

# Vietnam Innovation & Tech Investment Report 2020



# Foreword

Innovation has been considered a critical factor in speeding up Vietnam's economic growth, and startups are no doubt the driving force in that long term strategy.

In January 2021, the "National Strategy on the Fourth Industrial Revolution by 2030" issued by the Prime Minister was adopted with specific targets to fulfill goals set in the Politburo's Resolution 52-NQ/TW on a number of policies guiding Vietnam's proactive participation in the revolution. This is an important milestone in the Government's efforts to create a favorable business climate for both local startups and foreign investors.

The Vietnam National Innovation Center (NIC) serves as the key engine that is entitled to catalyst innovation with special mechanisms and policies to support the Vietnam startup ecosystem. This special report collaborated with Do Ventures will shed light on how Vietnamese Government is pushing the innovation agenda harder and faster to shape an encouraging environment where startups and investors can join forces and make significant contributions to the economy.



**Vu Quoc Huy**

*Director, Vietnam National Innovation Center (NIC)*

## Key targets through 2030

- 1 Expand the 5G coverage nationwide
- 2 Raise the digital economy's contribution to GDP to 30%
- 3 Be in the top 50 countries in the United Nations e-Government index
- 4 Increase labor productivity by 7.5% annually
- 5 Become one of the top 40 countries in the Global Innovation Index





# About NIC

**Vietnam National Innovation Center (NIC)** is a unit under the Ministry of Planning and Investment with the function of supporting Vietnam startups and innovation ecosystem, contributing to the innovation of the growth model based on science and technology.

NIC serves as the leading innovation center in three ways:

- Create an outstanding business environment that attracts top global and local firms.
- Foster the creation of an ecosystem for startups and SMEs to join the value chain of global corporates and technology companies.
- Act as a regulation pilot to create conditions that can be replicated in other locations throughout the country.

NIC's vision is to become the leading regional innovation hub that enables the fundamental transformation of Vietnam's future economy, and brings the country to periods of rapid and sustainable development.

NIC is composed of three functional departments:

- **Ecosystem Development Department:** Support and develop the startup and innovation ecosystem, including the Government; science & technology institutes and academies; banks and investors; corporates; startups; incubators and accelerators; agencies providing legal, supporting, consulting services; intellectuals, science and technology experts.
- **Enterprise Support Department:** Support and develop innovative enterprises, individuals and organizations' innovative programs; operate the one-stop unit of NIC, manage and exploit the office space and rental facilities of NIC; consult on innovation for enterprises, organizations and localities; connect domestic and international enterprise supporting organizations.
- **Human Resource Development Department:** Develop national innovation human resources, plan programs to train and retrain individuals and organizations on entrepreneurship and innovation; manage the NIC's scholarship fund and select recipients.

Learn more about NIC at [www.nic.gov.vn](http://www.nic.gov.vn)

# About Do Ventures

**Do Ventures** is an early-stage venture capital firm that focuses on making venture capital investments in information technology companies in Vietnam and Southeast Asia. Pursuing the philosophy of Grow 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 types of business models:

- Model 1: B2C platforms that complement an effective ecosystem of services around young customers.
- Model 2: Global-scaled B2B platforms that create synergies for model 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.
- **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 a tailored operations support in various key areas to ensure that portfolio companies meet their predetermined milestones.

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

# Key findings from the report

Government support plays a central role in the development of a startup ecosystem. The Covid-19 has put us through a test and at the same time become a catalyst for the Vietnamese Government's innovation ambitions. We are pleased to partner with the **Vietnam National Innovation Center (NIC)** in this report where we zoom in the Government's current incentives and legal frameworks that are worth knowing of for both local startups and foreign investors. In terms of investment activities in 2020, these are the key findings from the report:

## **\$451M invested in 2020**

As 2020 was a year of turbulence but also of resilience for the global tech investment, the landscape in Vietnam was not an exception. The amount of capital invested decreased by 48% to \$451M, mostly due to the absence of outsized deals that were already closed last year by later-stage companies. Nevertheless, the total number of deals fell only slightly by 17% as we recorded 60 deals in H2/2020, virtually equal to the same period in 2019. After the slowdown during the first quarter, venture capital investing began to pick up from the second quarter.

## **Shrink in larger round sizes**

After a swift decline at the onset of the pandemic, early financings began to return to past years' levels. Investors ultimately closed roughly the same number of pre-A and A deals in 2020 as in 2019. Later-stage investment fell steeply in terms of both deal value and deal number, partly due to the limits on travel that prevented the indispensable in-person due diligence process for large check size deals.

## **Sector diversification remained**

Payment and retail went on being the dominant sectors of large amount funding due to their fundamental roles in the growth of the Internet economy. Employment (HRTech) and real estate (PropTech) continued to see rising interest, while education (EdTech), healthcare (MedTech), and business automation (SaaS) have gently gained favor from drastic changes in consumer and business behaviors.

## **Lasting interest from foreign investors**

The interest in the Vietnam market is unwavering, as the number of investors entering the country in 2020 went through only a slight decrease compared to last year. The most active investors came from Vietnam, Korea, and Singapore, while there was a remarkable fall in the number of Japanese investors.

## **Local funds play a central role**

The persistence of early-stage investments is significant to the health of the broader venture capital ecosystem. As more than half of the recorded deals were conducted by local funds, local capital availability in the Vietnam market has proved to be one of the most crucial supports for early-stage entrepreneurs to keep thriving during uncertain times.

## **Decline in exits**

The scarcity of major exits over \$20M contributed to the sharp decline of 66% YoY in realized proceeds in 2020. Trade exit and secondary sales continued to play a significant role in liquidity generation. Liquidity from IPO remained limited.

## **Looking ahead to 2021**

Though the Vietnam tech investment landscape experienced an inevitable hit due to the global crisis, Vietnamese entrepreneurs have been doing their best with available resources during an unprecedented time. We believe challenges could always be interpreted as opportunities that welcome the birth of new disruptive business models. Furthermore, the Government's increasing efforts to foster the Internet economy and create a conducive business environment to attract foreign investors will stand Vietnamese startups in good stead when investment activities progressively resume at the normal pace.









# Vietnam Legal Landscape For Startups And Investors

- 1 The abundance of Government support programs for startups
- 2 Notable incentive policies for startups and investors
- 3 A navigation of the investment and exit process
- 4 Regulatory hurdles in emerging sectors
- 5 The start of a sandbox regime



# The abundance of Government support programs for startups

In order to foster an ecosystem of startups, the Vietnamese Government has developed a range of programs and projects in the joint efforts of relevant ministries, agencies, and localities. Some of the key Government programs that support in building this ecosystem are highlighted below.

Organization	Program	Scope	Key event
MINISTRY OF PLANNING & INVESTMENT		<ul style="list-style-type: none"> <li>○ Build a complete innovation ecosystem at scale to enable technology transfer, development, and commercialization.</li> <li>○ Pilot an encouraging regulatory environment for innovative activities.</li> <li>○ Provide utility services including offices, co-working space, laboratories, event spaces, and a technology showcase center.</li> <li>○ Connect startups with various funding channels.</li> <li>○ Serve as a launchpad for startups through incubation and accelerator activities.</li> </ul>	 
MINISTRY OF SCIENCE & TECHNOLOGY	 	<ul style="list-style-type: none"> <li>○ Provide financial support for players within the startup ecosystem such as incubators, accelerators, universities, etc.</li> <li>○ Create a favorable environment to support the formation and development of fast-growing enterprises based on the exploitation of intellectual property, technology, and disruptive business models.</li> <li>○ Contribute to the improvement of the legal framework for supporting startups.</li> <li>○ Enhance networking and connect Vietnam's startup ecosystem with the world's.</li> </ul>	
VIETNAM CHAMBER OF COMMERCE AND INDUSTRY		<ul style="list-style-type: none"> <li>○ Nurture the entrepreneurship spirit among college students and young people by providing early training on startup education.</li> <li>○ Create a network of universities, research institutes, and businesses for mentorship and seed funding for promising startup projects by students.</li> </ul>	

Note: NIC - Vietnam National Innovation Center; ISEV - National Program 844; NSSC - National Startup Support Center

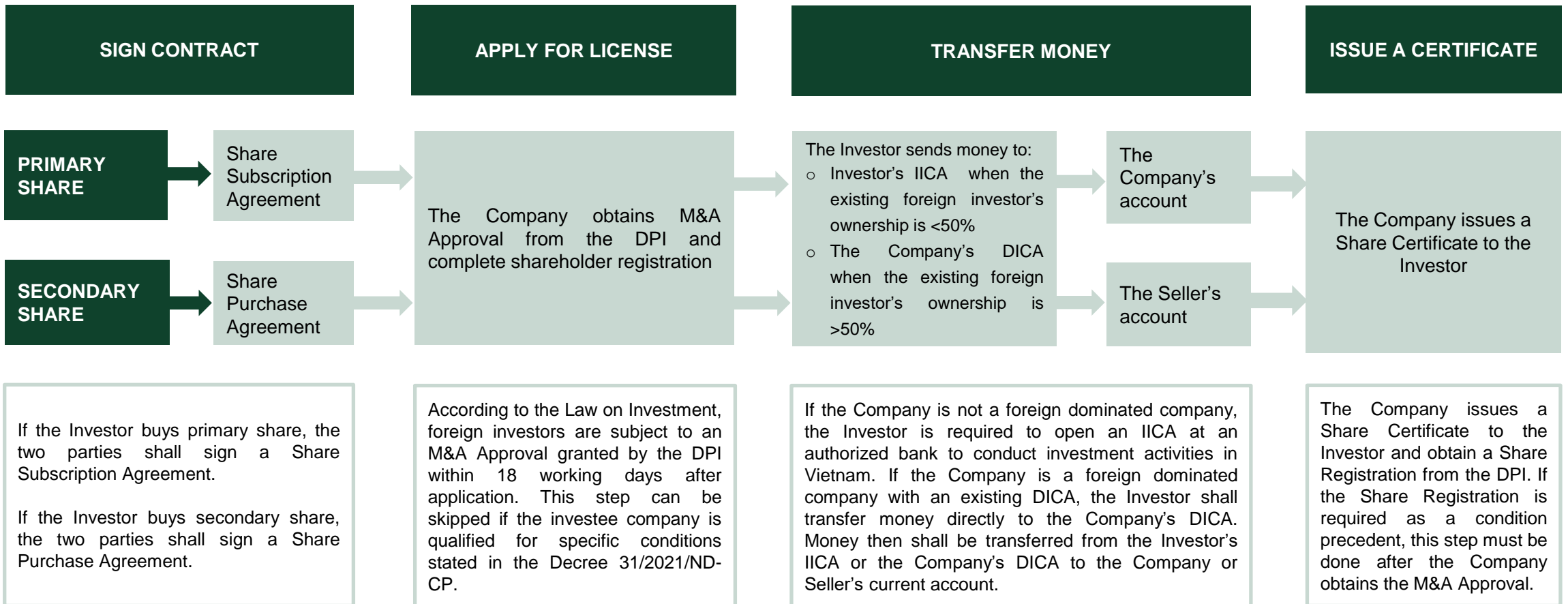
# Notable incentive policies for startups and investors

In 2017, the concept of startup and venture capital investment was unprecedentedly recognized on a legal level in The Law on Supporting SMEs. The following year, Decree 38/ND-CP, which came into effect in March 2018, named startup investment activity as a business and provided the legal status to venture capital funds. Though the legal framework for venture capital investment is still nascent, the Government has made several breakthroughs in developing favorable policies for startups and investors.

For Startups	For Investors
<p>Decree 13/2019/ND-CP and Decree 94/2020/ND-CP provides favorable conditions for startups including the following important points:</p> <p><b>For science and technology enterprises in general:</b></p> <ul style="list-style-type: none"><li>○ An exemption in corporate tax for 4 years and a reduction of 50% for the following 9 years.</li><li>○ Exemption or reduction in land and water surface lease fees.</li><li>○ Free-of-charge use of equipment and facilities at national laboratories, Government-owned research and technology facilities, and technology incubators.</li></ul> <p><b>For startups under the Vietnam National Innovation Center (NIC):</b></p> <ul style="list-style-type: none"><li>○ Fewer administrative procedures.</li><li>○ Coverage of 100% land leasing cost for 50 years in high-tech areas.</li><li>○ Preferential tax rate of 10% over the first 30 years instead of the previous 20%.</li><li>○ Exemption from infrastructure usage fees and land clearance expenses.</li></ul>	<p>Decree 38/2018/ND-CP and Decree 31/2021/ND-CP provide encouraging policies for startup investment in Vietnam with eased procedures:</p> <p><b>Private investors can raise capital for an innovative startup fund with simplified procedures when satisfying the following conditions:</b></p> <ul style="list-style-type: none"><li>○ A maximum of 30 investors contributing capital on the basis of charter capital,</li><li>○ Invest no more than 50% of the charter capital of startup on fully diluted basis, and</li><li>○ Fund assets must be separated from those of SME fund management company.</li></ul> <p><b>Foreign investors shall enjoy the same procedures as Vietnamese investors when investing in startup SMEs:</b></p> <ul style="list-style-type: none"><li>○ Foreign investors do not have to obtain an M&amp;A approval from the local Department of Planning and Investment for their share subscription or purchase.</li><li>○ The investee company is not subject to restrictions regarding foreign ownership nor required to obtain trading sub-licenses or Certificate of Investment.</li></ul>

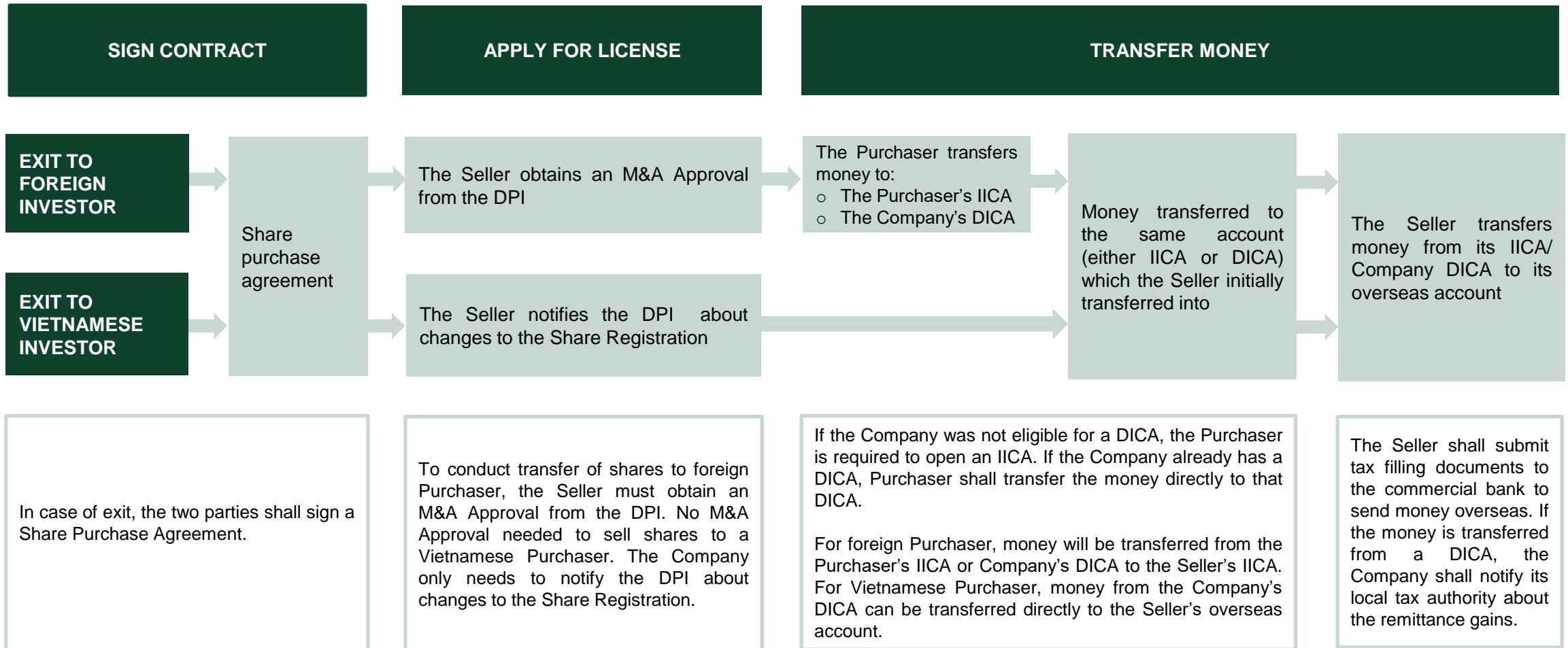
# Transparent investment process

The Government is working on simplifying administrative and licensing procedures to create a supportive investment process for foreign investors. The chart below demonstrates the transparent process of foreign investment into Vietnamese startups:



# Straightforward exit process

Venture capital's divestment procedure in Vietnam is clearly guided for exits to both foreign investors and Vietnamese investors.



# Tax incentive policies for foreign investment

Over the years, Vietnam has developed a tax-friendly environment to attract an increasing number of worldwide investors.

## TAX ON CAPITAL GAINS

Gains resulting from liquidity events, including IPO, share redemption, and M&A, are taxed by the Government of Vietnam under the category of corporate income tax. Capital gains taxes vary by types of gains and investees.

Type of investor	JSC Company (Listed)	JSC Company (Non-listed)	Others (LLC, Partnership, BCC, etc.)
<b>Foreign Corporate Investor</b>			
Non-resident	0.1% of transfer price	20% of capital gains	20% of capital gains
Resident	20% of capital gains	20% of capital gains	20% of capital gains
<b>Foreign Individual Investor</b>			
Non-resident	0.1% of transfer price	0.1% of transfer price	0.1% of transfer price
Resident	0.1% of transfer price	0.1% of transfer price	20% of capital gains

Note:

Non-resident – Foreign funds that are not established under the Law on Investment and the Law on Enterprises in Vietnam.

Resident – Foreign funds that are established under the Law on Investment and the Law on Enterprises in Vietnam.

## CAPITAL GAINS TAX EXEMPTION

The chart below highlights the existing tax incentive policies according to the Double Taxation Agreements (DTA) signed between Vietnam and three Asian countries with the most active investors in Vietnam.

Country	Specific conditions for tax exemption
Singapore	(i) Listed company: No condition. (ii) Non-listed company: Immovable asset value of investee company is less than 50% of its total asset at the fiscal year of transfer.
South Korea	Listed and non-listed company: Immovable asset value of the investee company is less than 50% of its total asset at the fiscal year of transfer.
Japan	(i) Listed company: Investor's direct and indirect shareholding is less than 25% or the number of transferred shares is less than 5%. (ii) Non-listed company: Investor's direct and indirect shareholding is less than 25% or the number of transferred shares is less than 5%, provided that immovable asset value of the investee company is less than 50% of its total asset at the fiscal year of transfer .

Note:

According to Article 6 of Circular 205/2013/TT-BTC dated 24/12/2013, tax exemption is not applicable in the following cases:

- 1) The tax has arisen more than three years before the time of request for application of the DTA;
- 2) The principal purpose of the contracts is tax exemption or reduction under the DTA;
- 3) The person requesting for application of the DTA is not the beneficial owner of the incomes involved.

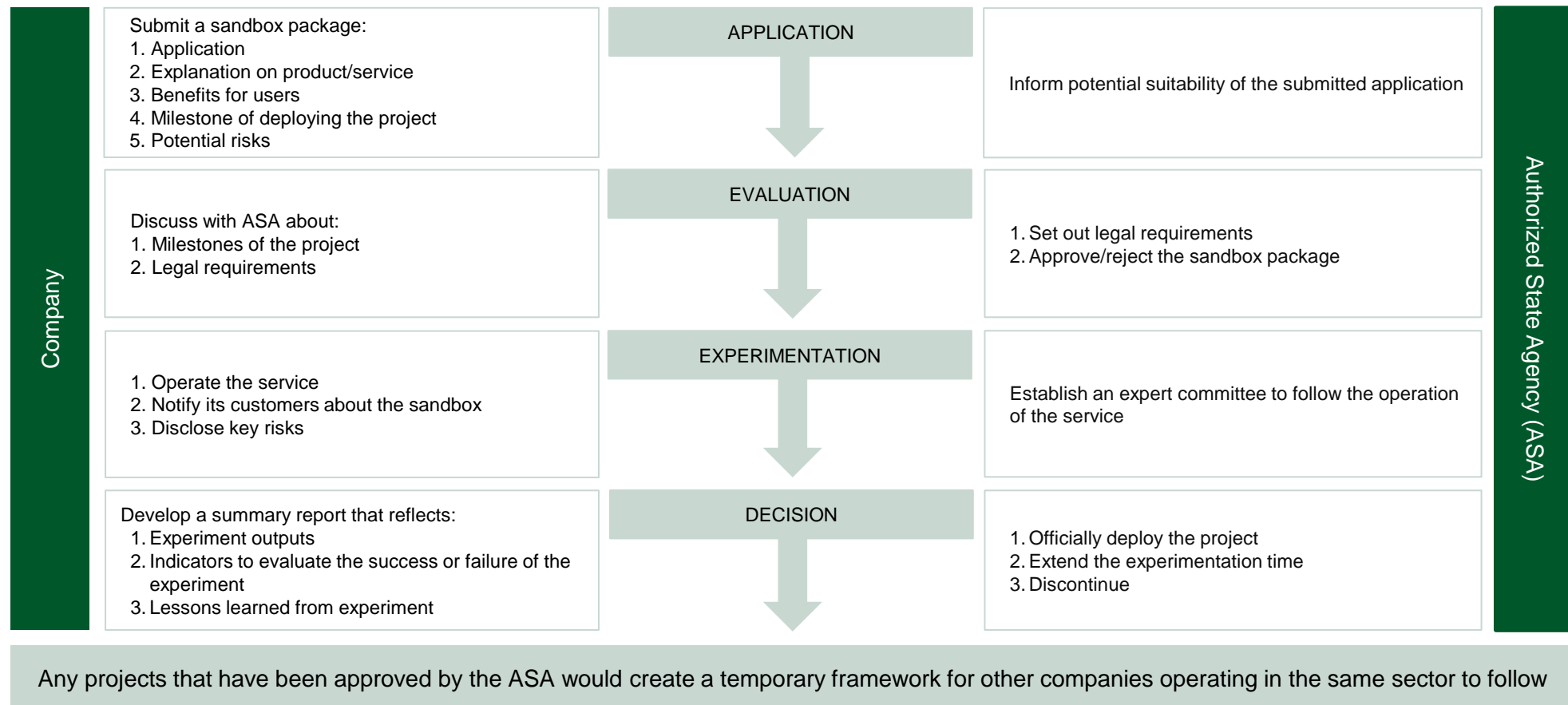
# Regulatory hurdles in emerging sectors

Vietnamese startups have been leveraging technology to solve local pain points in such areas as e-commerce, logistics, financial services, education, and healthcare. As their disruptive business models are often new to the policy makers' existing legal framework, startups have to deal with barriers that could hinder their rapid growth. This section analyzes current regulatory hurdles that some of the rising sectors in Vietnam are coping with and how the Government is tackling the issues.

	E-COMMERCE	P2P LENDING	HEALTHCARE
PROBLEMS	<ul style="list-style-type: none"> <li>○ The Decree 52/2013/ND-CP on e-commerce issued in 2013 cannot keep up with the rapid evolution of the sector.</li> <li>○ Unclear regulations for specific forms of e-commerce such as cross-border e-commerce or social commerce.</li> <li>○ Violations related to smuggling, fraud, and illegal trading of counterfeits on e-commerce platforms affect consumer confidence.</li> </ul>	<ul style="list-style-type: none"> <li>○ No specific regulation promulgating P2P lending.</li> <li>○ Risks for customers, including personal data leakage, tax evasion, money laundering, or unlawful capital mobilization.</li> </ul>	<ul style="list-style-type: none"> <li>○ High barrier to entry due to the complicated regulatory process.</li> <li>○ No clear regulation on telemedicine and online prescriptions via MedTech platforms.</li> <li>○ As data security remains an issue of major concern for healthcare providers, sharing patient data among hospitals still happens at a modest level, making data linkage a big challenge.</li> </ul>
LOOKING FORWARD	<ul style="list-style-type: none"> <li>○ The amendment and supplementation of the Decree 52/2013/ND-CP being reviewed will provide a more comprehensive legal framework to regulate e-commerce activities in Vietnam and offer more protection for Vietnamese shoppers. Consumer trust will be further developed as the state management of e-commerce increases, paving the way for the Government's target of reaching 55% of the population to shop online by 2025.</li> </ul>	<ul style="list-style-type: none"> <li>○ The State Bank of Vietnam is in the process of drafting a new decree on fintech regulatory sandbox, including P2P, which is set to be submitted to the Prime Minister for implementation in the nearest future. Furthermore, according to Decision No.749/QD-TTg regarding the National Digital Transformation Program until 2025 with a vision to 2030, the Government set a target to create a national data platform for key economic sectors including Finance that can be opened for organizations and businesses, which will largely benefit the P2P lending and fintech businesses in general.</li> </ul>	<ul style="list-style-type: none"> <li>○ The Ministry of Health is working on the Intelligent Health Scheme by 2025 to improve the legal environment for smart medical application and development. The plan includes a national healthcare data center for linking and sharing health information across the country.</li> </ul>

# The start of a sandbox regime

In Vietnam, the sandbox concept was recently introduced in 2019. It became an official mechanism named by the Government in Decision No. 999/QD-TTg promoting the sharing economic model by the former Prime Minister Nguyen Xuan Phuc. The concept continues to be used in other legal documents including Decision 2289 on National Strategy for Industry 4.0 and Decision 749 on national digital transformation, which demonstrates a high-level commitment from the Government to encourage the adoption of new business models and ease market access for foreign investment in new sectors.



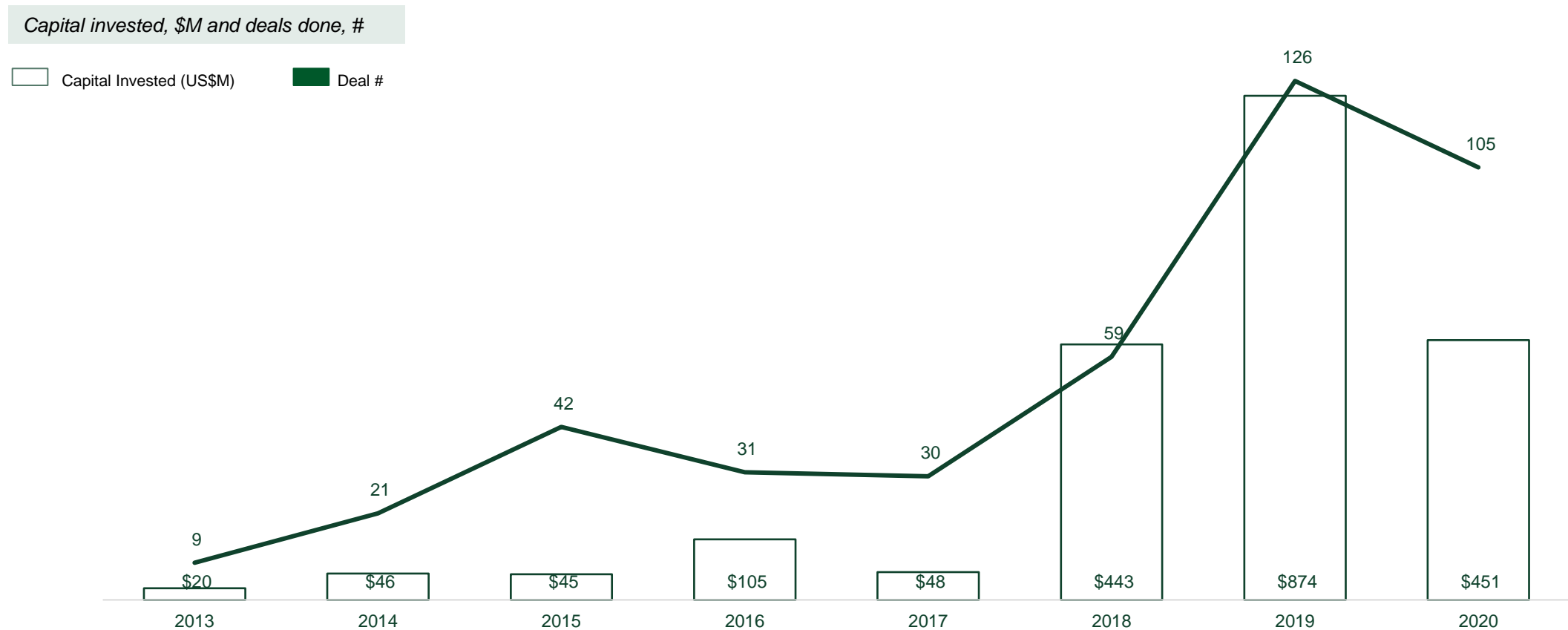
# Vietnam Tech Investment Landscape 2020

- 1 An anticipated drop in venture capital activities due to the global pandemic
- 2 A quick recovery in H2/2020 with an increase in early-stage deals
- 3 Same pattern in the most funded sectors and the rise of lending businesses
- 4 The remaining interest of investors in the Vietnam market
- 5 Lower exit proceeds generated in 2020 while exit valuations increase



# An anticipated drop in venture capital activities due to the global pandemic

The Covid-19 pandemic and the prospect of an economic downturn caused an anticipated drop in Vietnam's tech investment in 2020. The total capital invested decreased by 48% compared to 2019 while deal counts sank only slightly by 17%. The value of mega deals (Series C+) dropped sharply by almost three times amid an increase in the size and number of early-stage deals.



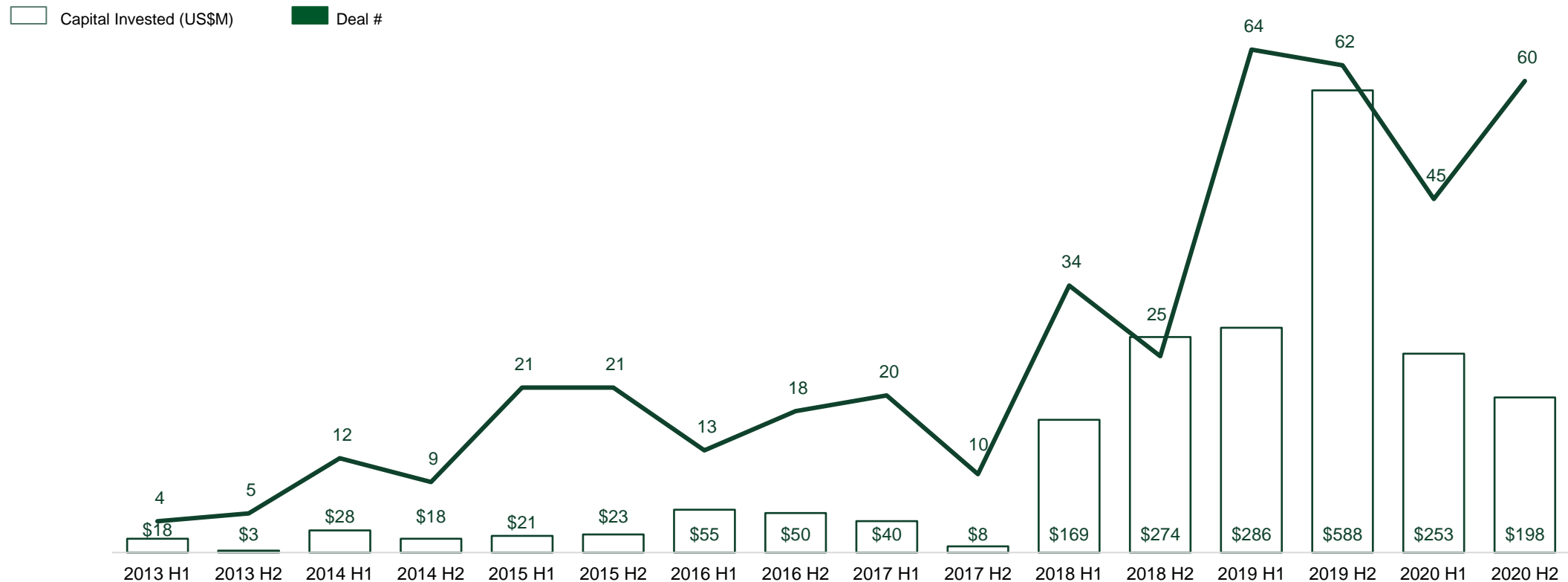
Source – Cento Ventures and Do Ventures Research

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.

# A quick recovery in deal counts in H2/2020

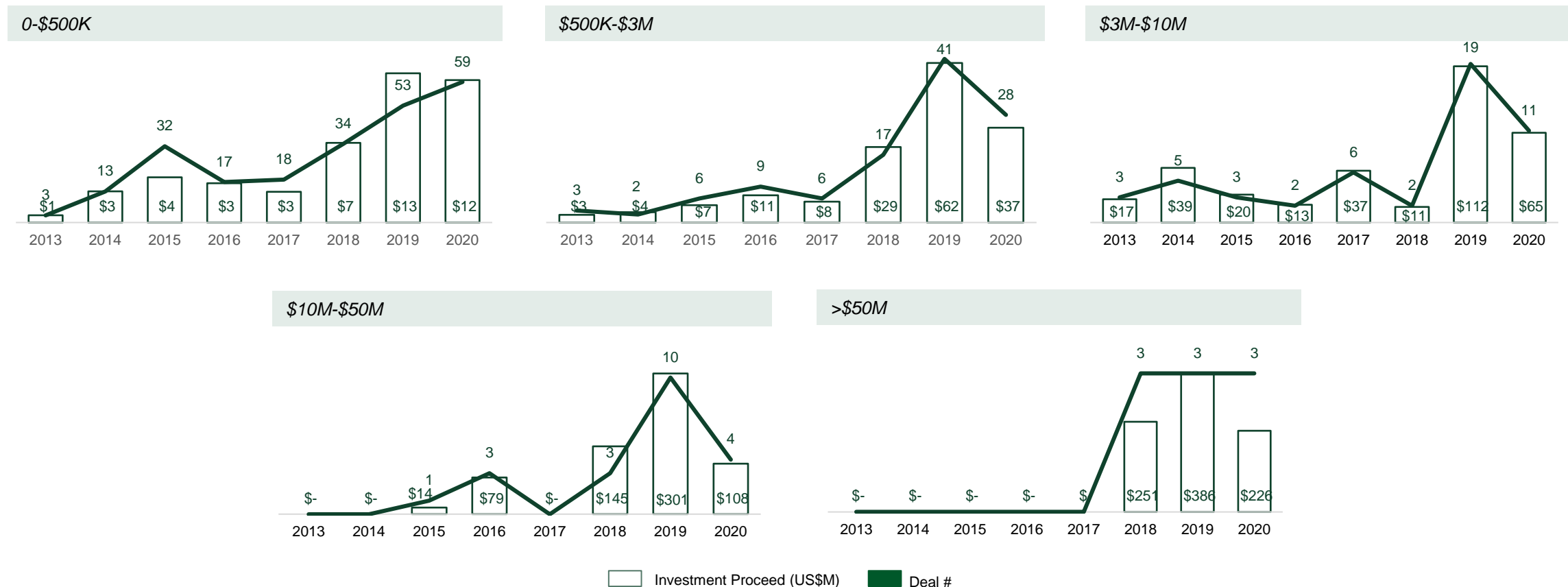
The slowdown occurred during the first half of the year when uncertainties over Covid-19's impact on the economy were at their peak in the Vietnam capital market. However, investment activities quickly retrieved in H2/2020 with the number of deals almost identical to the same period in 2019. The Vietnamese Government's timely responses to the pandemic shortened social distancing periods and facilitated economic recovery.

Capital invested, \$M and deals done, #



# An increase in <\$500K deals with a decline in later-stage deals

The number of early-stage deals of less than \$500K increased by 11% in 2020, in which there was a rise in terms of both deal size and deal number in H2. In contrast, there was a sharp decline in both deal size and deal number of later-stage deals. The most significant fall of 60% in deal number happened in deals with a check size of \$10M-50M. Check size of \$3M-10M followed with a drop of 42%; however, the deal number in this range nearly doubled in H2, which indicated optimism for the year ahead, as vaccines for Covid-19 have been rolled out and the worldwide market has started to re-open.



# Same pattern in the most funded sectors and the rise of lending businesses

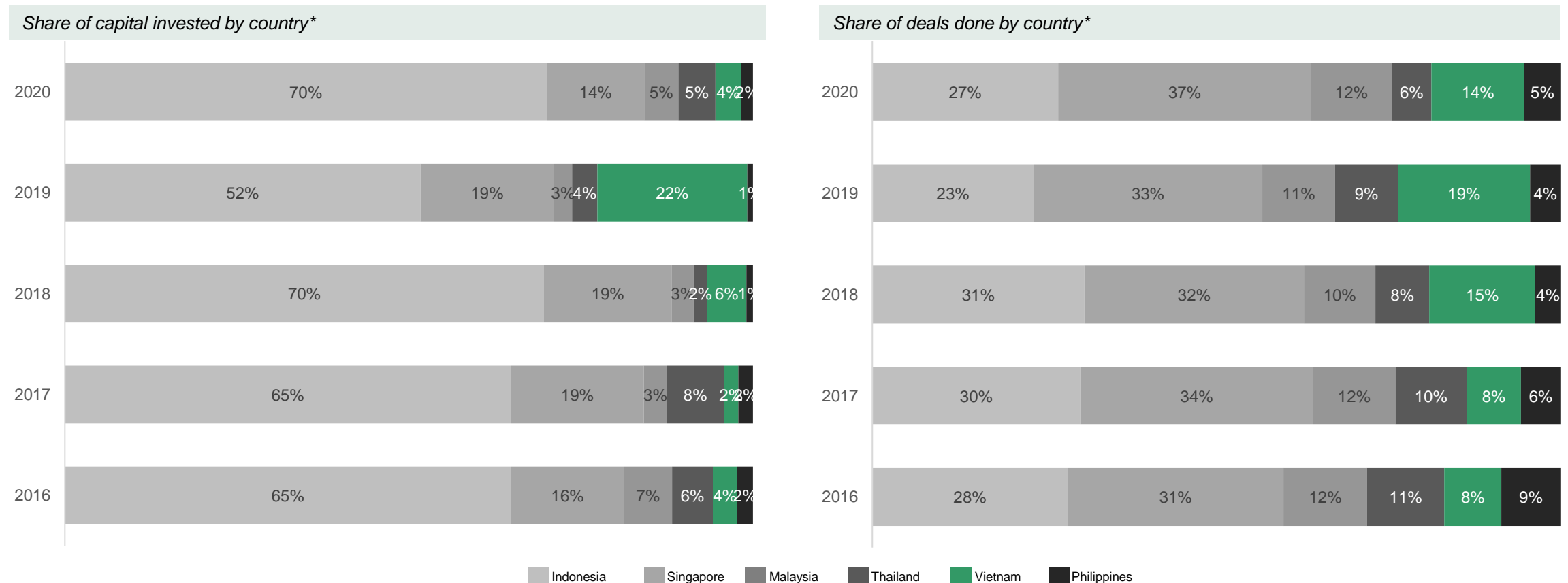
Payment and retail have been dominating for the last three years, since these two sectors lay the fundamental infrastructure for the Internet economy. The \$564M capital raised in the payment sector during 2013-2020 all went into some of the top industry leaders. Financial services and real estate have started to take off, in which lending business accounted for 86% of the funding in financial services. Long-term changes in consumer and business behavior are paving the way for emerging sectors such as education, healthcare, and business automation. However, deal size and deal number remain modest as those sectors are still in their budding stage with plenty of room for growth in 2021 onwards.

Capital Invested by sectors, \$M

Proceed (US\$M)	2013	2014	2015	2016	2017	2018	2019	2020	Total
Payment	\$12	\$10	\$1	\$29	\$10	\$100	\$300	\$101	\$564
Retail	\$1	\$15	\$1	\$18	\$15	\$105	\$196	\$83	\$434
Education	\$0.2	\$3	\$6	\$1	\$5	\$53	\$32	\$8	\$109
Financial Services	-	\$0.1	\$1	\$2	\$1	\$3	\$40	\$25	\$71
Advertising and Marketing Technology	\$6	\$7	\$30	\$1	\$6	\$3	\$15	\$2	\$70
Logistics	-	-	\$0.3	\$1	-	\$5	\$58	\$4	\$67
Business Automation	-	-	\$0.1	-	\$0.1	\$1	\$60	\$18	\$78
Real Estate and Infrastructure	\$1	-	\$0.1	-	\$7	\$6	\$16	\$26	\$56
Employment	-	\$0.1	\$0.2	\$0.1	\$0.1	\$1	\$3	\$36	\$41
Travel and Hospitality	-	\$1	\$0.4	\$4	\$1	\$4	\$23	\$9	\$42
Multi-vertical	-	-	-	-	-	-	\$29	-	\$29
Local services	\$0.2	\$0.1	\$4	\$2	\$0.2	\$4	\$5	\$10	\$25
Entertainment/Gaming	-	-	-	-	-	\$0.3	\$9	\$6	\$15
Healthcare	-	-	\$0.1	-	\$0.1	\$0.1	\$10	\$3	\$15
Entertainment/Non-gaming	-	-	\$0.1	-	-	-	\$1	\$2	\$3
Communications and Communities	-	\$0.2	-	-	-	\$0.1	-	\$1	\$1
Other	-	-	\$0.2	-	-	-	-	-	\$0.2

# 3rd rank in deal counts but a slowing in capital invested

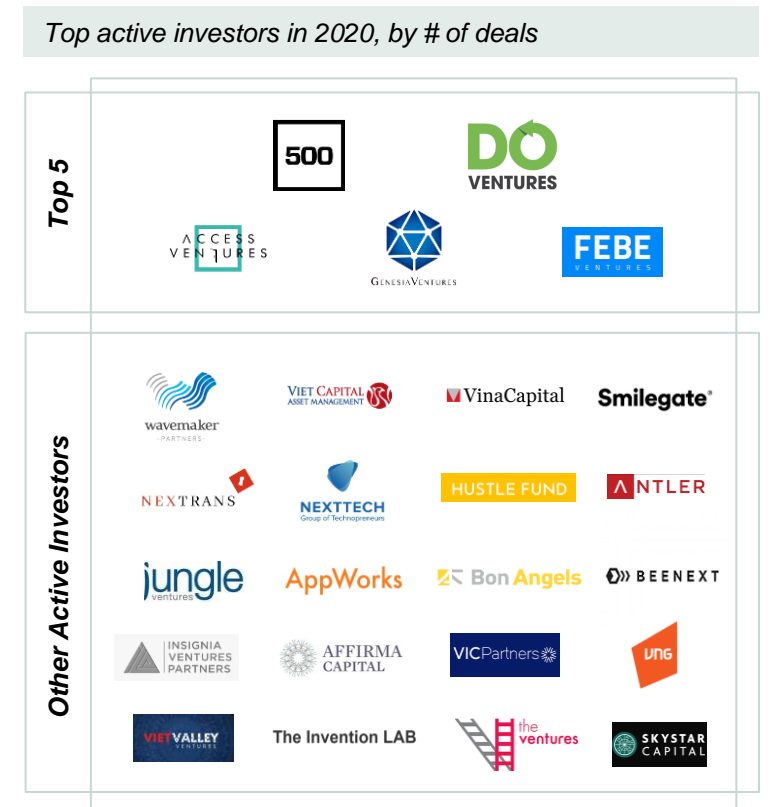
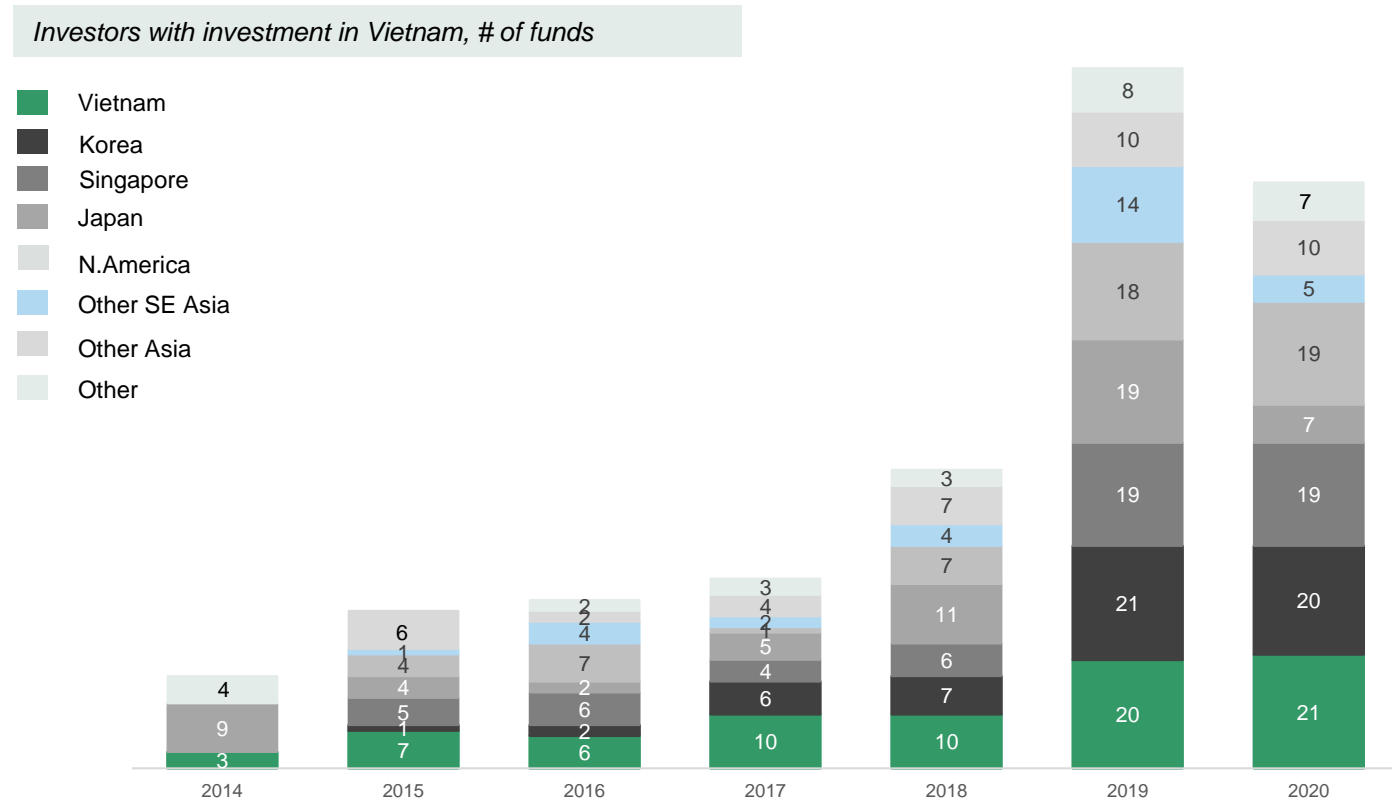
Indonesia attracted over two-thirds of the capital invested in Southeast Asia in 2020. Compared to other regional countries, Vietnam saw a significant drop in 2020 in terms of investment amount after later-stage companies already closed large rounds back in 2019. However, our number of deal counts remained at the third place, same as the previous year.



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 remained interest of investors in the Vietnam market

The number of investors entering Vietnam in 2020 experienced only a small decline compared to the same period last year. The most active group included investors who often took roles as lead investors from Vietnam, Korea, and Singapore. Notably, local funds played a vital part in supporting Vietnamese startups during these trying times as over 75% of the recorded deals were conducted by local funds or foreign funds with personnel based in Vietnam. Another unfluctuating group included investors from North America and other Asian countries who were more active in the following roles. Meanwhile, there was a marked decrease in the number of investors from Japan and other Southeast Asian countries.

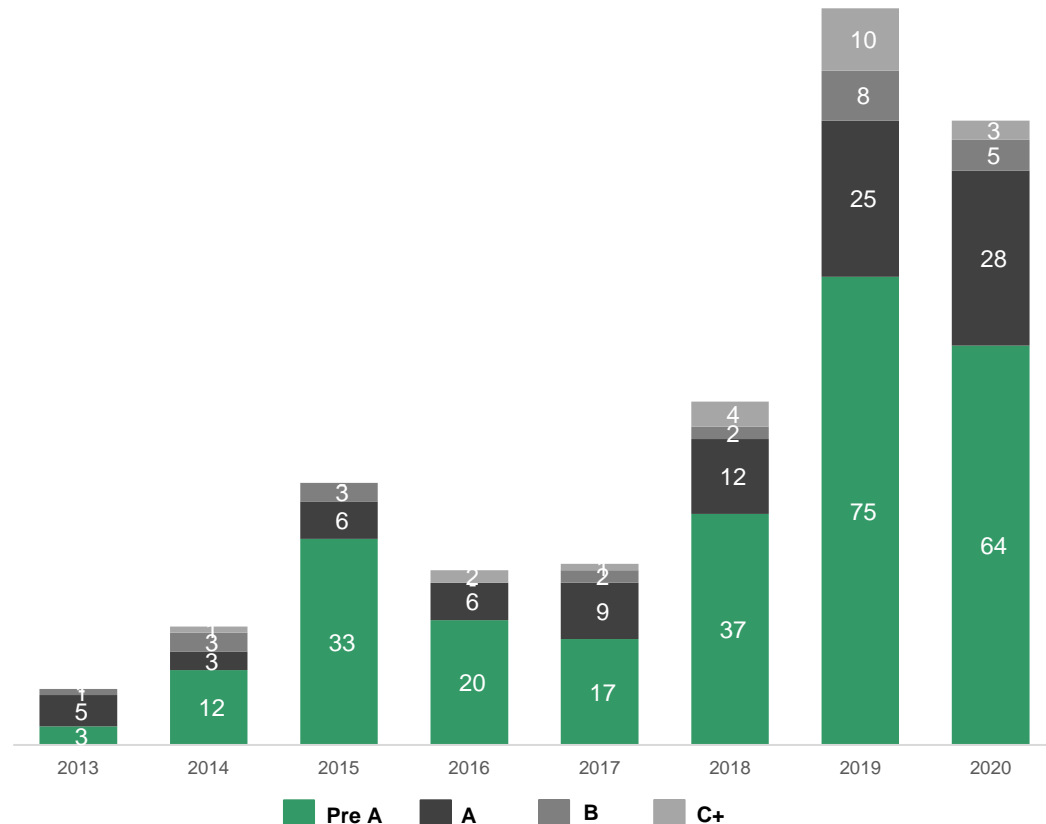


Source – Cento Ventures and Do Ventures Research

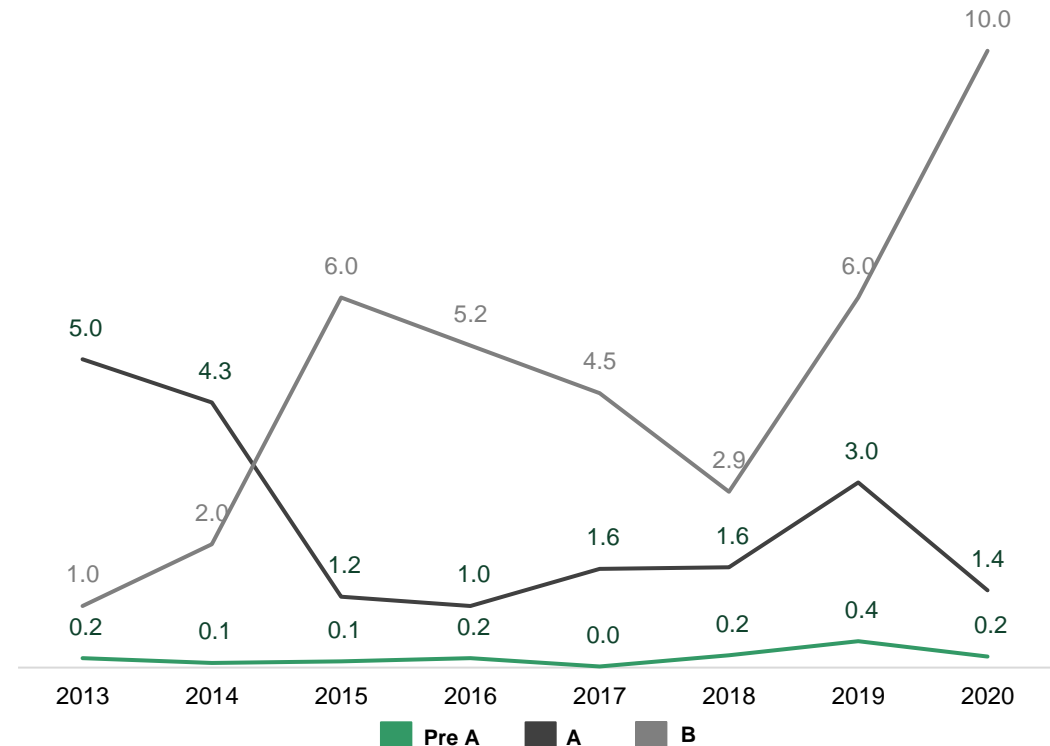
# The continuous growth in average deal size of later-stage deals

The average deal size of Pre-A and A notably decreased by 50%. Meanwhile, there was a significant drop in the number of deals in series B and C, resulting in a spike in the average deal size of series B and a rise of outliers.

Deals done by series, #

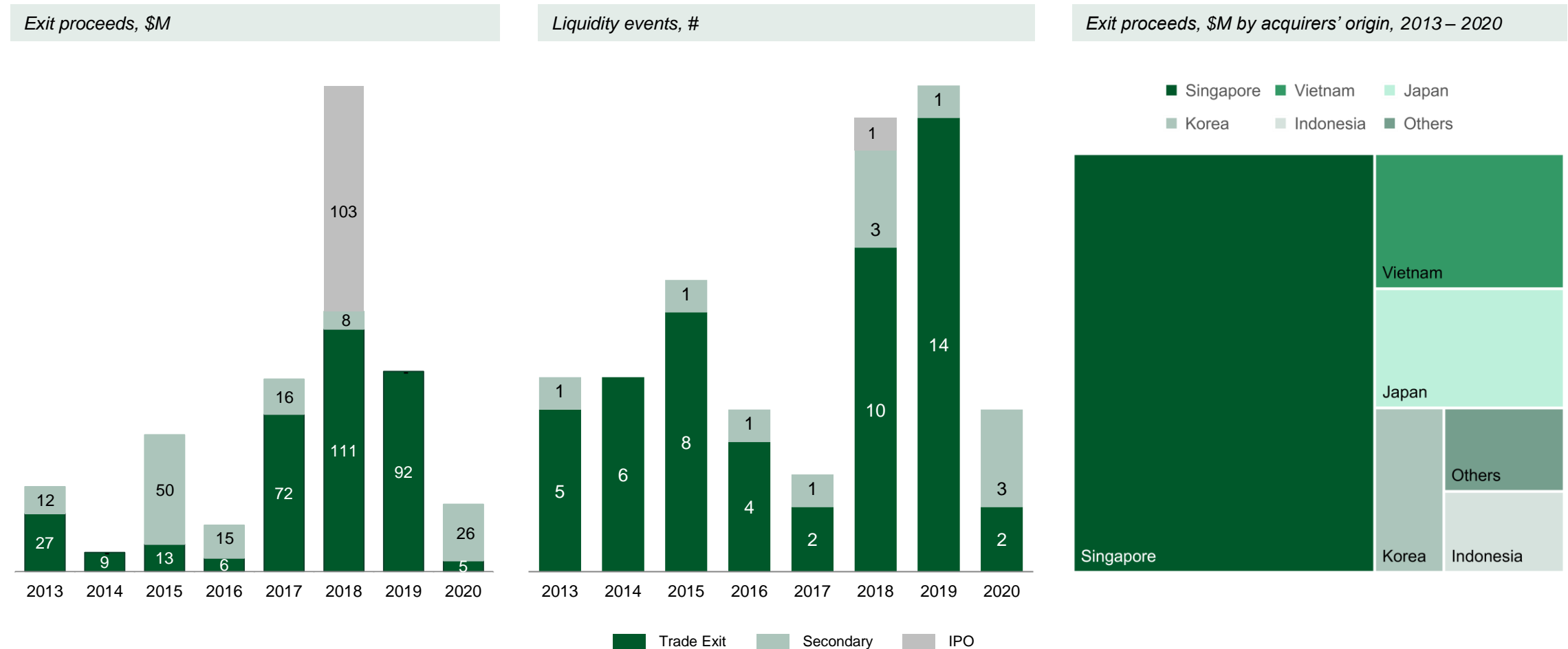


Average deal size by series, \$M



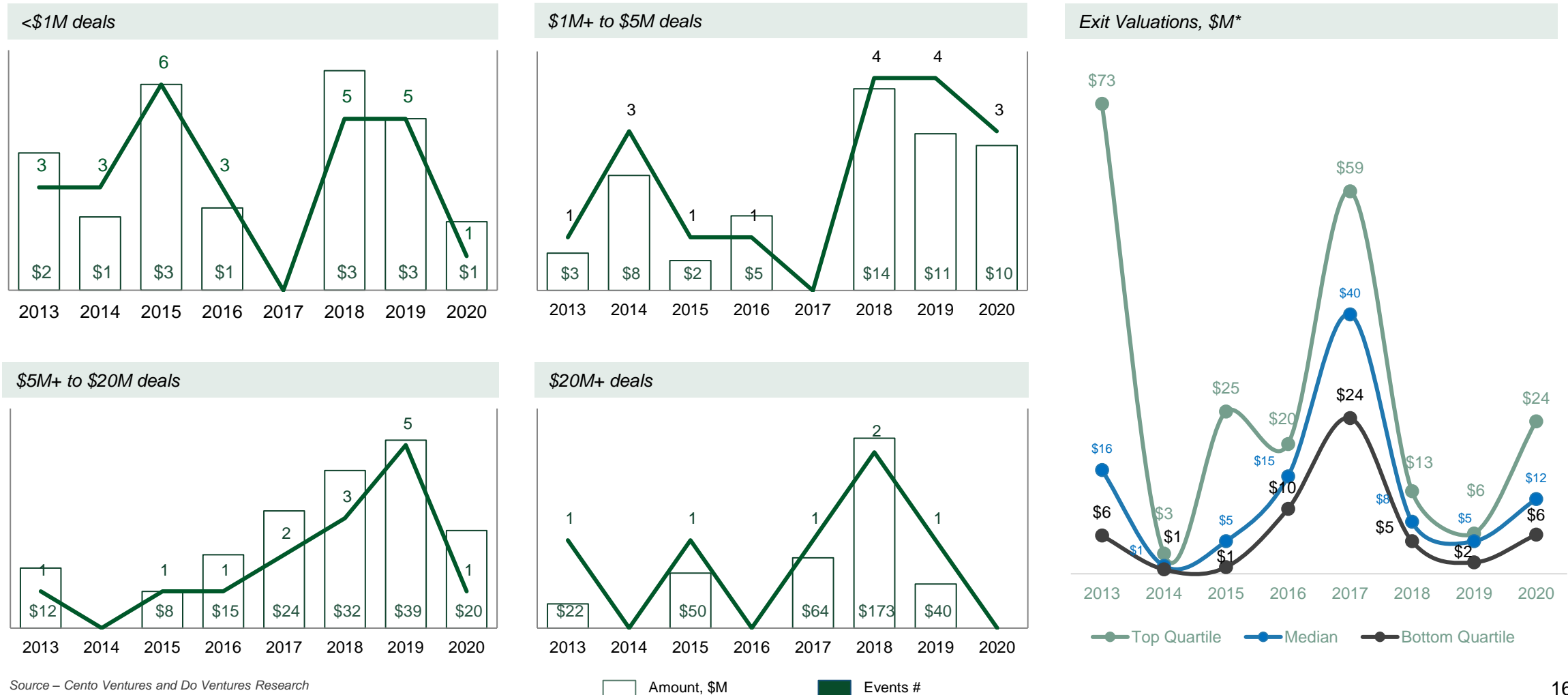
# Lower exit proceeds generated in 2020

Exit activities sharply declined in terms of both proceeds realized and liquidity event. Trade exits and secondary sales continued to play a significant role in liquidity generation. The major source of liquidity came from Singaporean investors, followed by Vietnamese and Japanese investors.



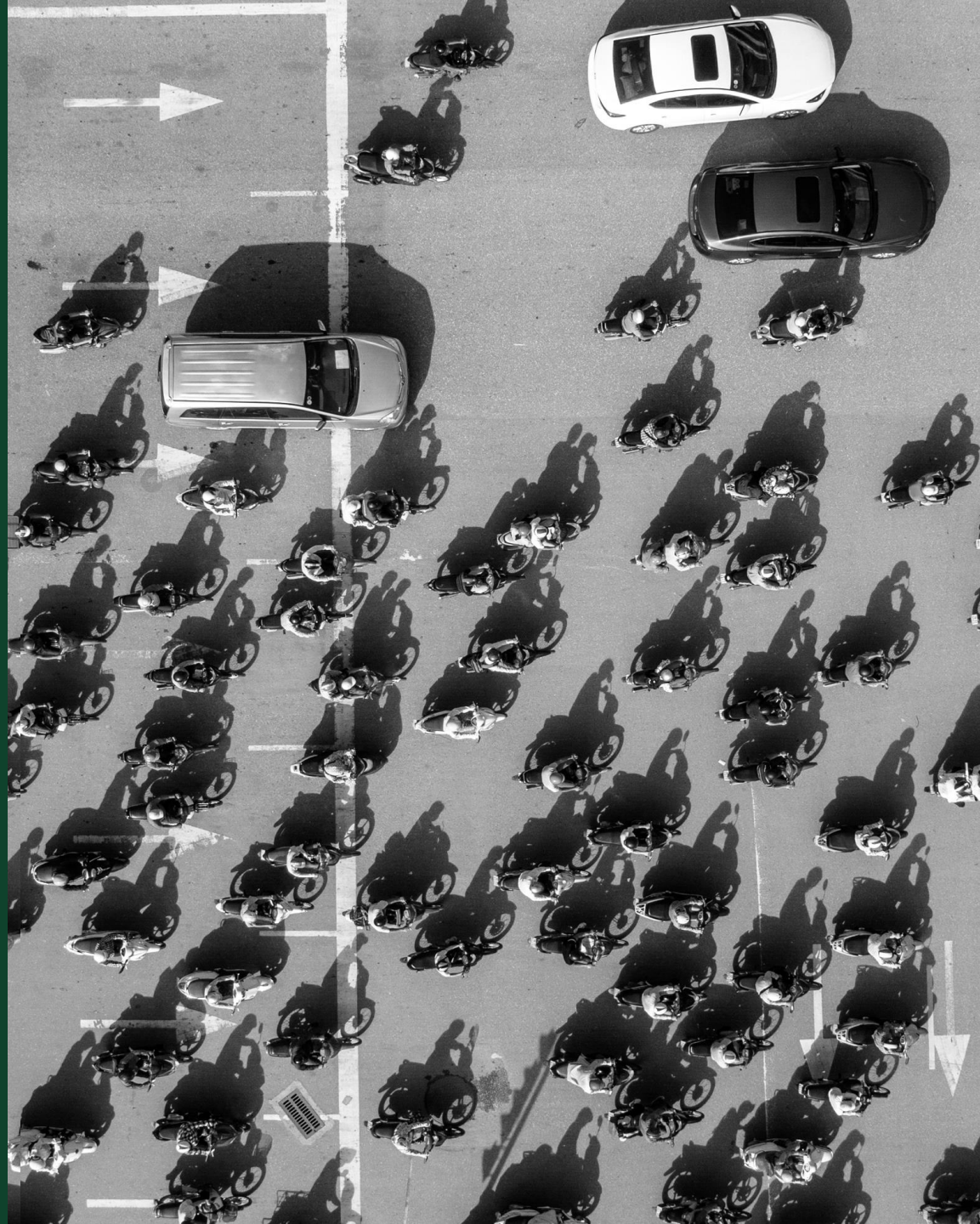
# Exits valuation drastically increased

Exit valuations rose across top quartile, median, and bottom quartile compared to 2019.



Source – Cento Ventures and Do Ventures Research  
 \*Exit valuation data is the median of liquidity events during 2013 – 2020

# Methodology



# Methodology

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## Exclusive Partner:

The National Innovation Center (NIC) is a unit under the Ministry of Planning and Investment with the function of supporting and developing Vietnam's startup and innovation ecosystem. NIC focuses on promoting technological transfer, R&D, and commercialization in a favorable regulatory experimenting environment to ensure competitiveness on regional and international levels. Learn more about NIC at [nic.gov.vn](http://nic.gov.vn).

## 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](http://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 Ventures 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 ecosystem, with a few reference 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-report-full-year-2020/>

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## Data sources and completeness:

Do Ventures data is compiled from a source of information provided by 65 venture capital funds in Southeast Asia. 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 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

## 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 note 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 automates 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 a 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, and 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 focus mainly on venture capital deals – investments made by fund entities into early stage startups, whether they are from independent funds of corporate venture capital entities. This is a subset of the total number of early stage tech deals in the region.

Cento separate 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 which 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.

## 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 differed, we believed the joint effort of trying to make Southeast Asia tech investment activities more visible will continue to benefit all stakeholders involved.

**The information provided in this report does not, and is not intended to, constitute legal and investment advice; instead, all information, content, and materials available in this report are for general informational purposes only.**



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