

Vietnam Healthcare Sector Overview



Ho Chi Minh City
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Presentation Material

Photo: Cho Ray
Hospital Lobby

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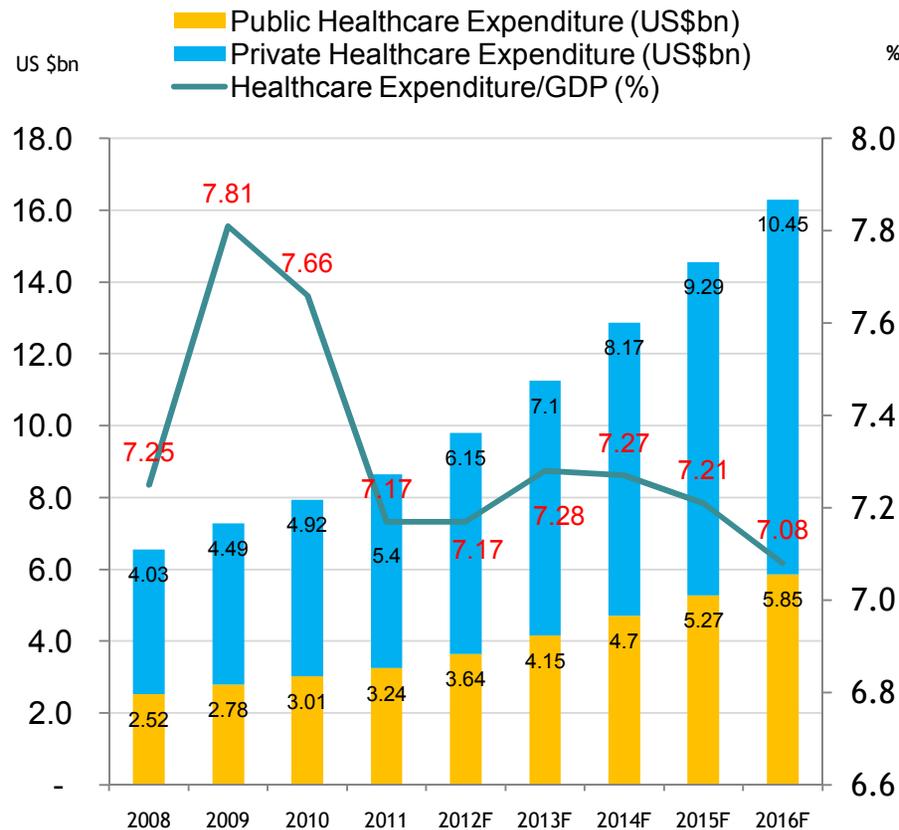
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Health care expenditure reached US\$9.3bn in 2011

Medical Devices	US\$0.73bn (2011)	<ul style="list-style-type: none">➤ Total medical device market is estimated at US\$0.73bn, or US\$8.1 per capita in 2011.➤ Medical devices are products used for diagnosis or therapy in patients and include a wide range of products, including syringes, thermometers, blood-sugar tests, prosthetic limbs, ultrasound scans and X-ray machines, among others.
Pharmaceuticals /Drugs	US\$1.89bn (2011)	<ul style="list-style-type: none">➤ Total pharmaceutical sales is estimated at US\$1.89bn in 2011, 12.8% over 2010, US\$23 per capita.➤ Total drug sales are the sum of revenues generated by domestic and foreign pharmaceutical companies for generic, patented, and over-the-counter drugs through hospitals, retail pharmacies and other channels.
Healthcare Services	US\$6.67bn (2011)	<ul style="list-style-type: none">➤ Total healthcare service market is estimated at US\$6.67bn in 2010. The healthcare services providers include 13,598 facilities nationwide with total 252,747 beds.➤ The system delivered 205 millions of consultations; 11.6 millions of inpatients; and 32.8 millions of outpatients in 2010.

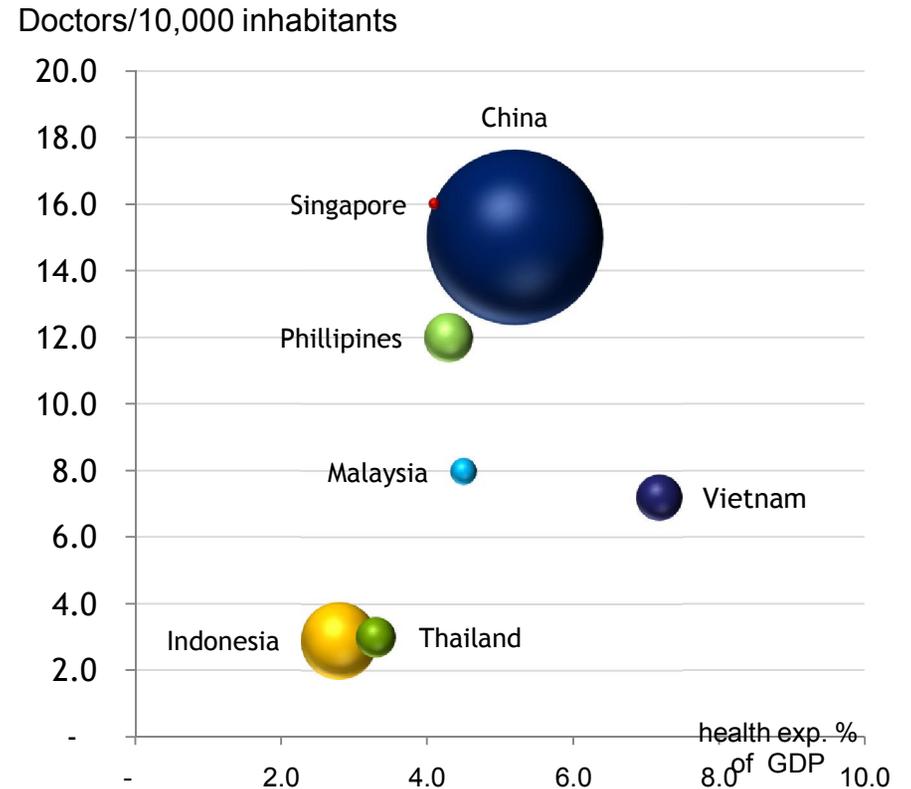
Future growth will be fuelled up from private sector. Public health is facing funding issues

Health Expenditure Breakdown and % GDP



Source: MoH, StoxPlus

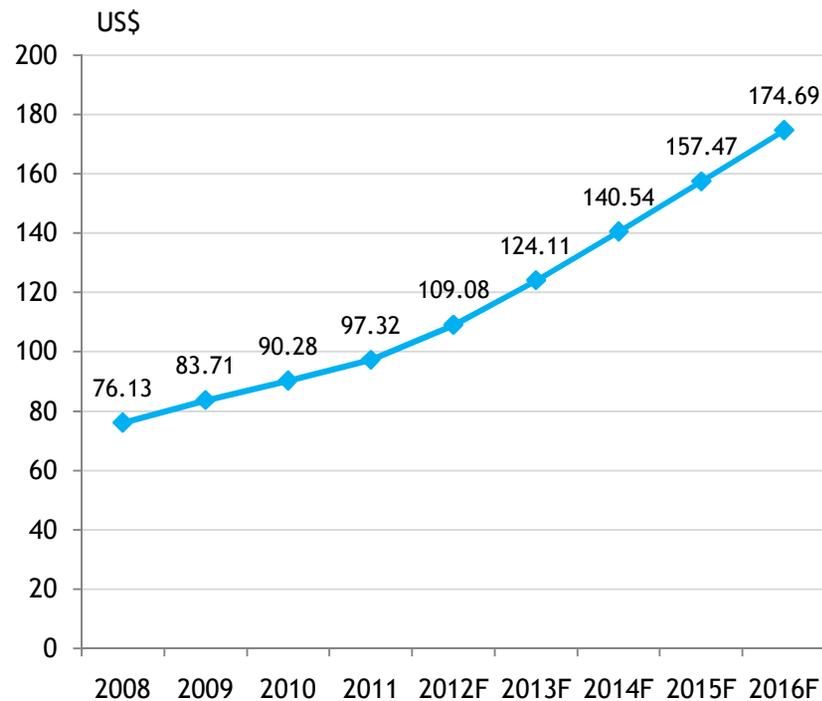
Population, # of doctors and % health exp/GDP



Source: MoH, StoxPlus

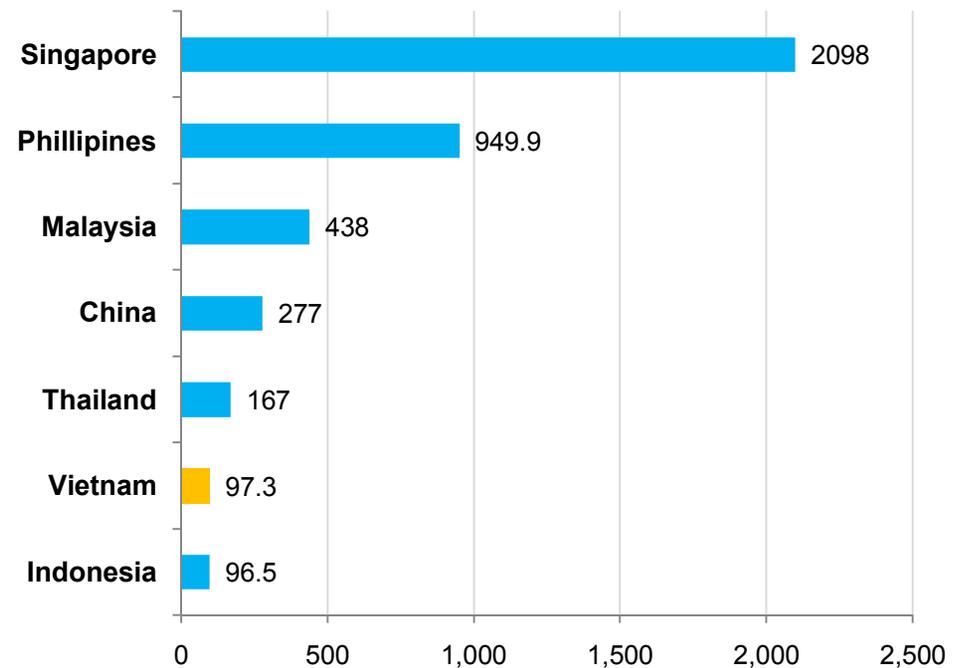
Vietnamese has a high growth potential from a low base comparing to peer countries

National health exp. per capita over years



Source: MoH, StoxPlus

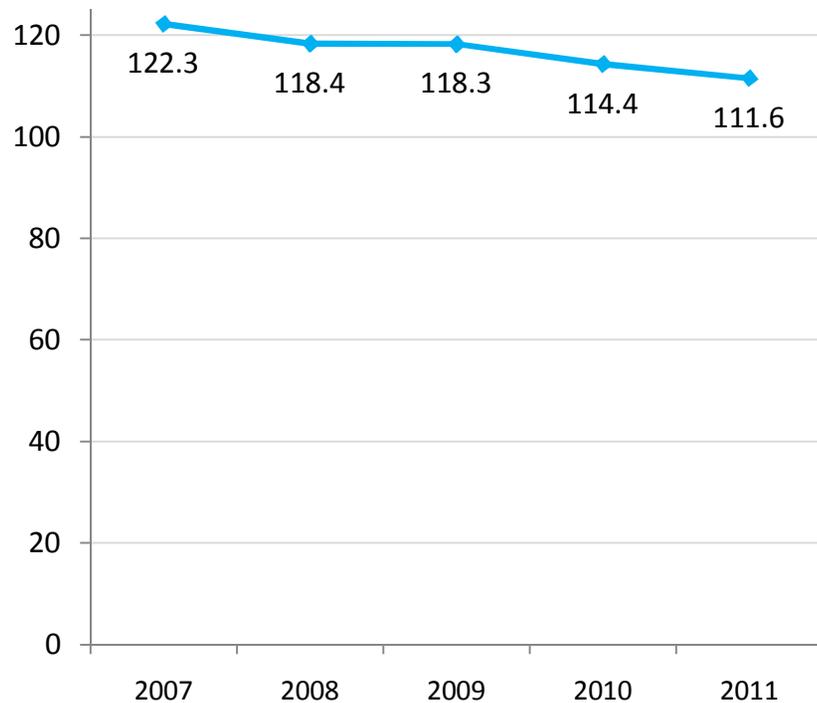
Health Expenditure per Capita: Vietnam vs. Peers, 2011



Source: WHO, StoxPlus

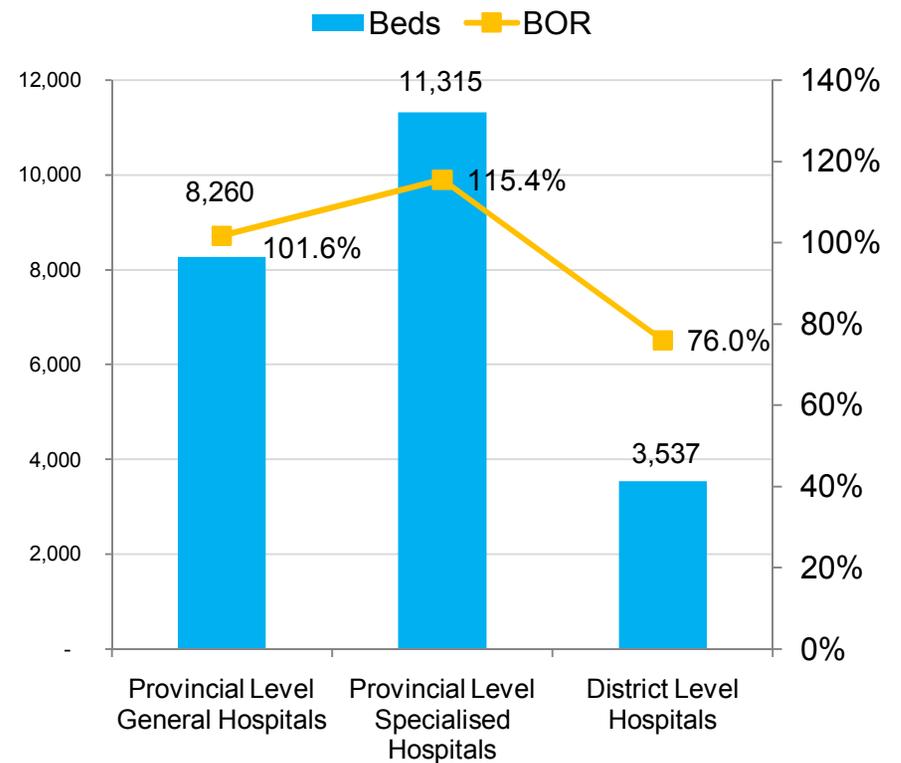
Hospital overloading is a serious issue, especially at provincial and central level hospitals in big cities

Bed Occupancy Rate (BoR) at Public Hospitals



Source: MoH, StoxPlus

Bed Occupancy Rate (BoR) in HCM only



Source: StoxPlus, HCMC's DoH

Key Drivers

Demographic Characters	<ul style="list-style-type: none">➤ Vietnam demographic is populous country entering an ageing stage faster➤ Urbanization is happening quickly from a low base, thus creating huge pressure on big cities➤ Structural shift to an industrialization country has caused shifts in employment structure that affect people's lifestyle and health
Health Cost Affordability	<ul style="list-style-type: none">➤ Vietnam's middle-class is expanding➤ Increasing consumer expenditure per capita➤ Vietnam consumers spend mostly on necessity goods, but education and health will receive more attention in upcoming period
Problems of Modern Lifestyle	<ul style="list-style-type: none">➤ Serious pollution in urban areas➤ Vietnamese' habits of smoking and drinking➤ Increasing consumption of high-calorie food➤ A lack of regular physical exercise
Health Issue Pattern	<ul style="list-style-type: none">➤ Decreasing communicable diseases➤ Increasing "respiratory, absorption and metabolism" diseases➤ Increasing social diseases
Health Insurance Coverage Policy	<ul style="list-style-type: none">➤ Universal Health Insurance Program. 63% Vietnamese covered by 2011 and aggressively to 75% by 2015 and 95% by 2020 by the Government.

Key Challenges

Key challenges



Severe hospital overloading



Soaring national health expenditure



Manpower shortage



Countermeasures by government

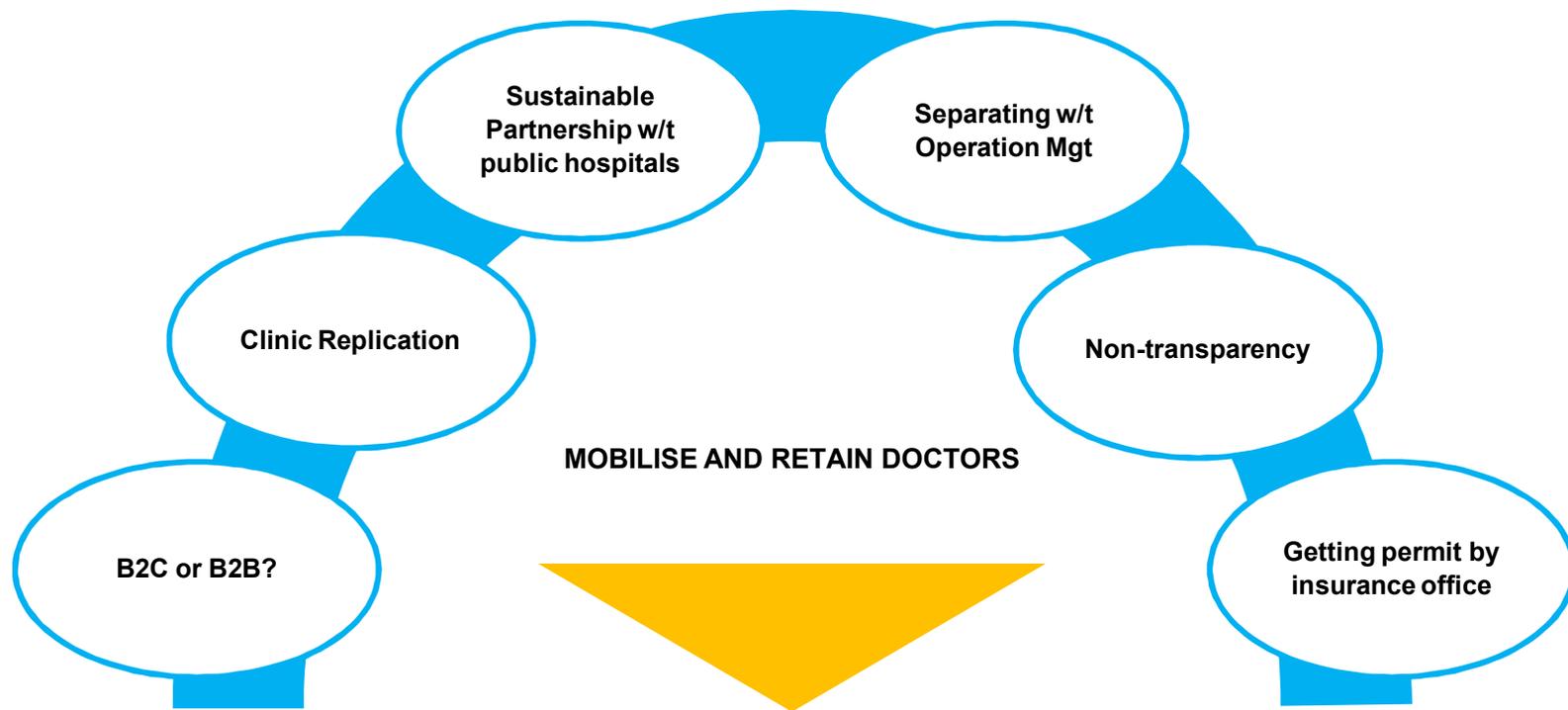
- Encouragement of Private Sector
- Diversify sources of funding: government bond, borrowing
- Upgrading facilities, building new hospitals in 4 clusters of high-tech healthcare services in HCMC
- Encourage public private partnership (PPP) & intensify social mobilization in health sector
- Implement hospital financial autonomy
- Allow after-hour practice for public hospital doctors

Countermeasures by private sector

- Increasing number of private hospitals/polyclinics in recent years
- Medical school (Fortis) and internal training (Medic)

Key Players

Key challenge is how to mobilise and retain doctors



KEY CHALLENGES FOR PRIVATE HEALTH SERVICE PROVIDERS

Key Players

Private hospitals are making approximately 20% net margin

Key Financials of Selective Private Hospitals in Vietnam

				Revenue	Net Profit	Net Margin	Year	Size in
				US\$mn	US\$mn	%		beds
1	France - Vietnam General Hospital (FV)	HCMC	Foreign	28.5	-2.1	-7.4%	2009	220
2	Vietnam- France General Hospital (Hanoi)	HN	Foreign	14.4	3.0	20.9%	2010	68
3	Van Hanh Private General Hospital	HCMC	Domestic	11.3	1.0	9.0%	2010	150
4	An Sinh Private General Hospital	HCMC	Domestic	10.8	0.7	6.3%	2010	150
5	Trieu An Private General Hospital	HCMC	Domestic	10.6	2.3	21.5%	2009	450
6	Hoan My Private General Hospital - HCMC	HCMC	Foreign	8.7	1.8	20.8%	2009	200
	Hoan My Private General Hospital - DN	Da Nang	Foreign	3.8	0.6	16.1%	2008	220
7	Vu Anh International General Hospital	HCMC	Domestic	4.4	-0.7	-16.5%	2009	200
8	Hong Duc Private General Hospital	HCMC	Domestic	4.2	0.0	-0.6%	2010	250
9	Phu Tho Private General Hospital	HCMC	Domestic	1.6	-0.3	-22.1%	2010	500
10	Hong Ngoc Private General Hospital	HN	Domestic	1.1	0.01	0.9%	2010	200
Total Top 10				99.5	6.2			2,608

Source: StoxPlus

Legal Framework

Along with the improvement of the social welfare, Vietnam has made many attempts to improve the legal framework for the healthcare sector. Most recently, the new Law and various regulations issued to welcome high quality service provider in this sector. The most important laws include:

- The Pharmacy Law (2005)
- The Health Insurance Law (2008)
- The Law on Medical Examination and Treatment (2011), guiding by following documents:
 - ➔ The Decree No. 87/2011/ND-CP dated 27 September 2011 guiding a number of articles of the Law on Medical Examination and Treatment (“Decree 87”); and
 - ➔ The Circular 41/2011/TT-BYT dated 14 November 2011 (replacing the old regulation: Circular 07/2007/TT-BYT) provides guidance on the granting of medical practicing certificates and operation licences (“Circular 41”).

Foreign investment in hospitals

According to the WTO commitments of Vietnam, foreign medical service suppliers are permitted to provide services through the establishment of:

- 100% foreign-invested hospital
- joint-venture with Vietnamese partners; or
- through a business cooperation contract.

Foreign investment in hospitals

Under the WTO commitments, the legal capital requirement for a commercial presence in hospital services must be no less than:

- USD20 million for a hospital,
- USD2 million for a polyclinic unit, and
- USD200,000 for a specialty unit.

However, it appears that none of the laws issued post-WTO accession mention the requirements on minimum capital. The minimum capital requirements are neither stipulated on the Law nor its guiding documents (Decree 87 and Circular 41). We have put this question to the HCMC's Department of Health, their view is that this is an ambiguous issue for the HCMC's Department of Planning and Investment who take charge of providing investment certificate for foreign hospital investors as well.

We therefore recommend clients should seek legal advices on this matter in the next stage.

Practical hints:

It is our observation that there are a number of foreign investors playing around the minimum capital requirement by setting up a small-size polyclinic by nomination or by structuring as loans to a local doctor or citizen to avoid the US\$2mn capital requirement.

StoxPlus Corporate Profile

Corporate Profile

- **Date of incorporation: March 11, 2008**
- **Charter Capital: VND10bn (US\$500.000)**
- **Registered office: 4th level, Indovinabank building, 36 Hoang Cau Street, Hanoi, Vietnam**
- **Number of staff: 50, including 15 researchers/analysts (as of Aug 2012)**
- **Founders and executives:**
 - Nguyen Quang Thuan, CEO. Mr. Thuan was Manager at Transaction Service of PricewaterhouseCoopers (Sydney and Vietnam) and investment analyst at Vietnam Holding Asset Management.
 - Harry Hoan Tran, Chairman. Mr. Harry was associate director with Lehman Brothers and Lloyds TSB and Senior Manager with PricewaterhouseCoopers in London, UK.
 - Nguyen Huu Hieu, co-founder. Mr Hieu was previously consulting manager with PwC and MPDF (IFC).

Areas of StoxPlus business:

- **Provider of data feeds:**
 - Reference data (for public and non-public)
 - Fundamental data (for public and non-public)
 - Market data (for listed stocks)
 - News monitoring
 - Sector data
- **Market research services:**
 - Vietnam market intelligence (market studies and sector analysis, etc)
 - Vietnam market entry (market assessment, target screening and site location analysis, etc)
 - Business intelligence (partner profiling, management background investigation, due diligence, etc)

Our market research services

We help our clients in:

Vietnam Market Intelligence	Vietnam Market Entry	Business Intelligence
<ul style="list-style-type: none">• Market understandings• Market sizing & segmentation• Market dynamics• Industry analysis• Customer segmentation• Value chain analysis• Regulatory and policy framework• Key player profiles	<ul style="list-style-type: none">• Market assessment• Market entry strategy defining• Site location analysis• Product and pricing strategy• PPP/Joint ventures/M&A/licensing• Vendors, outsourcers and distributors search	<ul style="list-style-type: none">• Key account profiling• Competition analysis• Commercial partner seeking• Management background check• Financial and operational due diligence

Industries we regularly cover:

Financial Sector	Healthcare Sector	Consumerism	Construction & other
<ul style="list-style-type: none">• Vietnamese banking• Retail banking and home credit• Insurance• Brokerage• Asset management	<ul style="list-style-type: none">• Hospital operation• Drugs• Medical devices• Laboratory/medical testing• Diagnostic imaging	<ul style="list-style-type: none">• Beers• Soft drinks• Alcoholic• Pharmaceutical• Education	<ul style="list-style-type: none">• Home builders• Cement and concrete• Construction materials• Infrastructure i.e. ports• Real estates• Natural rubbers

Selection of our research clients*:



StoxPlus Research helps SK Telecom fully understand the healthcare market in Vietnam, detailed market assessment of diagnostic service business and define market entry options into Vietnam. Assignment completed in Aug 2012.



We help Maruhan, a Japanese financial institution, obtain insightful and practical understanding and dynamics of the Vietnamese banks and defined market entry strategy in acquiring equity stake in a Vietnamese bank. The deal completed in Nov 2011.



Provide intelligent information service to the economic team at World Bank on how Vietnamese played around the deposit cap regulation and the history of interest rate policy of Vietnam since 1990s. Job completed in Jul 2011.



A comprehensive sector research report in Vietnamese home builders (key players are Cotecons, Hoa Binh Construction, Cofico, etc). Report covers demographic drivers, trends, and sector outlook and M&A opportunities as a footprint for a leading Japanese home builder tapping Vietnam.



Delivered sponsored research but independent stock research on Vietinbank (ticker: CTG) for their investor relation work purposes.



Sector research in construction, infrastructure (bridges, ports, roads etc), real estates (residential markets) and cements in an intelligent basis. The report findings serve as inputs to discussion at its annual shareholder meeting, strategy formulation and M&A execution.

** These are clients where we are permitted to disclose their name as our honors to be trusted by. There are many intelligent research assignments where we served in an anonymous name. the nature of research assignments are available upon requested.*

Contact us

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StoxPlus Corporation is a leading data and intelligent information provider in Vietnam. Our services include data feeds, a subscription based stock analysis software StoxPro and intelligent research service. We are serving a portfolio of over 100 corporate clients including securities companies, asset managers, investment companies, financial media firms and thousands of sophisticated individual investors.

Our Research division has been established as an independent research house in Vietnam to provide local insights to our clients at quality standards of the World's prestige advisory firms.

Our research team with a team of 50 experienced staff CFA Charterholders, ACCA Chartered Accountants and MBAs with 40 years of extensive combined experience in investment, banking, corporate finance and research with well respected firms in the United Kingdom, Australia and Vietnam.

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