FiinGroup®
ENLIGHTEN THE MARKET

Sector Preview | Vietnam Internet Data Center

New regional IDC Hub

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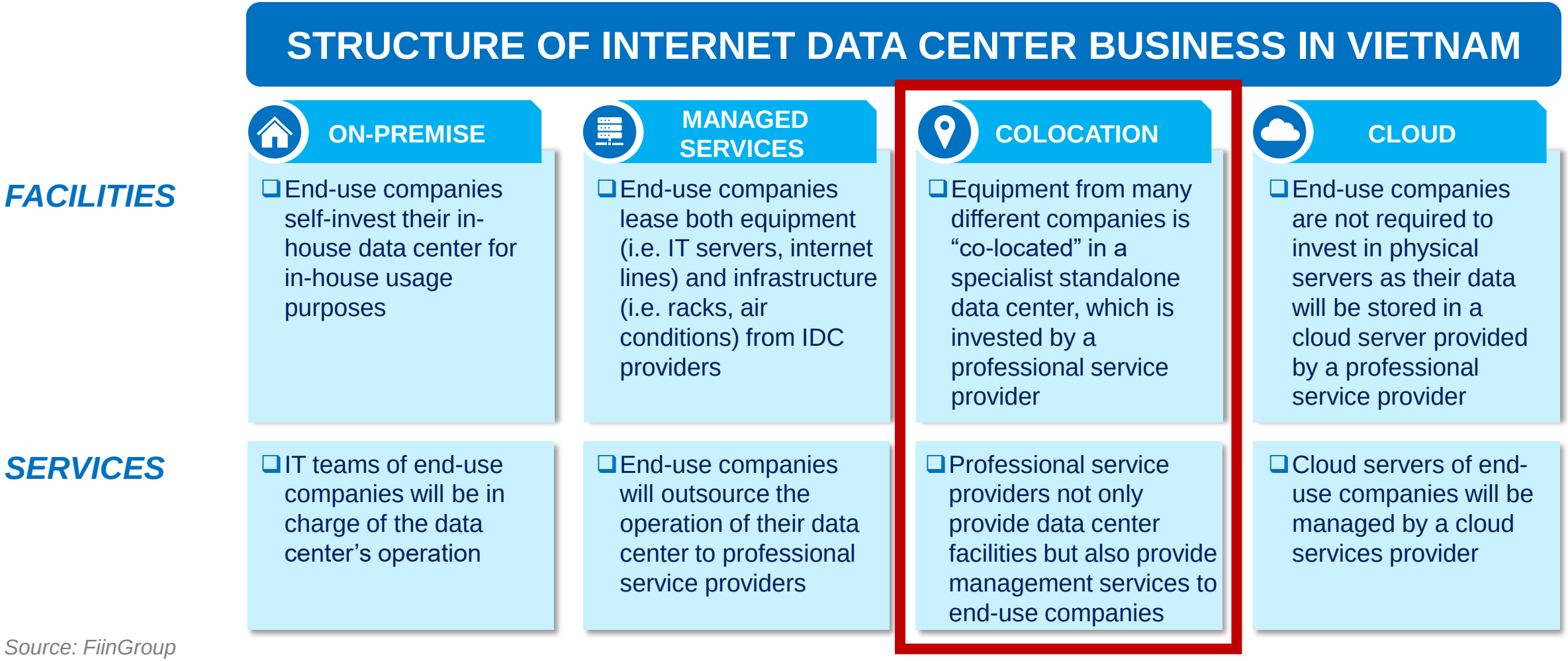
A Series of Publication by

Market Research and Consulting Division, FiinGroup

Rising demand for IDC colocation service in Vietnam drives private investments

in the sector, with participation from both local and overseas investors

Figure 1: Internet Data Center Market Structure in Vietnam, 2023

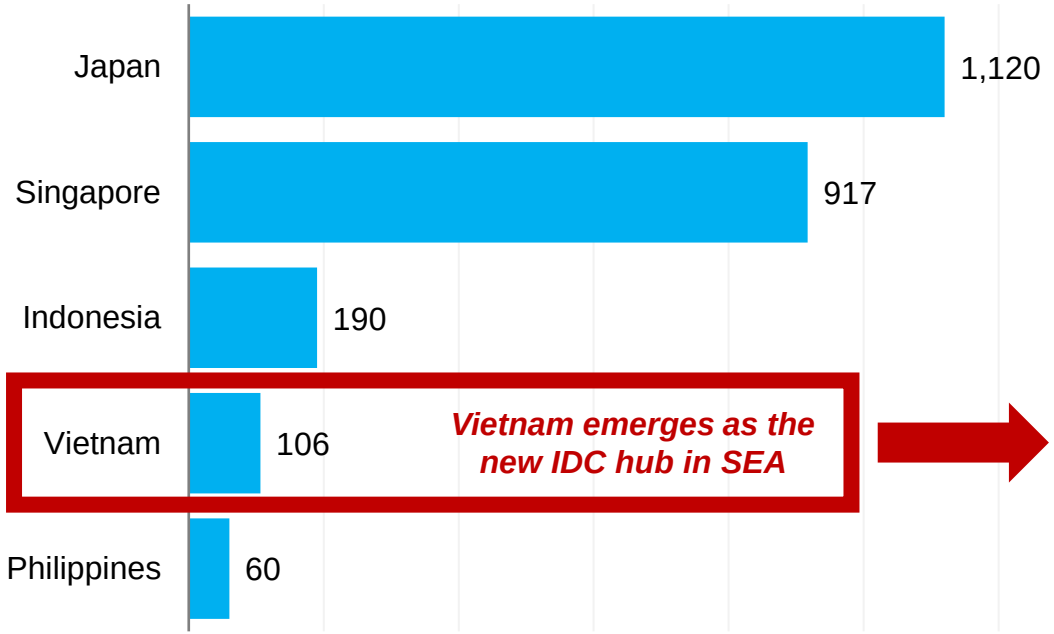


Source: FiinGroup

Vietnam's IDC market is projected to double its total IT load capacity by 2027,

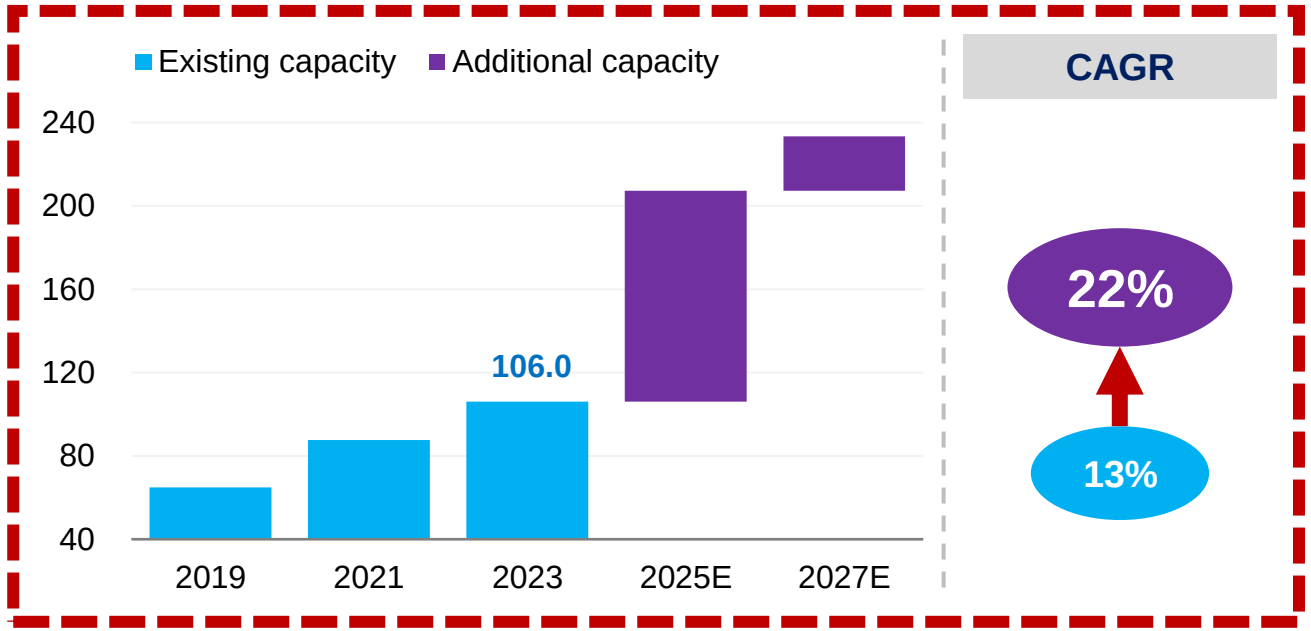
potentially emerging as the next IDC hub in the SEA region

Figure 2: Comparing the Total Designed Critical IT Load Capacity (MW) of Leading Countries in the Region, 2023



Source: FiinGroup

Figure 3: Vietnam's IDC Market Size in terms of Total Critical IT Load Capacity (MW), 2019 – 2027E



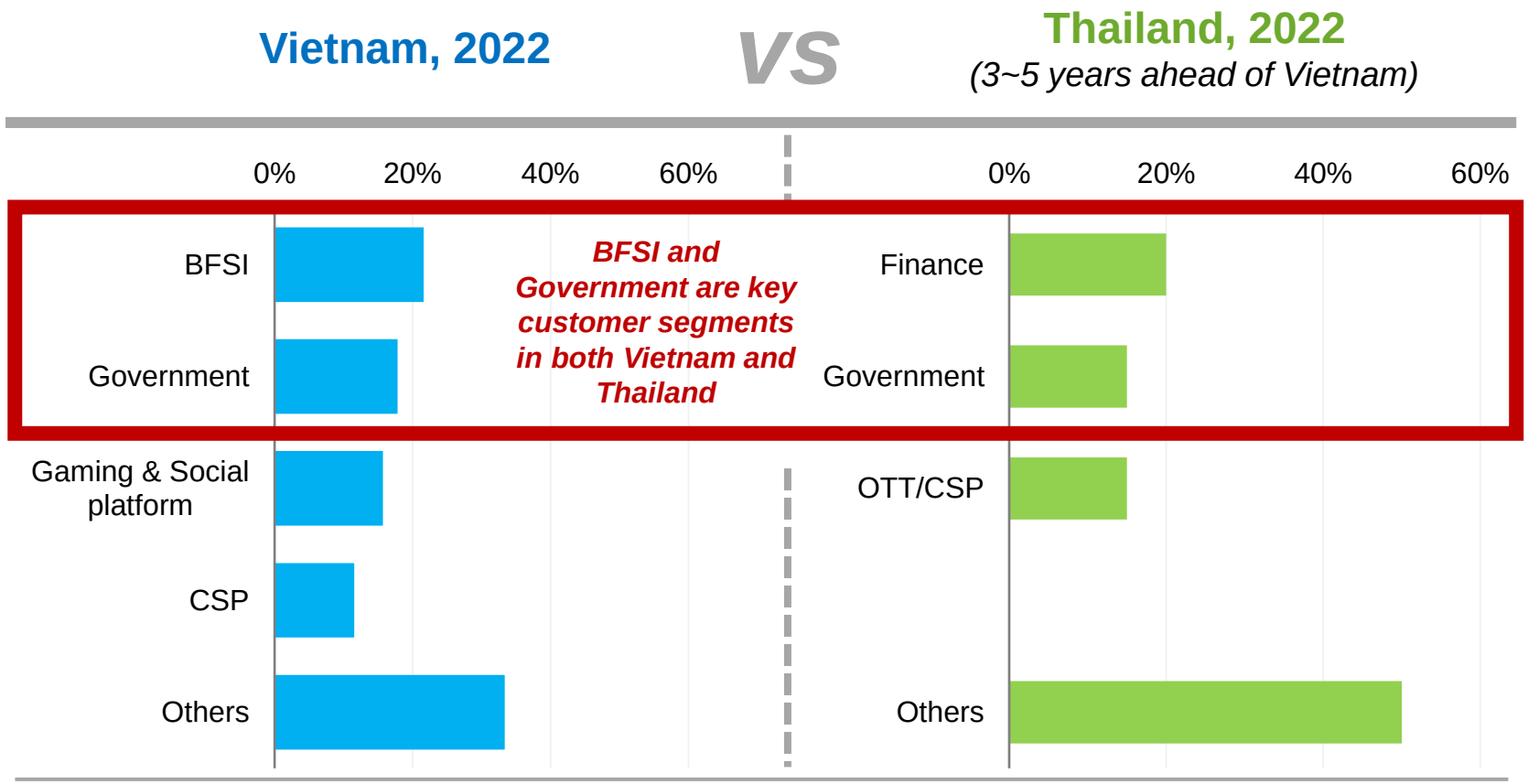
Source: FiinGroup

- Vietnam is emerging to become the next regional IDC hub thanks to the robust investment flow in the IDC market in Vietnam. The total IT load capacity of Vietnam was 106 MW in 2023, which is relatively modest compared to major countries such as Japan, Singapore, and Hong Kong. This suggests significant potential for growth in IDC in Vietnam in the upcoming period.
- By 2027, the total IT load capacity in Vietnam is forecasted to double up, achieving the CAGR 2023-2027E at 22%. Its solid growth momentum is driven by both continuous investment from the local private sector and new participation of the foreign sector. However, local private players have more advantages over the ability to secure land banks and find new customers.

Similar to Thailand, BFSI and the Government are key customer segments,

accounting for 50% of the total IDC demand in Vietnam in 2022

Figure 4: Comparing Customer Portfolio in Vietnam IDC Market with Thailand IDC Market in 2022



- The Vietnamese government's provision of numerous incentives to facilitate the digitalization process within the banking sector and government entities is considered a key growth driver promoting IDC demand in the BFSI (Banking, Financial Services, and Insurance) and Government sectors in Vietnam.
- In the future, IDC demand from Social sector (i.e. YouTube, Netflix, Facebook) and, especially, CSP sector is expected to rapidly gain strong growth momentum and become leading IDC's end-users in Vietnam, mainly driven by (i) increasing entertainment demand among favorable demographic and (ii) the megatrend of "cloud migration".

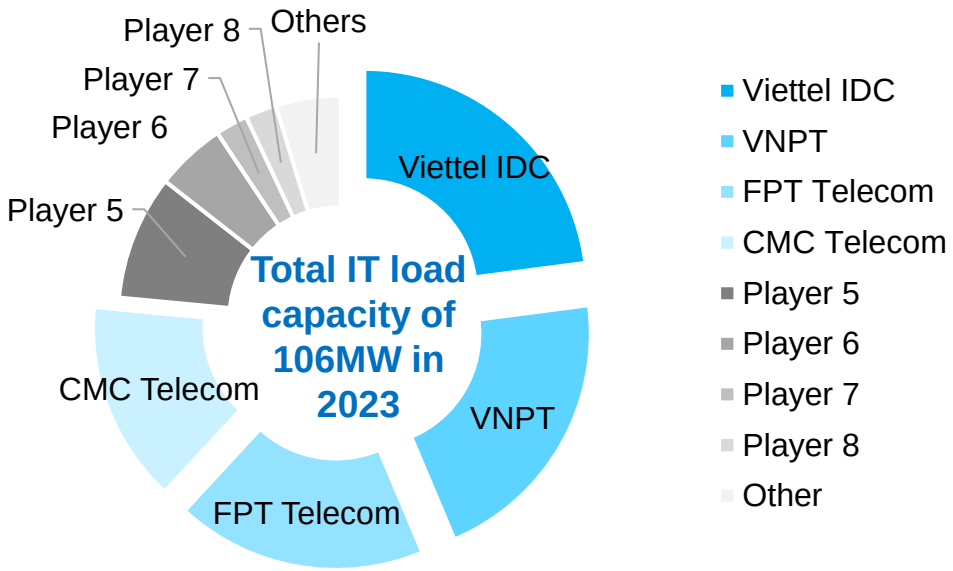
Source: FiinGroup.

Note: BFSI: Bank, Financial Services, and Insurance companies; CSP: Cloud service providers; OTT: Over-the-top media service; The OTT segment is included in the Gaming & Social platform segment while the Finance segment is included in the BFSI segment

Local private players dominate Vietnam's IDC market,

while the foreign sector starts to tab on the industry via notable projects in the time to come

Figure 5: Vietnam's IDC Market Size in terms of Total Critical IT Load Capacity (MW), 2019 – 2028E



Source: FiinGroup

- Top 4 local players accounted for over 80% of market shares in 2023. These local IDC providers are modernizing their facilities to easily aim at hyper-scale customers and or MNCs, following the advantage of having IDC locations in the inner cities.
- Foreign investors such as Worldwide DC Solution, and Gaw Capital) starts to tab on Vietnam's IDC market via notable IDC projects in the next few years. Partnering with a local firm in Vietnam is considered the most optimal market entry strategy for new foreign investors. This approach helps overcome industry barriers such as securing convenience land banks, finding new customers, and, especially, optimizing costs via a partnership with an internet service provider.

NEW IDC PROJECTS
from 2024 – 2028

1. Aggressive investment in future

Total number of new projects **20+** *projects*

Total new IT load capacity **127+** *MW*

2. Notable IDC projects in Vietnam

COD	Owner	IDC name	Location	Designed capacity
2024	viettel IDC	IDC Viettel Hoa Lac No.2	Hanoi	28.8 MW
2024	FPT	IDC FPT Fornix 2 HCM	HCMC	20.0 MW
2025	Foreign investor	IDC 1	HCMC	36.0 MW
2025	Local investor	IDC 2	Hanoi	10.5 MW
2025	Foreign investor	IDC 3	HCMC	6.0 MW
2026	Foreign investor	IDC 4	HCMC	20.0 MW

Cloud migration and digitalization trends are the key drivers of the IDC market,

which will facilitate IDC demand in Vietnam in the upcoming period

CLOUD MIGRATION

- ***Government target:*** The government plans to reach ***100%*** of applying cloud solutions from all government agencies by 2025.
- **In favor of SME sector:** The SMEs find it easier to expand and more economical to use cloud storage. Meanwhile, SMEs accounted for ***97%*** of total enterprises in Vietnam.
- ***Increasing adoption of advanced technologies:*** There are ***53/63 provinces*** in Vietnam deploying "smart city" projects, which applying IoT, Big Data, and AI.

DIGITALIZATION

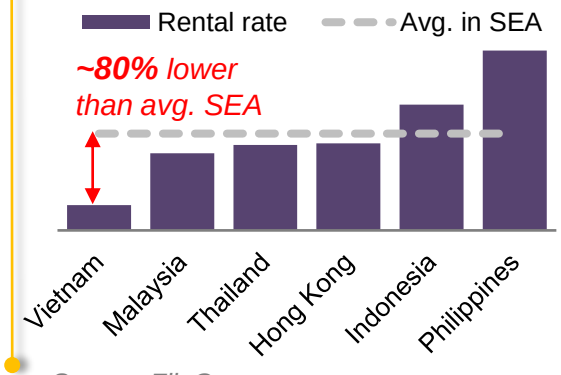
- ***Mass 5G deployment:*** Vietnam has long stated its plan to provide ***5G coverage to 100% citizen by 2030*** to offer high-speed internet connection at a low cost is a priority of national significance.
- ***High internet-penetration rate:*** Vietnam have ***79% of its population using internet***, leading to huge demand for data storage.
- ***Digital financing solution:*** BFSI has pushed towards digital transformation and thus accelerated the provision of financial services using digital platforms and tools leading to the huge need for data storage.

GOVERNMENT POLICIES

- ***Cycle security law:*** Under Decree 53/2022/ND-CP detailing regulation on cyber security law that ***100% personal data must be stored within Vietnam region***.
- ***Promoting digital payment:*** The government targets ***80%*** of the population to have digital payment accounts by 2025 via several policies such as Decision 411/QD-TTg in 2022.
- ***E-government:*** Under the Resolution No.36-NQ / TW, the government goal is to build an e-Government in the direction of openness, transparency, and improving the quality and efficiency of state agencies.

COST COMPETITIVE

- ***Low construction & electronic costs:*** The construction costs and electronic tariff of Vietnam are lower than other SEA countries
- ***Low rental rate:*** The average rental rate of IDC service in Vietnam is significantly lower than the average figure in SEA region, at approx. ***80%***.



Source: FiinGroup

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How can we assist potential investors in unlocking the potential of the Vietnam IDC market?

Integrated provider of financial data, industry research and credit rating services

- FiinPro Platform
- FiinTrade Platform
- API Datafeed

- Business Credit Report
- FiinGate Platform
- DataMart Solutions

- Industry Report
- Customized Research
- Commercial Due Diligence
- Market Entry Advisory
- Merger Filling Support

- Issuer and Instrument Credit Ratings
- Credit Assessment and Due Diligence
- Green Bond Verification

NIKKEI

S&P Global Ratings

ADB ASIAN DEVELOPMENT BANK

Investor Services/ *How can we assist potential investors in unlocking the potential of the Vietnamese market?*

We support our clients to penetrate or expand their business in Vietnam, looking for investment targets or trusted trading partners via comprehensive and in-depth expertise

1 Industry Report

On-the-shelf industry reports providing clients with comprehensive information and in-depth analysis about market size, historical and forecasted growth, market share, market segmentation, competitive landscape, regulatory and policy framework, key growth drivers and key development trends, key player in-depth analysis to help assess the market's attractiveness and growth potentials.

2 Customized Market Research

Customized market study upon specific requirements by clients in addition to value-added services including investment target sourcing, company visits, and/or business matching.

3 Commercial Due Diligence

In-depth analysis of target company's market environment, competitive landscaping, its business attractiveness, and market positioning in M&A transaction. Thorough assessments of business risks and their impacts on the target's assumptions and business plans

4 Market Entry Advisory

Support of investors and/or entrepreneurs to explore investment or trading opportunities and develop optimal market entry strategies (i.e. M&A, Joint Venture, Minority Equity Investments, Foreign Direct Investments, Trading or any other partnership structure with local partners) with actionable recommendations for all stages in their business journey in Vietnam.

5 Merger Filling Support

Comprehensive merger filing support services to clients throughout a merger process, focusing on economic concentration and anti-competitive effect assessment.

Main Clients:

- Foreign and local corporate clients
- Institutional investors
- Financial Institutions

Usage:

- Market potential assessment
- Business intelligence review
- Investment target screening
- Trade connection/Business Matching

Research & Consulting / Track record in Data Center and ICT-related sectors

A leading Korean company in ICT industry

Client's request

- Feasibility Study for a Colocation Data Center Project in Hanoi

Name of service

- Commercial Due Diligence

FiinGroup's deliverables

- ✓ In-depth analysis IDC market in Vietnam (i.e market size & growth, market segmentation, and supply-demand forecasts)
- ✓ Key development trends and key growth drivers
- ✓ In-depth analysis of the competitive landscape and major competitors in Hanoi
- ✓ Feasibility study of the IDC project in Hanoi [incl. financial modeling, key risk (i.e. connectivity, electricity, commercial risk, etc.) and mitigation measure]
- ✓ FiinGroup's recommendations on go-to-market strategy (i.e. target customer base, product offering, pricing policy, marketing and partnership strategy).

kotra
Korea Trade-Investment Promotion Agency

Client's request

- Assessment of the smart city sector in Vietnam and FiinGroup optional market entry strategy

Name of service

- Customized Market Research
- Business Matching

FiinGroup's deliverables

- ✓ In-depth analysis of smart city market in Vietnam including current situation, key stakeholders and in-depth analysis of 5 selected segments
- ✓ Identification and in-depth analysis of 10 selected prospective smart city projects in Vietnam
- ✓ FiinGroup's recommendations on optimal market entry strategy for Korean smart city solution providers

Result

- ✓ FiinGroup identified & connected KOTRA Hanoi with 10 prospective smart city project developers in Vietnam

nipa

Client's request

- Assessment of the ICT market in Vietnam to support innovative start-ups and SMEs penetrating into Vietnam market

Name of service

- Customized Market Research
- Business Matching

FiinGroup's deliverables

- ✓ In-depth analysis on 6 selected sectors in Vietnam, including Webtoon; Robot for software education/Stem kits; VR game contents; English education for kids and interactive book; Fitness equipment and Community platform in Vietnam
- ✓ Key considerations for market entry strategy
- ✓ Business matching of selected Korean ICT companies with local stakeholders (distributors, potential buyers, ICT companies) for potential collaboration

Result

- ✓ NIPA presented the market research report to 6 Korean investors and FiinResearch is now supporting these investors for further steps in expanding to Vietnam market

Investor Services / Industry coverage & Client Portfolio

Service Offerings & Sector Coverage

Service Offerings

- Industry Report
- Customized Market Research
- Commercial Due Diligence
- Market Entry Advisory
- Merger Filing Services

A selection of sectors we cover:

Financial Services
- Banking
- Consumer Finance
- Payment Services
- Leasing
- Insurance

Food & Beverages
- Food Processing
- Food Services
- Beverage

Utilities
- Water Supply
- Energy

Consumer Retail
- ICT Retail
- Fashion Retail
- Convenience Store
- Health & Beauty Store

Construction & Construction Materials
- Cement
- Additives and Concrete
- Admixtures
- Steel & Other Metals
- Construction

Healthcare
- Hospital and Clinics
- Medical Equipment
- Pharmaceuticals

Industrial Goods
- Containers & Packaging
- Flexible Packaging

Logistics
- Warehouse (incl. cold chain logistics)
- Port Operation

Information & Communication Technology

Automobiles & Auto Parts

Client Portfolio

Japanese

JBIC, DBJ, Japan Economic Research Institute Inc., OJI HOLDINGS, MOL Mitsui O.S.K. Lines, TOHO GAS, AEON Financial Service, Marubeni, ADVANTAGE PARTNERS, NRI Nomura Research Institute

Korean

kotra Korea Trade-Investment Promotion Agency, nipa, ShinhanCard, SAMSUNG, HYOSUNG, HUCHEMS 휴켐스주식회사, DASS Tech, SK, LOTTE HIMART, NICE

Domestic

HD SAISON, FE CREDIT, TECHCOMBANK, HOME CREDIT, be, mcredit Cần vay, được ngay, DUYTAN PLASTICS

International

THE WORLD BANK IBRD • IDA, TEMASEK, อินทรี ปูนซิเมนต์ไทย, CHRYSO, IFC International Finance Corporation WORLD BANK GROUP, SCG, McKinsey & Company, BCG

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