



Dear Members/Friends/Affiliates,

Greetings from MPE&VCA. We hope you were able to celebrate the Myanmar New Year from the safety of your homes. We are now in May and the Association is celebrating its first anniversary. Over the past 12 months, with your support, we have made some notable achievements. We started the year with 11 founding members and now have 30 members, half of whom are institutional investors with a track record of completing investments in Myanmar. It is a remarkable sign of confidence in the country’s potential that ten of these institutional investors focus only on Myanmar.

We also welcome as members service providers directly or indirectly supporting the private equity and venture capital environment across the country. We are also delighted to have incubator/accelerator members.

We estimate that the members of MPE&VCA have already invested at least US\$250 million in the country and there is at least an additional US\$250 million committed and available. It’s still early days for the sector but there has been a steady flow of deal announcements since 2018.

During our first year, the Association organised six training sessions designed to improve the skills of mainly junior and middle level practitioners. These covered:

- Non-Disclosure Agreements
- Term Sheets
- Introduction to Valuation in Myanmar
- The Basics of Corporate Governance
- Understanding IFC Performance Standards (1), the first of a series

The Association hosted or co-hosted five networking events to connect members, friends and government officials. These were:

- Association Soft Launch
- Association Official Launch
- Networking with media professionals
- New Year Cheers
- ANDE - MPE&VCA Myanmar Happy Hour

The Association recently hosted a webinar on “How PE/VC Investors Can Use Myanmar's New Corporate Rescue Procedures to Make Investments and Manage Solvency Risks.”

In addition, Association members participated in 12 external workshops, conferences and other events. We helped our members gain free access or discounts to events and training inside and outside Myanmar. The regional events were:

- The Asia Private Equity Forum (APEF) in Hong Kong
- The Asian Financial Forum (AFF) in Hong Kong, and
- The Asia Financial Institution Forum (AFIFORUM) in Bangkok

The Association responded to invitations to make written comments on proposed changes in Myanmar’s trade and income tax laws and is in regular contact with representatives of various government bodies involved with the development of Myanmar’s capital markets, especially the Securities and Exchange Commission of Myanmar, the Directorate of Investment and Company Administration and the Financial Regulatory Department.

The 2019 deal trail

The year 2019 was an important year for Myanmar’s PE/VC ecosystem. Amidst the frontier country’s challenging environment for attracting more investment, start-ups attracted sufficient interest to close as many as 15 deals from PE/VC firms and six investments by the Development Finance Institutions.

Emerging Markets Entrepreneurs Myanmar (EME), Daiwa PI Partners, Delta Capital Myanmar, Seed Myanmar Ventures, Yangon Capital Partners, Emerging Markets Investment Advisers (EMIA) and Phandeeyar dominated the headlines for forging the PE/VC deals of 2019.

Daiwa PI Partners’ investment in e-commerce marketplace Royal Golden Owls (rgo47); Delta Capital Myanmar’s \$30 million follow-on investment in Internet service provider Frontiir; and EMIA’s \$3 million series B investment in online property portal ShweProperty, were among the largest investments closed during the year.

Some notable deals done in 2019 by DFIs are the International Finance Corporation’s \$20 million convertible loan to METRO Wholesale; CDC Group’s \$30 million equity investment in Frontiir; and Overseas Private Investment Corporation’s \$5 million loan to BRAC Myanmar Microfinance.

PE/VC deals on track in 2020

Looking ahead, coronavirus is affecting everyone in Myanmar and elsewhere. Yet, private equity and venture capital firms in Asia are still active in fundraising and closing deals. This includes our institutional investors: in March, one of MPE&VCA's founding members, Emerging Markets Entrepreneurs Myanmar closed its largest investment to date in Kyarlay, a baby product e-commerce and delivery firm, investing alongside United Managers Japan Inc., and brought new Japanese investment into their portfolio company, Ezay. The early months of 2020 saw start-ups like animation studio, Joosk, digital consumer products company, Bagan Innovation Technology, waste management and data firm RecyGlo, and food delivery app Hi-So raise investments. Recently, Myanmar Strategic Holdings (MSH) announced its intention to acquire WSE Vietnam, an English Language Training service provider in Vietnam. Other undisclosed investments by our member firms also took place during the early months before April 2020.

Some of our member investment firms including EME and EMIA are opting to raise additional funds, by next year and H2 2020 respectively, while another investment firm, One to Watch, finalised a grant facility to support its portfolio in Myanmar and Nepal.

Member Confidence in Deal Making

More broadly, members retain confidence in the long-term growth story of the country. Firms focusing on both tech and non-tech are optimistic about the situation and believe that investing in these uncertain times can bring outsized gains. While most of our member investment firms are sector agnostic and the pandemic presents challenges in investing in certain sectors, almost all of the PE/VC firms continue to be open to seeking new investible deals during this period.

This was demonstrated in our Member Investment Activity Survey, conducted in late April: all respondents said they would actively be searching for investible companies in Myanmar over the next six months, whilst 87.5 percent reported that they are currently actively seeking to build deal pipeline.

Looking Ahead for Members

As we move deeper into 2020, MPE&VCA will be focusing more on research and continuing to organise training events, especially using online platforms. We will be focusing on providing in-depth training on topics useful to improve private equity and venture capital knowledge in the country. Looking forward, we are preparing to offer a platform that can help connect investors with potential investee companies.

We have a few upcoming events lined up in May and June:

- Virtual Meetups with MPE&VCA Members and Friends
- A series of events that will look into the development of digitisation of payments systems in Myanmar.

Our AGM is targeted to take place in the middle of the year and we welcome all of our members to join us. Among seven of our board members, five have reached their term limit and will need to be re-elected.

We will keep you informed as events develop.

By the numbers - some facts and figures

- MPE&VCA membership has grown 273% since May 2019
- Our LinkedIn and Facebook pages have 1,210 and 211 followers respectively; a gradual increase in branding awareness since the formal setup in September 2019

The Association also:

- Delivered six in-house training and five networking events and one webinar
- Supported 12 external events since August 2019
- Submitted written comments on two draft laws
- Arranged for each member organisation to enjoy up to US\$2,156 in discounts to participate in events organised by external parties
- Moved to a new office at Hinth Business Centre and employed two full-time staff to run the Association

Amid the gloom, it is no doubt that Myanmar retains a lot in its favour. To quote an economist describing Myanmar as being a “particularly resilient population that gets on with things,” we believe business in Myanmar can overcome the challenging situation that the world is facing.

We welcome all of our members to continually engage with the Association to grasp the potential our membership provides. We hope together with the launch of the New Year will come a fresh start followed by growth and prosperity.

All the best for the months ahead.

MPE&VCA

Big Picture in the time of COVID-19

While the COVID-19 situation still hangs over Myanmar, there has been recent progress that bodes well for the country's recovery. In April, the government of Myanmar put together the COVID-19 Economic Relief Plan that details the action points to provide aid and relief to Myanmar. With seven goals and 10 strategies, the actions cover works from promoting monetary stimulus, investments, innovation, tax deferral, to easing the pandemic on workers and households. Among members of MPE&VCA are those who practice advisory and consultation on finance, tax, legal matters and can provide assistance on how best to apply.

Recent Industry News

Amidst the gloom, the months of April and May brought us some significant and positive news:

In what could show Myanmar's potential for mass adoption of digital payments, Chinese Tycoon Jack Ma's Alibaba Group affiliate Ant Financial Services Group announced its plans to invest US\$73.5 million in Myanmar Fintech firm Wave Money, taking a significant minority stake. The deal will enable Wave to tap Alipay's expertise and better support the unbanked and underbanked in Myanmar.

DEG, the development finance institution of German state-owned bank KfW, offered a \$12 million loan to the 250-bed private hospital, Asia Royal, in a move to support private enterprise's contribution to the healthcare system of the country. DEG's support comes along with advisory on management and corporate governance.

Meanwhile, the Dutch development bank FMO's proposal to offer a €0.4 million grant to MPE&VCA member One to Watch will bring more SMEs in Myanmar and Nepal to be part of the inclusive economy through its accelerator programs.

As the banking sector in Myanmar opens up gradually, seven Asian banks were granted an operations licence in early April. Months after the announcement by the Central Bank of Myanmar allowing financial institutions to take up to a 35 percent stake in local banks, Yoma Bank in April announced that it will receive about 131 billion kyat (\$94 million) from Greenwood Capital, an affiliate of GIC, and Norfund. Also, Thailand's Kasikornbank (KBank) made a move to take a 35-percent stake in Ayeyarwaddy Farmers Development Bank (A bank) which will help A Bank with strengthening its operating capital base.

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