



Grant Thornton

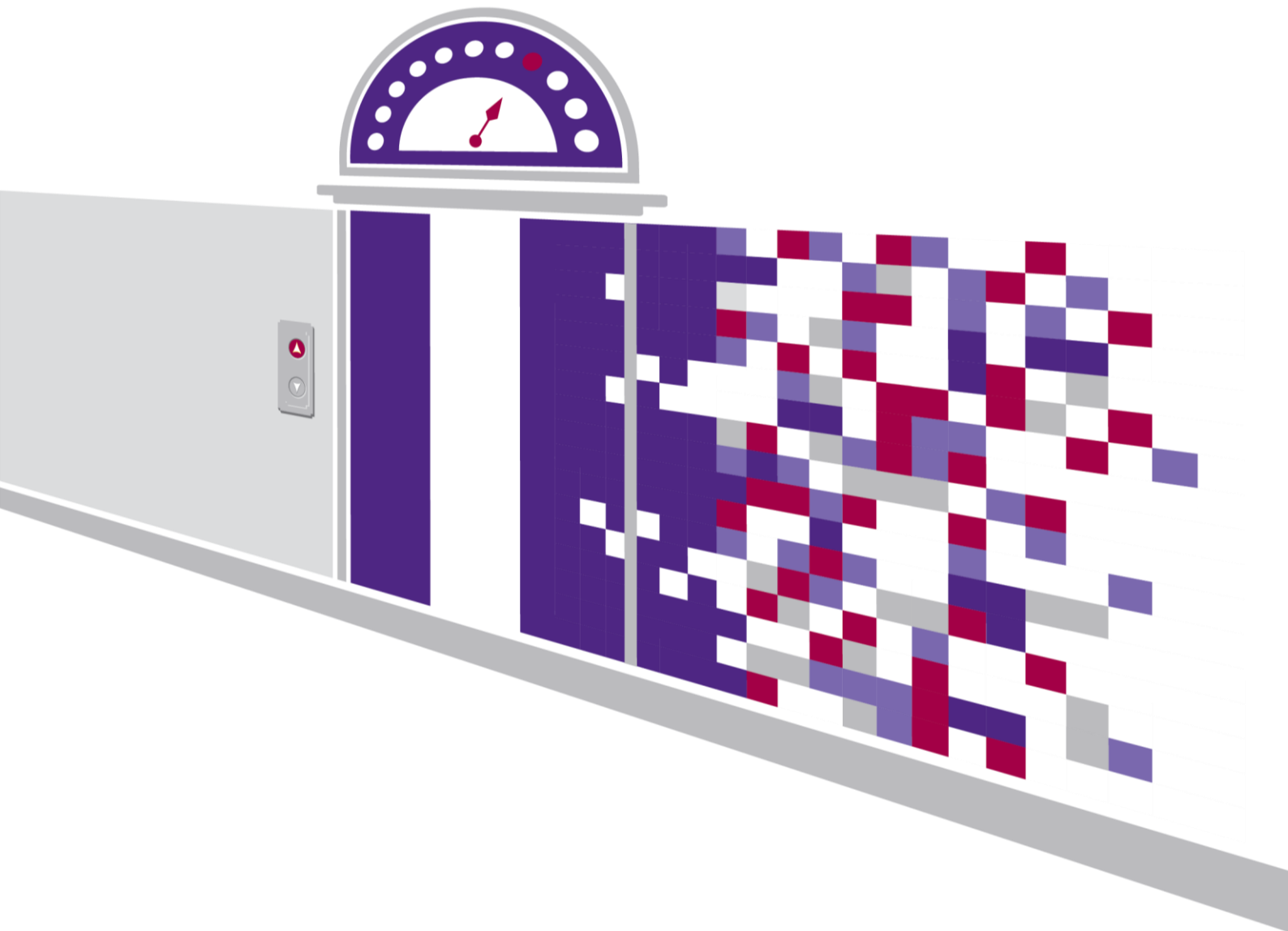
An instinct for growth™

Report Overview

Hotel Survey 2016

This is an Executive Summary of the full 60-page Hotel Survey Report. The full report can be obtained from Grant Thornton Vietnam.

Grant Thornton Vietnam July 2016



Introduction

Grant Thornton Vietnam's Hotel Survey 2016 presents financial, operational and marketing information for the 2015 financial year from a range of Vietnamese upscale hotels and resorts.

For simplicity, "Hotel" refers to both hotels and resorts, with our survey covering 4 and 5-Star properties. Statistics are presented by Star Category (hotel rankings), Hotel Size (number of rooms) and Hotel Region (location).

When presenting the statistics, hotel size is defined within three categories ranging from small to large hotels, described as less than 75 rooms, 75 to 150 rooms and more than 150 rooms.

Lastly, hotel regions are separated into the three main areas of Vietnam; the North, the Central and Highlands and the South. In the North, the hotel participants are located in the capital Hanoi, Sapa and Quang Ninh City. In the Central and Highlands region, the hotels are located in cities such as Danang, Hoi An, Hue, Khanh Hoa, Quang Binh, Phan Thiet, Daklak and Da Lat. Hotel participants from the South are mainly located in Ho Chi Minh City, Phu Quoc, Vung Tau and Mekong Delta.

In this year's survey as in last year's, we do not include 3 star hotels because of the lack of response and change in hotel mix in this category, and we focus on the upscale hotel industry, covering 4 and 5-Star hotels.

Grant Thornton Vietnam's Hotel Survey 2016 marks the first year in which Grant Thornton Thailand, and Grant Thornton Philippines also conducted a survey among hotels and resorts, in their countries, enabling us to provide insights on the industry performance in other countries in the region.

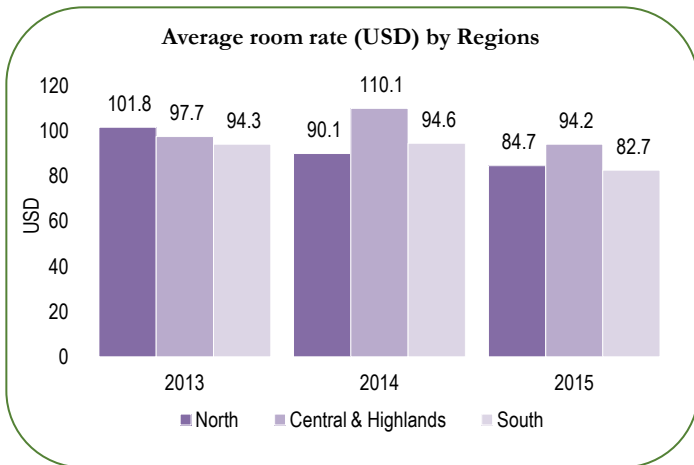
This report is prepared to provide readers with a general, as well as specific, view on hotel operations in Vietnam by presenting data covering different criteria for analysis such as hotel facilities, staffing, financial statements and market data. For financial analysis, the data is shown up to net profit before interest, tax, depreciation and amortisation ("EBITDA") for the purpose of relevant comparability. The unit of currency is the United States Dollar.

As can be seen later in this report, most data is presented in percentage terms or as averages. For instance, with financial statements, Dollar figures are shown as a percentage of total revenues. In the market data analysis and other sections, statistics are in the form of averages of the respective items.

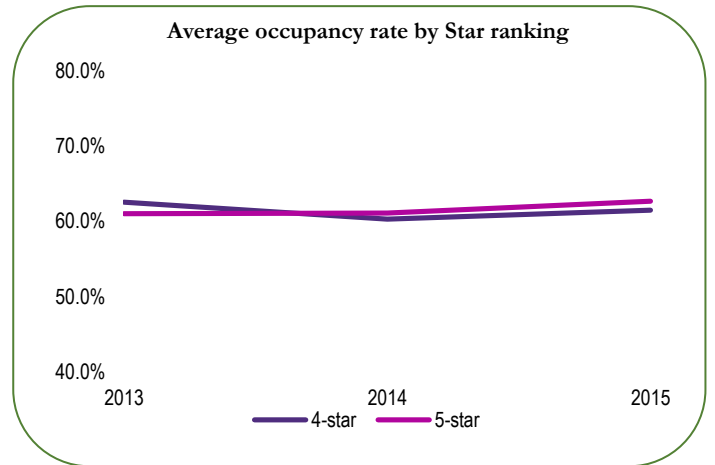
For ease of comparison, the report presents the survey results of each specific category alongside key findings. In the Appendices, readers can also find tables showing the minimum, maximum and mean values of market data for the financial year 2015. This report, however, does not attempt to set operating results for the Vietnam hotel industry. The figures and ratios in this report should not be considered as standards for any type of property.

The report users also need to note that not all changes from one year's results to another are due to actual year-to-year differences. Sometimes, they may be a result of a different mix of survey participants. Readers should note that due to limits on analysing data based on specific sample sizes, the results should be regarded as indicative only.

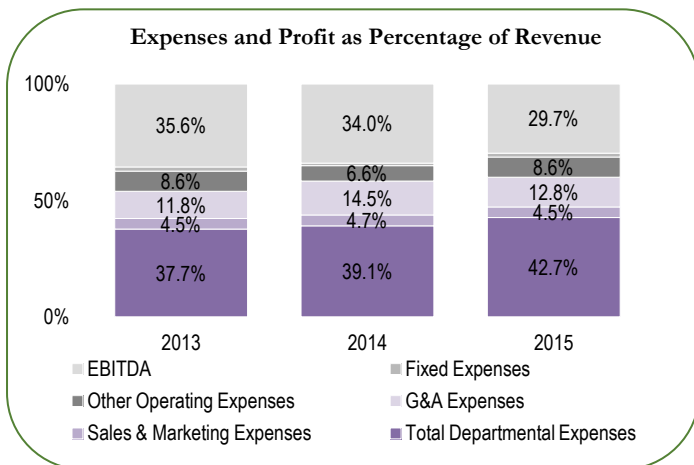
Key trends



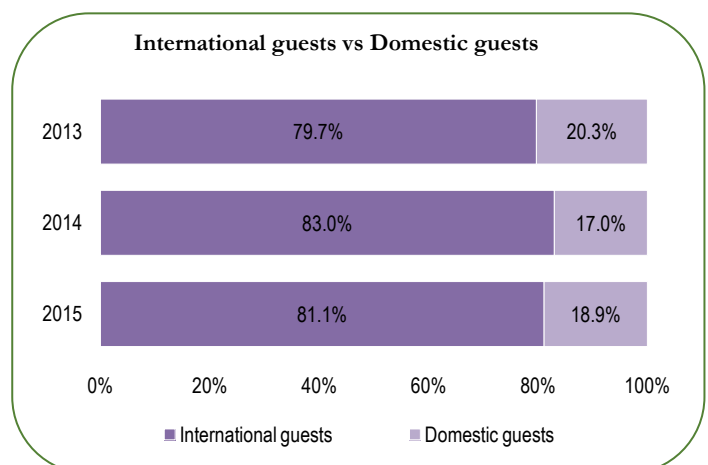
11.3% decrease in average room rates



1.2% increase in occupancy rate from 60.7% to 61.9%



EBITDA **29.7%** for upscale hotels in 2015



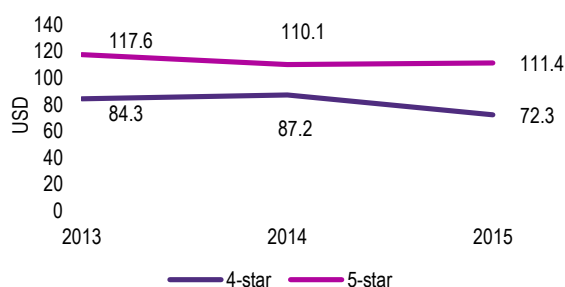
81.1% of total guest in 2015 were international guests

Executive summary

Room Rates by Selected Category

In 2015, while looking at the annual average room rate by Star ranking, 4-star hotels experienced a downward trend of 17.1%, from USD87.2 to USD72.3. On the other hand, 5-star hotels had a better performance with 1.2% growth, with an average rate of USD111.4, however, still lower than their average room rates in 2013.

Average room rate by Star ranking (2013 - 2015)



For the analysis by region, all three regions experienced a decline in room rates in comparison with the previous year. Northern areas had the lowest decrease of 6%. The other two regions, Central & Highlands and Southern areas saw room rates decrease by 14.4% and 12.6%, respectively in 2015.

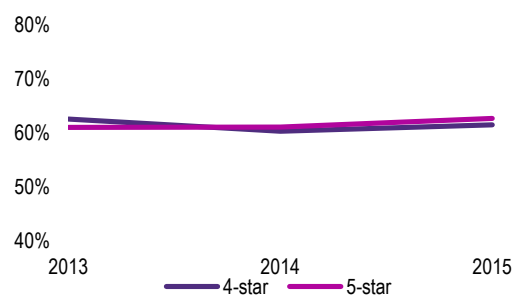
The overall annual average room rate of upscale hotels has fallen from USD98 in 2014 to USD87 in 2015, marking a substantial downturn of 11.3%. For the first 6 months of 2015, the number of foreign visitors decreased significantly, while the number of new hotels opening increased, therefore, hoteliers had to provide promotion programs to attract visitors, which led to the decrease in average room rates.

Occupancy Rates by Selected Category

Compared to the year 2014, the overall annual occupancy rate of 2015 went up slightly by 1.2%, from 60.7% to 61.9%, and has remained relatively stable over the last 3 years.

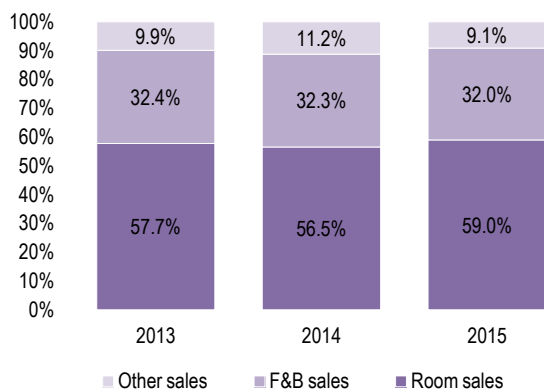
In terms of star ranking, average occupancy rate for upscale hotel increased 1.2% and 1.6%, to 61.5% and 62.7% for 4-star and 5-star hotels respectively.

Average occupancy rate by Star Ranking (2013 - 2015)



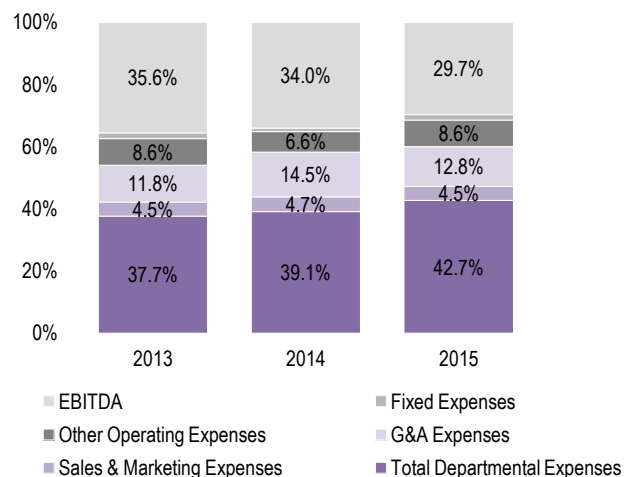
Revenue and Expenses

Annual revenue breakdown (2013 – 2015)



Hotel revenue comprises Room sales, Food and Beverage sales (F&B) and Other sales (income from banquet, spa, conference and business centres, etc). Room sales always account for the highest proportion of Revenue, in Vietnam. In 2015, Room sales accounted for 59.0%, which is 2.5% higher than 2014. F&B sales, has been quite stable, in the last 3 years, at 32% – 32.4%. Finally, sales from other services had a slight decrease by 2.1%, showing a contribution of 9.1% to total Revenue in 2015.

Expenses and Profit as Percentage of Revenue (2013 – 2015)

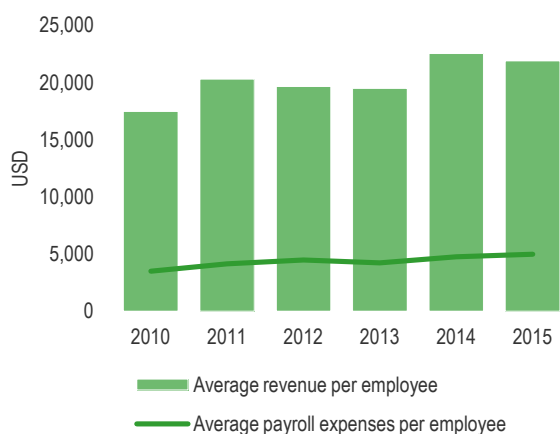


The upscale hospitality sector showed a worse performance in 2015 with an overall EBITDA of 29.7%, 4.3% lower than 2014. The decrease in 2015's EBITDA was due to the changes in cost structure. The major impact was from the increase of Total departmental expenses and Other operating expenses, by 3.6% and 2% respectively.

Both 4-star hotels and 5-star hotels experienced worse performance, as their EBITDA fell by 3.8% and 4.2%, respectively. As mentioned above, the primary reason was because of the increase in Total departmental expenses.

Employees by Selected Category

Total sales and average annual expense per employee (2010 – 2015)

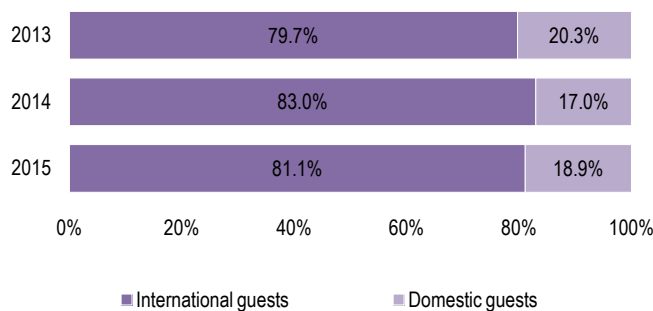


The downward trend in key inbound markets made a noticeable impact on sales revenue for the upscale lodging industry. The overall annual average room rate of upscale hotels has fallen from USD98 in 2014 to USD87 in 2015, marking a substantial downtrend of 11.3% while average occupancy rate only increased 1.2%, led to the decrease in sales. At the same time, there was no radical change in average personnel size, leading to a decrease in average sales per staff in 2015 over 2014.

On average, payroll expenses accounted for 27% of sales revenue for upscale hotels in 2015, a slight increase compared with last year's.

Source of Guests by Selected Category

Source of Guest (2013 - 2015)

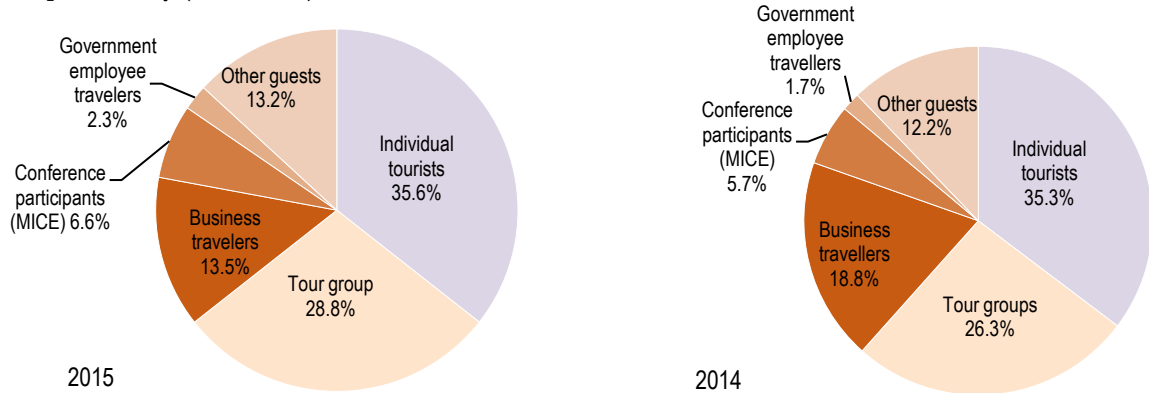


International visitors contributed to the majority of guests in the last 3 years, at 80% - 83% of total guests. In 2015, international visitors proportion decreased slightly by 2% to 81% with corresponding increase in Domestic guests proportion.

In term of regional analysis, the percentage of Vietnamese guests staying at upscale hotels in Northern areas and Southern areas increased by 8.3% and 5.2%, respectively. In contrast, the corresponding proportion for Central and Highland areas showed a decrease of 6.4%.

Purpose of Stay by Selected Categories

Purpose of Stay (2014 - 2015)

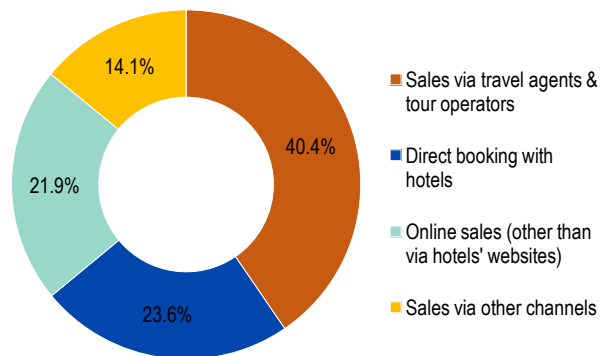


Market segmentation of upscale hotels by guest profiles in 2015 followed the same proportional structure to that in 2014. The most noticeable change was with Business travellers, which decreased by 5%. Meanwhile, the proportion of all other types of guest increased slightly.

Overall, Individual tourists, Tour groups and Business travellers remained the most prominent segments. These 3 types of guest made up over three quarters (78%) of total guests welcomed at upscale hotels in 2015. For 4-Star and 5-Star hotels in detail, Individual tourists, Tour groups and Business travellers comprised 80% and 75% of total guests, respectively. The proportion of Individual visitors in 2015 made up over one third of total guests and was on a par with the combined proportions of Business travellers, Conference participants, Government employee travellers and Other guests.

Star ranking analysis indicated that the guest mix of 4-Star and 5-Star hotels were relatively comparable; except for the slight difference in the proportions of Tour groups and Business travellers, which were 4% and 1.5% higher at 4-Star hotels than at 5-Star hotels, respectively.

Channels of Reservations (2015)

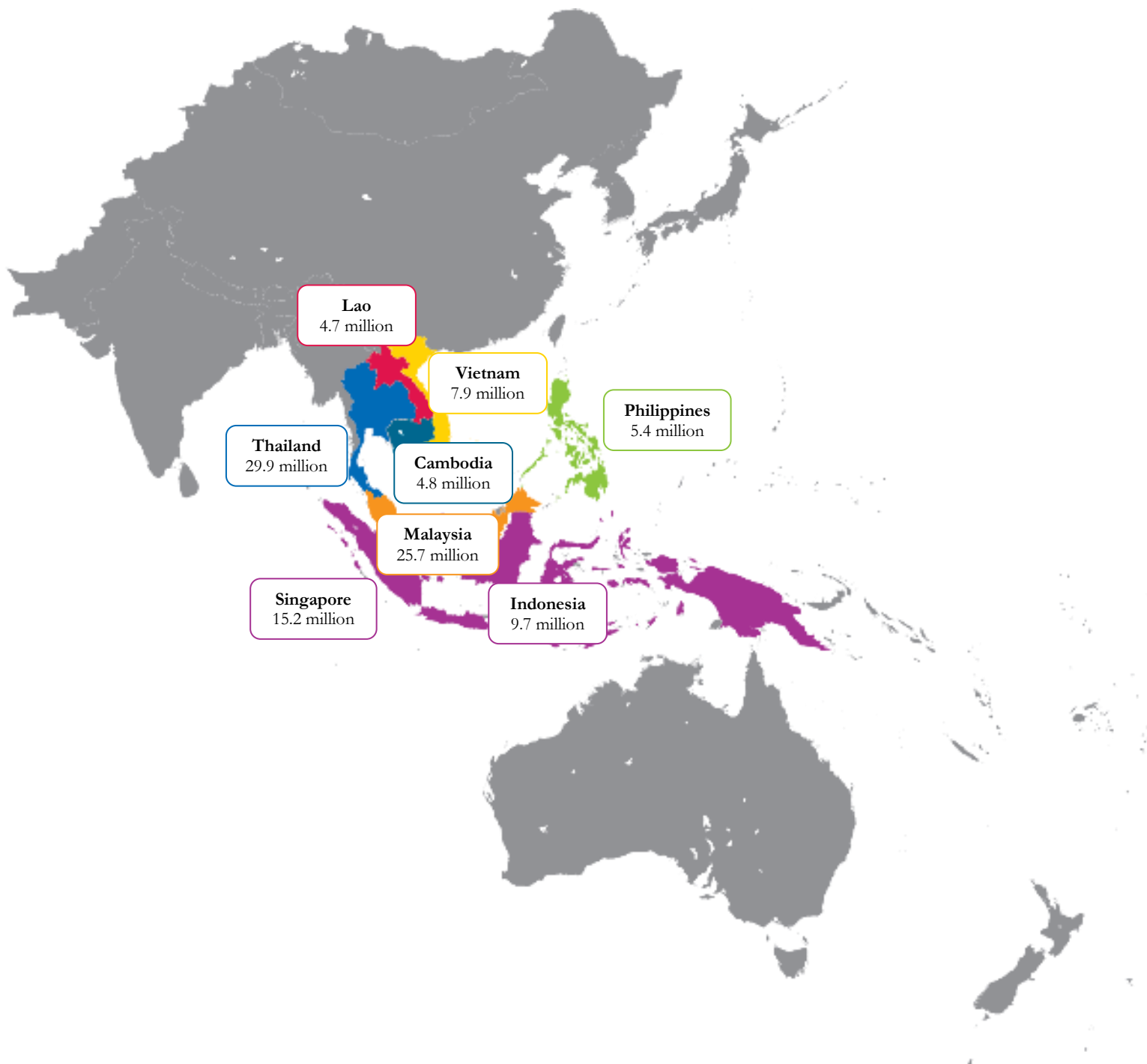


In comparison to 2014, the percentage of sales via travel agents and tour operators as well as direct bookings all diminished by around 5%, compensated by a similar increase in online sales.

The shift to OTA's is likely become more marked in the coming years, however non-online travel agents and tour operators are expected to remain the most popular booking channel. The prominence of these 2 channels seemed to have hurt direct bookings, which were just over one third of the combined bookings via travel agents.

Regional Executive Summary

International Arrivals of ASEAN Countries in 2015



Regional executive summary

Overall, ASEAN countries in 2015 saw their international arrivals increase (except for Malaysia), over the previous year. However, Vietnam was the lowest growth rate in ASEAN destinations (except for Malaysia). Vietnam only achieved 0.9% growth rate in 2015, similar to Singapore and only higher than Malaysia.

The downtrend in 2014 has continued to impact other ASEAN countries in 2015, especially where the tourism industry is still young and growing such as Cambodia and Indonesia, where the growth rate of international arrivals decreased from 7.0% to 6.1% (from 4.5 million in 2014 to 4.7 million in 2015) and 7.2% to 3.1% (from 9.4 million in 2014 to 9.7 million in 2015) respectively. In contrast, Thailand recovered quickly from the last downturn, with a significant growth rate recorded at 20.4% (from 24.8 in 2014 to 29.9 million in 2015).

In the region, in 2015, Thailand, Malaysia and Singapore had largest number of tourist arrivals (30 million, 26 million and 15 million respectively).

Lao and Cambodia achieved substantial growth in international arrivals in the recent years. In 2010, Lao had just 737,000 visitors and Cambodia had 466,000 visitors, in 2015, those numbers have boomed into 4.7 and 4.8 million respectively.

The year 2015, as mentioned above, was the first year in which Grant Thornton member firms in Thailand and the Philippines started to conduct the Hotel Survey for their countries. We included briefly in our report, performance of high-end hotel sectors in these two countries.

Overall, with a total of almost 30 million international tourists, the year 2015 was a successful year for Thailand's tourism:

- Thailand's political situation remained stable throughout 2015,
- There has been new campaign and activity promoted by Tourism Authority of Thailand (TAT) overseas.
- The growth of low cost airlines expanded Thailand's routes and flights to target countries.
- Thailand saw an increase of 3 million Chinese visitors to total 7.9 million which represents 26.5% of total visitor arrivals.

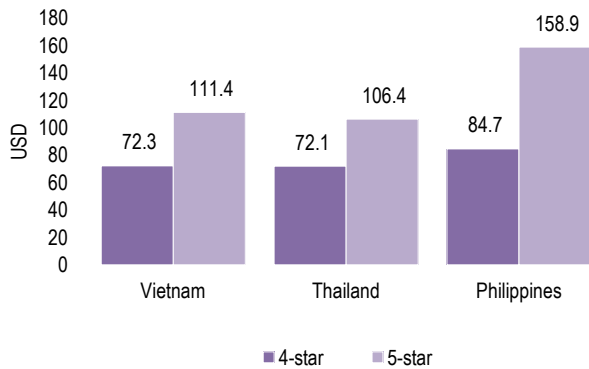
2015 was a great year for tourism industry of the Philippines, as the country reached over 5 million international tourists for the first time. Such evolution was due to:

- The expansion in tourism infrastructure and services in Philippines
- The aggressive and highly successful global marketing campaign, helping increase brand awareness;
- 2015 was designated the "Visit the Philippines Year" and included a slate of events throughout the calendar year that commenced with a visit from Pope Francis in January 2015.

The Philippines is expected to show growth in arrivals to at least 2018 as foreign appetite for investments in the Philippines continues to be vibrant.

Room Rates

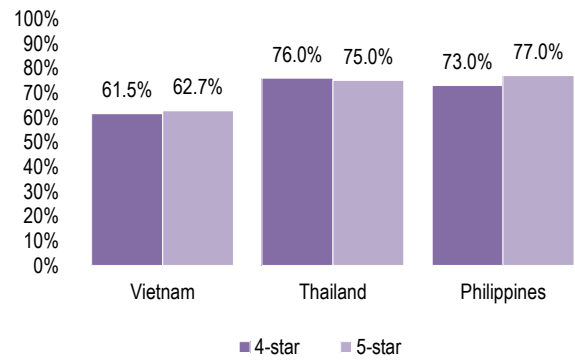
Average Room Rates by Star ranking



Looking at figures for room rates, the Philippines, despite the fact their international arrivals were lowest of the 3 countries, their room rates for upscale hotels were the highest, with USD84.7 and USD158.9 for 4 and 5-star hotels respectively. For the remaining of 2 countries, room rates for upscale hotels in Vietnam in 2015 were similar to Thailand, for 5-star hotels, room rates in Vietnam were higher, but the difference was not significant.

Occupancy Rates

Average Occupancy Rates by Star ranking



In terms of occupancy rates, in 2015, Thailand and the Philippines had similar occupancy rates, ranging from 73% - 77%. Thailand had higher occupancy rates for 4-star hotels but lower for 5-star hotels. Vietnam, had the lowest occupancy at 61.5% for 4-star and 62.7% for 5-star hotels. 2015 was a tough year for tourism industry in Vietnam while international arrivals declined considerably in the first 6 months but the number of new Hotels increased.

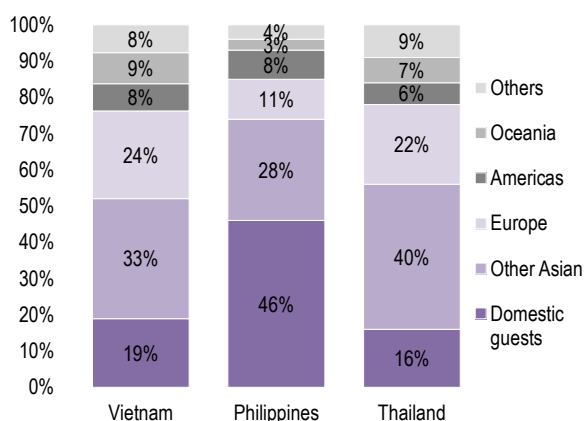
Source of guests

The composition of domestic and international guests staying in upscale hotels in Vietnam and Thailand are quite similar. Domestic guests in the two countries accounted for 16-19% of total guests. In contrast to Vietnam and Thailand, domestic guests played the most important role in the Philippines's where they made up 46% of total guests.

Asia was the biggest source of international guests in 2015. Chinese tourists made up 37%, 34% and 14% of total other Asian arrivals to Thailand, Vietnam and Philippines respectively.

Tourists from Europe took the second place with 24% of Vietnam's guests, 22% of Thailand's and 11% of the Philippines' guests.

Source of guest by Region in 2015



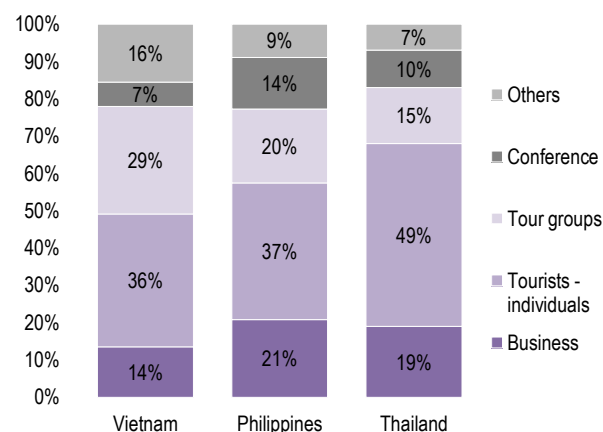
Purpose of stay

Overall, Individual tourists, Tour groups and Business travellers were the 3 most important segments for upscale hotels of Vietnam, the Philippines and Thailand.

Individual tourists was the most prominent segments in these countries, accounting for 35.6% and 37% of Vietnam's and the Philippines' total guests. In Thailand, they accounted for almost 50%. Tour groups contributed 28.8% and 20% of all guests to Vietnam and the Philippines respectively, whilst they accounted for 15% in Thailand.

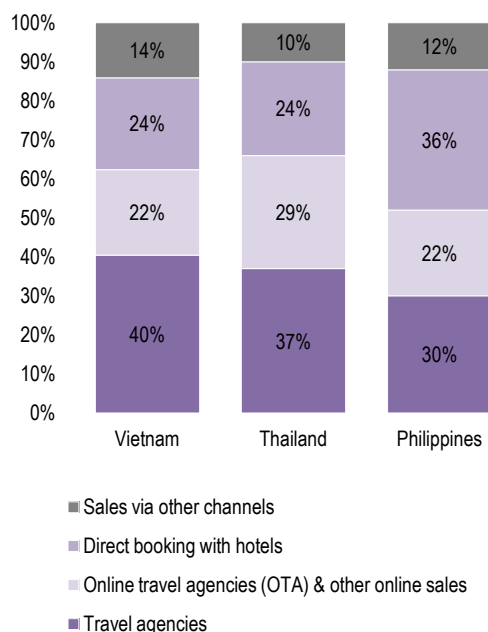
Due to its infancy that MICE has not developed as much in Vietnam as it has in Thailand and the Philippines. The number of Conference participants in Vietnam was the lowest in comparison with the Philippines and Thailand, accounting for just 6.6%.

Purpose of stay by Region in 2015



Channels of Reservations

Channels of Reservations by Region in 2015



Travel agencies (both traditional and online) dominate the market for Vietnam, Thailand and the Philippines with a 62%, 66% and 52% share, respectively. However, direct booking is still the most popular booking channel in the Philippines and accounts for significant sales in Vietnam and Thailand.

Vietnam and Thailand held similar channel composition, except that OTA’s have slightly more reach in Thailand than in Vietnam. The market share of OTA’ in Vietnam, over one fifth of total, was similar to that in the Philippines. The figures indicate that OTA’s have penetrated the Thai market more than Vietnam’s and the Philippines’.

As both leisure and business travellers are more likely to make use of the internet, online presence is increasingly more important to both hotels and travel agencies. With an edge in cyber visibility alongside price and convenience advantages, OTA’s are expected to rise in the coming years.

Further Information

Grant Thornton provides a wide range of services to the Hospitality sector, including:

- Audit and Assurance
- Tax advice
- Transaction advice (buying and selling properties)

- Negotiation of management contracts
- Diagnostic and performance reviews
- Feasibility studies
- Valuations
- Internal audits and control reviews
- Outsourcing services

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