

Mergers and Acquisitions Activities in Vietnam Consumer Goods Sector 2000 – 2022 and The Role of Advisors



Minh-Ha Luong¹, Thanh Trung Nguyen²

^{1,2}Vietnam Banking Academy, Hanoi, Vietnam

ABSTRACT: Since Vietnam launched the Doi-Moi policy, many up-to-date restructuring activities has surged among local firms, notably mergers and acquisitions (M&A). The consumer goods industry is a key sector of the economy in Vietnam, M&A in this industry is holding the leading position in the country. The reseach is the first significant attempt focusing on finding, describing and analyzing the characteristics of M&A activities in the consumer goods sector in Vietnam from 2000 to 2022. The results show that, the success rate of consumer goods deals is relatively high compared to the overall market on average. Although accounting for the largest propotion in terms of value in the M&A market in Vietnam and tending to increase over time, deals in the consumer goods sector are mainly small and medium-sized, made largely by domestic companies with the main types of stake purchase, acquisitions, tender offer; other forms such as mergers, consolidation, LBO, Spin offs account for a negligible proportion. A small proportion of M&A deals use advisors and there may needs large-sized deals appear to increase this proportion. The research also indicates that it needs more loosen up in local government’s policies and legislation environment to motivate successful transactions.

KEYWORDS: M&A advisor, M&A, consumer goods, Vietnam

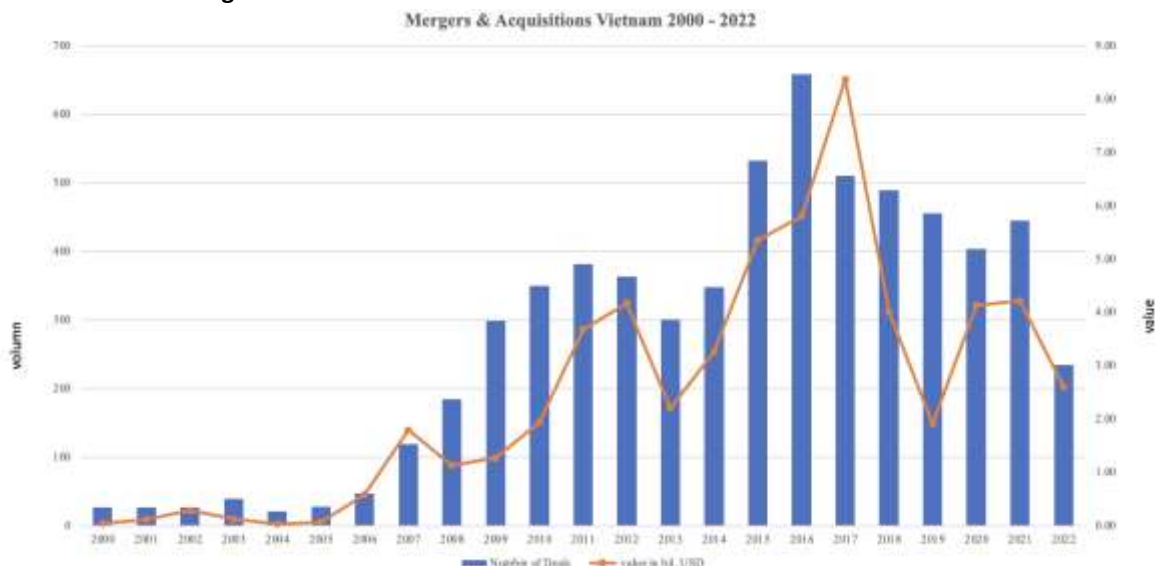
I. INTRODUCTION

Vietnam's economy has witnessed many changes since Doi Moi (1986), especially the open period of the economy marked by the agreements to participate WTO in 2007. Such of policy reforms brought to a positive shifting, including the diversity of business investment methods of enterprises. The appearance of employing Mergers and Acquisitions (M&A) is considered as one of the most popular developments in operating of Vietnamese enterprises. In this trend, the banking and finance sector is always in the top industries, attracting a large amount of foreign direct investment, contributing to help domestic banks increase their financial capacity, improve their performing quality of activities, and bring better service to customers. Since “the first major and thorough study on the Mergers and Acquisitions activities in Vietnam’s emerging market economy after the launch of Doi Moi” (Vuong et al., 2009), lots of literature has focused on the M&A market in Vietnam as a whole.

As fas as I aware of, this paper is the first attempt to specifically draw a picture of M&A activities in Vietnam’s consumer sector in 2000-2022 period. This time period has been generally understood as the most active years since the local government released laws in order to loosen the regulatory framework and enable both domestic as well as foreign companies operating in the country. Moreover, consumer companies recent years have emerged as the most significant partners in Vietnam M&A activities. The appeared of Covid-19 and the development of financial technology not only brings opportunities but also creates challenges, including the competition pressure in the economy, including consumer field.

Figure 1 below describes the current situation of mergers and acquisitions (M&A) activities in Vietnam from 2000 to 2022. The current status of M&A activities is expressed in terms of volume and value of the deal during the research period.

Figure 1. Value and volume of Vietnam M&A activities 2000 – 2022

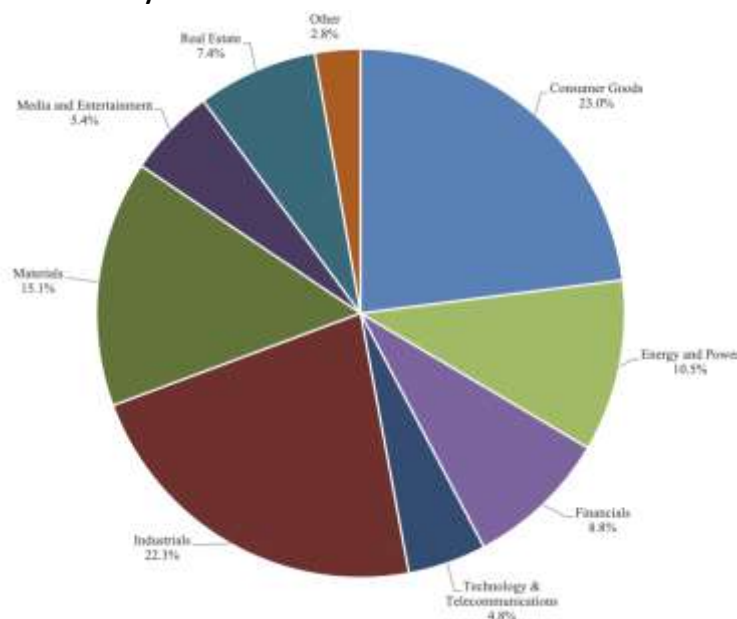


Source: IMAA

Figure 1 shows that in terms of the value of M&A deals in USD, Vietnam is still a small-scale market. This is completely understandable because Vietnam is a developing country in Southeast Asia, with a total annual GDP of only a few hundred billion USD. The number of large-scale enterprises is still modest. Instead, 95% of businesses today are still small and medium sized.

By economic sector, M&A activities in Vietnam in the period 2000 - 2022 are divided as follows:

Figure 2. M&A share by economic sector based on total deal value from 2000 to 2022



Source: Thomson Reuters

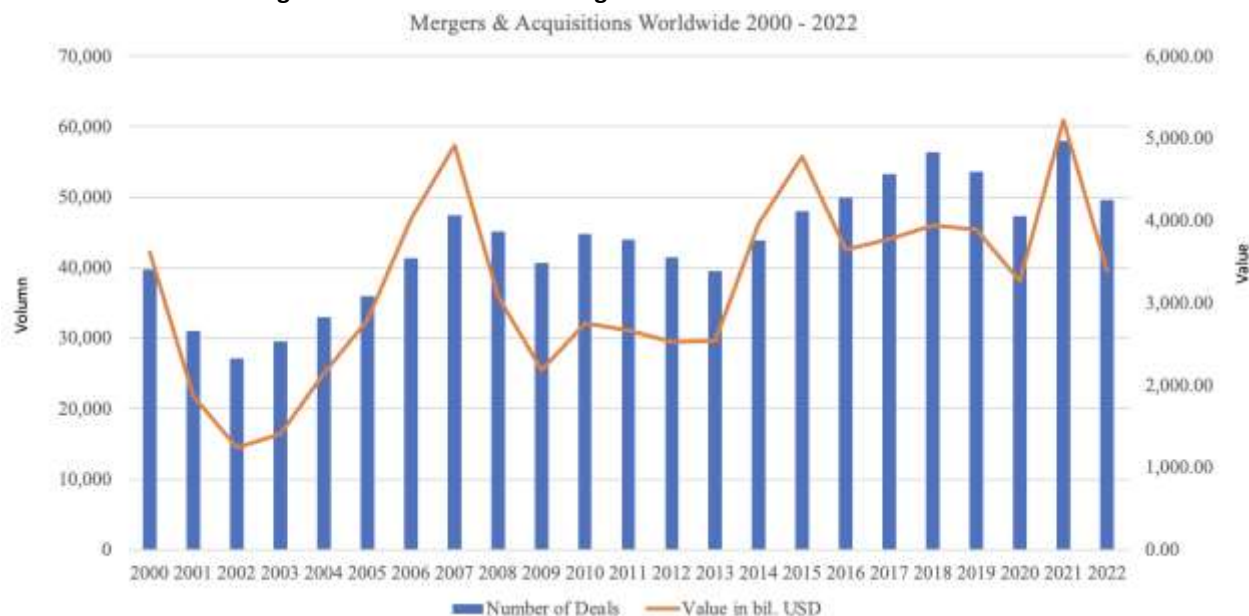
Figure 2 indicates that consumer goods accounted for the largest proportion in terms of the number of M&A deals in the period 2000 - 2022 with the proportion of 23.0% in total. The second is industry sector (22.3%), raw materials (15.1%), energy (10.5%)... Consumer goods sector is the largest proportion of value with total value of deals amounted to more than 14 billion USD, equivalent to 23.4% of the value of M&A deals during the research period.

Figure 1 presents the number of M&A deals in the period 2000 – 2022 which tends to increase but not evenly. The number of annual M&A deals also depends on the growth of the economy and the health of Vietnamese and international businesses. Therefore, in the period 2001 - 2006 the deals increased continuously, but then decreased deeply in 2009, tended to move sideways in the period 2010 - 2013 and then continued to grow from 2014 to 2018. The period from 2019 to present The M&A market went sideways due to the difficulties of the domestic and foreign macroeconomics. The biggest macro impact on a global scale is the serious impact of the Covid-19 epidemic as well as the geopolitical conflicts between Russia - Ukraine and Western

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countries. At the domestic level, in addition to the heavy impact of the Covid-19 epidemic, which disrupted the global supply chain, affecting domestic consumption and production, the general difficulty of the economy was also contributed by negative fluctuations on the stock market in late 2021 and early 2022 and the real estate sector fell into recession and froze. That fact has led to general difficulties for markets, including the market for mergers and acquisitions. Generally in the period 2000 - 2022, there were about 300 deals take place in Vietnam per year. This is a small number compared to the size of the global M&A market, which was about 30,000 M&A deals per year on average (Figure 3).

Figure 3. Value and volume of global M&A deals from 2000 to 2022



Source: IMAA

However, Vietnam's M&A market is still a large potential market in the future with the growth and recovery of businesses and the economy. With the number of private companies reaching millions, the room for M&A activities is still very large.

The research focuses on describing M&A activities in the consumer goods sector in Vietnam from 2000 to 2022 using univariate analysis. Univariate analysis is a basic type of analysis technique for statistical data. With this technique, the data has only one variable and measures the quantitative aspect of that data without considering the relationships between many different variables. The structure of the paper consists of 5 sections: section 1 introduces general information, section 2 reviews related research papers, section 3 and 4 discuss highlighted characteristics of M&A and M&A in consumer goods sector in Vietnam as long as the role of advisors in M&A local transactions. To get the research purpose, we use the dataset includes 1266 M&A deals in the field of consumer goods in Vietnam in the period 2000 - 2022 collected based on Thomson Reuters.

II. LITERATURE REVIEW

Most international studies focus on a few majors sectors that M&A activities occur such as banking and finance or real estate, the number of studies examining the consumer goods sector occupies a small position. Using data for the period 2006 – 2010 and descriptive univariate analysis methods, (Rajesh Kumar, 2012) shows that M&A deals in the consumer good sector post-economic crisis were driven by small size enterprises. The study was based on statistical samples in India, China and Russia. This is one of the rare international research projects focusing on the consumer good sector. Gell j. et.al, 2015 study the FMCG industry, which is a branch of consumer goods sector, in the US. The authors collected information from survey of FMCG deals in 2015 and concluded that there are 4 major factors driving M&A activities in US FMCG industry including unlocking new growth, upgrading capabilities or business models, combining to transform, and cleaning up the portfolio. Each of them has a distinct value creation objective. To give additional details on M&A activities in FMCG, (Tripathi, 2020) conducted on a dataset of 645 Indian firms from 2000 to 2010. The research indicates that *“There was additionally beneficial outcome of M&A action on Return on Capital Employed and Return on Net Worth and yet it found that M&A action has no constructive outcome on Operating overall revenue Ratio and Net Profit Margin Ratio of chose FMCG organizations. The study found that the measures utilized for examination that shows in general improvement in the presentation of chose FMCG organizations in India after M&As.”*

In Vietnam, so far, to the authors' knowledge, there has been no research conducted specifically for the consumer goods sector. Banks are the main research subjects of M&A projects instead. The reasons may be: i) banks are usually listed and easy to find

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data, and ii) there have been periods of exciting M&A activities in the financial-banking sector due to registration requirements industry structure of the Government and iii) finance - banking is an important sector, the performance of this industry has spillover effects to other sectors within the economy. However, in terms of value, from 2000 to 2022, it is the consumer goods sector that accounts for the largest proportion in terms of value of M&A deals. To the knowledge of the authors, this study is the first attempt to review M&A activities in the field of consumer goods in Vietnam - the leading field in Vietnam in terms of deal value.

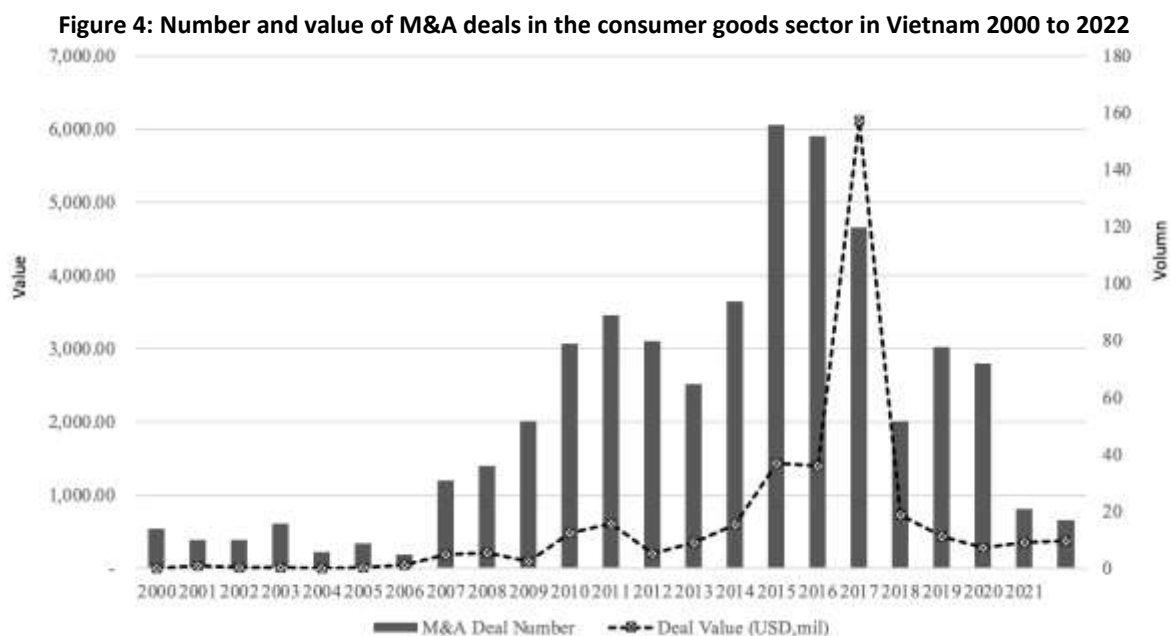
Research by (Rajesh Kumar, 2012) indicates that consumer goods companies are using M&A as a strategy to expand their global reach, enter new markets and strengthen their focus on their core brands. Acquisitions are also used to vertically integrate and optimize supply chain operations. Acquisitions in this area also aim to secure key resources or proprietary technology in certain product categories. In the post-economic crisis context, companies in the food, beverage, consumer goods and retail industries are actively participating in M&A activities, especially in developing countries. In developing markets like India, China and Russia, M&A deals are driven by the consolidation of smaller companies.

Tandyono, O. S., Juniarti, & Ferren Chandra. (2022) examined the event study on a sample of 246 companies from the consumer goods sector in ASEAN. The results show that investors react negatively to mergers and acquisitions through the fluctuation of equity price. From these findings, the authors suggest that managers do a thorough analysis in advance whether mergers and acquisitions add value to the company.

In Vietnam, research mainly focuses on M&A activities in the market as a whole or in Finance and Banking sector. The subjects of the study mainly consider the effectiveness of M&A deals carried out by listed companies or examines the impact of M&A deals on the competitiveness of the market like HHI or CRK ratios. Among them, there are significant works of (Trung, 2021) (The Binh, 2016) (Hosseini et al., 2017) (Phuong Anh & Thi Thanh Thuy, 2022). Meanwhile, there are lack of studies describing the M&A activities in consumer goods industry as well as lack of research findings knowledge about advisors for M&A buysides and sellsides in Vietnam. Our research is the first attempt focuses on this untapped area.

III. M&A AC TIVITIES IN VIETNAM CONSUMER GOODS SECTOR 2000 – 2022

In Vietnam, the consumer goods industry occupies the leading position in terms of deal value and volumn in the whole period 2000 - 2022. The consumer goods industry in Vietnam includes fast-moving consumer goods (FMCG) and consumer goods. slow use (non-FMCG). The main products of this industry group include foods, beverages, non-edible products such as personal care products, cigarettes, electronic goods, garments, etc.



Source: Thomson Reuters

The number of M&A deals in the consumer goods tends to increase after WTO accession

Figure 4 suggests that the M&A activity of the consumer goods industry in Vietnam has increased strongly in volume since 2007. Before 2007, there was an average of about each year. This fact was largely supported by the fact that Vietnam became the 149th member of the group. WTO along with the birth of a series of important legal documents such as Enterprise Law 2005,

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Foreign Investment Law 2006, Securities Law 2006, Competition Law 2004... The number of deals increased sharply from 2007 to 2017, in which increased dramatically in 2015, 2016 and 2017 (Figure 4). In these two years, the consumer goods industry has always attracted investors through the form of M&A and has become the leading industry in the M&A market in Vietnam.

Considering the period 2000 - 2022, M&A witnessed two distinct differences over time. If before 2007, M&A activities in the field of consumer goods were rudimentary and simple, but after 2007 businesses have performed very actively. On average, each year from 2000 to 2006, there were 10 M&A deals taking place, with an average annual value of 22.11 million USD. average value of 873.5 million USD. That is, the later period increased by 7.4 times in quantity and 39.5 times in value compared to before WTO accession. (Table 1)

The value of the deal increases over time

The deal value peaked in the period 2014 - 2017 (more than 6 billion USD). In particular, 2017 recorded a record deal worth more than \$4.8 billion (at current prices) that took place between Saigon Beer, Alcohol and Beverage Company (Sabeco) and the buyer, Beer Company Limited. Vietnam - an indirect owned subsidiary is Thai Beverage (Thailand) beverage and consumer goods group. However, it can be seen that the value of the deals is not large in general, both before and after Vietnam joins the WTO. In the period 2000 - 2006, the average value of each deal was about 2.87 million USD. In the following period, each deal is on average about 10.94 million USD, 3.8 times higher than before. Despite the increase, this is still a very modest number.

Table 1: Statistics of M&A activities in the field of consumer goods in Vietnam 2000-2022 by sub-periods

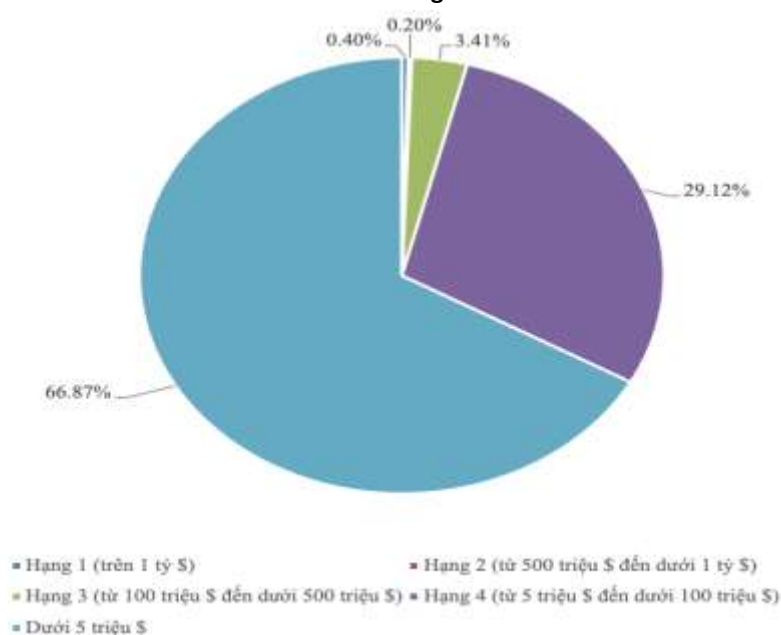
Sub-period	Volume (deals/year)	Average value (mil\$/year)	Average value (mil\$/deal)
2000-2006	10	22.11	2.87
2007-2022	75	873.47	10.94
Change	746%	3951%	381%

Source: Thomson Reuters

The data in Table 1 is calculated by dividing the total value of deals for the whole period by the number of years, we get the average sales value per year by period. In terms of average number of deals, the same is done, dividing the total number of transactions recorded for the whole period by the number of years of that period. To calculate the average deal value, we calculate the average value for each year then again average the value for the entire period.

However, there is still a lack of billion-dollar deals. Two deals worth over 1 billion USD were made in the period 2000 - 2022, including Sabeco - Vietnam Beverage (2017) and Masan Consumer - Singha Asia Holding Pte Ltd. Most deals are still under \$5 million. To review this content, we divide the deal value into 5 categories: Class 1 is the deals worth more than 1 billion USD, the deals from 500 million USD to less than 1 billion USD are classified as: Grade 2, Grade 3 are deals valued at between \$100 million and under \$500 million, Class 4 includes deals valued at between \$5 million and under \$100 million and deals under \$5 million. million USD is classified into Rank 5. This statistic helps significantly to understand the scale of M&A deals in Vietnam recently in the field of consumer goods – the field that accounts for the largest proportion in terms of value.

Figure 5: Proportions by value of M&A deals in Vietnam's consumer goods sector from 2000 to 2022



Source: Thomson Reuters

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Up to 66.87% of the deals announced in this period were deals worth less than 5 million USD. This number makes a lot of sense, it shows that most of the transfer value is still a small value. If you include Tier 4 and Grade 5, up to 95.98% of deals are valued at less than \$100 million. The statistics from Table 1 also help to reinforce this statement, the average value of an M&A transaction in the period 2000 - 2006 was about USD 2.11 million (about VND 40 billion) and the period 2007 - 2022 was 10.94 million USD (equivalent to about 250 million USD).

4.3. Domestic deals account for a significant proportion

Contrary to the results of (Vuong et al., 1990), in the period 1990-2009, a large proportion of deals have foreign elements; In this article, the data for the period 2000 - 2022 shows that there are 819 deals with the buyer being a Vietnamese company. The equivalent accounts for nearly 65% of total deals in the field of consumer goods over the past 20 years. The percentage of foreign investors is constantly increasing. The main foreign buyers are Japan, Singapore, China, Korea, etc.

Table 2: Acquirors by countries in Vietnam M&A consumer industry from 2000 to 2022

STT	Nation	Number of deals
1	Vietnam	819
2	Japan	72
3	Singapore	55
4	Hong Kong	29
5	South Korea	24
6	United States	20
7	China (Mainland)	16
8	Denmark	12
9	Malaysia	10
10	Thailand	7
	Others	202

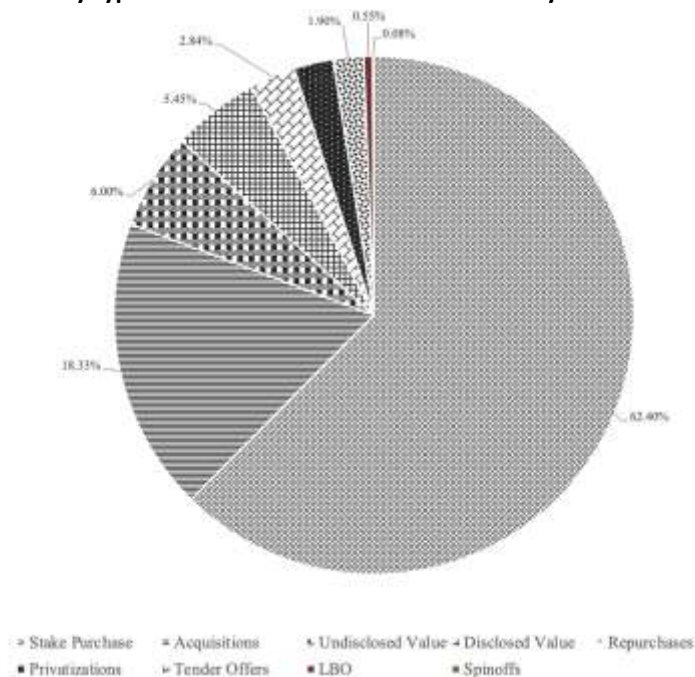
Source: Thomson Reuters

Notably, out of the total number of transactions involving foreign buyers, 100% of targets in transactions that transferred 50% or more shares were unlisted companies. The total value of those deals is only about 1.325 billion USD. It implies that legal barriers are still a significant determining factor for the value of deals because it is difficult for foreign investors to complete legal procedures when conducting transactions with public companies. If the foreign company still wants to make transactions over 50%, the foreign company is required to establish a subsidiary in Vietnam and transact through that subsidiary. The deal between Vietnam Beer Company Limited (Vietnam Beverage) and Sabeco (HSX: SAB) in 2017 is a typical example. Vietnam Beverage is a subsidiary 99% owned by Thai Beverage (Thailand). This deal is essentially a Thai company buying back the owner's stake in Sabeco (Vietnam), but the way to do it is still through a subsidiary in Vietnam, which is a cross-border M&A. In terms of legal aspect, the transaction between ThaiBev (Thailand) and Sabeco (Vietnam) is a domestic deal.

The types of M&A is diverse

Although M&A is a new playground for local firms, M&A deals taking place in Vietnam have quite diverse forms. In which, the common types include: Stake purchase, acquisition, tender offer, besides there are other methods such as LBO, Spinoff, Repurchase, etc (Figure 6).

Figure 6: Deals by types in Vietnam M&A consumer industry from 2000 to 2022



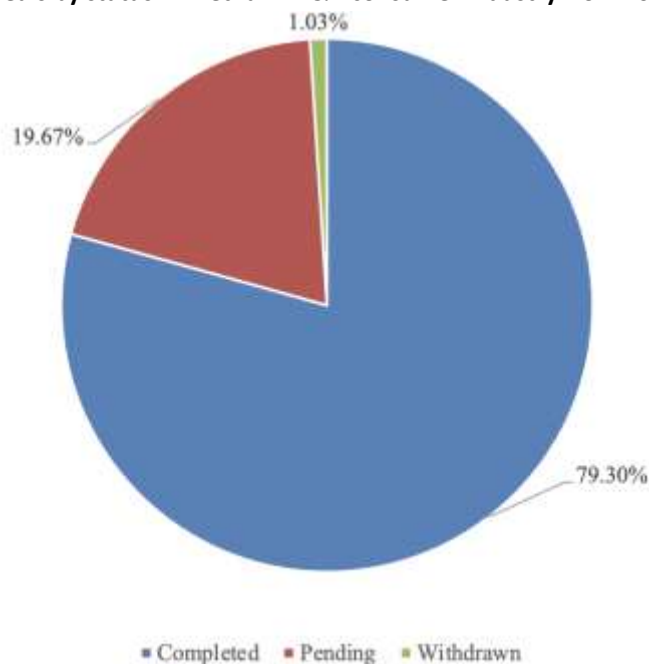
Source: Thomson Reuters

The number of deals made in the form of stake purchase accounted for the largest proportion, accounting for more than 62.4% of the deals. It is easy to understand why this phenomenon occurs, when the buyer's holding rate is less than 50% of the voting shares of the target company, it is easier for the two parties to reach an agreement to negotiate and close the deal. a large percentage due to the significant influence of the seller's interests. The second largest type of business is acquisitions with a share transfer rate of over 50%, accounting for 18.33% of all deals taking place in the technology sector during this period. However, mergers and consolidations are rare. For more than 20 years, almost no merger or consolidation took place. Perhaps because performing a merger or consolidation requires a high consensus of the owners of the parties involved as well as the complexity in completing legal procedures. Therefore, it leads to the fact that stake purchase and acquisition dominating other forms of M&A within consumer goods sector in Vietnam from 2000 to 2022.

High success rate of completion

In this section, we consider the success of the deal based on the ability to complete the legal procedures to close the deal. This is an important phase in the M&A process, a stepping stone to open the stage of operational integration to achieve the goals set by the buyer and seller in the negotiation. From 2000 to 2022, this rate in M&A activities in the consumer goods sector is high, accounting for 79.3% of total deals. According to (Vuong et al., 1990), in the period 1990 - 2009, the average success rate of deals was 93% of the total 252 deals surveyed. However, in this study, we examined a large sample of 1266 deals with different timeframes, and found that in the large sample, closing rates were significantly lower. If calculated on average for the whole market, this rate is only about 73%. Thus, the consumer goods industry has a higher transaction completion rate than the market average.

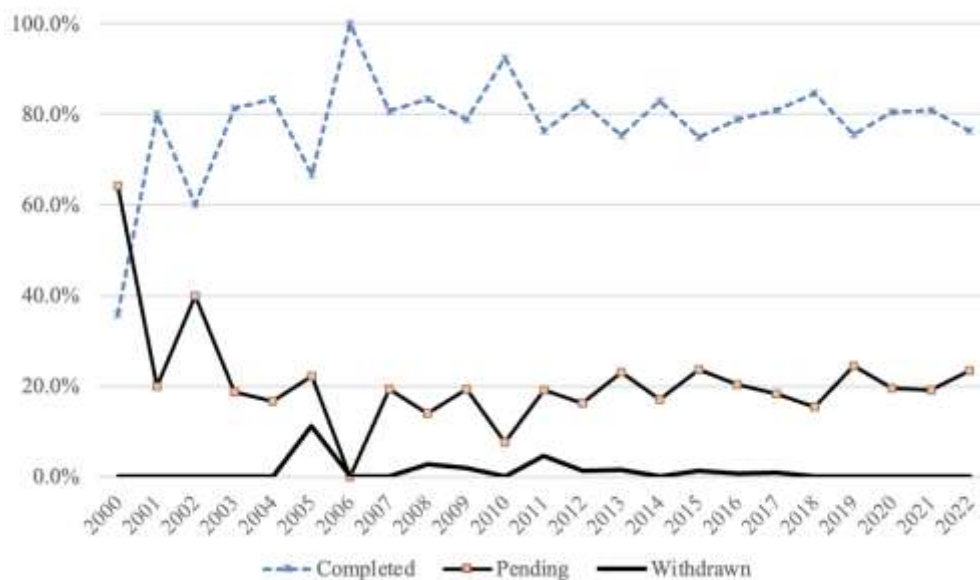
Figure 7: Deals by status in Vietnam M&A consumer industry from 2000 to 2022



Source: Thomson Reuters

Let’s see the details of M&A transactions by year, it is easy to note that the average transaction completion rate ranges from 40% to 100% depending on the sub-periods. From the dataset, the lowest level was 40% in 2000 and the highest successful rate was nearly 100% in 2006. Meanwhile, the other years had the success rate of M&A procedures in the field of consumer goods fluctuated around 80% of total transactions. The annual pending deals rate is about 20%, which is a relatively low level. Notably, the transaction withdrawal rate is not significant, even many years there was no transaction in the form of a withdrawal. (Figure 8)

Figure 8: Deals by status in Vietnam M&A consumer industry 2000 to 2022 (yoy)



Source: Thomson Reuters

Diversified M&A counterparts

Partners (target companies) of acquiring companies in the diversified within the sector, including both listed companies and unlisted companies. The percentage of target companies listed on one of the three exchanges HSX, HNX and UpCom accounted for 35.31%, less than the rest of unlisted companies (64.69%). Meanwhile, the buyers are more modest, only about 20.06% are companies listed on the Vietnam stock exchange.

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Table 3: Completed deals in Vietnam M&A consumer industry from 2000 to 2022

	Listed companies	Non-listed companies
Acquiror	253	1013
Completed deal (%)	77.47%	79.76%
Target	484	782
Completed deal (%)	78.31%	79.92%

Source: Thomson Reuters

Notably, the success rate of unlisted deals is higher than that of listed deals on both the buyer side and the target company, although the difference is not much. Again, it is suggested to have loosen policys to simplify procedures for listed companies in order to increase the completion rate for this type of company. Limiting the percentage of ownership still makes it difficult for parties to complete M&A, especially foreign companies.

IV. THE ROLES OF M&A ADVISORS

M&A advisors play an important role in Vietnam M&A activities in consumer sector as well as in other local industries, especially cross-border transactions. They help to conduct due diligence, complete documents and prevent potential risks. The rate of hiring advisors in cross border M&A transactions higher than this in domestic deals. The rate that M&A advisors were considered in M&A transactions depended on the complexity of the transaction. The complexity of the transaction might be the methods of payment, the rate of transferred shares or the structure of the deals (i.e. merger would be more complicated than equity acquisition) and whether the deal is vertical or horizontal. In addition, about two third of the large-size deals would hire M&A advisors to complete complex tasks. Nevertheless, most of small size M&A transactions did not having advisors for their works. Instead, they use in-house professionals to conduct the deal. The proportion of small size transactions is about 90% of total deals by volumn. The most popular fields are legal advisor and finance advisor of which legal advisor is overwhemle to finance advisors. These findings were based on semi-structure interview with 5 M&A advisors in the country.

V. CONCLUSIONS

This research focuses on finding, describing and analyzing the characteristics of M&A activities in the consumer goods sector in Vietnam in the period of 2000 - 2022. It is easy to see that there has been a significant change in Vietnam's M&A market these years. In general, the consumer goods industry in Vietnam holds the largest position by value after 2007 - the milestone when Vietnam joined the WTO. Based on the statistics of 1266 deals, the analysis shows that the success rate of deals in the consumer goods sector is relatively high compared to the average level of the whole market. During the same period of time, the general success rate in Vietnam's M&A market was only about 73%. Although accounting for the largest proportion in terms of value in the M&A market in Vietnam (23%) over the past 20 years, transactions are still in their infancy and the average transfer value per deal tends to increase over time. The most prominent feature is that the deals in the consumer goods sector are mainly small-scale (under 100 million USD), completed mostly by domestic companies with the main types of stake purchase, acquisitions, tender offer; other forms such as mergers, consolidation, LBO, Spin-offs account for negligible or almost equal to zero.

The limitation of the paper is the lack of quantitative analysis to examine the effectiveness of M&A deals in the consumer goods industry in Vietnam as long as to find the factors that motive those efficiencies. These might be suggestions for further studies for future scholars.

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