Venture Capital and Technology Industries in Vietnam

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Is Vietnam This?
Or this?
Vietnam: A Quick Profile

**Vietnam**

**Population:** 85 million  
**Government:** Socialist State  
**Literacy:** 90.3%  
**Languages:** Vietnamese (official), English (increasingly favored as second language)

**Macroeconomic Indicators:**  
2007E GDP Growth: 9.0%, 2006 Consumer Spending Growth: 8.4%

**Unique Characteristics:** ~70% Under 35yrs, ~50% Under 25yrs; Most Optimistic Country in Asia (ACNielsen); Labor Force: 47 million

Vietnam: Striking Characteristics

1. Young (70% < 35yrs), large, and fast growing consumer population

2. High literacy rate (94%), including adoption of English as a 2nd language of choice

3. High, steady GDP growth

4. Increasing levels of foreign direct investment

5. Emergence of a strong middle-class consumer segment

6. Low historical private equity investment

7. Rapidly growing capital markets environment

8. High rates of technology growth and adoption (mobile and internet)
Vietnam GDP Growth: Standing Out Among Peers

Vietnam leading the pack in GDP growth as compared to its ASEAN neighbors and tracking the China and India growth machines.

Source: ASEAN Countries: ASEAN Secretariat, March 2007; All other countries: CIA World Factbook, May 2007
The Vietnam Stock Market been on a sharp rise the last 6 months with significant amounts of foreign capital coming into the market
Despite over $6B coming into the private and public equities market in Vietnam, there still is some head room as compared to its peers.
Global Top 20 Internet Countries 2007

GDP / Capita

USA

China

Vietnam

India

Korea

Japan
Vietnam Technology Market

Internet Penetration:
- 17.2mm users in 2006
  - Up from 11.5mm users in 2005, a 50% y/y increase
  - 20% Internet Penetration
- For ages 15-19: 82% (Feb. 2006)
- For ages 20-24: 74% (Feb. 2006)

Mobile Phone Penetration:
- 12.2mm mobile phone users in 2006
  - Up from 8.4mm users in 2005, a 45% y/y increase
  - 14% mobile phone penetration
- Three major carriers hold 95% of the market
  - Mobifone initiated equitization process
  - Vinaphone, the nation’s largest mobile phone carrier, will open for public ownership in 2008

Source: VNNIC, Ministry of Post & Telematics
The Information Technology (IT) market in SEA is largely driven from increasing Internet usage. Of the SEA countries, Singapore has the greatest internet penetration, at projected 80% in 2007. In addition, the World Economic Forum ranked Singapore third in Network Readiness in 2006 – 2007, ahead of the USA (#7), Japan (#14), and South Korea (#19). Populous laggards like Vietnam, The Philippines, Thailand, and Indonesia present incredible upside in the next few years.

Source: IDC, June and Dec 2006; For Vietnam: VNNIC, Dec 2006
The telecommunications sector is commonly underdeveloped in emerging markets like Southeast Asia. Due to a dearth of traditional wire lines, Southeast Asia has emerged as a growing market for mobile access. Outside of subscriber revenues, there exists a large growing market for mobile value added services, such as ringtone and wallpaper downloads and mobile gaming. IDC reported USD 81.4 billion in mobile services in 2005 in Asia-Pacific ex-Japan (APEJ), a 17.6% increase from 2004.

Source: Gartner Dataquest Forecast Mobile Connections 2001-2010, May 2006; For Vietnam, MPT Dec 2006
Internet and Mobile Markets

While the absolute number of Internet and mobile users in SEA is less than China and higher than India, the penetration numbers (as a % of population) are higher than both China and India.

### 2007 Penetration %*

<table>
<thead>
<tr>
<th></th>
<th>Internet</th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>12%</td>
<td>34%</td>
</tr>
<tr>
<td>India</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>SEA</td>
<td>15%</td>
<td>38%</td>
</tr>
</tbody>
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* measured as proportion of internet users divided by population

Regional Trends

While SEA is a very diverse region, IDGV SEA has identified ten trends that make investments in the region scaleable, transferable across borders, and highly lucrative:

1. Expansion of a young middle-class and increasingly conspicuous consumption
2. Explosive growth and transformation of the media sector in SEA
3. Acceleration of “leap-frog” technologies and services
4. Growth of online and mobile content, services, and advertising
5. Expansion of multinational companies into SEA creates favorable exit opportunities
6. Increasing government liberalization will promote a better business environment
7. Increasing regional government support of TMT and life sciences
8. Migration of business process outsourcing (BPO) from India to the Philippines and Vietnam
9. Replication of proven business models and technologies
10. Emerging center of excellence for life sciences and healthcare services
Case Study: VinaGame

- The Team: Combination of IDG Ventures Entrepreneur-in-Residence and Vietnamese Financial Professionals and Gaming Enthusiasts
- Swordsman Online: #1 Online Game in Vietnam (60% market share)
- Internet Population of Vietnam: ~18 million
- Registered Accounts @ VinaGame: ~9.5 million (in less than 24 months)
- Peak Simultaneous Players: 320,000
- User Growth: Between 10-15% per month (compounded)

Source: Vietnam Post and Telecommunications Group (VNPT), VinaGame
Leading Early-Stage Venture Capital Fund in the Region:

- $100 million fund committed in 2003 in Vietnam
- $200 million fund closing in September 2007
- Local Partners with strong personal networks and domain expertise
- Strong local brand that is highly credible with entrepreneurs and government officials alike

Critical Partner in IDG Ventures:

- IDG Ventures has over $1.4 billion of committed capital under management
- Global footprint in US (San Francisco, Boston), Europe, and Asia (China, Vietnam)
- Each fund is operated as an autonomous unit → local decision making and local economics
- IDG Ventures is NOT a corporate fund

Lead LP in Fund I: International Data Group (IDG):

- World’s largest IT Media Company
- Publishes ~300 magazines in over 85 countries
- IDC Market Research – a whole owned subsidiary of IDG
- Deal sourcing through world’s leading IT events, such as LinuxWorld
The IDG Platform: A Differentiated Asset

As a member of the IDG Platform, IDGV SEA has access to:

- Over 300 Leading Publications like PC World, CIO, Mac World
- The premier IT Research and Statistics company, IDC
- Over 160 Trade shows and Expos across 35 countries
- The IDG Platform reaches more than 120 million technology buyers across 85 countries, representing 95% of worldwide IT spending
IDG Ventures: Global Venture Capital Track Record

- Over $1.4 billion USD under management
- Portfolio of over 250 companies over the last 15 years
- Five funds spread across two continents, four countries, and over ten cities: Boston, San Francisco, China, Vietnam, India
- The IDG Ventures network has invested in some of the world’s premier IT companies, creating over $20 billion USD in value:

  - Baidu (IPO - NASDAQ)
  - Ctrip.com (IPO - NASDAQ)
  - Netscape (IPO - NASDAQ)
  - Focus Media (IPO - NASDAQ)
  - Andromedia
  - VA Linux Systems (IPO - NASDAQ)
  - Lionhead Studios (M&A - Microsoft)
  - Excite (IPO - NASDAQ)
  - 3721 (IPO - NASDAQ)
  - M&A - Adobe
  - M&A - Yahoo