

# **Vietnam Tech Investment Report 2019 - H1/2020**





# About Do Ventures

**Do Ventures** is an early-stage Venture Capital fund that focuses on making investments in tech startups in Vietnam and Southeast Asia. Pursuing the philosophy of Growing by Doing, we believe that entrepreneurs who are willing to do more tend to make more right decisions and outpace the competition. Do Ventures is committed to supporting outstanding entrepreneurs to achieve their ambitious vision and build disruptive, high-impact technology-based startups.

We strategically invest in companies that:

- Tap on the fast-growing middle class population
- Serve the massive young population
- Employ the best-in-class execution

Our investment strategy is to develop a complete ecosystem of services around consumers' lives by investing in, but not limited to, 2 tiers of companies.

- Tier 1: B2C platforms that complement an effective ecosystem of services around young customers.
- Tier 2: global-scaled B2B platforms that create synergies for tier 1 portfolio companies and enable these companies to scale regionally.

Do Ventures would serve as a valued partner to both entrepreneurs and investors in three important ways:

- ***Comprehensive investment approach*** – We aim at investing in startups throughout various stages from Seed to Series B to make sure that portfolio companies could raise subsequent rounds and get sufficient capital to scale up.
- ***Unique venture building capacity*** – In relatively new sectors, beside looking for good companies to invest in, we also find highly capable founders and support them to initiate new business models that tackle the current market pain points. In this way, we could actively nurture the next generation of startups that can disrupt the market.
- ***Outstanding portfolio support capability*** – With a refined automatic tracking system, we empower startups with a data-driven decision-making approach and a real-time overview of the business. Do Ventures also offers tailored operations support in various key areas to ensure that portfolio companies meet their predetermined milestones.

Learn more about us at [doventures.vc](https://doventures.vc) or our Facebook or LinkedIn pages.

# Introduction

The novel coronavirus, one of the most significant global economic and societal events to take place, has adversely affected every aspect of our business and personal lives. Due to the severity of the pandemic, Vietnam's GDP growth fell to 1.81% in H1/2020 compared to 6.7% in the same period last year<sup>(1)</sup>. The pandemic also caused a slowdown in venture capital financing activities in the Vietnam market in H1/2020. However, while Covid-19 has been disastrous for several economic spheres, it has partly favored the key foundations of the local Internet economy and catalyzed digital transformation. Key highlights from the report that show new dynamics detected in 2019 and the first half of 2020 under the impact of Covid-19:

## **Internet access and consumer trust being strengthened**

Vietnam is currently at its sweet spot for Internet consumption with a young tech-savvy population in the fast-growing middle-class. During the outbreak of Covid-19, Internet and mobile accessibility have been significantly improved thanks to the efforts from local telco companies, which is considered one of the main contributing factors to the robust growth of the Internet economy. Periods of social distancing also caused major changes in consumer behavior and brought them online more than ever. As online shopping and online payment become essential to our daily lives, consumer trust will likely improve across sectors such as e-commerce, education, and healthcare.

## **A dramatic boost in cashless payment**

The Covid-19 outbreak has created a new payment habit and an upsurge in e-payments due to the fear of the disease spreading through social contact and cash transactions. According to some local key players, the number of mobile banking transactions in the last 6 months increased by 3-5 times. In the long run, digital payment might see strong developments and become one of the key drivers to further boost the Internet economy.

Source:

(1) The General Statistics Office of Vietnam, 2019

## **Fiercer competition in logistics**

As e-commerce takes off in Vietnam, logistics service has reached its tipping point, as there are roughly 40 active startups providing e-logistics services in both the first-mile and last-mile sectors. As a result of Covid-19, the logistic network faces significant challenges, but the fact that consumers are getting used to online shopping and home deliveries, last-mile and on-demand delivery would benefit from the post-crisis situation. The sector has seen several new players offering 1-2-hour grocery deliveries, which raises the bar for the competition and brings more values to users.

## **Investment reached a record high in 2019 but dropped in H1/2020 due to Covid-19**

In 2019, Vietnamese tech startups enjoyed the most favorable year ever with \$861M (92% y-o-y growth) invested in 123 venture deals, more than double the number of 2018. The main driver for this jump is the existence of more later-stage companies such as Tiki, VNPAY, and Sendo. However, as Covid-19 broke out at the beginning of 2020, investment proceeds in the first half of 2020 decreased by 22%, from \$284M in the same period last year to \$222M. This is anticipated as travel restrictions and uncertainties in global financial markets have been disrupting deal-making activities.

## **The rise in the number of investors entering Vietnam**

The number of foreign investors entering Vietnam spiked to a record number of 109 in 2019, in which Korean VCs continued to show great interest and accounted for the most, followed by Singaporean and Japanese ones. In H1/2020, the number of active investors was nearly the same as last year, but only a very limited number of new investors entered the Vietnam market as most early-stage deals in 2020 have been conducted by local investors or foreign investors with personnel based in Vietnam.

# Introduction

## **The emergence of several new industries in 2020**

In H1/2020, while retail continued to dominate the funding amount, this period also witnessed the growth of capital invested in emerging industries such as employment (HRTech) and real estate (PropTech). As our daily activities are becoming more touchless for the sake of public safety, we expect the wide adoption of solutions followed by a surge of funding in healthcare, grocery delivery, online education, and entertainment.

## **The decline in exits in H1/2020 compared to the same period last year**

2019 saw the record number of exits but lacked outlier ones such as Yeah1's IPO in 2018, and there was a slight decrease in deal value compared to a year earlier. Exit value and the number of deals in H1/2020 also dropped compared to H1/2019, while there was a remarkable surge in average deal size. Trade exit and secondary sales are expected to remain as the main exit channels for early investors in the following years in Vietnam.

## **Looking forward to the rest of 2020 and 2021**

Investment sentiment in Vietnam remains high. According to our survey on 50 active funds among 6 major markets in SEA, Vietnam is preferred as the top destination for investment in the next 12 months, followed by Indonesia.

Investors are now looking for startups that can adapt and innovate their products and services for our new modes of life after Covid-19. Positive sentiments are recorded around the potential Education, Healthcare, and Financial Services as a long-term trend in the next 12 months.

As we bring together Cento Ventures' tech investment and exit data with Do Ventures' on-the-ground insights, it is our pleasure to share with you this edition of the Vietnam Tech Investment Report 2019 – H1/2020 that covers various factors that enable Vietnam to become a successful digital economy.

We hope this report will be helpful to entrepreneurs, investors, and policymakers who are driving Vietnam forward, as well as anyone who seeks to better understand this thriving startup ecosystem and its opportunities.

## ***Thank you***

Do Ventures

# Overview

For an in-depth look into the rising startup ecosystem in Vietnam, this report will examine 6 key factors that we believe are the main foundations of a robust Internet economy. Each factor will be assessed in two periods: before and during the Covid-19 outbreak.



## I. Internet Access



## IV. Payments



## II. Consumer Trust



## V. Logistics



## III. Talent



## VI. Funding

# I. Internet Access

## Pre Covid-19

Compared to other Southeast Asian countries, Vietnam boasted the 3<sup>rd</sup> largest Internet users, the 2<sup>nd</sup> highest mobile penetration, and the 2<sup>nd</sup> fastest average mobile connectivity speed.

The growing Internet base lifted Vietnam Internet economy value to \$12B in 2019, and the number is expected to hit \$43B by 2025. Interestingly, this pattern of growth can be observed in correlation with what historically happened in Indonesia. The period 2009-2012 witnessed the emergence of Indonesia's unicorns such as Tokopedia, Bukalapak, Gojek and Traveloka when the number of Internet users in this country reached 63M (2012). Coincidentally, there were 64M Internet users in Vietnam in 2019, which gives rise to the speculation that the country is hitting the same inflection point as Indonesia's seven years ago and now ready for the emergence of new unicorns.

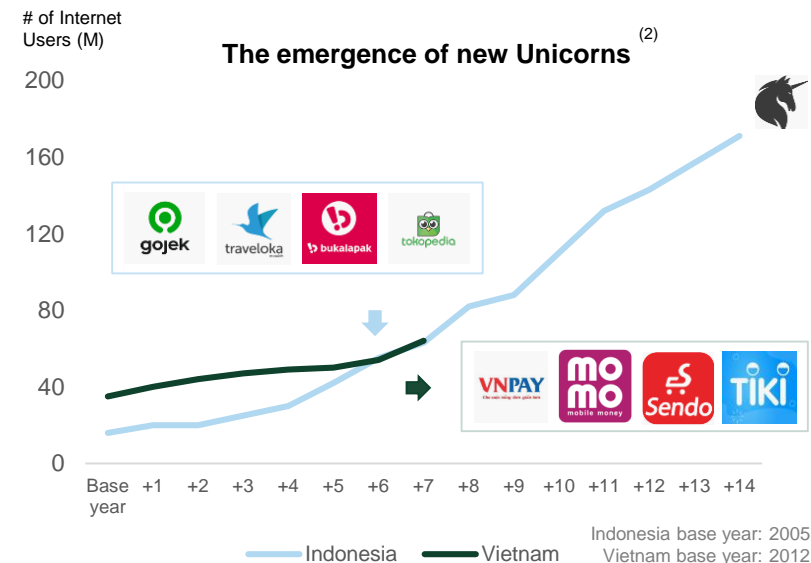
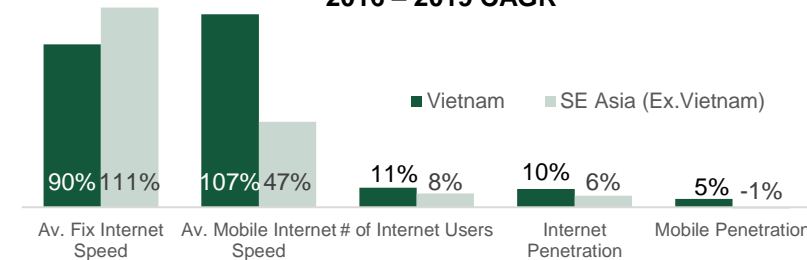
Source:

(1) We Are Social, Digital 2020 report

(2) Indonesian Internet Service Providers Association, 2017, Survey Worldbank, 2020, <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=VN>

(3) Vietnam Telecommunications Authority, 2020

Connectivity statistics, Vietnam vs. Other SE Asia countries, 2016 – 2019 CAGR <sup>(1)</sup>



Note: The number of internet users in Vietnam in 2019 was on par with Indonesia in 2012, and the prospect of startups in Vietnam may follow in Indonesia's footsteps

## During Covid-19

As consumers spend more time at home during Covid-19, Internet traffic increased by 40% in March, 2020. Local telecom carriers such as VNPT, Mobifone, and Viettel had to increase the Internet bandwidth by 2 times to meet the sudden rise in demand.<sup>(3)</sup>

Viettel, Mobifone, and VNPT all geared up to launch commercial 5G in Vietnam. Remarkably, Viettel was able to release the country's first 5G connection in May 2019, while VNPT and Mobifone announced that they already succeeded in testing their 5G networks in Hanoi and Ho Chi Minh City.

Going forward, it is expected that the battle for the Internet speed among network service providers will help push the minimum Internet access bandwidth in Vietnam to a higher level, which could bring about a revolution in various fields within the Internet economy.

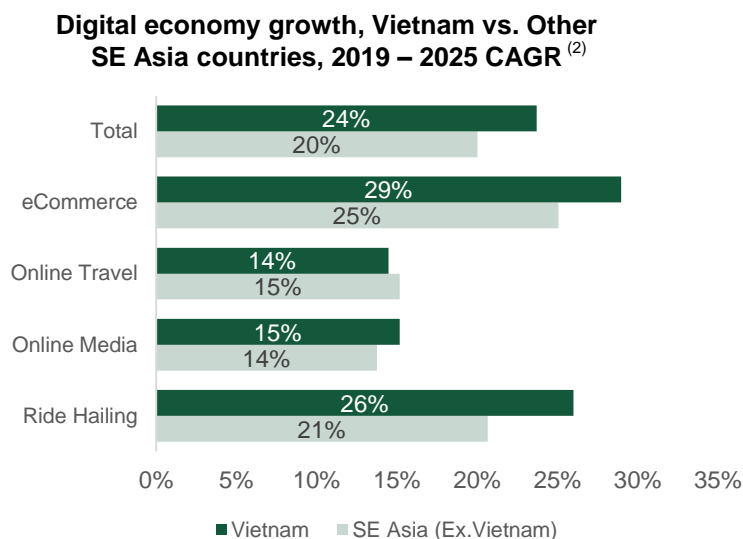
## II. Consumer Trust

### Pre Covid-19

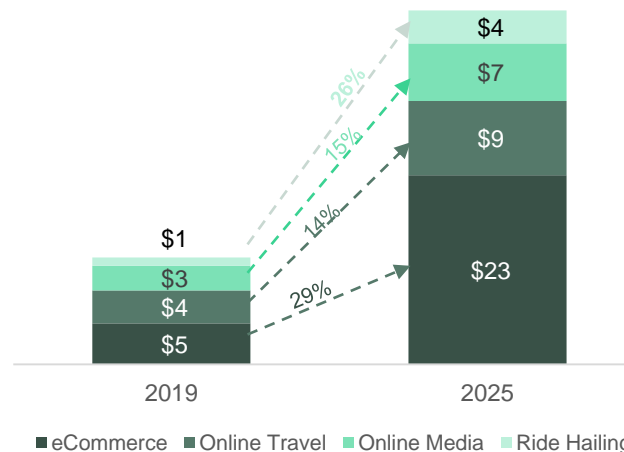
The level of consumer trust can be observed in correlation with the e-commerce adoption rate and the size of the Internet economy.

Vietnamese are increasingly relying on Internet economy services for their daily activities, from transportation and travel to meals and entertainment. At the Internet penetration rate of 66%, 50.6% of the population shop online, which demonstrates a strong uptake of e-commerce by those with Internet access.<sup>(1)</sup>

Together with Indonesia, Vietnam is leading the region in terms of gross merchandise value (GMV) of its Internet economy, which accounts for over 5% of the country's GDP in 2019, with most areas- e-commerce, media, and ride-hailing- expected to grow faster than the rest of its Southeast Asian peers.



**Vietnam digital economy, 2019 – 2025 (US\$B)<sup>(3)</sup>**



Source:  
(1) We are social & Hootsuite, 2019, Digital Report 2019: Vietnam  
(2)&(3) Google, Temasek and Bain & Company, Oct 2019, e-Conomy SEA 2019 Report

### During Covid-19

Monumental disruptions to daily life under the impact of the pandemic has greatly increased reliance on digital commerce, hence boosting consumer trust in Vietnam. Online purchase and home deliveries have become essential activities for Vietnamese consumers in the new normal. Instead of looking at e-commerce as a platform for big-ticket items such as electronics, shoppers are increasingly going online to purchase household essentials on a regular basis.

It is likely that this will become a habit that improves consumer trust in Vietnam and benefits growth of the country's Internet economy.

64%	Willing to continue using food delivery more frequently after Covid
63%	Willing to continue online shopping more frequently after Covid
38%	Are using online banking/e-wallet more frequently

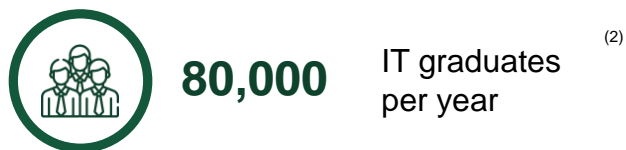
Source:  
(4) Nielsen Vietnam, Feb 2020, How has Covid-19 impacted Vietnamese consumers?

# III. Talent

## Pre Covid-19

There were more than 30,000 businesses in the local ICT sector with 955,000 IT employees.

Moving from being one of the most popular IT outsourcing destinations, Vietnam is increasingly gaining traction with tech startups focusing on building their own products.



Source:

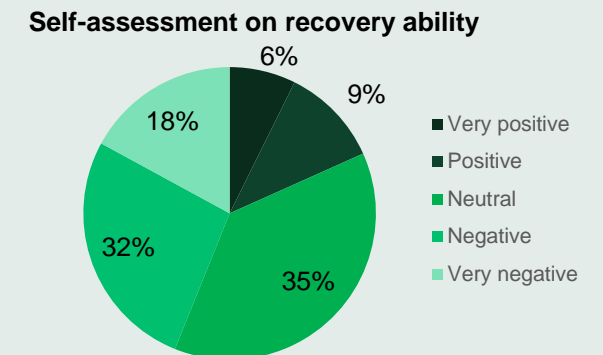
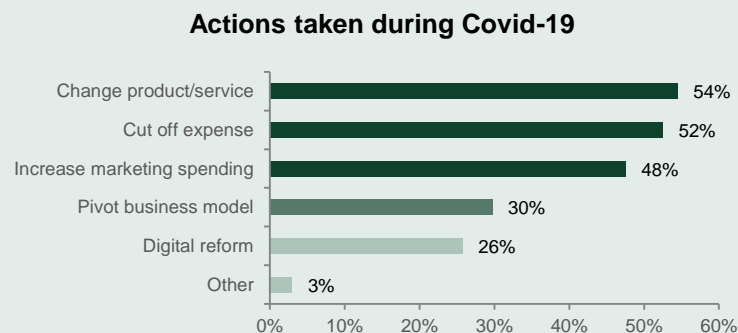
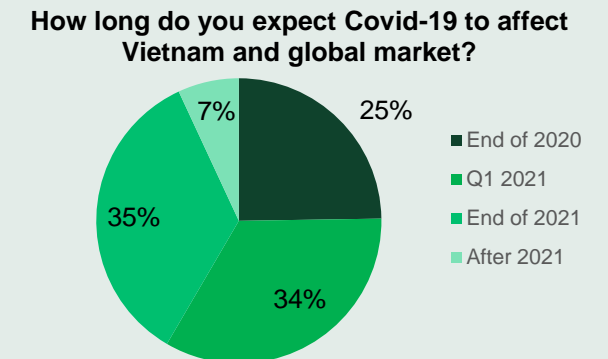
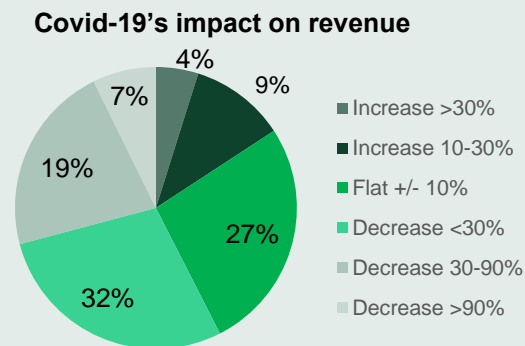
(1) The Ministry of Information and Communications,

(2) (3) Vietnam Ministry of Science and Technology, May 2019, Vietnam's Digital Economy – Towards 2030 and 2045.

(4) Do Ventures, Jun 2020, The impact of Covid19 on Startups Vietnam Survey

## During Covid-19

Though being highly vulnerable under the impact of the crisis, Vietnamese founders have battled against many odds and exhibited their adaptability and fast reflexes. Our survey on 101 startups also demonstrates a positive and agile mindset of local founders. The majority of startups is changing their models or pivoting products/services to survive and adapt to the new situation. Vietnamese founders are resilient, and the majority have a neutral to positive views on their recovery outlook.<sup>(4)</sup>



Note: For those who would like to learn more about our survey results, please refer to the Appendix of this report.

# IV. Payment

## Pre Covid-19

Vietnamese consumers are increasingly embracing digital payment as a faster and more convenient way for online purchases. In 2019, mobile banking transactions grew 210% year-on-year in terms of value to \$240.0B, while transactions via e-wallet services offered by fintech companies increased 112% to \$10.4B.

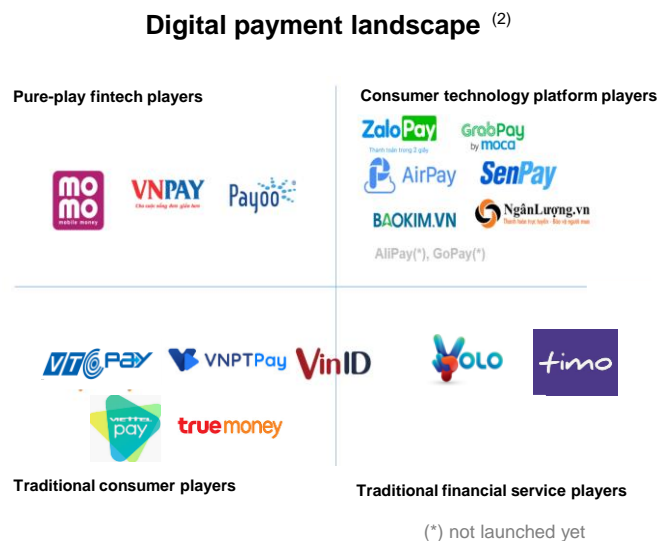
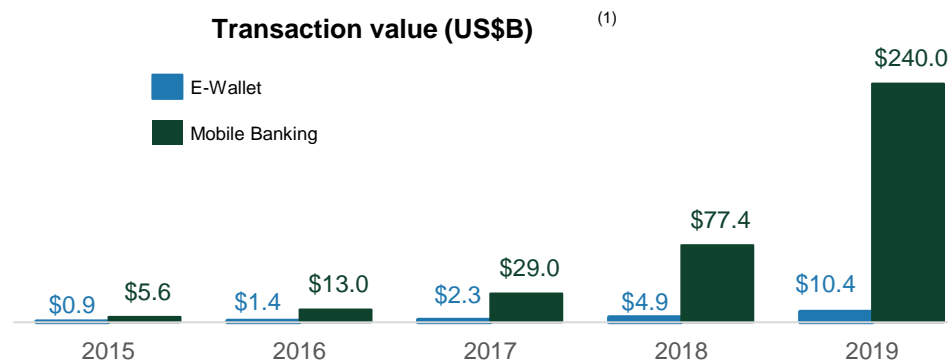
Vietnam's digital payment landscape is composed of 16 majors players, which can be divided into four main archetypes. Each archetype has its own strength in terms of financial service expertise, digital user experience, customer trust, or distribution network, and the winner is potentially the one who can build a variety of use cases.

Source:

(1) State Bank of Vietnam, May 2020, Facilitate cashless payment: in need of integrated solution. Financial Times, Jan 2019, Red tape is keeping Vietnam a digital payments laggard.

Do Ventures research and estimate

(2) Do Ventures research and compile



Note:

(i) **Traditional financial service players:** Traditional institutions such as banks, money transfer operators, insurance companies and asset management firms.

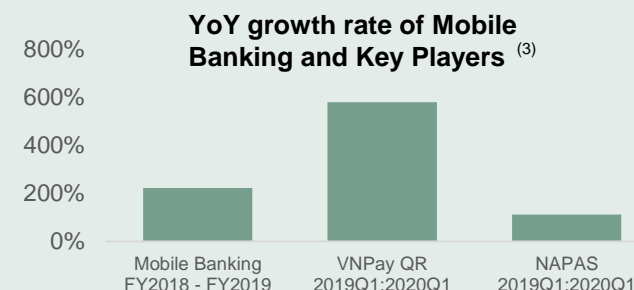
(ii) **Traditional consumer players:** traditional players in other consumer industries with large customer bases that are expanding their product offerings to include financial services.

(iii) **Pure-play fintech players:** A new generation of independent players that has emerged to compete with digital financial services offered through new business models.

(iv) **Consumer technology platform players:** Digital nomad platforms providing consumer services are embedding financial services products within their existing services.

## During Covid-19

Amid the Covid-19 pandemic, the fear of the virus spreading through social contact and cash payment is on the rise, which consequently results in a stronger upswing in e-payment.



Aside from digital payment players, Vietnamese major mobile carriers such as VNPT, Viettel, and MobiFone are also ready to join the electronic payment market with direct carrier billing service, known as Mobile Money, that aims at serving people in remote areas, where banking service is unavailable. The heated competition among these players will also boost cashless payments in the country.

Source:

(3) Tuoitre, Jun 2020, NAPAS is processing 2.8M transactions per day with total value of 21.000B VND.

Tuoitre, Jun 2020, Payment through QR code will have a large coverage in the next 2 years.

State Bank of Vietnam, May 2020, Promoting cashless payment: In need of synchronous solution.

# V. Logistics

## Pre Covid-19

The logistics industry in Vietnam accounts for 21% of GDP <sup>(1)</sup> with the projected growth rate of approximately 13% every year. <sup>(2)</sup>

With an average of 6-8 new players entering the sector every year in the last five years, there are more than 40 enterprises providing e-logistics services with some outstanding brands serving as delivery partners of key e-commerce platforms in the country. <sup>(3)</sup>

	Before 2015	2015	2016	2017	2018	2019
Last Mile/ General Purpose & Ecommerce	   	    		   	   	  
Food					 	
First & Mid Mile				  	 	
Software Solutions			 			
Warehouse/ Storage						

Source:

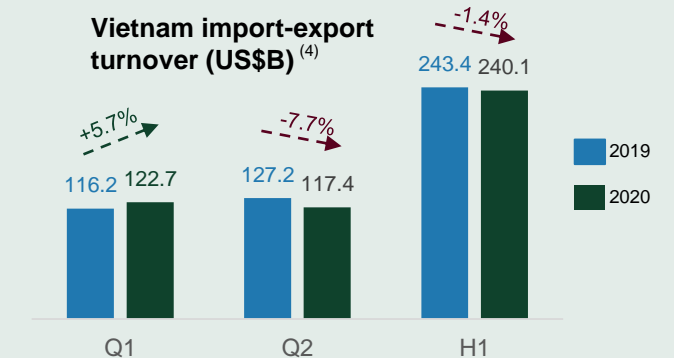
(1) Worldbank, 2019, [www.blogs.worldbank.org/transport/supporting-vietnam-s-economic-success-through-greener-cheaper-and-more-efficient-trucking](http://www.blogs.worldbank.org/transport/supporting-vietnam-s-economic-success-through-greener-cheaper-and-more-efficient-trucking)

(2) KenResearch, 2019, [www.ssi.com.vn/en/individual-customer/economic/news/491972](http://www.ssi.com.vn/en/individual-customer/economic/news/491972)

(3) Do Ventures research and compile

## During Covid-19

As a result of the Covid-19 epidemic, the logistic network faces significant challenges as the border remains closed or has limited operations. First-mile delivery has been heavily stagnant due to the decline of cargo volume imported and exported from countries affected by the virus.



Meanwhile, last-mile and on-demand delivery have witnessed an upsurge as consumers seek convenient and safe shopping alternatives. Several new grocery delivery players have recently entered the market.



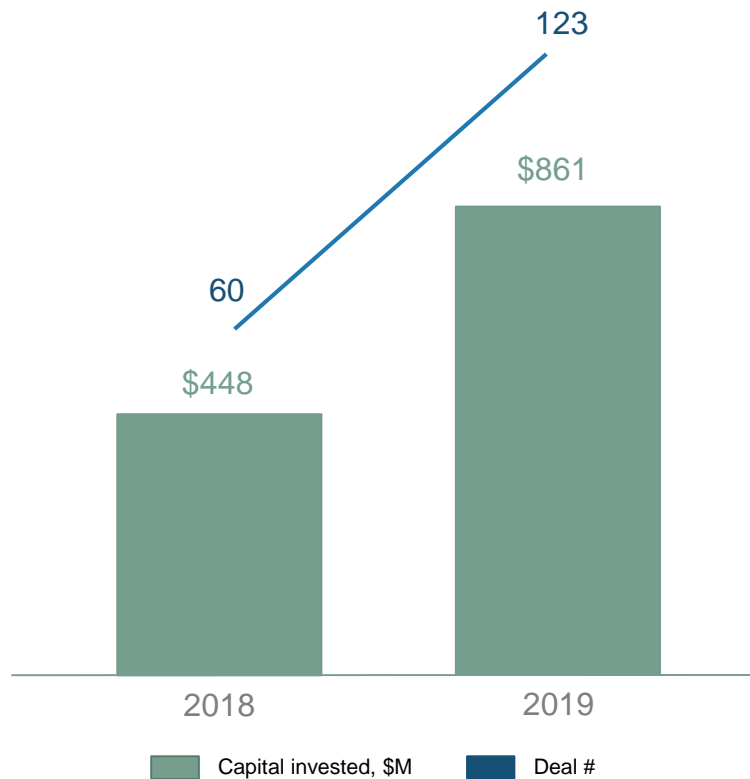
Source: (4) Vietnam Customs, 2020, Vietnam import and export report+

# VI. Funding

## 2019 (Pre Covid-19)

Up to now, 2019 has been the most favorable year for Vietnamese tech startups due to a sharp growth of investment deals in terms of number and value.

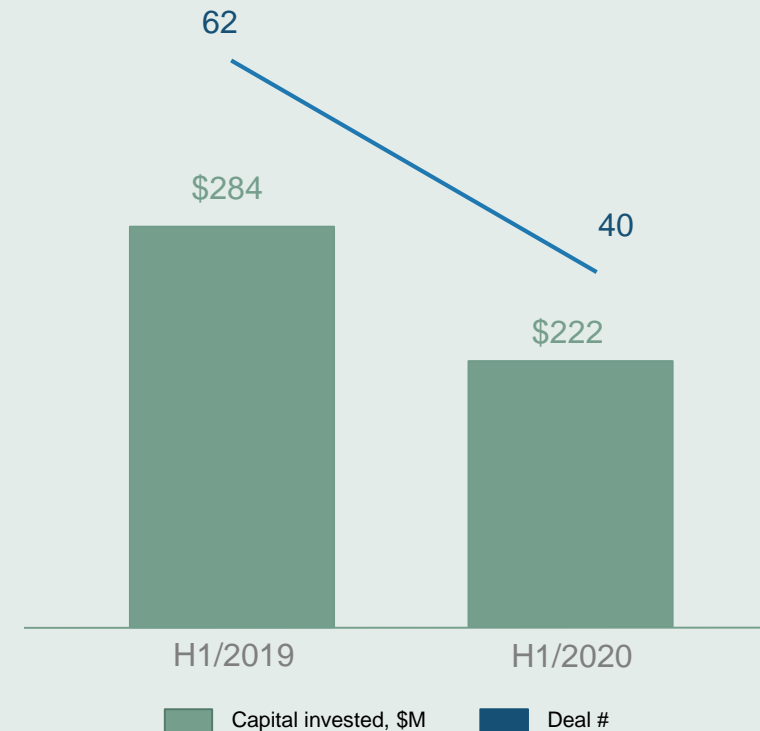
Vietnam Tech Startup Funding Pre Covid-19



## H1/2020 (During Covid-19)

The COVID-19 pandemic, nationwide lockdowns on the global scale, and a prospect of economic downturn caused the drop in venture funding in the first half of 2020 in Vietnam market compared to the same period last year.

Vietnam Tech Startup Funding During Covid-19



# Record deals and capital invested in 2019, drop in H1/2020 due to Covid-19

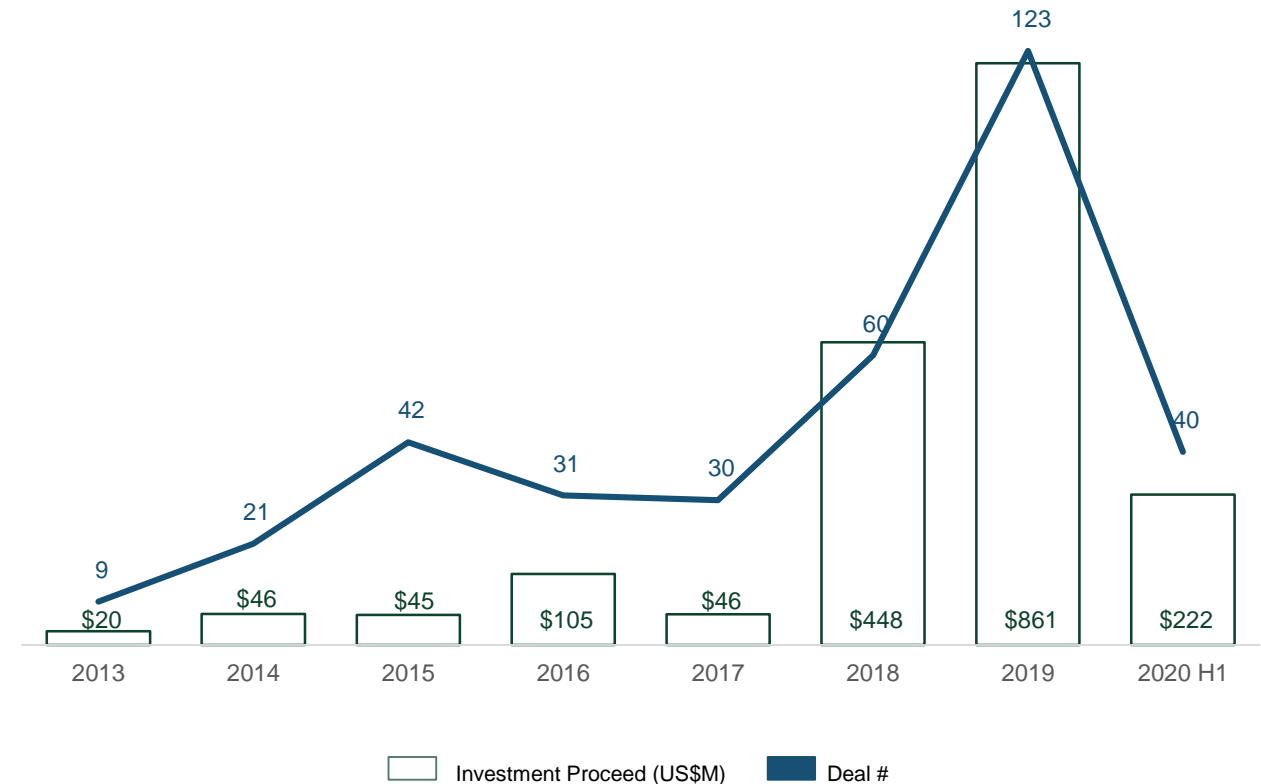
2019 was considered a great year for tech investment in Vietnam, with \$861M (92% y-o-y growth) invested in 123 venture deals, more than double the number of deals in 2018.

However, as Covid-19 broke out at the beginning of 2020, we saw a drop in venture capital financing activities in the Vietnam market. The investment proceeds in the first half of 2020 decreased by 22%, from \$284M in the same period last year to \$222M. This is anticipated as travel restrictions and uncertainties in global financial markets have been disrupting deal-making activities.

*Note:*

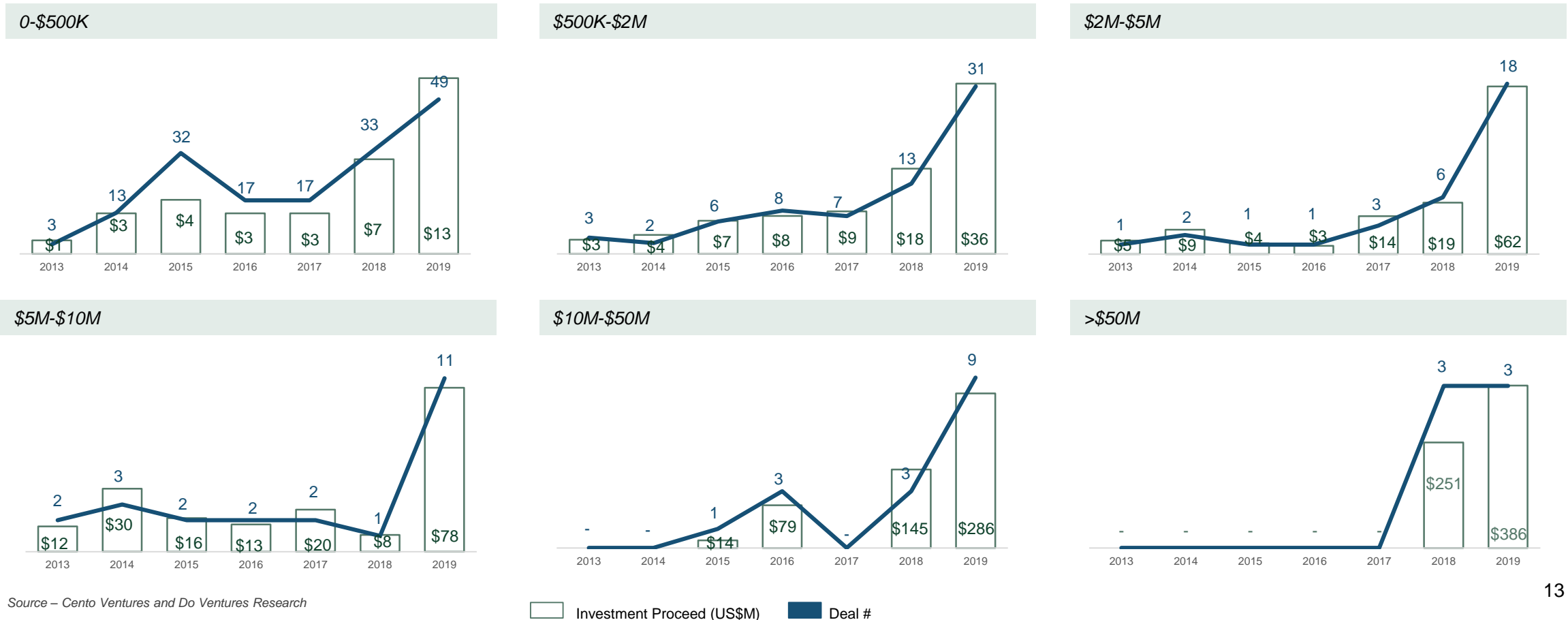
*The numbers also include various events that while count as investments in technology companies, are considered non-VC, e.g. ICO, project financing, corporate spin-off.*

Capital invested, \$M and deals done, #



# 2019: An inflection year for the Vietnam startup ecosystem

Later-stage deals continue to account for an outsized proportion of the total capital invested. Vietnam market has seen the emergence of seven \$50M+ deals with \$692M in value since 2018, which indicates the interest of big investors in the market and their willingness to place more concentrated bets on the assets that they perceive the most valued. On the other hand, early-stage investment activities remained strong in 2019. The number of early-stage deals of less than \$5M was 98, almost doubled the number in 2018. This rise in early stage investments is expected to continue in the next few years as Vietnam tech startups become more dynamic, and this could help create a good deal pipeline for later-stage funds in VC cycle.



# H1/2020: The significant decrease in \$500K to \$10M check size deals

Overall, the number of early-stage deals with check size over \$500K has fallen sharply, especially deal size in the range of \$2M - \$10M, while late-stage financing sustains strengths in aggregate investment proceeds and deal counts. The main reason might be deal sourcing and due diligence were hindered by travel restrictions and lack of in-person meetings. Most of the deals with large check sizes successfully closed in H1/2020 had started before the Covid-19 outbreak.



# The domination of retail & payment amid the emergence of new industries

Retail and payment continued to dominate in terms of deal size with landmark deals such as those of VNPay, Sendo, and Tiki in 2019.

In H1/2020, retail continued to lead the funding amount with \$64M. This period also witnessed the growth in funding for emerging industries such as employment, real estate, and infrastructure.

Plenty of dry powder is waiting to be deployed and many investors are looking for new disruptive businesses built upon the “new normal” after Covid-19. Positive sentiments are recorded around the potential of healthcare, grocery delivery, online education, and entertainment. As a result, the surge of funding in the above-mentioned sectors in the remaining of 2020 is on the horizon.

Deals done by sectors, \$M

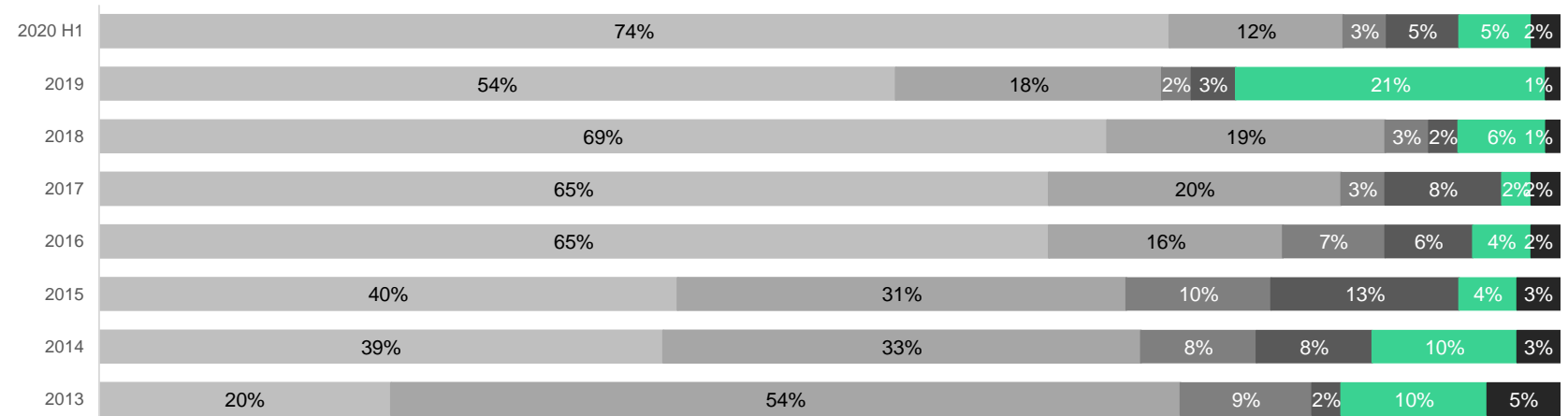
Proceed (US\$M)	2013	2014	2015	2016	2017	2018	2019	2020H1	Total
Payments	\$12	\$10	\$1	\$29	\$10	\$100	\$300	-	\$462
Retail	\$1	\$15	\$1	\$18	\$15	\$105	\$196	\$64	\$416
Education	\$0	\$3	\$6	\$1	\$5	\$53	\$32	\$3	\$103
Financial Services	-	\$0	\$1	\$2	\$1	\$8	\$40	\$22	\$73
Advertising and Marketing Technology	\$6	\$7	\$30	\$1	\$6	\$3	\$15	\$2	\$70
Logistics	-	-	\$0	\$1	-	\$5	\$58	-	\$64
Business Automation	-	-	\$0	-	\$0	\$1	\$60	\$2	\$63
Real Estate and Infrastructure	\$1	-	\$0	-	\$7	\$6	\$16	\$26	\$56
Employment	-	\$0	\$0	\$0	\$0	\$1	\$3	\$36	\$40
Travel and Hospitality	-	\$1	\$0	\$4	\$1	\$4	\$23	\$3	\$36
Multi-vertical	-	-	-	-	-	-	\$29	-	\$29
Local services	\$0	\$0	\$4	\$2	\$0	\$4	\$5	\$3	\$18
Entertainment/Gaming	-	-	-	-	-	\$0	\$9	\$6	\$15
Healthcare	-	-	\$0	-	\$0	\$0	\$10	\$3	\$13
Entertainment/Non-gaming	-	-	\$0	-	-	-	\$1	\$2	\$3
Communications and Communities	-	\$0	-	-	-	\$0	-	-	\$0
Other	-	-	\$0	-	-	-	-	-	\$0

# The clear shift in the number of deals and capital to Vietnam in 2019 but slow down in H1/2020

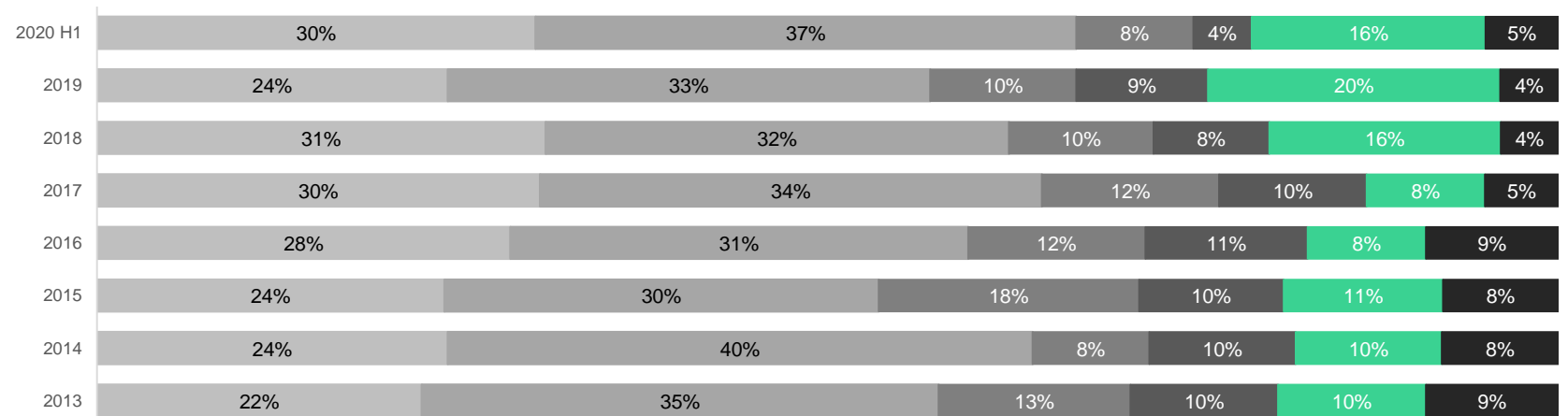
Vietnam, for the first time in 2019, bypassed Singapore in terms of capital invested in tech startups in the region, accounting for 21% of total money disbursed in the region that year. The main driver for this jump is the existence of more later-stage companies such as Tiki, VNPay, and Sendo. On the share of deals done, the trend is fairly consistent with the data in the last few years.

In H1/2020, investment proceeds into Vietnam tech ecosystem dropped to the 3<sup>rd</sup> place in SEA, behind Indonesia, Singapore and equivalent to Thailand, while the number of deal counts remained at the 3<sup>rd</sup> place, same as in 2019.

Share of capital invested by country\*



Share of deals done by country\*

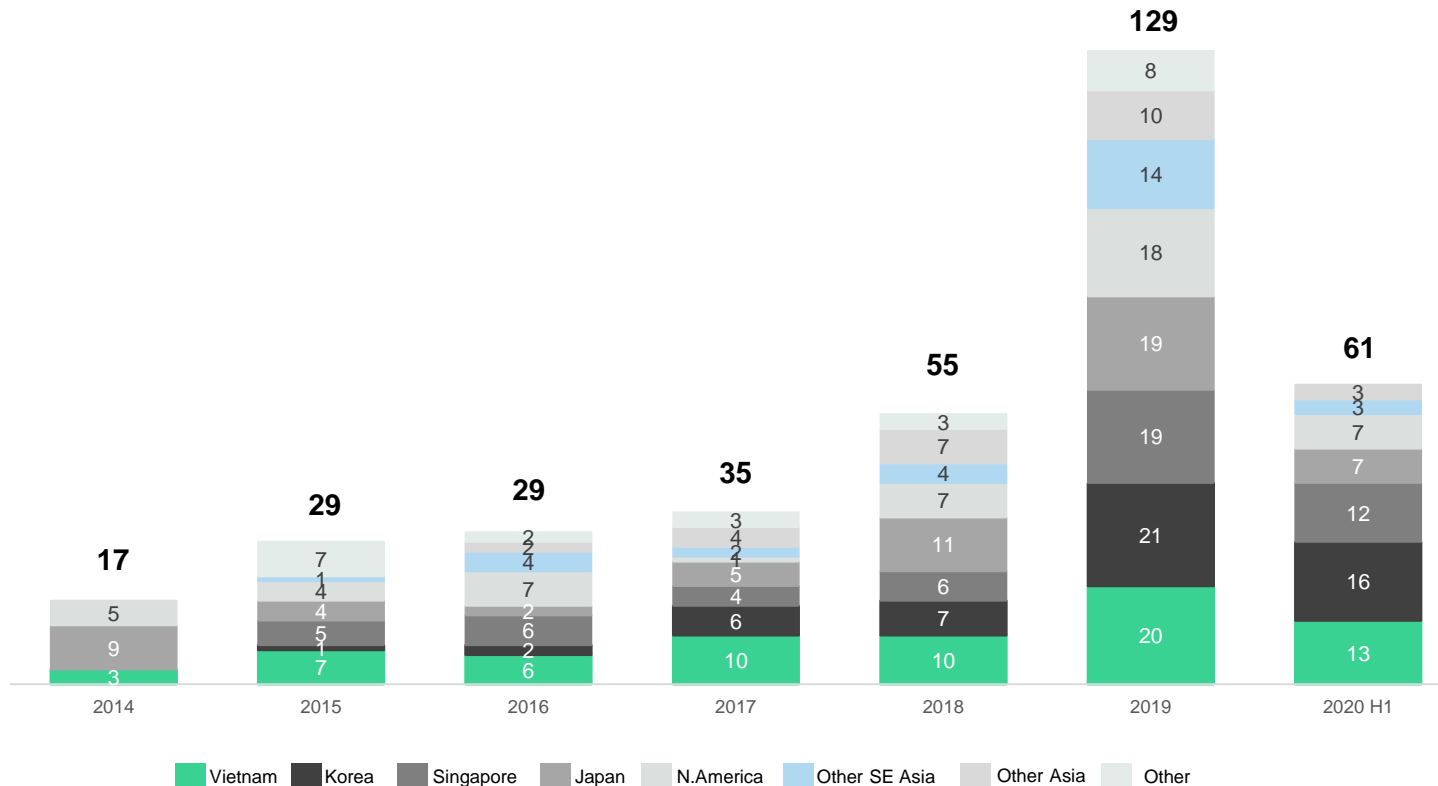


Source – Cento Ventures Research  
 \*Country of origin is where the company was founded and is believed to be the key source of revenue, companies with truly regional footprint are excluded.

# The rise in the number of investors entering in Vietnam

2019 was a record year in terms of the number of investors entering Vietnam, particularly the rise of investors from Korea, Singapore and Japan. In H1/2020, the number of active investors was nearly the same as last year period. Significantly, there was a very limited number of new investors entering the Vietnam market, as most early-stage deals in 2020 have been conducted by local investors or foreign investors with personnel based in Vietnam.

Investors with investment in Vietnam, # of funds



Source – Cento Ventures and Do Ventures Research

Top active investors in 2019-H1/2020, by # of deals

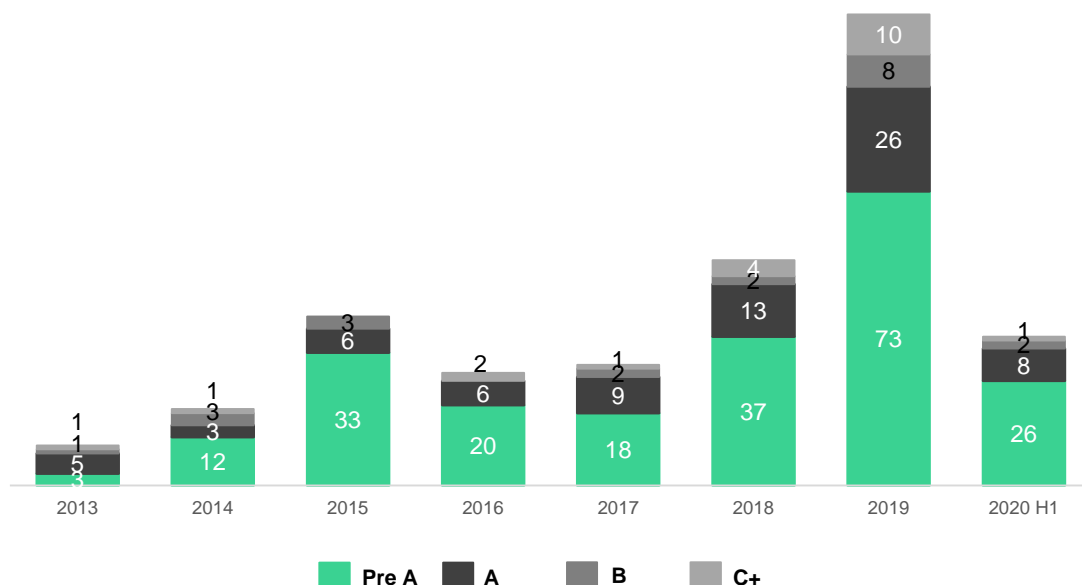


# Later-stage deals continue to increase and so do average deal sizes

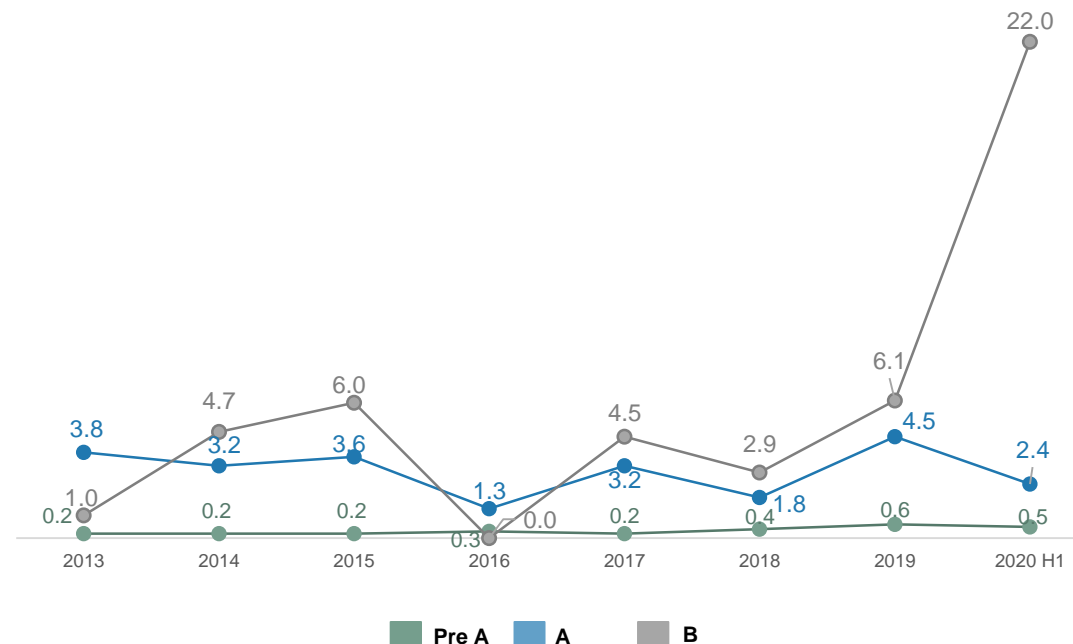
The average Pre-A deal size, which was notably flat during 2014-2017 period, rose roughly 75% YoY from 2017, and reached an annual average of \$0.6M in 2019. In 2019, series A and B check sizes increased more than 2 times of those in 2018. In H1/2020, late-stage check size continued to increase significantly.

The number of A-round deals doubled in 2019, with an average deal size of \$4.5M. This trend demonstrated that a growing number of startups has reached the critical stage and are ready to scale up their businesses. Besides, many of them are capital-intensive and consumer-focused businesses that require significant cash injection to scale and acquire market share.

Deals done by series, #



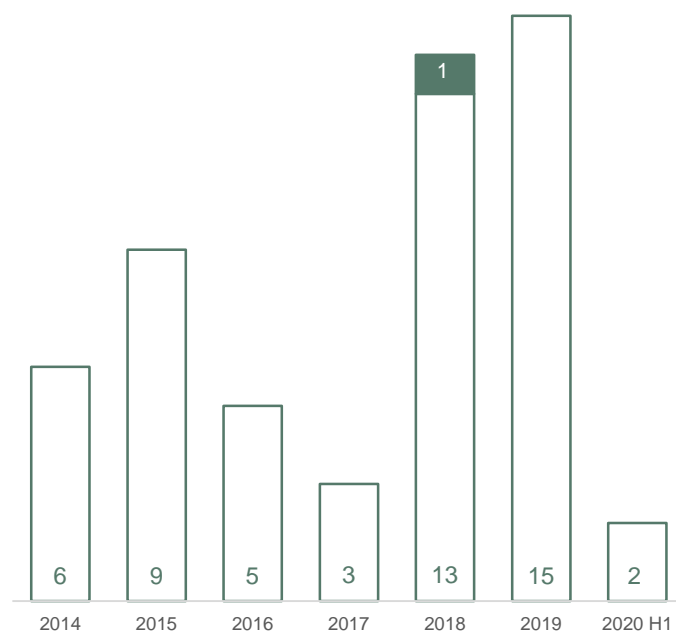
Average deal size by series\*, \$M



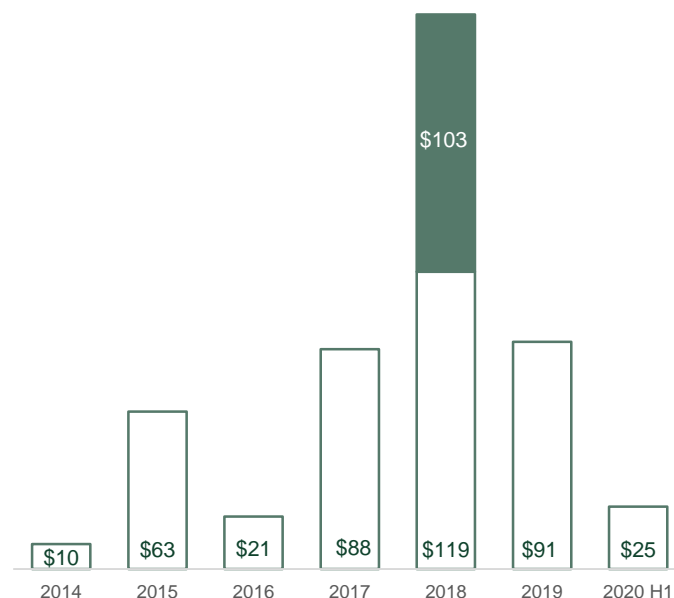
# Trade exit and secondary sale as the primary exit channels

2019 saw the record number of exits but lacked outlier ones such as Yeah1's IPO in 2018, which was the main reason for the fall-off. Leaving out the outlier (Yeah1 IPO) in 2018, there was a slightly decreasing trend of exit activity in Vietnam in 2019 compared to a year earlier in terms of deal value. Exit value and deals in H1/2020 also dropped compared to H1/2019 while there was a remarkable surge in average deal size. Trade exit and secondary sales are expected to remain as the main exit channels for early investors in the following years in Vietnam.

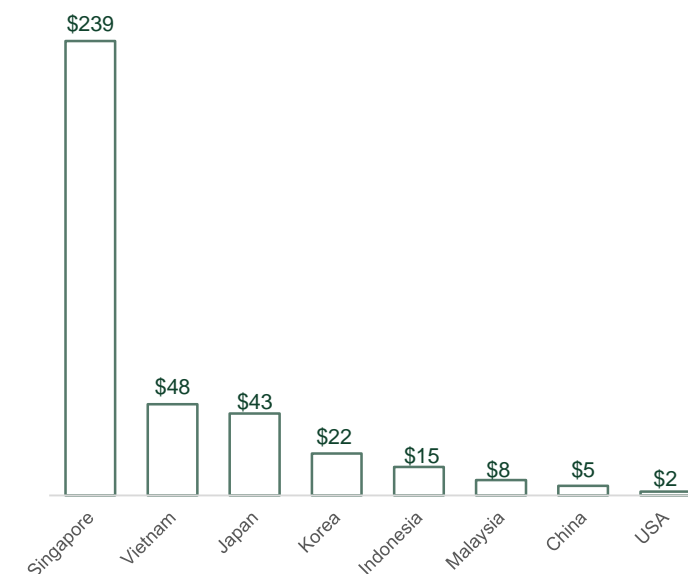
Liquidity events, #



Proceeds realized at exit, \$M

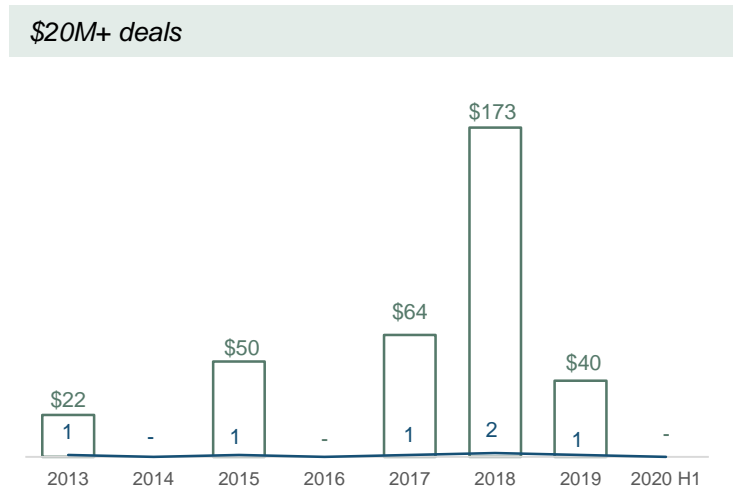
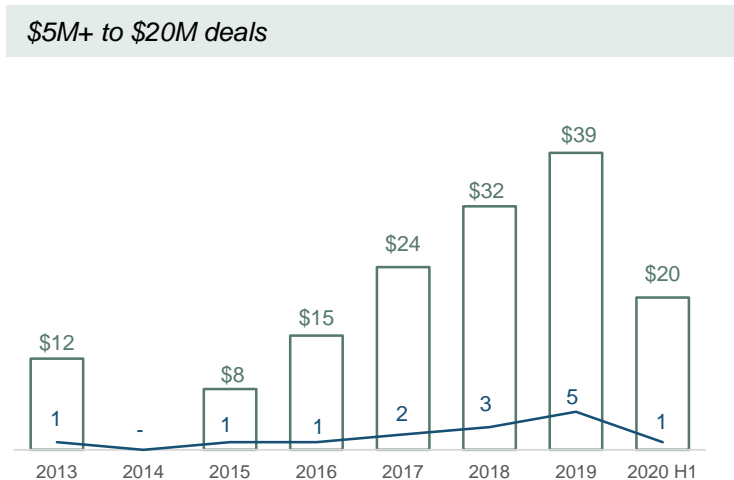
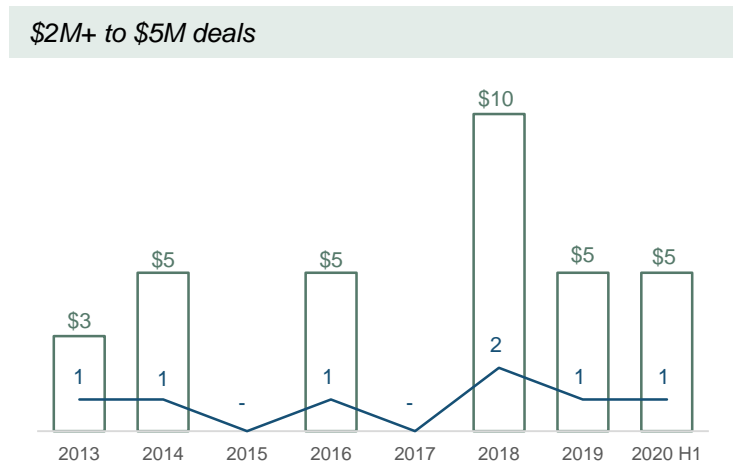
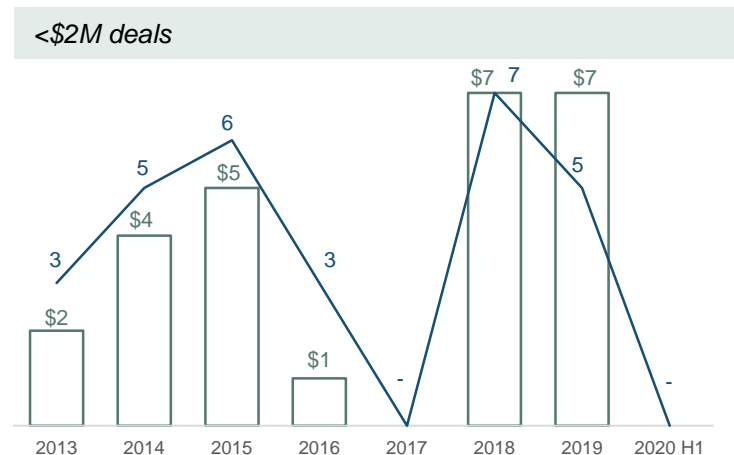


Exit proceed, \$M and liquidity events, #, by acquirers' origin, 2013 – 2020 H1



# The increase in \$5M to \$20M exit deals and the absence of large size deals

While \$5M+ exits still made up most of the 2019's total exit value, there was a lack of true outlier exits that significantly contributed to the fall-off. The top decile in the exit valuation was \$79M over the covered period.



# Looking forward: Vietnam as the prime investment market in SEA with increasing interest in education and healthcare

According to our survey on 50 active funds among 6 major markets in SEA (Vietnam, Indonesia, Singapore, Malaysia, Philippines, Thailand), Vietnam is the top destination for investment in the next 12 months, followed by Indonesia.

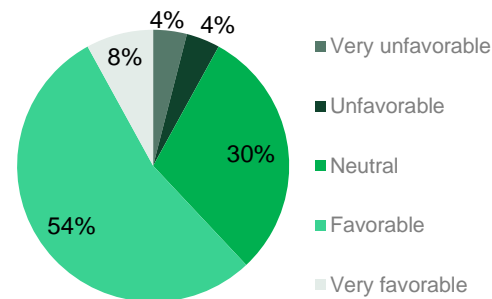
Investment sentiment in Vietnam remains high, as surveyed funds are looking to invest in 117 - 200 deals in the next 12 months. Nearly 80% of the investors have planned to deploy 1-5 deals.

In the upcoming year, investors will focus on the three following leading industries in Vietnam: Education, Healthcare, and Financial Services.

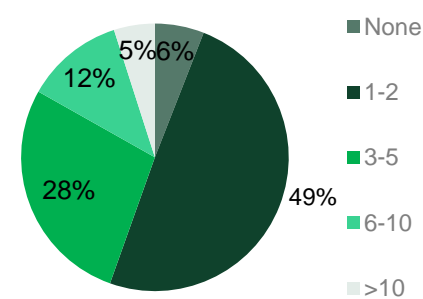
*Note: For those who would like to learn more about our survey results, please refer to the Appendix of this report.*

Source – Do Ventures, Jun 2020, Tech Investment Sentiment in Vietnam Market survey

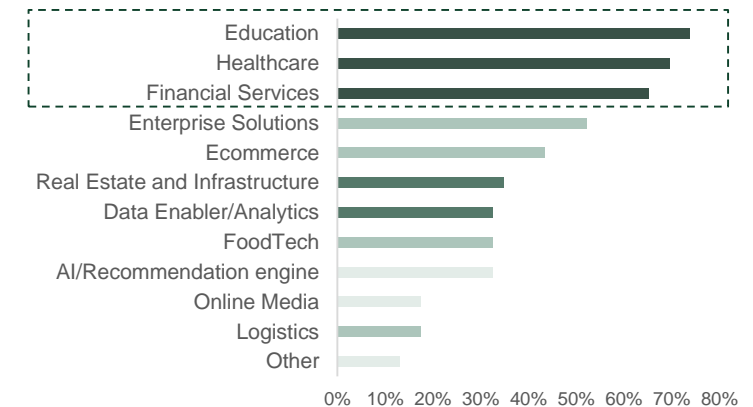
Investment sentiment in Vietnam in the next 12 months



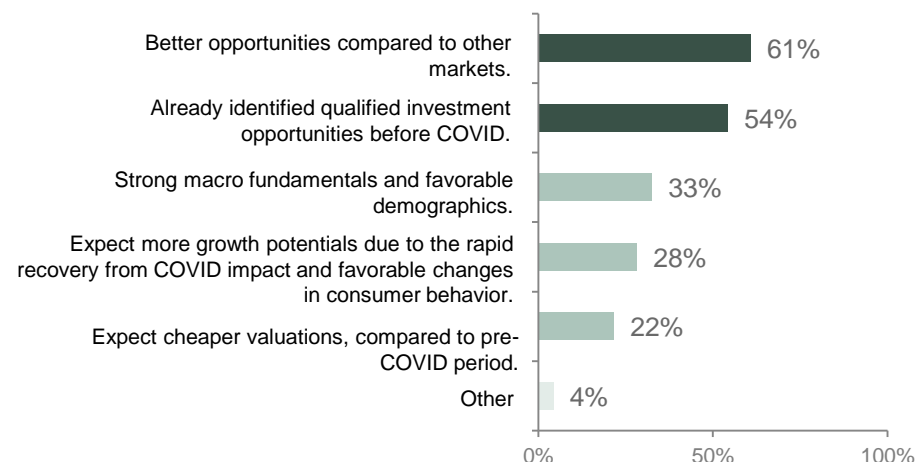
Number of expected deals in Vietnam in the next 12 months



Focused sectors in Vietnam in the next 12 months



Reason to invest in Vietnam in the next 12 months



Priority to invest in the next 12 months

Country	1st Priority	2nd Priority	3rd Priority	4th Priority
Vietnam	55.10%	28.57%	12.24%	2.04%
Indonesia	42.11%	26.32%	13.16%	10.53%
Singapore	14.63%	36.59%	34.15%	7.32%
Thailand	2.94%	0.00%	14.71%	41.18%

# Methodology



# Methodology

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## Data partner :

Cento Ventures is a venture capital firm focused on technology startups building products and services emerging from the digital transformation of promising growth markets, particularly Southeast Asia. Cento Ventures is based in Singapore and backed by a team well experienced in internet business. Cento Ventures operates three funds that invest across industries through a disciplined, well-researched approach to locate technology investment opportunities originating from the Southeast Asian region.

Learn more about Cento at [cento.vc](https://cento.vc) or our Facebook or LinkedIn pages.

## Key premises:

Numbers and conclusions in this study rely upon a company's reported last round valuation. At best this is a partial reflection of a company's true value. To atone for this oversimplification, Cento likes to take this opportunity to give a commendation to the great work being done by a few in academia who probe deeply into the contradictory nature of how tech valuations are reported, and produce splendid research that will one day help the industry upgrade the reporting systems and, perhaps, change how tech company narratives are formed. In this report, our recognition goes to Will Gornall and Ilya A. Strebulaev (professors at the Sauder School of Business at the University of British Columbia and the Stanford Graduate School of Business, respectively) for their comprehensive work on "Squaring Venture Capital Valuations with Reality", available here:

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2955455](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2955455) and with media coverage

<http://nymag.com/intelligencer/2018/11/fake-unicorns-are-running-over-the-venture-capital-industry.html>

## Geographies covered:

This report principally covers Vietnam digital ecosystems, with a few references to Southeast Asia, particularly ASEAN 6 largest economies. More information on the references can be found in Cento Southeast Asia Tech Investment Report is available here: <https://www.cento.vc/southeast-asia-tech-investment-h1-2020/>

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## Data sources and completeness :

Cento Ventures data is compiled from a number of sources, although Cento primarily relies on public press announcements and community disclosures from the companies and their investors. Our team researches the validity of claims to an extent possible and supplements incomplete information with insights from our own industry sources and, on occasion, somewhat educated guesswork. Over 350+ financing and liquidity events in Vietnam were analysed and verified in this report. Inevitably, a few large deals would avoid detection on occasion of the exceptionally secretive nature of the transaction or due to the methodology was applied. It is also our impression that our pre-Series A deals data in the region is far from exhaustive due to a sheer volume of deals in \$ 10 - 250K range happening in the market – while total dollar value of inflow and outflows is unlikely to be impacted heavily, do take the "number of deal" assessments for pre-Series A with a large handful of salt. Finally, as new facts come to light and as erstwhile announcements are verified, The databases were adjusted retroactively, leading to mild inconsistencies between various versions at the same period.

## Category definitions and company profiles include:

This report aims to describe the state of financing and liquidity generated by companies focused on digital technology-driven opportunities in Southeast Asia. The exact definition of what a digital technology-driven opportunity constitutes is a subject of much debate. While leaving biotech, new materials and space tech out is relatively straightforward (but including software and digital services enabling these industries), telling an offline company with digital elements apart from a business where value creation is primarily tied to either its technology core or its digital distribution is anything but simple.

Cento Ventures has generally taken the view that if something is valued by its investors as a technology company, it is categorised accordingly. At the same time, Cento also endeavours to exclude categories that, while adjacent to the digital economy, tend to attract non-VC capital to a degree where their financing / liquidation events interfere with the signal from the rest of the ecosystem (notably, excluding the companies with valuations determined by token economics). Furthermore, traditional TV stations, content producers, telcos, IT infrastructures, system integration companies, and holding companies are not include into the reporting. Hence, this excludes a number of otherwise very important names absolutely worth a closer look under different circumstances such as FPT, Global Cybersoft, VCCorp, STI Holding, Nexttech, VNP, and others that would occasionally be included in other digital ecosystem reports.

# Methodology

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## Company classification:

### Country of origin:

Determined by the country in which the company was founded, and has its primary base of operation (defined in terms of revenue, if known). At the (subjective) point where the company has both operations in multiple countries in Southeast Asia and substantial revenues generated in multiple countries, then it may be classified as Southeast Asia / regional in the country of origin.

### Sector classification:

Cento's definition of the industry segment in which the company's primary business focus sits. A full taxonomy of sector allocation is listed below. In cases where a company focus on multiple sectors with different units generating thought to generate substantial revenue, then multi-vertical category is used. Cento also notes that a company's sector may change as the company progresses; the company's sector is evaluated according to the primary business focus during the event of financing.

- Advertising & Marketing Technology: companies that facilitate the acquisition of customers including coupons and rebates, price comparisons and affiliate marketing
- Business automation: tools that automate non industry-specific business activities such as CRM, ERP, workplace communication tools, etc.
- Comms & communities: social networks and dating
- Education: provision of goods and services revolving teaching and learning, including adult training and education
- Employment: companies that manage and facilitate the management of employees including onboarding, benefit, payroll, etc.
- Entertainment/ Gaming: gaming development, distribution and publishing
- Entertainment/ Non-gaming: content production and news aggregation

- Financial Services: companies that apply technology into traditional banking services i.e. lending, wealth management, etc.
- Healthcare: provision of goods and services revolving around medical and wellness services including, but not limited to, e-pharmacy, medical tourism and telehealth
- Local Services: platforms that connect local merchants/ service providers to consumers in an urban setting including, but limited to, ride-hailing services, local search and directory and food delivery
- Logistics: companies that facilitate the movement of goods including, but not limited to, acquiring, storing and transporting of goods
- Multi-vertical: Cento's categorisation for diverse digital businesses such as Grab & Gojek, often called 'super-apps'
- Payments: companies that facilitate movement of capital
- Real Estate and infrastructure: construction, buying & selling and management of real estate assets, including the tools facilitating those activities
- Retail: companies that sell or rent goods using internet technology, including tools that facilitate those activities e.g. Store-front management software, POS systems, etc.
- Travel: tourism and hospitality

## Currency:

\$ refers to United States Dollar (US\$) unless otherwise stated.

# Methodology

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## Deal definitions:

### Deal stage:

Each series definition is determined as follows:

- Pre-Series A: Purpose of investment tends to be building the idea/team; in some cases, the company generates revenue.
- Series A: The product has been built and proven via initial but repeatable revenue. Investment purpose tends to be establishing domestic position, and sometimes scaling regionally.
- Series B: Investment purpose tends to be building scale, either domestically or regionally.
- Series C+: any amount invested later than Series B. Series C, Series D, later series investments, pre-IPO, mezzanine.

Cento has also estimated a particular company's valuation through a recent substantial financing or liquidity event and known business developments

### Deal type:

Cento Ventures focuses mainly on venture capital deals – investments made by fund entities into early stage startups, whether they are from independent funds or corporate venture capital entities. This is a subset of the total number of early stage tech deals in the region.

Cento separates the following from most of the data, apart from the 'total capital invested and total deals done' chart:

- Corporate transfers: events where a corporate entity funds an entity in the region in which it owns a majority or significant minority stake (e.g. Rocket Internet, Lippo Group)
  - Project financing: A deal that was a partnership for an identified purpose – e.g. Grab-Honda.
  - Non-Southeast Asia deals: e.g. Global focused companies which the team are based in Vietnam.
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## Other Acknowledgements:

We also like to extend the acknowledgement to other organisations that have helped shed light on the state of Southeast Asia and Vietnam tech investment in the past few years; including Venture Capital Insights, CB insights, Crunchbase, e27, Monk's Hill Ventures-Slush, Preqin, Topica Founder Institute, and SVCA. Although the methodology and timing of the data captured in each report may differ, we believed the joint effort of trying to make Southeast Asia tech investment activities more visible will continue to benefit all stakeholders involved.

# Appendix

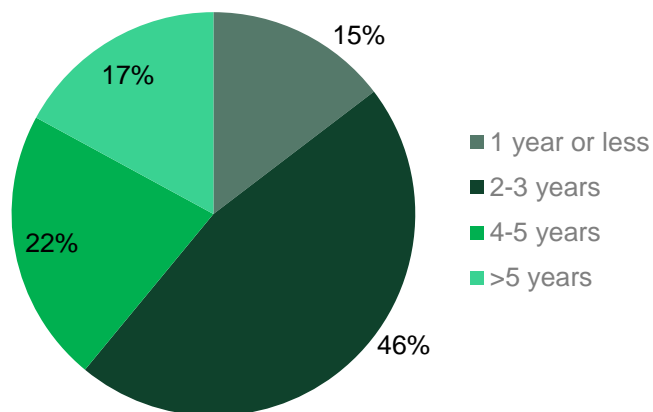


# Investor survey

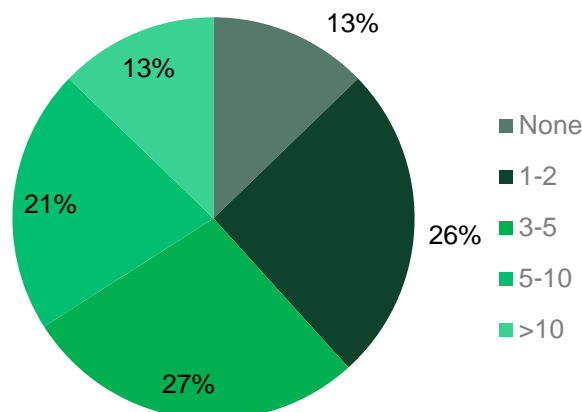
This survey was conducted on 50 institutional investors in Southeast Asia. The purpose of the survey is to provide a better understanding of investment sentiment about the Vietnam market.

Demographics of the respondents

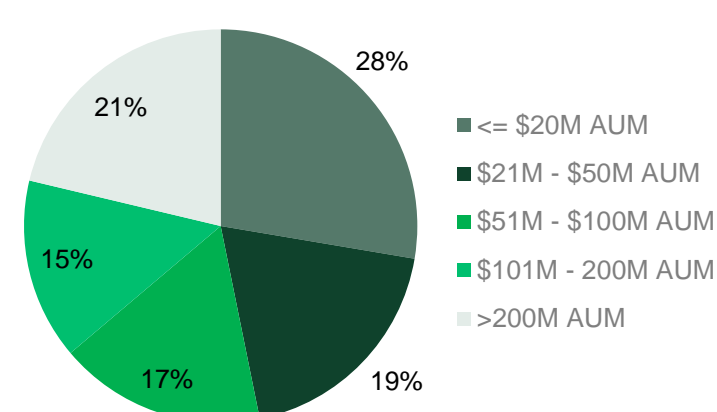
How many years has your fund invested in Vietnam?



As of now, how many investments has your fund had in Vietnam? (both current and exited)

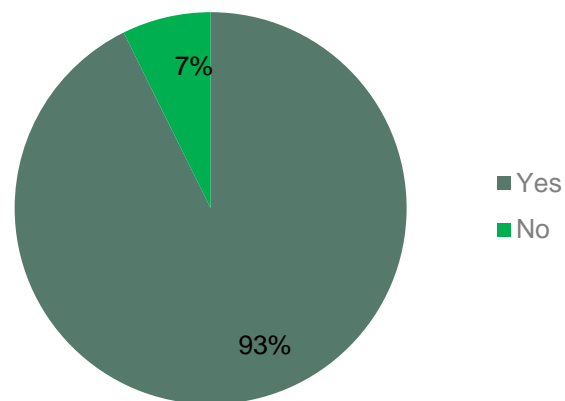


How big is your fund size?

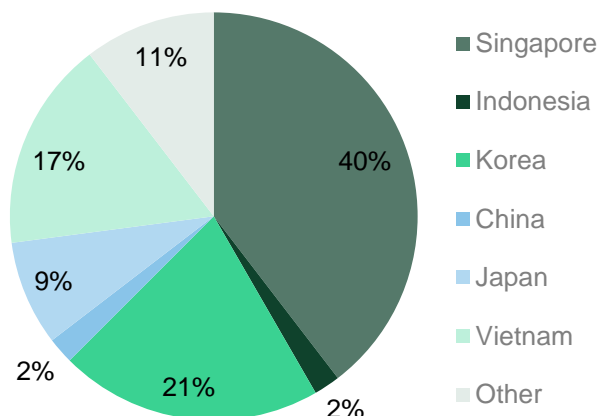


Has your fund made any investments in Vietnam since Jun 2018?

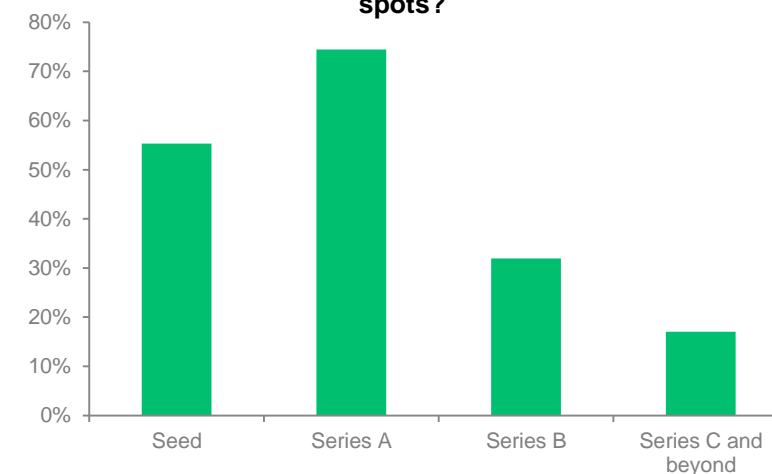
(Only applicable to funds that previously had investments in Vietnam)



Where is your fund's head office located?



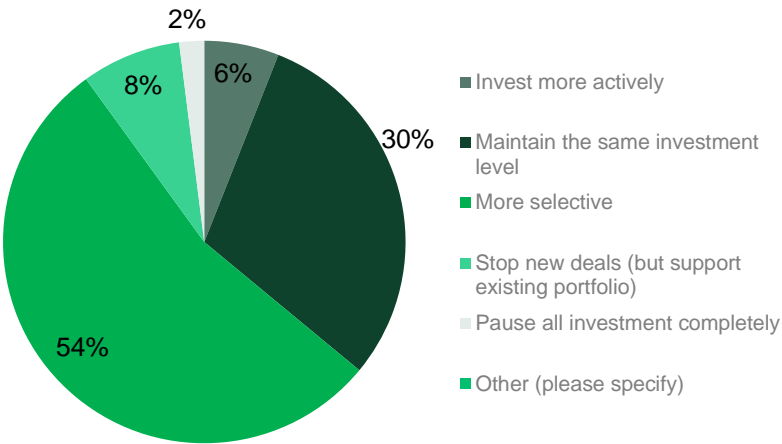
Which stages of investment are your sweet spots?



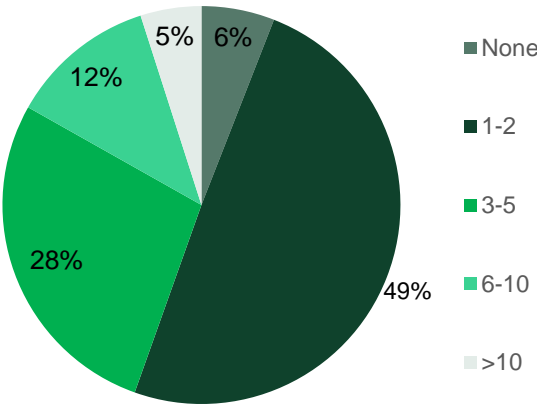
# Investor survey (continued)

Survey responses

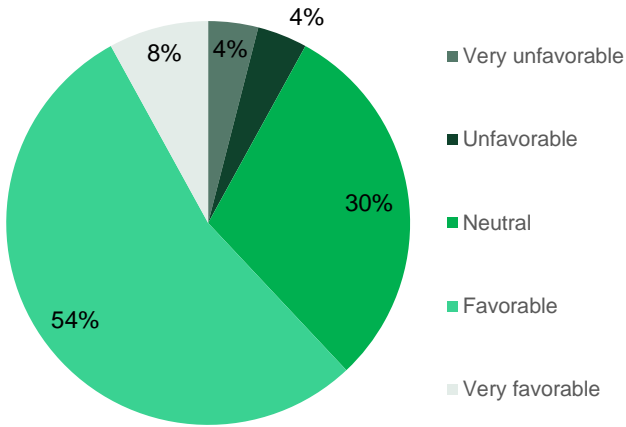
Compared with pre-COVID 19 period, how is your fund's overall investment activity at the moment?



Number of expected deals in Vietnam in the next 12 months



Investment sentiment in Vietnam in the next 12 months



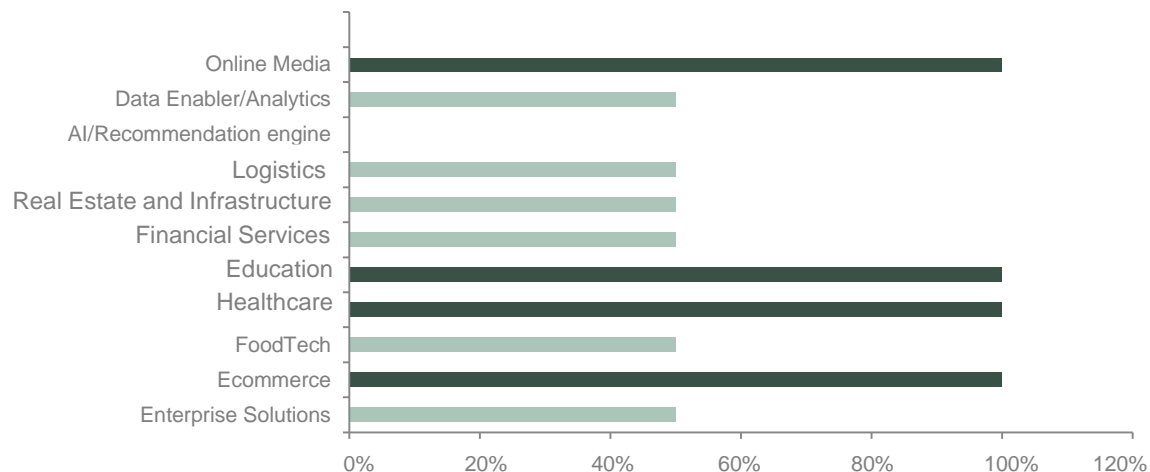
Which countries among six major markets in SEA will be your investment priorities in the next 12 months?

Country	1 <sup>st</sup> Priority	2 <sup>nd</sup> Priority	3 <sup>rd</sup> Priority	4 <sup>th</sup> Priority	5 <sup>th</sup> Priority	6 <sup>th</sup> Priority
Vietnam	55.10%	28.57%	12.24%	2.04%	2.04%	0.00%
Indonesia	42.11%	26.32%	13.16%	10.53%	2.63%	5.26%
Singapore	14.63%	36.59%	34.15%	7.32%	0.00%	7.32%
Thailand	2.94%	0.00%	14.71%	41.18%	20.59%	20.59%
Malaysia	0.00%	6.25%	9.38%	21.88%	43.75%	18.75%
Philippines	0.00%	0.00%	18.18%	18.18%	24.24%	39.39%

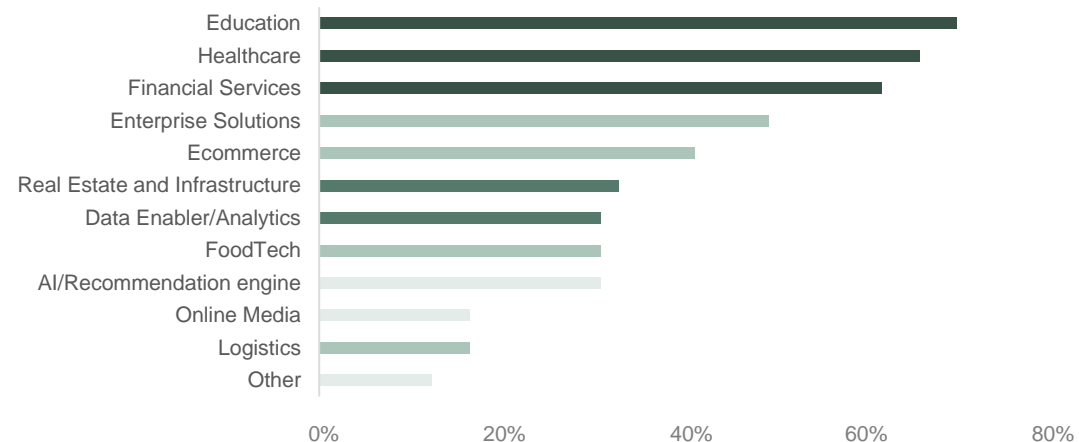
# Investor survey (continued)

Survey responses

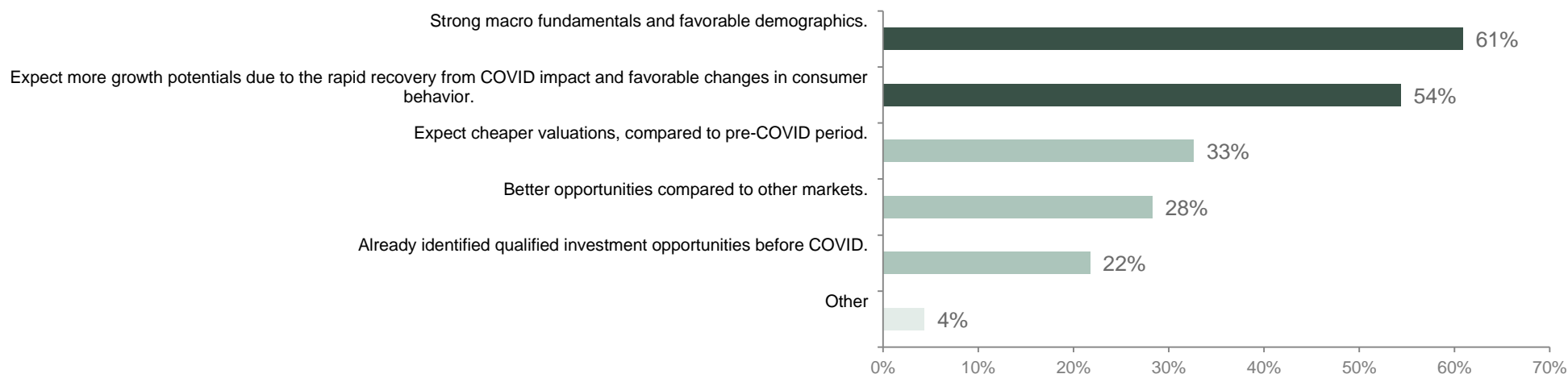
In your observation, which sector(s) will take off due to the impact of Covid-19?



Which sector(s) will be your investment focus in the next 12 months in Vietnam?



Reason to invest in Vietnam in the next 12 months

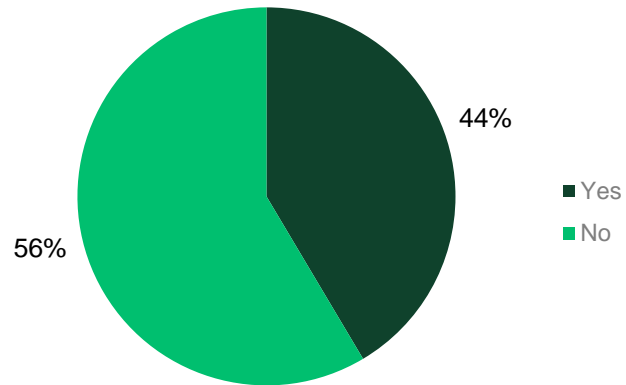


# Startup survey

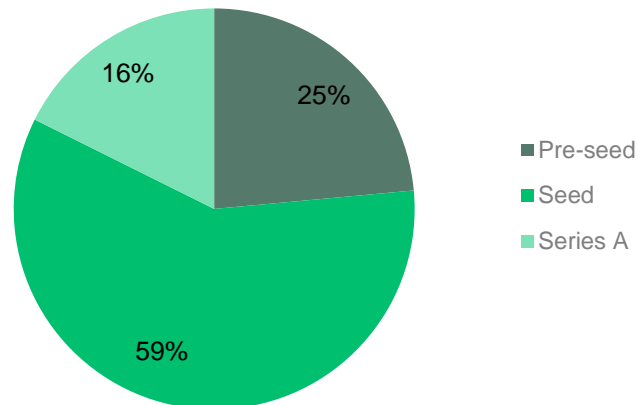
This survey was conducted on 101 startups in Vietnam. The purpose of the survey is to provide a better understanding of Covid-19's impact on Vietnamese startups.

Demographics of the respondents

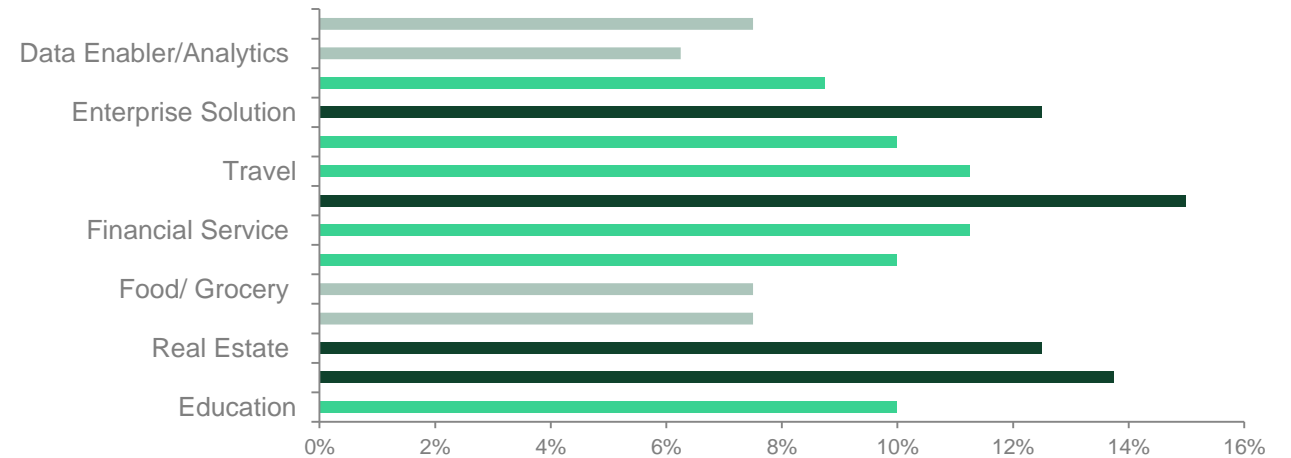
Have you received investment before?



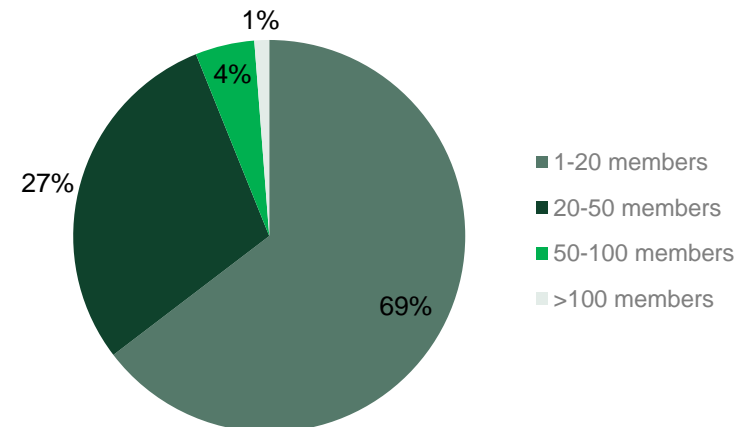
Which is your current fundraising stage?



Startup's industry

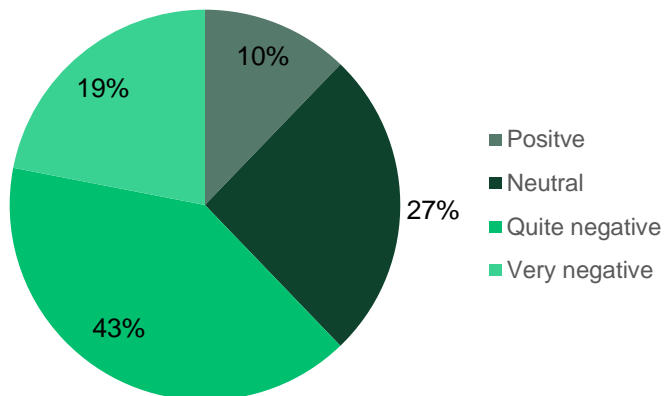


Your startup scale

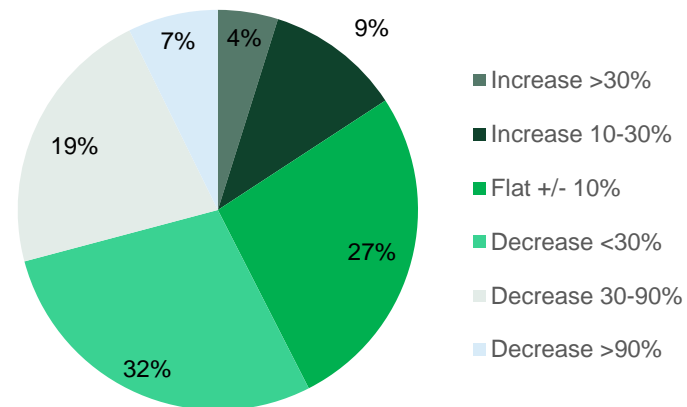


# Startup survey (continued)

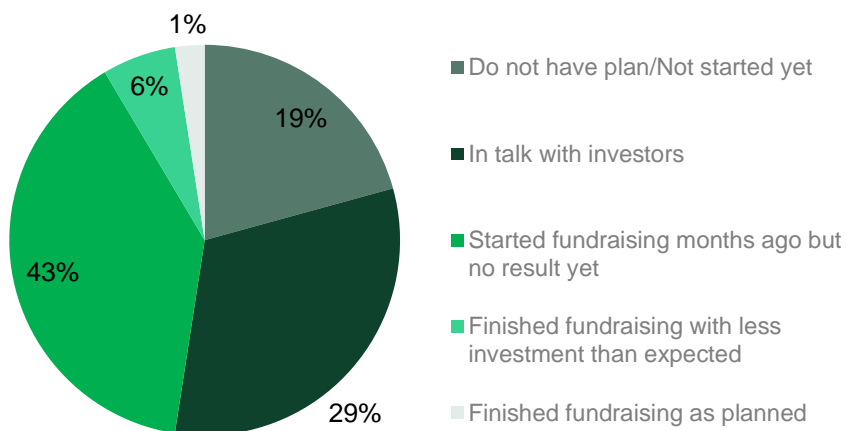
Covid-19's impact on your company's operations



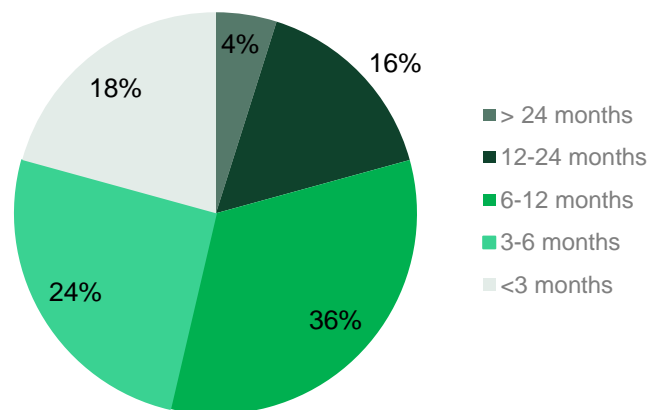
Covid-19's impact on revenue



What is your current fundraising status?



How long is your current runway?

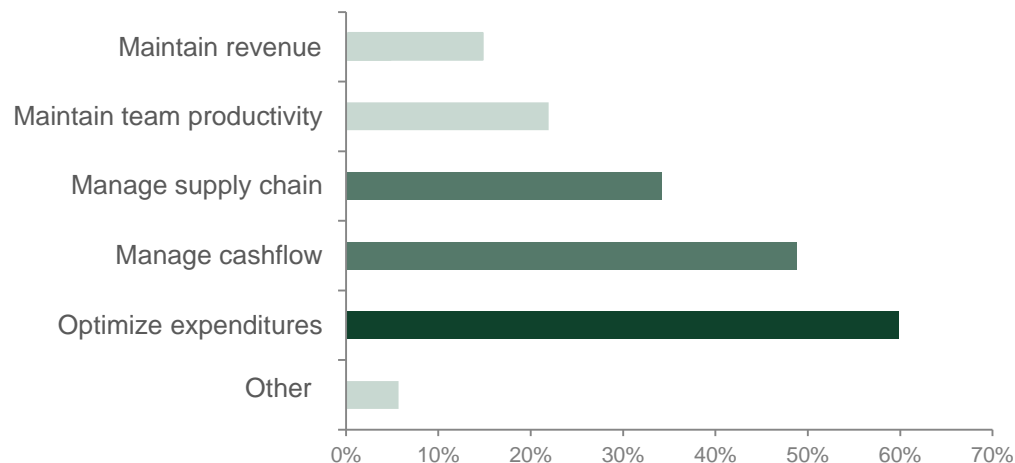


Survey responses

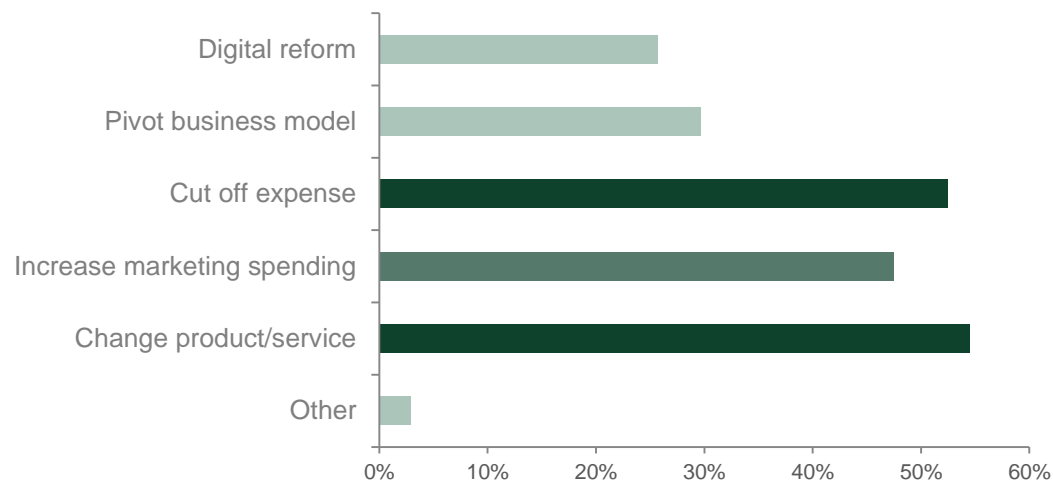
# Startup survey (continued)

Survey responses

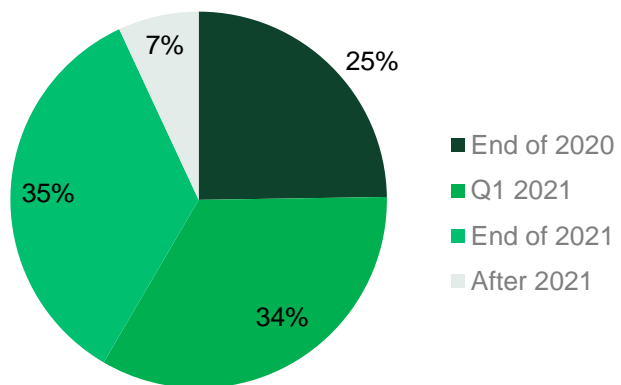
Current biggest challenge



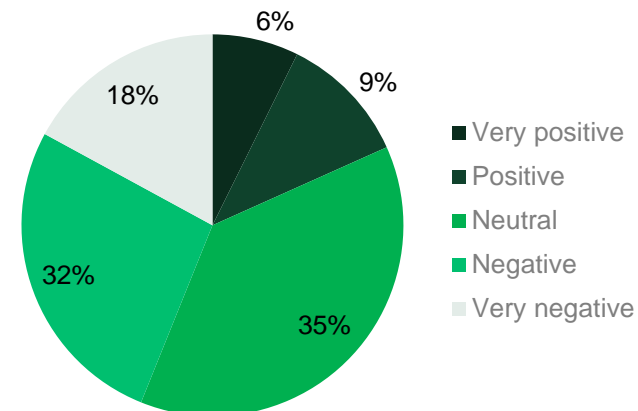
Actions taken during Covid-19



How long do you expect Covid-19 to affect Vietnam and global market?



Self-assessment on recovery ability





# CONTACT

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