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M&A NEWSLETTER

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MARKET OVERVIEW



STORY OF SILICON VALLEY BANK AND NEW CHALLENGES FOR VIETNAM BUSINESSES

In recent days, the sudden closure of the US Silicon Valley Bank (SVB) has left the whole financial world bewildered and questioned the possibility of a new financial crisis. This incident with SVB has shaken the confidence of technology startups that have grown extremely strongly in recent years, signalling a rather heavy future for the global economy.

Silicon Valley Bank

Silicon Valley Bank (SVB) was founded in 1983 in Santa Clara, California, and quickly became a bank for the technology and healthcare sectors. The bank is guaranteed by the Federal Deposit Insurance Corporation (FDIC) in the US. As of 2022, SVB focuses on lending to nearly half of startups funded by venture capital firms and is the 16th largest bank in the US with assets of about USD 209 billion. Besides, SVB is also the banking partner of many well-known venture capital companies, such as Peter Thiel's Founders Fund and Pear Venture Capital.

Events and causes

When interest rates rose rapidly, SVB suffered such huge losses that it had to work hard to raise new capital. The problem started to arise on March 8, when SBV announced a sell-off of a series of securities and would sell USD 2.25 billion of new shares to strengthen its balance sheet. This caused panic among venture capital firms, which advised businesses to withdraw money from the bank.

A mass withdrawal took place in just 2 days. The bank's shares plummeted 60% on March 9 and dragged the shares of other banks down as well. As a result, on the morning of March 10, SBV shares were suspended from trading. The bank abandoned all efforts to raise capital and declared bankruptcy.

The "earthquake" after the collapse of SVB

On March 14, shareholders sued SVB Financial Group, the parent company of SVB, along with its executive director and chief financial officer, on the grounds that the company did not disclose business risks, which prevented them from reacting when the bank collapsed. Three days later, on March 17, SVB Financial Group filed for bankruptcy protection.

Not only the US banking and financial industry was shaken by the SVB incident, but financial markets around the world were also shaken violently. In Europe, government bonds fell in tandem as investors quickly shifted their investments into other forms of safe-haven assets. Bank shares in Asian markets also experienced consecutive declines. The MSCI World Index, which includes 1,583 companies across 23 advanced economies, also exhibits strong volatility.

The difference from the financial crisis of 2008

SVB's shutdown has raised questions about the possibility of a crisis similar to what happened in 2008. However, despite SVB's large assets, its problem is an isolated one. Because SVB plays an important role in technology startups in the US, the organisation is under great pressure as funding is dwindling. According to Mr. Jonas Goltermann, economist at Capital Economics, SVB is in such trouble because it focuses on disbursing disbursements to certain sectors, while most other banks have more diversified lending activities.

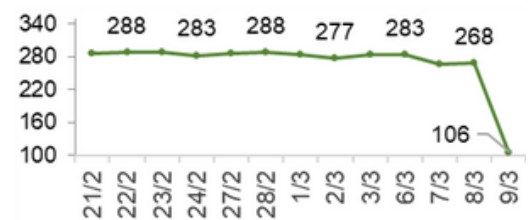
In addition, concerns about the stability of the financial system in this case are also lessened because the US has reformed many banking regulations since the 2008 crisis. Because, in fact, the cause of this incident is completely different from what happened 15 years ago. At that time, the banks took too much risk, and the people thought that all was well. Now, although nearly all people are worried, the foundations of banks are much better.

Challenges of Vietnamese startups

For the startup ecosystem in Vietnam, the SVB incident will also have certain impacts. The first is the lack of cash flow from venture capital funds into Vietnam, when about 44% of funds in the US deposit money at SVB. Therefore, if the investment in these funds is lost after the collapse of SVB, the cash flow disbursed to Vietnamese startups may be affected.

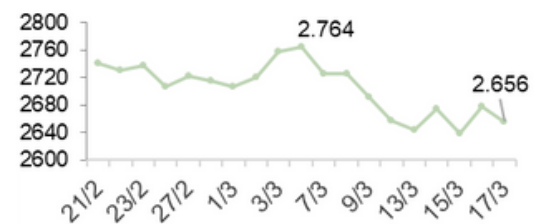
However, the influence of SVB does not cause a chain reaction in the financial and banking systems of Vietnam; maybe it has only psychological effects. Therefore, Vietnamese startups, in addition to keeping calm, also need to learn lessons and come up with some appropriate strategies, with a high focus on optimizing cash flow and preparing for all possible scenarios this year./.

SVB Financial Group stock data chart, 2/2023-3/2023 (USD).



Source: Investing.com

MSCI World historical data chart, 2/2023-3/2023



Source: Investing.com



HIGHLIGHTED M&As





HIGHLIGHTED M&As



F88 received another 50 million USD from the Series C funding round



Announcement date	02-03-2023
Investee	F88 Business Joint Stock Company
Investor	Vietnam Oman Investments (VOI) Mekong Enterprise Fund IV (MEF IV)
Target	F88 Business Joint Stock Company
Investment type	Series C
Change of ownership's rate	N/A
Value	USD 50 million
Purpose: This new capital will be invested in technology development, data and data science, brand building and customer acquisition, team development, and talent recruitment.	



Investee: F88

F88 was founded in 2013 and is the largest and fastest-growing provider of personal financial services in Vietnam. The Company has 830 locations across the country. In 2018, F88 successfully raised Series A funding from the Mekong Enterprise Fund III, followed by Series B funding from the Granite Oak Fund. Financial funds managed by CLSA Capital Partners (Hong Kong) will continue to contribute USD 70 million to F88 in 2022.



Investor: VOI and MEF IV

Since its inception in 2009, VOI has invested in 17 key projects in Vietnam in the disciplines of renewable energy, healthcare, and education. VOI investments per project range from USD 10 million to USD 30 million. Mekong Capital is a Vietnam-based private equity investment consulting firm founded in 2001. MEF IV is Mekong Capital's fifth fund, with a size of USD 246 million.



HIGHLIGHTED M&As



Drug shipping startup Medigo received USD 2 million



Announcement date	13-03-2023
Investee	Medigo Viet Nam Joint Stock Company
Investor	East Ventures Venture Capital Firm
Target	Medigo Viet Nam Joint Stock Company
Investment type	Series A
Change of ownership's rate	N/A
Value	USD 2 million
Purpose: With this investment, Medigo will focus on developing the healthcare ecosystem with operations in many areas such as remote doctor consultation, 24/7 fast drug shipping, and home testing.	



Investee: Medigo

Mr. Le Huu Ha, an information technology engineer at the University of Duisburg-Essen (Germany), founded Medigo in 2019. Medigo is the first 24-hour drug delivery service in Vietnam and has attained the top 10 medical apps on the App Store in Vietnam.

With its accessibility to more than 1,000 GPP-certified pharmacies across the nation, the application has earned the confidence of 500,000 users.



Investor: East Ventures

East Ventures was established in 2009 as a venture capital firm. To date, East Ventures has evolved into a comprehensive platform offering multi-stage investments, from Seed to Growth, to more than 250 Southeast Asian technology companies.



HIGHLIGHTED M&As



Air conditioning technology startup BenKon successfully raised USD 500,000



Announcement date	18-03-2023
Investee	Benkon Joint Stock Company
Investor	ITI Startup Innovation Investment Fund
Target	Benkon Joint Stock Company
Investment type	Seed
Change of ownership's rate	N/A
Value	USD 500,000
Purpose: With the funds successfully raised, BenKon will carry out extensive research on market demands, consumer behaviour, and preferences. BenKon will then create a system of appropriate goods and services.	



Investee: Benkon

BenKon is a startup that applies IoT (Internet of Things) technology to optimally manage and use air conditioners for enterprises, where 40% to 80% of electricity costs are attributable to the use of air conditioners. BenKon's mission is to reduce energy usage and preserve the environment.



Investor: ITI Fund

The ITI Fund invests in early-stage start-ups in trending industries such as digital transformation, high-tech agriculture, education, healthcare, etc. In addition to providing finance, the fund also assists businesses in consulting and implementing strategies, bringing indirect benefits such as knowledge, experience, a network of relationships, etc.



HIGHLIGHTED M&As



CapitaLand negotiates to buy Vinhomes Ocean Park 3



Announcement date	18-03-2023
Acquiree	Vinhomes Joint Stock Company
Acquirer	CapitaLand Development
Target	Ocean Park 3 The Crown
Investment type	Acquisition
Value	USD 1.5 billion

Specific information: Specifically, Capitaland Development is contemplating purchasing a portion of the Ocean Park 3 project by Vinhomes.

The reporter for the Nguoi Lao Dong Newspaper spoke with a representative of CapitaLand Development to confirm the aforementioned information. A representative of Vingroup also verified the details of the negotiations and stated that, once the results are available, they will be made public in accordance with the listed company's regulations.



Target: Ocean Park 3

Ocean Park 3 by Vinhomes is a resort city-style development project covering an area of 294 hectares near Hanoi. This project is located on the territory of 2 districts in Hung Yen Province: Van Giang and Van Lam.

Vinhomes is the leading real estate developer in Vietnam, with many housing projects, urban areas, tourism centres, commercial centres, etc.



Acquirer: CapitaLand Development

CapitaLand Development (CLD) is the real estate development arm of the CapitaLand Group, with an approximately USD 16.5 billion portfolio as of 2021.

CapitaLand, headquartered in Singapore and present in 260 cities and 40 countries, is one of the leading real estate companies in Asia. Singapore and China are the principal markets for this group.



HIGHLIGHTED M&As



SMBC signs USD 1.5 billion deal to buy 15% stake in Vietnam's VPBank



Announcement date	19-02-2023
Investee	Vietnam Prosperity Joint Stock Commercial Bank (VP Bank)
Investor	Sumitomo Mitsui Banking Corporation Group (SMBC)
Target	VP Bank
Investment type	Strategic investment
Change of ownership's rate	15%
Value	USD 1.5 billion
Purpose: SMBC's strategic investment will enable VP Bank to service very large corporate customers, including FDI enterprises and multinational corporations that are and will invest in Vietnam.	



Investee: VP Bank

VP Bank is one of the earliest joint-stock commercial banks established in Vietnam and is highly appreciated for its business efficiency and profitability. The bank excels at retail, SME segments, and customer-oriented digital transformation. As of December 31, 2022, VP Bank's total assets reached approximately USD 27 billion. The bank has 251 branches across the country.



Investor: SMBC

Sumitomo Mitsui Banking Corporation (SMBC) is one of the leading commercial banks in Japan. SMBC is increasing its global presence with an expanding network in 39 countries and regions. Currently, SMBC is rated "A" by Fitch Ratings and Standard & Poor's Global and "A1" by Moody's.



OTHER TRANSACTIONS





OTHER TRANSACTIONS



SP Group acquires two solar power plants in Vietnam



Announcement date	06-03-2023
Investee	Europlast Phu Yen solar power plant Thanh Long Phu Yen solar power plant
Investor	S - Power Joint Stock Company (SP Group)
Investment type	N/A
Change of ownership's rate	N/A
Value	N/A
Purpose: This is part of SP Group's plan to develop rooftop solar projects and utility-scale systems to reach 1.5 gigawatts by 2025.	

Acquirees:

Europlast Phu Yen solar power plant and Thanh Long Phu Yen solar power plant

Europlast Phu Yen factory has been in operation since June 2019 and generates about 60 GWh of clean electricity per year, while Thanh Long Phu Yen factory started operation in December 2020, producing about 70 GWh of electricity per year. The two plants are capable of providing 130 GWh of electricity to the Vietnamese grid, equivalent to the needs of 36,000 households, helping to reduce carbon emissions by 105,000 tonnes annually.



Acquirer: SP Group

Singapore Power Limited, doing business as SP Group, is an electricity and gas distribution company under the Singapore government. SP Group is the consortium unit of the gas and electricity supply divisions formerly under the Public Utilities Board (PUB Singapore). The SP Group was first established as a commercial entity on October 1, 1995, as Singapore Power and Gas, to take over the state-owned electricity and gas businesses, PUB Singapore.



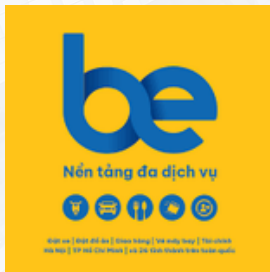
OTHER TRANSACTIONS



GSM invests in Be Group, helping drivers convert to electric cars



Announcement date	21-03-2023
Investee	Be Group Joint Stock Company
Investor	Green and Smart Mobility Joint Stock Company (GSM)
Investment type	N/A
Change of ownership's rate	N/A
Value	N/A
Purpose: GSM will help Be Group become a multi-service consumer platform and Vietnam's leading technological transportation service. In addition, GSM will also facilitate the easiest possible transition for Be Group chauffeurs from gas-powered to electric vehicles. With economical operating costs and "no noise, no emissions" experience, electric vehicles and motorbikes will help Be Group and its drivers improve service quality and optimize business efficiency.	



Investee: Be Group

Vietnamese tech firm Be Group Joint Stock Company is behind the creation of the "be" multi-service consumer platform. Be currently offers a wide variety of services, such as transportation, delivery, food and grocery shipping, insurance, telecommunications services, leading digital banking Cake by VPBank, and other new products, with the goal of becoming the number one consumer platform, serving all the daily needs of 20 million Vietnamese consumers.



Investor: GSM

GSM Green and Smart Mobility Joint Stock Company (Green - Smart - Mobility) was founded by Vingroup Chairman Pham Nhat Vuong with a charter capital of 3,000 billion VND, in which Mr. Pham Nhat Vuong holds 95% of the shares. The company operates in two main fields: electric taxis and VinFast car and motorcycle rental, with an investment scale of 10,000 cars and 100,000 motorcycles.



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Please contact our professional advisors at Auxesia Vietnam for assistance with capital fund raising, M&A execution, market research, review and restructuring business as well as other financial issues you may have during your business operation.

For more information, please visit our M&A Newsletter and contact us.

