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Vietnamese companies eye the U.S. IPO market amid a lull in Chinese listings

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KEY POINTS

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Firms that scour for potential IPO clients years in advance say they are talking to more companies in Vietnam and the surrounding region.

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A VinFast EV car on display at the New York Auto Show, April 13, 2022.

Scott Mlyn | CNBC

BEIJING — A new group of Asia-based companies are contemplating initial public offerings in the U.S., where international listings were once driven mostly by Chinese startups.

Vietnam-based electric car company [VinFast](#) broke new ground with its [U.S. listing in August](#), via its merger with the U.S.-listed special purpose acquisition company Black Spade Acquisition.

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While not strictly an IPO, the listing was soon followed by Vietnamese tech unicorn VNG's filing to list on the Nasdaq. VNG's products include gaming, fintech and music streaming.

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It sends a message that "despite capital controls, which I think is the major formal barrier for companies, it is possible for them to do IPOs," he said.

VNG noted in its prospectus that [Vietnamese law prevents "foreign investors" from owning more than 49%](#) of the capital used to establish a local company operating in gaming and certain other sectors. As a result, VNG is part of a reorganization which uses a Cayman Islands holding company to list in the U.S., the filing said.

"Our corporate structure involves unique risks, has not been tested in any court and may be disallowed by Vietnamese regulatory authorities," the filing said.

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It's unclear when VNG will go public. But firms that scour for potential IPO clients years in advance say they are talking to more companies in Vietnam and the surrounding region.

As local companies grow, “they are outgrowing the ability of those markets to provide the capital that they need,” said Drew Bernstein, co-chairman of accounting firm MarcumAsia. “It’s still the very early stages of the game.”

Bernstein said he attended investing conferences in Malaysia and Vietnam in late October, where many of the attendees were the same people who’d he’d met over the last 10 to 15 years in the China-U.S. IPO circuit.

Since the fallout over Didi in the summer of 2021, regulation and a [tepid U.S. IPO market](#) have stalled most Chinese listing plans. Only one of the 20 China-based companies that listed in the U.S. this year raised more than \$50 million, according to Renaissance Capital.

Investor relations, capital markets advisory and financial media relations firm The Blueshirt Group has also worked with many Chinese companies to list in the U.S.

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But the firm's managing director, Gary Dvorchak, said Blueshirt organized a seminar in April with 20 to 30 Vietnamese-based companies about the path to a U.S. IPO. Many of the companies were in tech, such as payments, online games and e-commerce, he said.

"Just in contrast the rest of Asia there's nothing in Thailand, some in Indonesia," he said. "So the fact that you see so many in Vietnam is really meaningful."

A growing startup ecosystem

CNBC reached out to about two dozen startups with headquarters or a major office in Vietnam to ask about their U.S. IPO plans. Most of those who responded indicated any listing was still a ways off, but noted rapid growth in local startups over the last 15 years.

"Capital available to Vietnamese startups has increased tremendously compared to 10 years ago," said Nguyen Nguyen, CEO of fintech startup Trusting Social, whose offices in the region include Singapore and Vietnam.

He added the growing startup ecosystem has attracted many people of Vietnamese heritage to return to their home country, while domestic economic growth has increased the market size for local players.

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ELSA, which uses artificial intelligence to help people learn English, is based in the U.S. while co-founder and CEO Vu Van hails from Vietnam. She said given the success of Southeast Asian ride-hailing company [Grab](#), more Vietnamese companies are starting to look beyond the domestic market to regional business.

For ELSA, “when we started the company our aspiration has always been a global business with a global footprint,” Van said, adding that a “U.S. IPO would help us with that global footprint.”

Out of 103 U.S. IPOs this year, 10 were from companies based in Southeast Asia — split between Singapore and Malaysia, according to Renaissance Capital data as of Nov. 29.

“It is unusual to see this many listings from Asian companies outside of China,” the firm said. “However, none of these are of a significant size.”

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George Chan, global IPO leader at EY, expects “a lot” of companies from Southeast Asia will reach the IPO stage in the next 12 to 18 months, and might also consider the Hong Kong exchange.

The trend is not replacing Chinese IPOs in the U.S., Bernstein said, but rather creating new opportunities. MarcumAsia is expanding its offices in Beijing, Tianjin, Guangzhou and Shanghai, and opened an office in Hong Kong this fall.

MarcumAsia opened an office in Singapore in May 2022 and doesn't have plans for other offices in Southeast Asia right now, he said. “There haven't been enough large deals done in the markets outside of China to give people the sense of security that they can get the deal done.”

Ultimately, global IPO markets need to recover before any company can make serious plans.

“There is definitely a very robust pipeline of companies from Southeast Asia who are evaluating the U.S. markets,” Bob McCooey, a vice chairman at Nasdaq, said in a phone interview this fall. He noted that given market conditions, many companies are delaying their listing plans to the first half of next year.

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