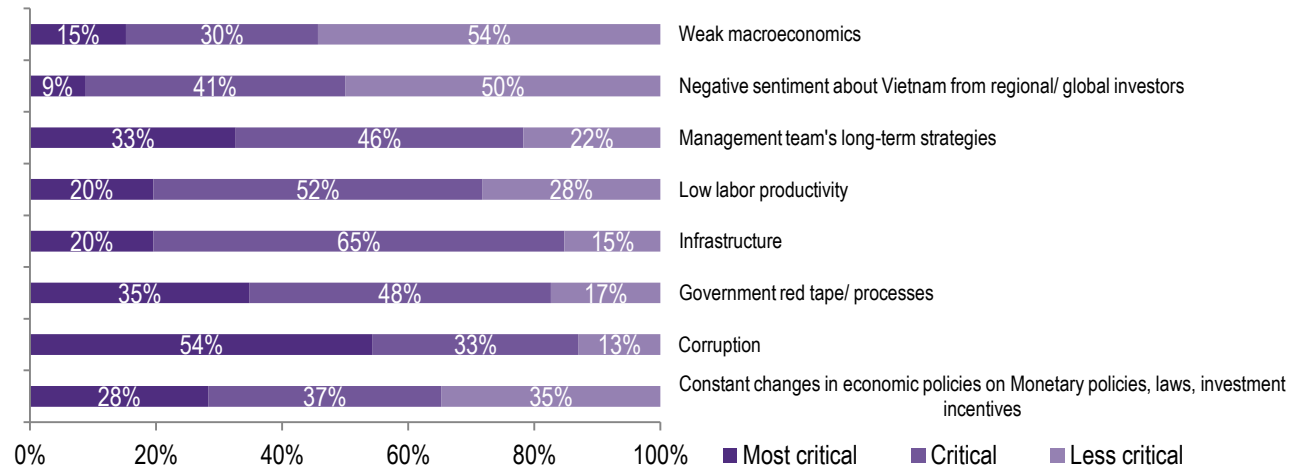
Investment obstacles

"Corruption" ranked 1st

"Corruption", "Infrastructure" and "Government red tape/processes" were selected as the top three critical investment obstacles in Vietnam, with 87%, 85% and 83% of the respondents, respectively.

When asked to rank what keeps investor up at night, the majority of respondents voted "Corruption" to be the most critical investment obstacle similar to our previous PE reports. In January 2017, Towards Transparency (TT) announced the Corruption Perceptions Index (CPI) 2016 with Vietnam at 33/100 ranked 113/176 in the global index¹. With 0 meaning highly corrupt and 100 meaning very clean, it clearly shows that Vietnam has yet to make a real break-through in the perceived level of corruption in the public sector. There

INVESTMENT OBSTACLES IN VIETNAM



are great concerns in terms of bribery, political interference and facilitation payments, weak enforcement of the legal framework, over-reliant on implementation and inconsistent interpretations.

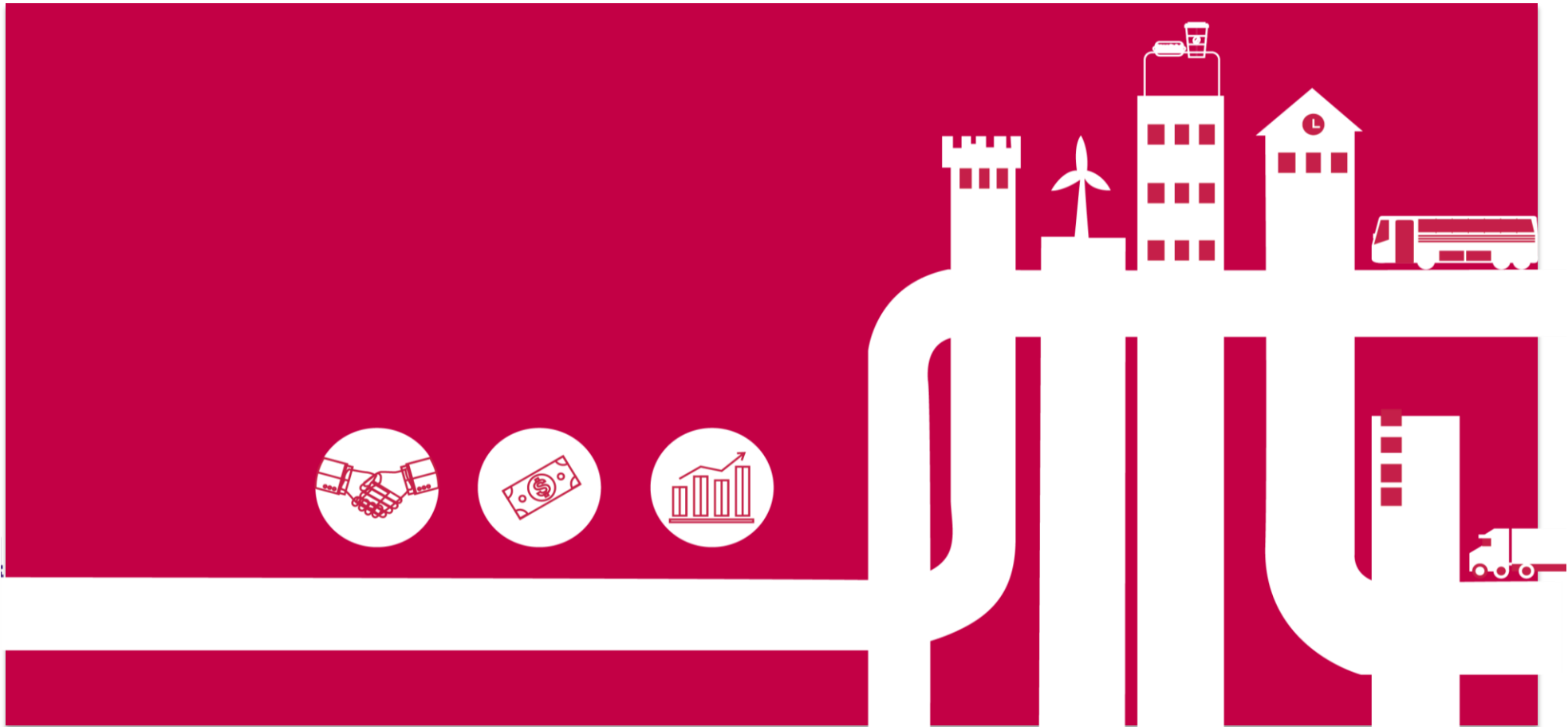
"Government red tape/processes" is still one of the top three perceived investment obstacles in Vietnam, similar to our last survey.

In this PE survey, "Infrastructure" has surged to be the second factor which keeps PE investors under stress. It shows that the

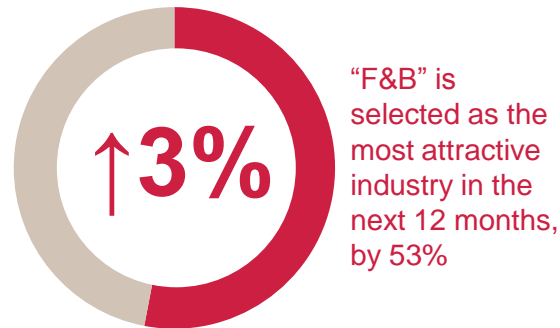
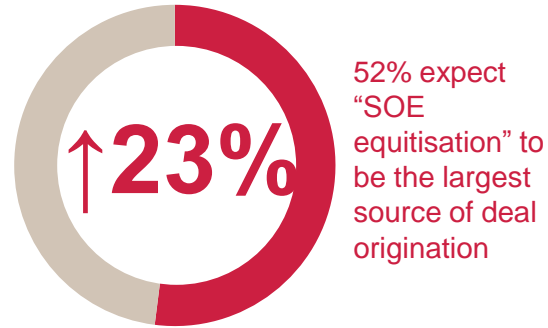
number of respondents on "Infrastructure" has increased from 77% to 85%, a rise of 8% compared to that of 2016. Vietnam's infrastructure bottlenecks are considered as one of the most critical problems in Vietnam's investment environment. There are concerns which include the high number of infrastructure projects, especially in the transport sector; political pressure with overstated costs for project approval and investment inefficiency.

¹ TT report released on January 2017

INVESTMENT CONSIDERATIONS



Investment considerations

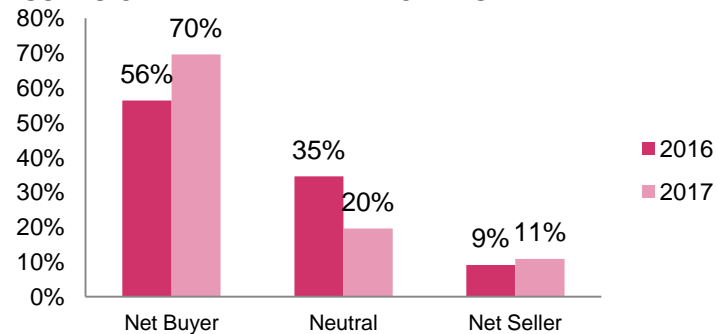


Sources of transactions

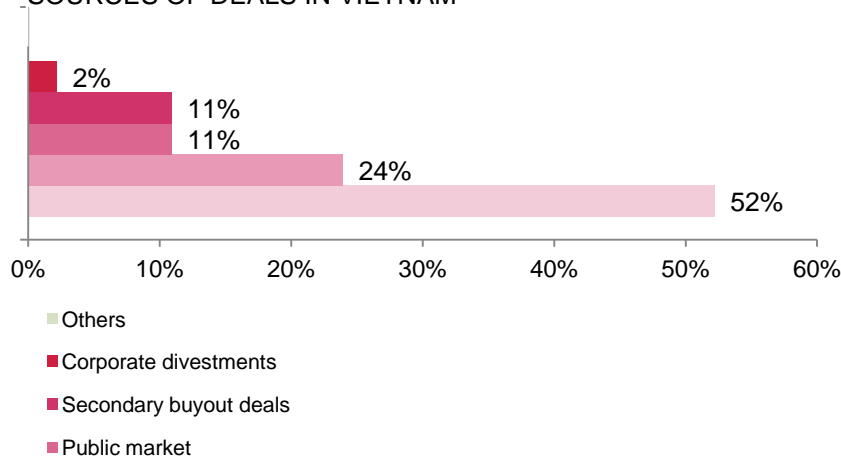
“SOE equitisation” ranked 1st

“SOE equitisation”, voted by 52% of respondents, has made an exceptional come back to be the biggest source of deals.

DO YOU EXPECT TO BE A NET BUYER OR SELLER OF ASSETS OVER THE NEXT 12 MONTHS?



SOURCES OF DEALS IN VIETNAM



70% PE investors predict that there will be more buyers than sellers, an increase of 14% compared to our last survey. Additionally, the number of respondents who believe in a balance between buy and sell transactions in the next 12 months decreased from 35% to 20%.

In terms of sources of deals, “SOE equitisation” has made its way to the top, with 52% agreement from PE participants. The government has implemented Resolution 35/NQ-CP to support enterprises up to 2020 and create faster progress in implementation. In December 2016, Decision 58 was issued and aimed to pave the clear road to accelerate the process for equitisation of SOEs.

Nonetheless, there are certain difficulties in speeding up the process as planned. Although targeting to equitize 430 SOEs in 2016, the total number of SOE’s actually privatised was only 55, with a book value of divestments of VND4,493.7 billion. Additionally, this indicates a slow process as 75% fewer equitized SOEs than that of 2015 (220

SOEs). Furthermore, equitisation remains inconsistent in terms of areas.

Equitisation provides PE investors with opportunities to penetrate the Vietnamese market through investment in key areas such as telecommunications, oil and gas trading, infrastructure and retail. With regards to national security and the power sector, the government will maintain a holding of 100% in these sectors.

Aiming to emphasize efficiency and transparency, it is forecasted that there will be a focus more on quality of companies being equitized rather than quantity, in 2017.

There have been considerable changes in sources of transaction. “Private/family owners” and “Corporate divestments” were less favored by our respondents, cited by 24% and 2%, a decrease of 9% and 14%, respectively. Meanwhile, “Secondary buyout deals” was perceived to be more favorable with a 7% rise, compared to 2016, from 4% to 11%.

Competition on M&A transactions

Foreign/ International PE funds ranked 1st

Foreign/International Private Equity funds continued to be the most competitive source for deals in M&A activities.

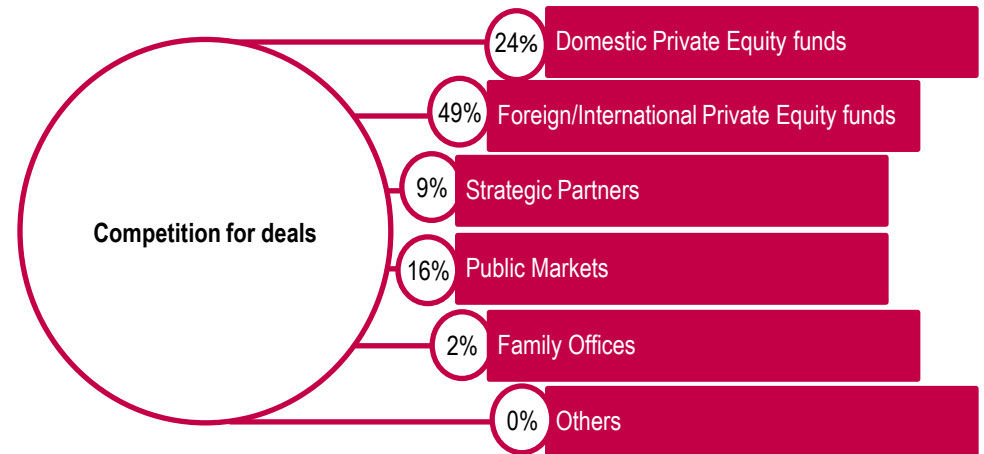
This survey shows a consistency to our previous one as participants foresee “Foreign/ International Private Equity funds” will be the challenging competition in terms of M&A transactions. The percentage of 49% represents an increase of 5% compared to that of 2016.

In 2016, M&A activities in Vietnam increased rapidly with significant multimillion and multibillion deals. The newest M&A transaction was in mid-December between Fraser & Neave Ltd. (F&N) and Vinamilk. F&N announced to spend VND11.3 trillion to acquire a total of 78.38 million shares, corresponding to a 5.4% stake. In transactions during February 6th and March 7th 2017, F&N Dairy

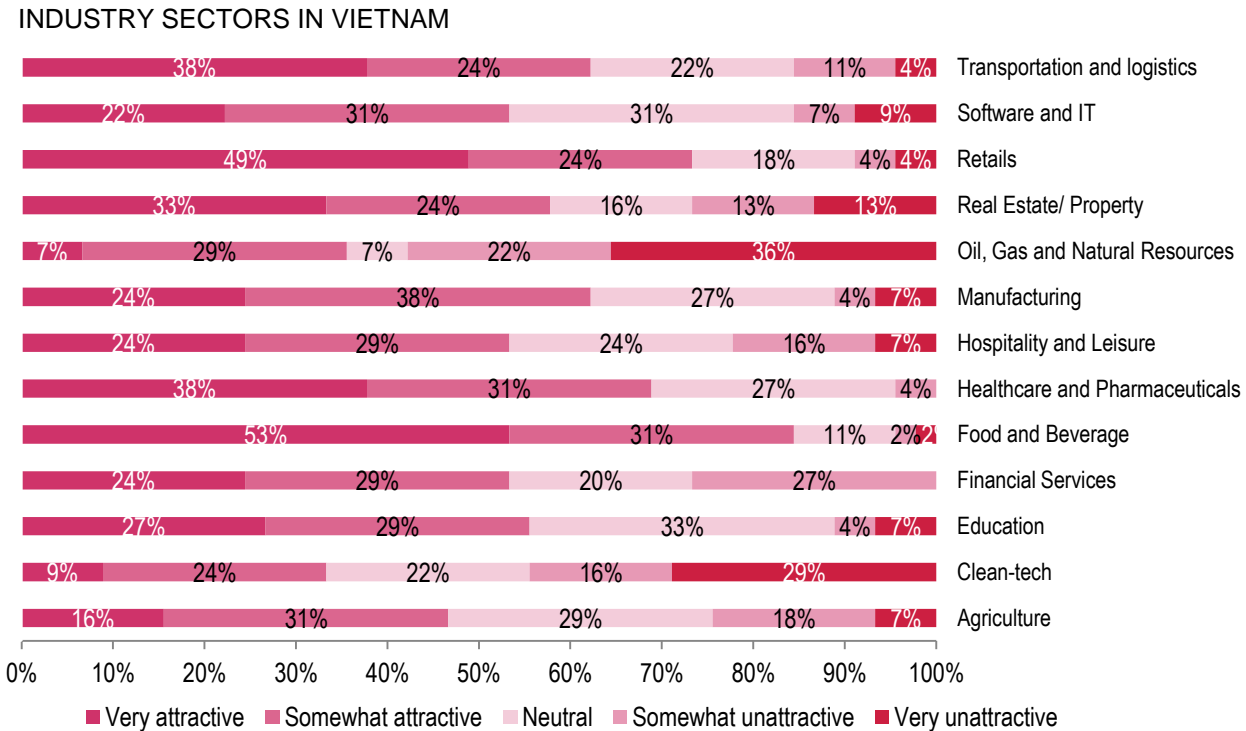
Investments Pte., Ltd. – a subsidiary of F&N raised their stake in Vinamilk to 15.07%. Furthermore, they have registered for additional 21.8 million shares, corresponding to a 1.5% stake, in transactions during March 10th and April 7th. If successful, their total stake in Vinamilk will increase up to 16.57%.

The remaining sources for M&A deals remained unchanged versus the last survey where “Domestic Private Equity funds” comprised 24%, while there is a boost in both “Strategic Partners” and “Public Markets”, at 16% and 9%, respectively.

FROM WHICH SOURCES DO YOU FORESEE THE MOST COMPETITION FOR DEALS OVER THE NEXT 12 MONTHS?



Industry attractiveness



"Food and beverage" and "Retail" continue to hold the top two positions. F&B was rated as "very attractive" by 53% of participants. With regards to "Retail", 49% of the respondents agree that this sector will maintain a significant growth and attract more PE investors in 2017.

With the growth of the middle income class among its population of 94.9 million people¹, the influence of Western lifestyles and increasing disposable incomes, F&B remains the prominent industry in terms of rapid growth and foreign investment inflow. Golden Gate, for example, has proved to be a successful investment. Thanks to MEF II's capital injection in April 2008, Golden Gate has opened 150 restaurants bearing 19 brands nation-wide after 8 years. Moreover, the company strives to be the F&B market leader with 400 restaurants by 2018.

Retail industry stays in the second place. Besides the increase of e-commerce, the sector is growing and expanding rapidly in terms of retail store chains, distribution channels, and retailing culture which is attracting attention from foreign retail giants such as Emart, AEON, Big C, and Lotte and 7-Eleven which has entered the market through a franchise agreement.



¹ General office for Population and Family Planning

Industry attractiveness



Healthcare and pharmaceuticals



Transportation and logistics

In 3rd position, "Healthcare and pharmaceuticals" industry was voted by 38% as "very attractive" which remains unchanged.

According to BMI research, expenditure on healthcare and pharmaceuticals accelerated in 2016. Regarding "Pharmaceutical", it increased from VND92.5trn (US\$4.2bn) in 2015 to VND105.6trn (US\$4.7bn) in 2016; whereas in the Healthcare segment, the expenditure was VND333.6trn (US\$14.9bn) in 2016 higher than the figure of VND304.3trn (US\$13.9bn) in 2015¹.

The demand for healthcare and safety has been increasing in line with customer's awareness of health problems. Thus, the call for multinational businesses providing health related services are critical with the need of long-term investment.

Vietnam's Pharmaceuticals Risk/Reward Index scored 48.3 out of a maximum of 100 and earned the ranking of 13th out of 20 countries in the Asia Pacific region, thus, capturing attention from pharmaceutical investors.

In this survey, there is a noticeable advance of "Transportation and logistics", chosen by 38% of survey participants, increased significantly, by 7% compared to that of our previous report.

Over the recent years, this sector has proved to be a key determinant of Vietnam's business environment, contributing 20.9% of Vietnam's total GDP, with approximately 1300 companies providing asset-based service or contract logistics services.

Nonetheless, Vietnam was only ranked at 64th on the World Bank's Logistics Performance Index in 2016. According to Viet Nam Logistics Association (VLA), there are specific barriers lowering the performance such as infrastructure, technology, complex customs procedures, shortage of logistics capacity, high cost of logistics, functional operation and low integration of domestic logistic companies. Weak competition against foreign firms also cast concerns on the industry growth. Annually, expenditure on logistics is on the average \$37-40 billion of which \$30-35 billion belongs to foreign invested firms.

Restrictions on infrastructure and transportation services still put up the barriers for the further development in this industry.

¹ BMI Market research Q1 2017

Key factors to be considered when investing in private companies

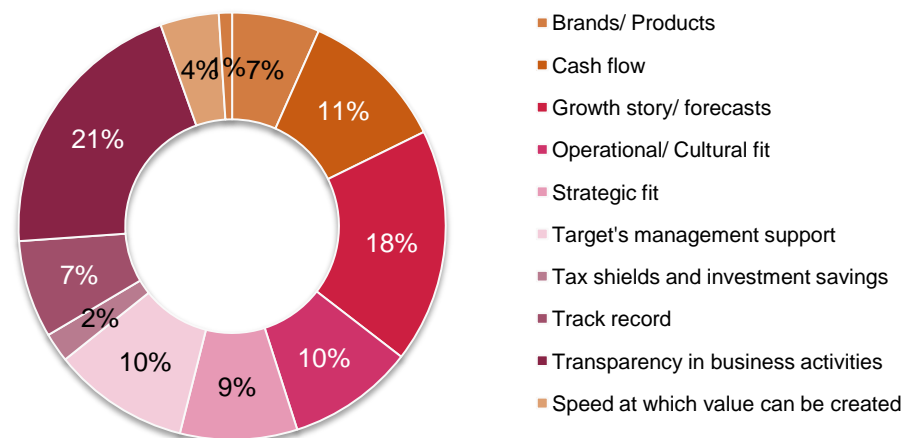
“Growth story/forecast” and “Transparency in business activity” have maintained their top rankings in terms of critical factors regarded by PE investors. In our last survey, “Transparency in business activity” was seen as the most important issue, which has increased to 21% while “Growth story/forecast” remains 18%.

“Cash flow” takes the 3rd place and the number of respondents rose to 11%. There has been a boost in “Target’s management support” increasing by 6% compared to the previous survey. However, “Strategic fit” has experienced a downtrend with a reduction of 5%.

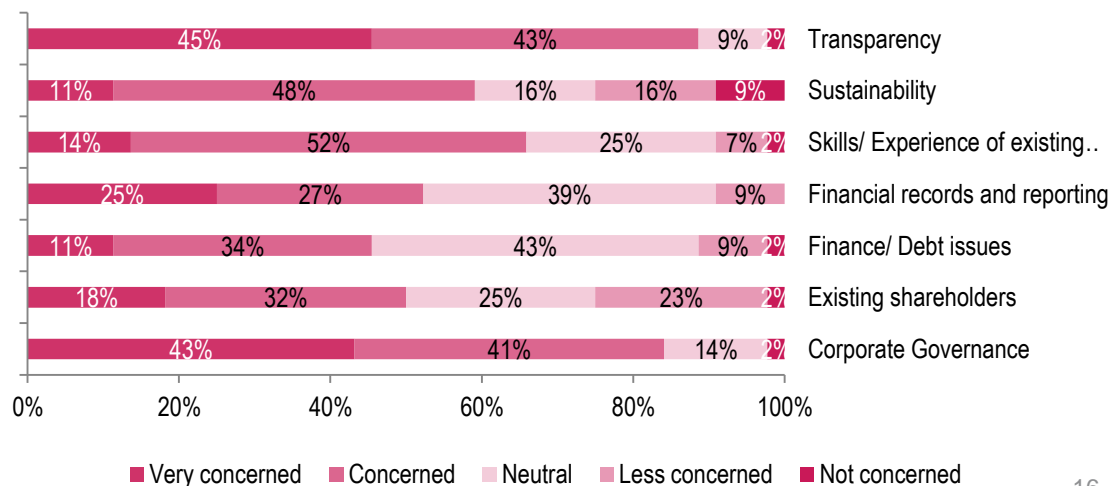
“Transparency” and “Corporate Governance” are continuously chosen as top two fears for PE investors in Vietnam. In Vietnam, transparency is considered to be lacking and casting a cloud over the business environment. Urgent improvements in these areas are necessary to enhance investors’ confidence.

“Strategic fit” saw a decline from 14% in 2016 to 9% in 2017. “Skills/Experience of existing management” was placed 3rd in issues of concern for investment in Vietnam, with 63% “concerned” and “very concerned”. In the context of Vietnam’s economy, it is crucial to acquire management with the right expertise and capabilities. Due to the shortage of skilled labor, it remains a critical threat for PE investors.

THE MOST IMPORTANT FACTORS TO CONSIDER WHEN INVESTING IN VIETNAM



MOST CONCERNING ISSUES WHEN INVESTING IN VIETNAM



Key deal success factors

Sector specific opportunities

“Sector specific opportunities”, “Economic growth” and “Growing number of investment opportunities” are voted key factors for PE investment success in Vietnam, chosen by 98% participants.

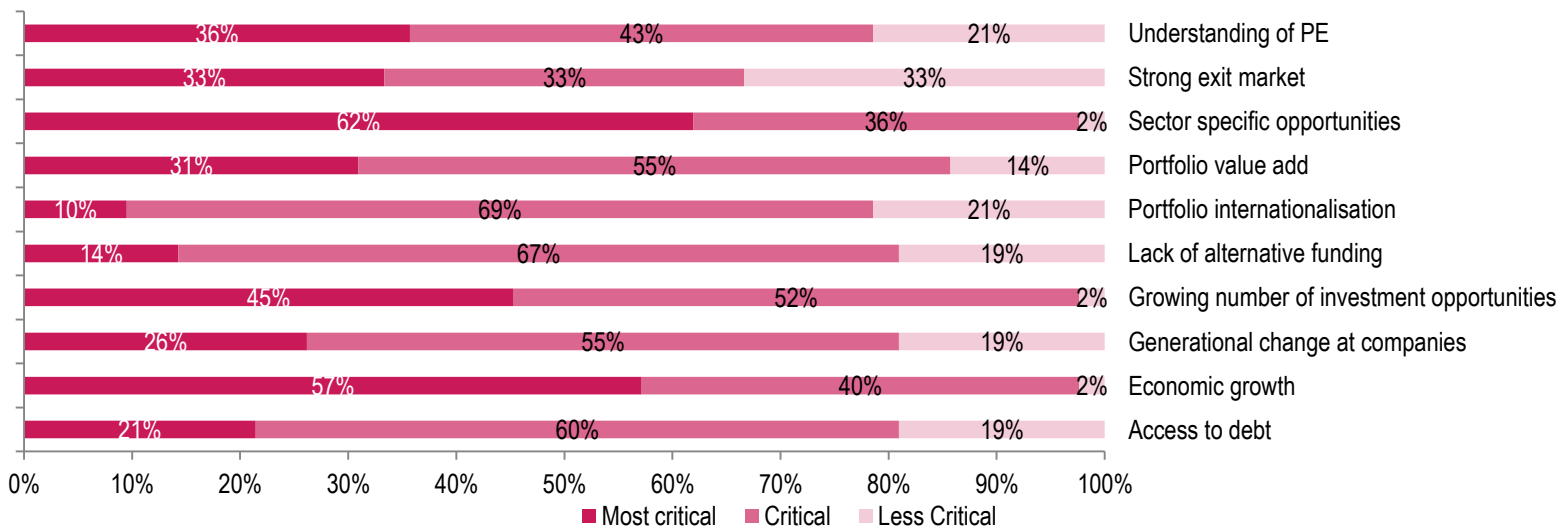
“Sector specific opportunities“ has overtaken “Economic growth” to be the “most critical” success factor, as selected by 62% of the participants. Deals can be completed with ease when PE investor utilize sector specific insights, experiences and connections to seek for suitable investments.

After “Sector specific opportunities”, “Economic growth” holds the second place with 53% of respondents recognising this as a key factor in deal success. Yet, compared to 2016, this factor has lost the top spot dropping from

63% to 57% in percentage for “Most critical”.

In this survey, “Growing number of investment opportunities” ranks in top three most favorable “key factors” for PE investors. With the continued inflow of FDI capital, new FTA’s, and the prospects for the economy, Vietnam is considered a key destination for investment.

WHAT DO YOU BELIEVE ARE THE GREATEST OPPORTUNITIES FOR PE IN VIETNAM?



Key deal breakers

Resistance to sharing deal risk

“Resistance to sharing deal risk” and “Difference in valuation expectations” shared the top two key deal breakers, voted by 79%.

“Difference in valuation expectations” firmly maintains the top position as one of the key deal breakers, cited by 79%. Noticeably, there was a significant change in relation to “Resistance to sharing deal risk” which was selected as the second top deal breaker.

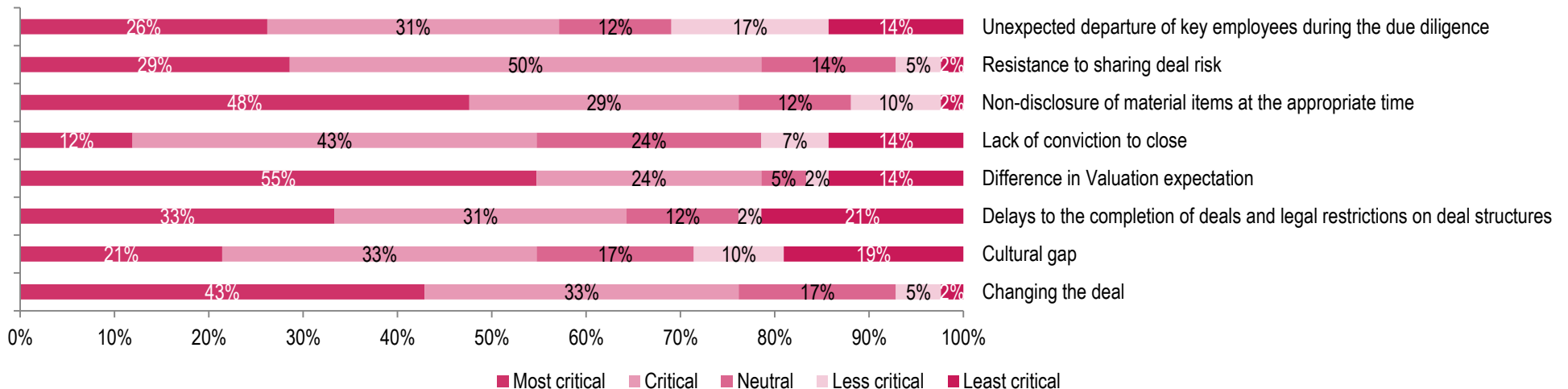
“Resistance to sharing deal risk” rose from 65% in 2016 to 79% in 2017. Most respondents expressed concerns towards the lack of responsibility of their partners during the transaction.

The remaining trend is consistent to our last survey since “Non-disclosure of material items at the appropriate time” was ranked 2nd and “Changing the deal” was regarded 3rd place, as agreed by 77% and 76% participants, respectively.

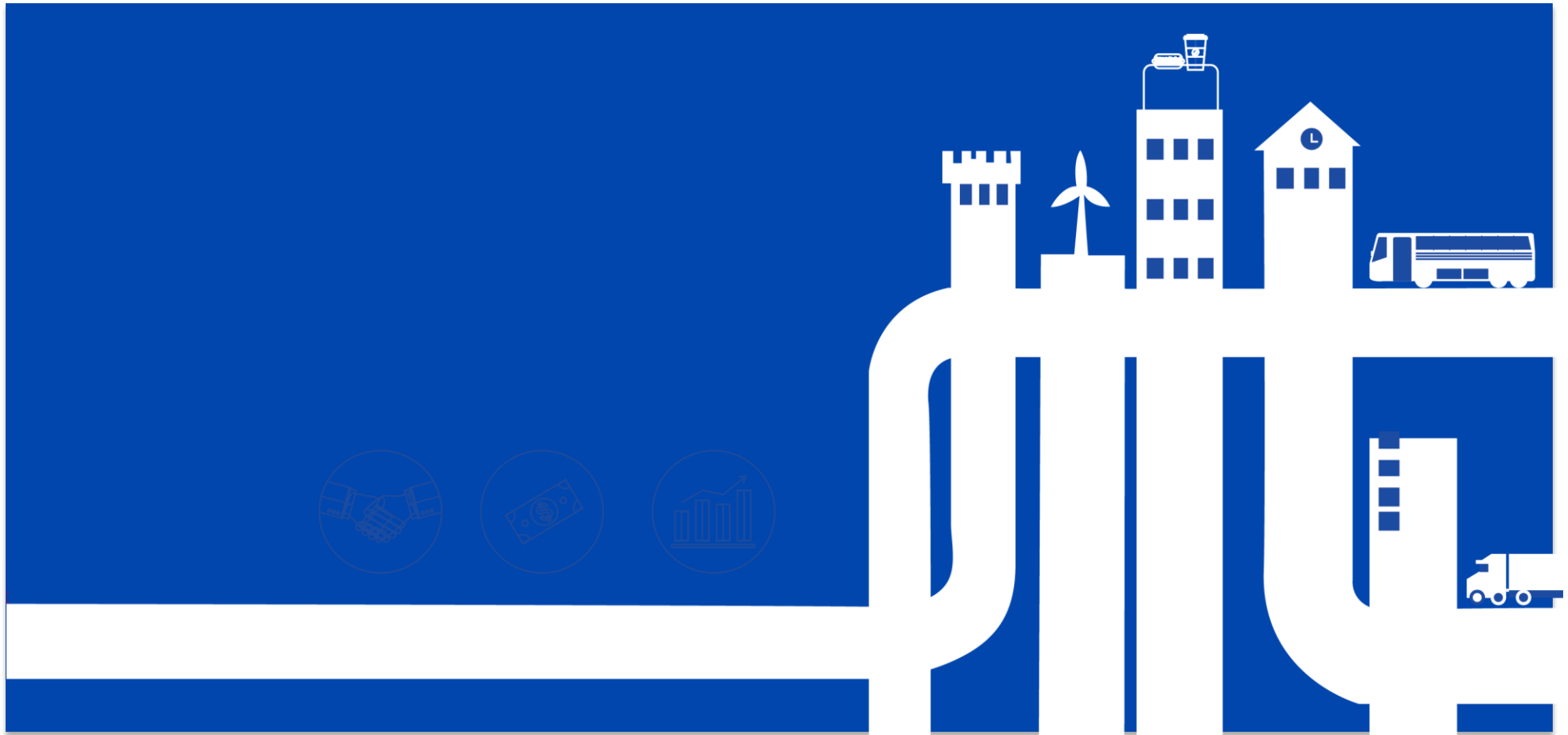
In this survey, there is a substantial increase in

“Unexpected departure of key employees during the due diligence”, as noted by 57% of our participants representing a 10% increase from the previous survey. The heavy dependence on key personnel provokes critical concern leading to the loss of intangible value and failure of investment.

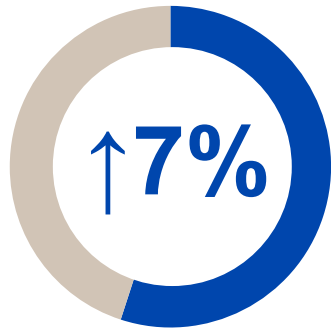
FACTORS CAUSING DEAL FAILURE



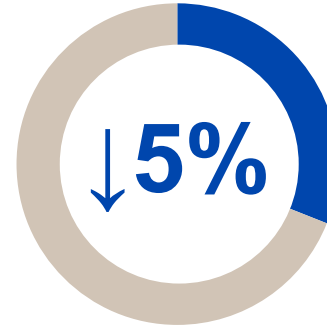
INVESTMENT PORTFOLIO



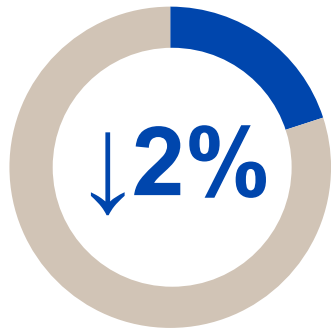
Investment portfolio



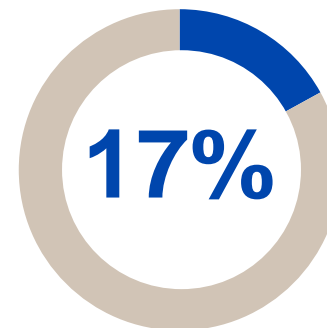
“Performance improvement” continued to be the key value growth driver, with 55%



“Market growth” is still considered to be the second most important driver of value growth with 31%



“Corporate Governance” is flagged as the most important area of hands-on that investors most commonly contribute to portfolio companies, by 20%



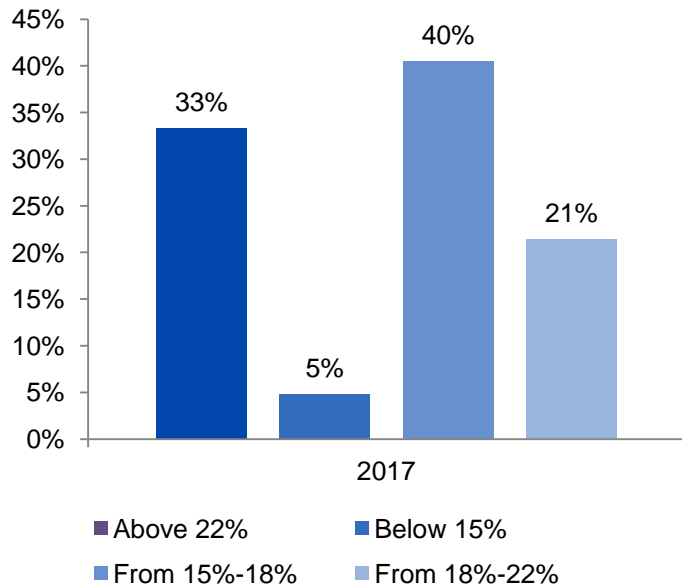
consider “Financial planning” the second most important area of hands-on contribution from investors

The required rate of return for PE investment portfolio

From 15%-18% in favor

Cited by 40%, the favorable required rate of return for PE investors is from 15% to 18%.

THE REQUIRED RATE OF RETURN FOR PE INVESTMENT PORTFOLIO



The majority of participants target to achieve a minimum return “From 15% to 18%” from their PE investments..

In 2017, we witnessed a noticeable increase in terms of return “above 22%” (33% in 2016), as nearly double compared to the figure in 2015 (17%). This shows an increasing expectation for higher returns by investors.

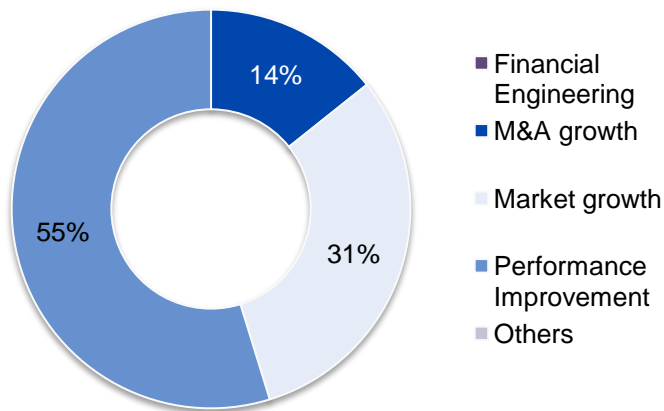
This trend brings up a concern. Although there are prospects in Vietnamese economic growth, PE investors acknowledge that investment risks have been escalating correspondingly, therefore, a higher rate is expected in return.

Key value drivers

"Performance improvement"

"Performance improvement" is perceived by majority of respondents as a key value driver.

IMPORTANT DRIVERS OF VALUE



"Performance improvement" continued to be the most important driver to value growth, cited by 55% of the participants a 7% increase from the last survey. Together with "Market growth", it made up to 84% of the total proportion of critical drivers for value growth.

Consistent to our previous surveys, investors considers the ability for an investee company to enhance its performance post M&A as the most important factor for value creation, when making their investment decision.

The importance of "M&A growth" as a value driver is on the increase as listed by 14% of PE survey respondents representing a 4% growth compared to our last survey. It appears that the investors' expectation on M&A synergy is also on the increase.

It should however be noted that synergy expectations are rarely realized. A common factor in failure is an overly optimistic preliminary due diligence estimate, or failure to take into account all of the potential challenges of obtaining the expected synergies.

Hands-on involvement with portfolio companies

Corporate Governance

"Corporate Governance" and "Financial planning" are cited as the top 2 hands-on involvement with portfolio companies.

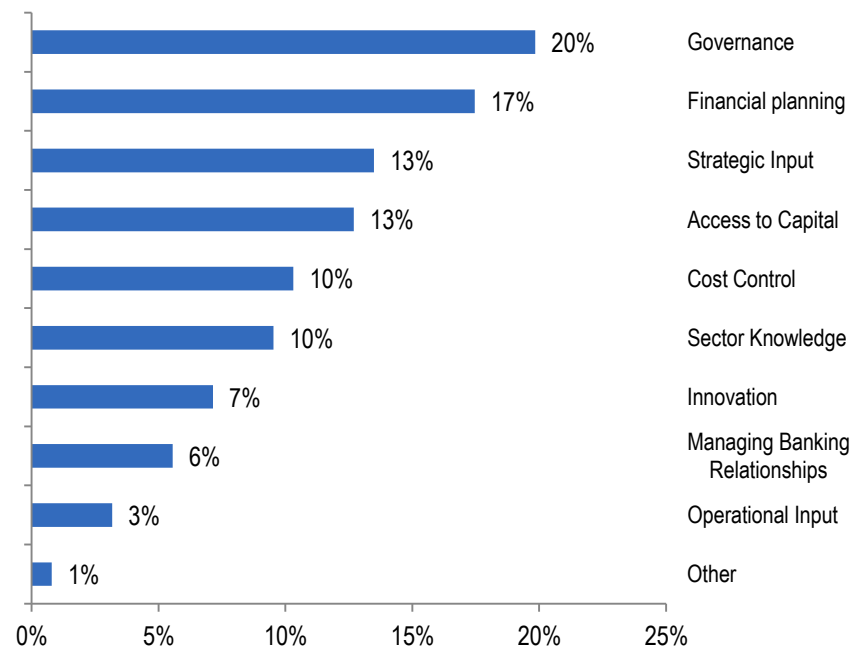
In general, the list of areas for hands-on involvement with portfolio companies still followed the trend from our previous surveys. "Corporate governance" and "Financial Planning" are named as areas involving hands-on involvement of PE investors in their portfolio companies.

"Corporate Governance" has been a long-standing issue throughout numerous surveys. Although experiencing a minor drop of 2%, this factor is still the top concern, followed by "Financial planning" at 20% and 17%, respectively.

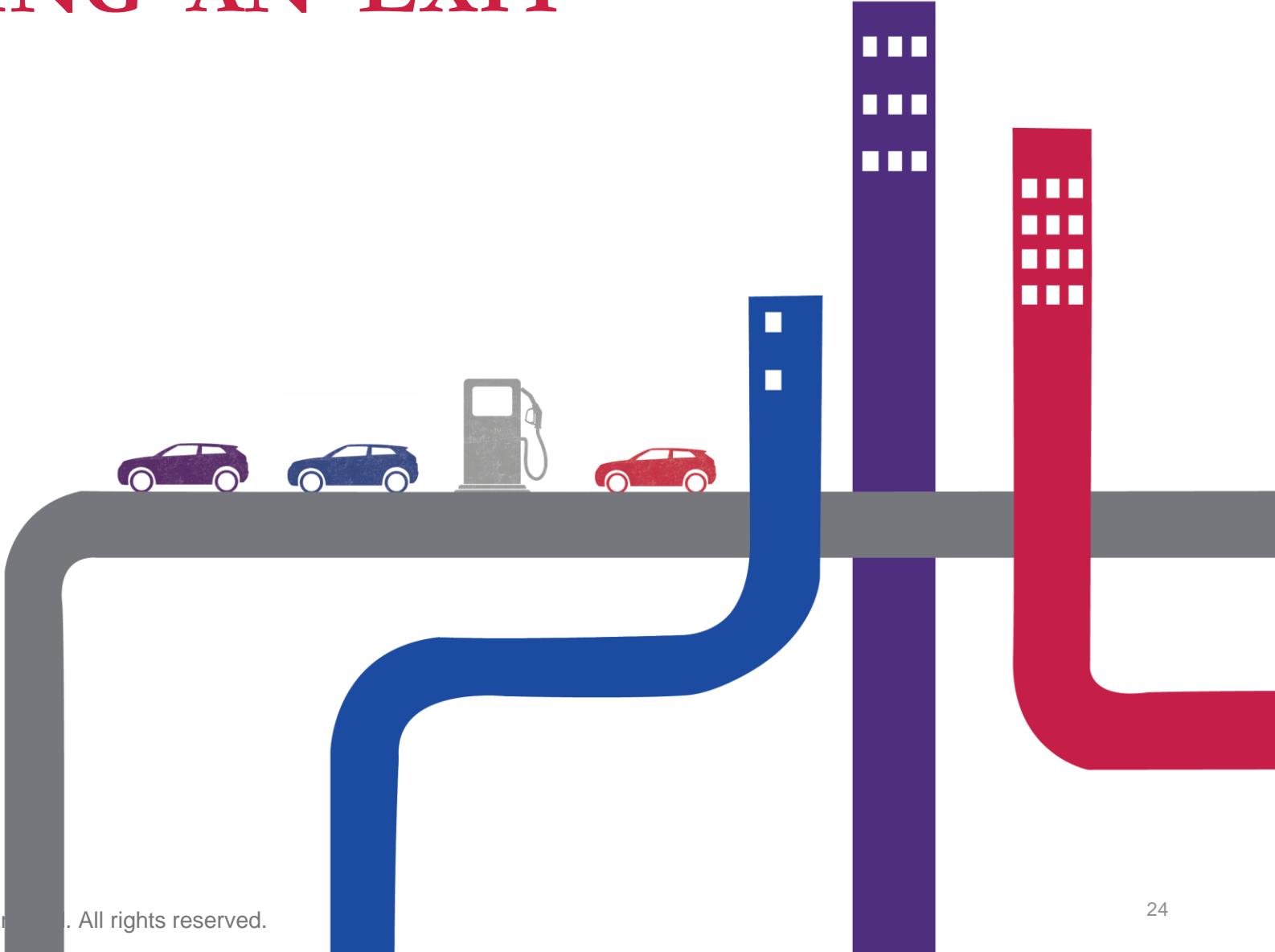
The Government is also putting effort in helping the companies in this area. Vietnam's Corporate Governance Code is expected to be developed and launched by mid-2017.

"Strategic input" illustrated a decrease from 19% in 2016 to 13% in 2017, consistent with the downtrend in "Strategic fit" when they consider to invest in Vietnam.

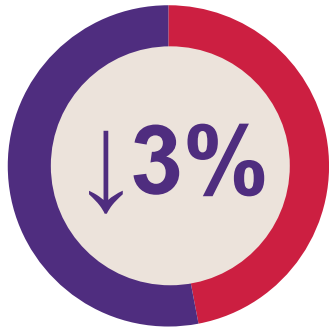
PARTICULAR AREAS FOR HANDS-ON INVOLVEMENT WITH PORTFOLIO COMPANIES



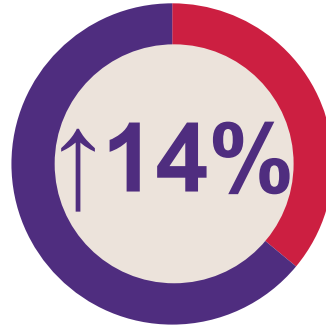
PLANNING AN EXIT



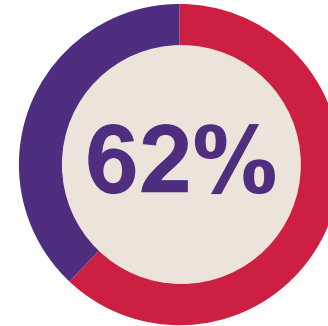
Planning an exit



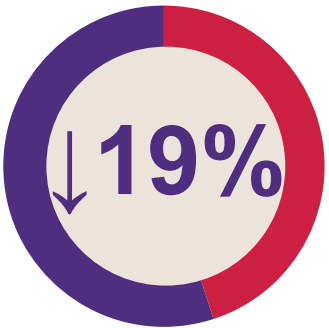
47% of participants see debt finance in Vietnam as difficult to obtain



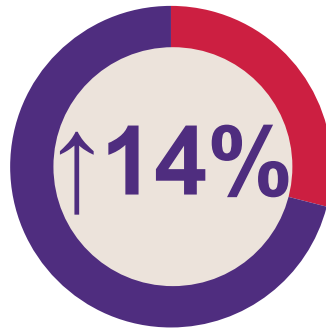
36% cited "IPO" as the most selected exit strategy for PE investors



62% expect level of exit activities to stay the same in the next 12 months



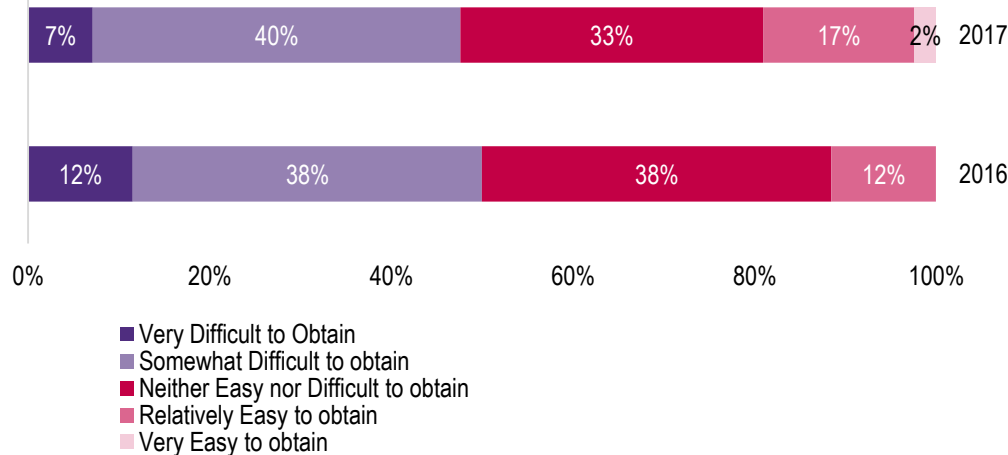
45% forecast their exit multiples at 5X-10X EBITDA



29% selected "3X-5X EBITDA" as their exit multiples

Access to finance

THE AVAILABILITY OF DEBT FINANCE FOR PRIVATE EQUITY INVESTMENT WITHIN VIETNAM



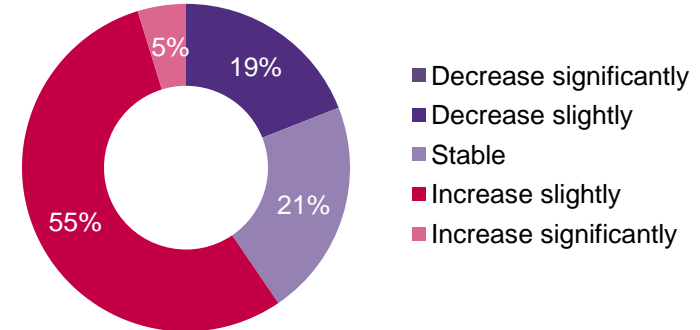
Since actions and resolutions were implemented in 2016 by the government, PE investors consider Vietnam debt financing has been facilitated with a stable exchange rate, widening regulations on lending and support for priority sectors, etc.

In this survey, there is a minor decline regarding the difficulty of getting credit in Vietnam, combining “very difficult” and “somewhat difficult”, from 50% in 2016 to 47% in 2017, which still reflects the need of more government’s resolutions and support.

The majority of participants perceive interest rates to increase slightly (55%) in 2017. Followed by 21%, the number of respondents state that the cost of debt is going to be stable over the next 12 months.

Nonetheless, the lending rates were kept stable, decreasing 0.5-1% compared to the beginning of 2016. In October 2016, the lending rates for priority sectors were 6-7%/year for short-term loans, whilst a number of banks announced rates for mid-to-long term loans were 9-10%/year¹.

THE COST OF DEBT OVER THE NEXT 12 MONTHS

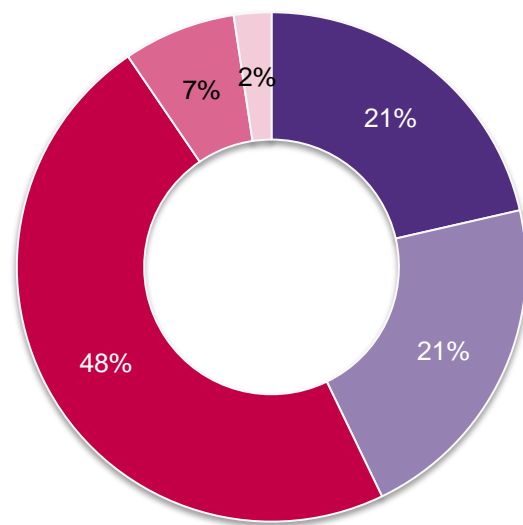


In 2017, the economic situation still remains challenging for State Bank of Vietnam to keep lending rates steady. The pressures would come from increasing demand for mid-to-long term capital needs of domestic enterprises along with boosting the economy while controlling inflation under the target of 5%.

¹ State Bank of Vietnam

The opportunities of raising new funds to invest in Vietnam's private equity market

THE OPPORTUNITIES OF RAISING NEW FUNDS TO INVEST IN VIETNAM PRIVATE EQUITY MARKET



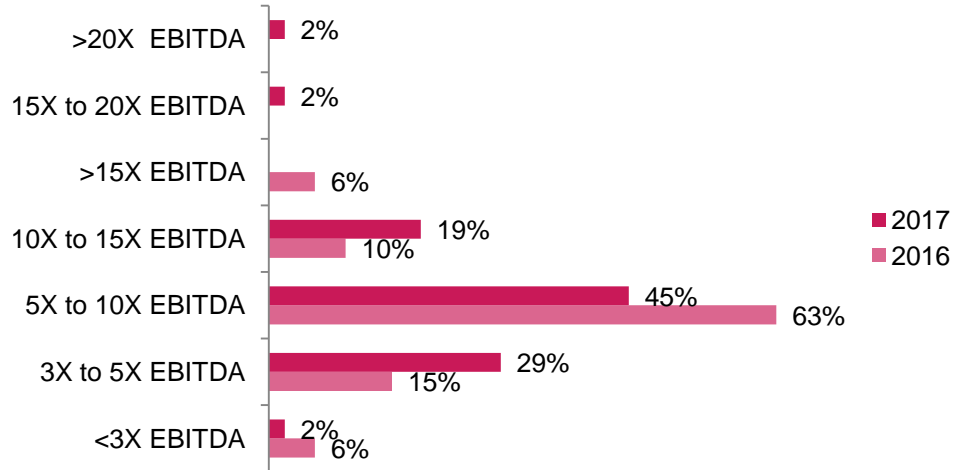
- Neither Easy nor Difficult to obtain
- Relatively Easy to obtain
- Somewhat Difficult to obtain
- Very Difficult to Obtain
- Very Easy to obtain

In the survey, the number of participants who claim that the opportunities for new fundraising are limited and challenging, made up 55% of respondents.

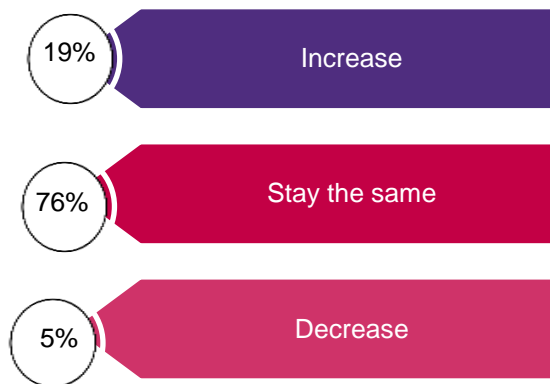
Global private equity market have recorded a slowdown in fundraising due to the restrictions on capital outflow of China's government, volatility of global markets and the US Presidential Election in 2016. Vietnam Private Equity market also experienced difficulties in raising new funds because of the shortage of options. The decline in new capital could be a threat for new managers and smaller funds to attract capital.

Exit multiples

EXIT MULTIPLES FOR INVESTMENT IN VIETNAM



FORECAST EXIT MULTIPLES

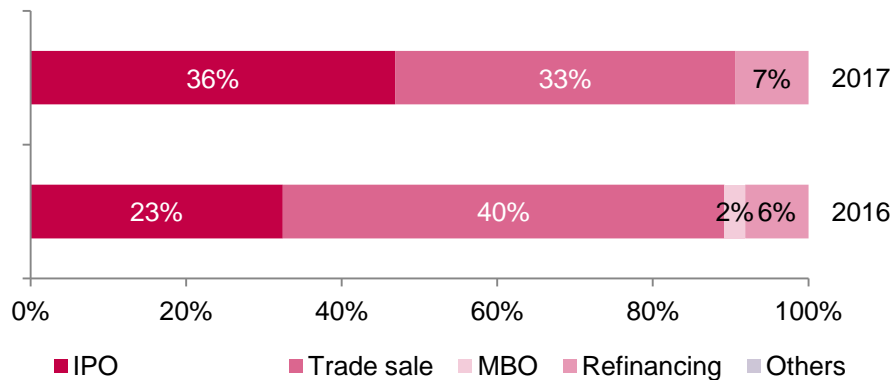


In 2017, there are significant changes in terms of exit multiples for investments in Vietnam. It is notable that 45% of our respondents voted “5X to 10X EBITDA” to be the most common exit multiples for Vietnamese PE investors, however, this is a substantial decrease of 19% compared to 2016. On the other hand, “3X to 5X EBITDA” experienced a marked increase to 29% (14% higher than our previous survey). This shows a lower exit multiple expected for the exits in 2017.

The above is consistent with the responses in forecast changes in exits multiples. In the prior survey, the number of participants forecasting an increase level was 31% while the participants forecasting “Stay the same” was 58%. In this year’s survey, the number of participants forecasting “Increase” has reduced to 19% while those forecasting “Stay the same” has increased to 76%.

Exit strategies

THE MOST ATTRACTIVE OR ACHIEVABLE EXIT STRATEGY FOR PRIVATE EQUITY INVESTMENT



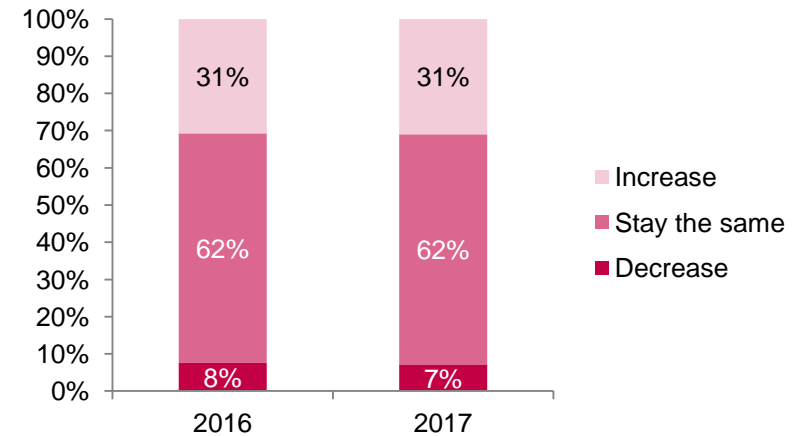
Consistent to our previous survey, most PE investors (62%) agreed that exit activity will not change significantly. The answer is consistent with expectations from respondents to be a net buyer rather than seller.

In this survey, “IPO” has reached the top position as the most achievable exit strategy for PE investors, cited by 36% (an increase of 14% compared to 2016).

When certain restrictions on foreign ownership in listed entities have been removed, public markets are increasingly more of an option for an exit strategy.

In the meanwhile, “Trade sale” was noted as the second most preferred exit option, even with the small decrease of 7%.

FORECAST LEVEL OF EXIT ACTIVITY OVER THE NEXT 12 MONTHS



ABOUT THE SURVEY

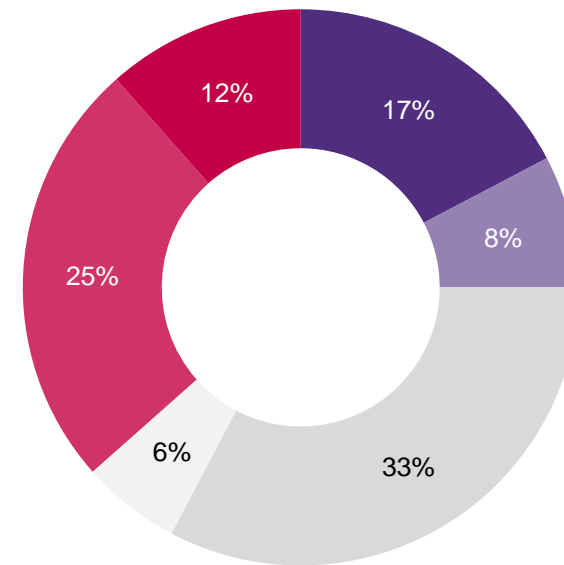


Grant Thornton and the Private Equity survey

March 2017

This is bi-annual survey that Grant Thornton Vietnam conducted with respondents from decision makers working in the Private Equity space located both in and outside Vietnam. In this study we have again sought to understand the current sentiment of investors in Vietnam towards the economy generally, their industry preferences and the impediments to investment. This survey was undertaken in March 2017.

PRIVATE EQUITY SURVEY PARTICIPANTS IN MARCH 2017



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- Investment Fund/ Fund Manager
- Private Investor
- Security Firms
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