



Grant Thornton

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Report Overview

Vietnam Hotel Survey 2014

This is an Executive Summary of the full 64 page Hotel Survey Report. Full copies can be obtained from Grant Thornton Vietnam.

Grant Thornton Vietnam June 2014



Introduction

Grant Thornton Vietnam’s Hotel Survey 2014 presents financial, operational and marketing information for the 2013 financial year from a range of Vietnamese hotels and resorts.

For simplicity, “Hotel” refers to both hotels and resorts, with our survey covering 3, 4 and 5-Star rated hotels. 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 Ha Long City. In the Central and Highlands region, the hotels are located in cities such as Da Nang, Hoi An, Hue, Nha Trang and Phan Thiet. 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, the number of participants from 3-Star hotels is not as extensive as in earlier years, particularly in the North. Together with the change in hotel mix of this category, these may cause significant year-on-year movements in the analysis.

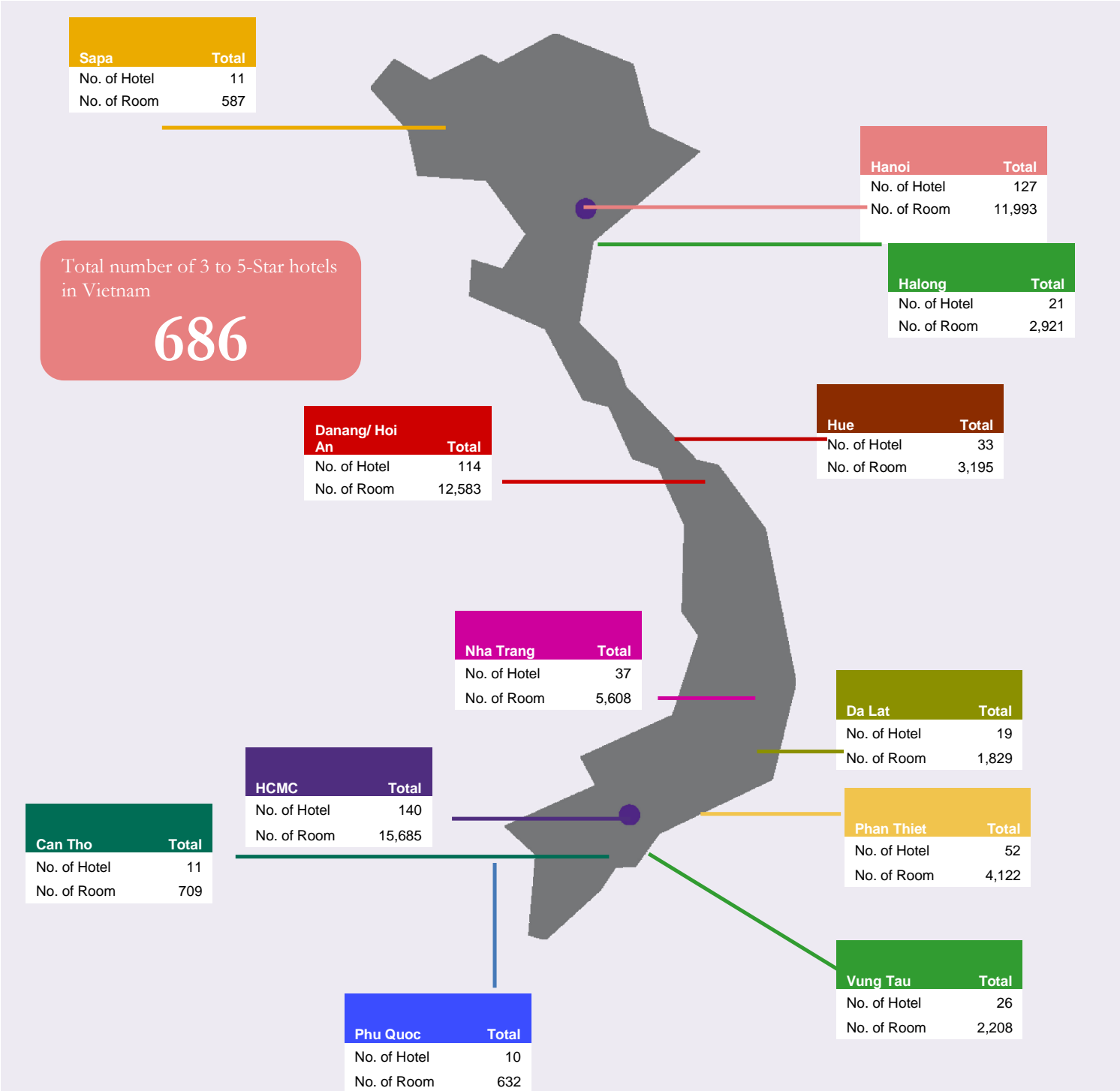
This report is prepared to provide readers with a general, as well as specific, view on hotel operations in Vietnam by presenting data covering different criteria for analysis such as hotel facilities, staffing, financial statements and market data. For financial analysis, the data is shown up to net 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 2012 and 2013 financial years. 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.

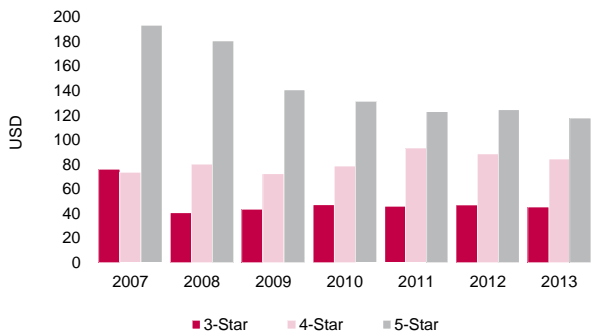
The report users also need to note that not all changes from one year’s results to another are due to actual year-to-year differences. Sometimes, they may be a result of a different mix of survey participants. Readers should note that due to limits on analysing data based on specific sample sizes, the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

Map of Hotels across Vietnam



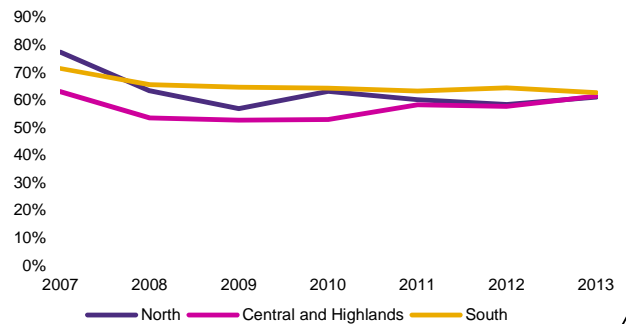
Key trends

Average Annual Room Rates by Star ranking (2007-2013)



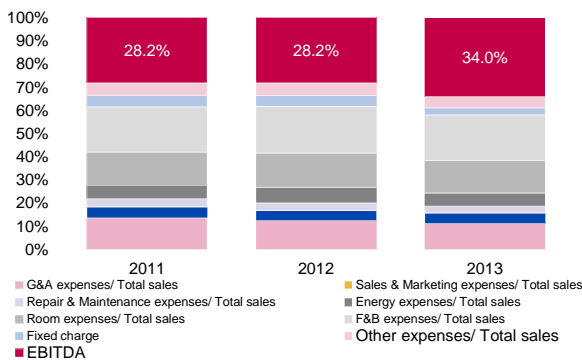
2.7% decrease in average room rates with 5-Star hotels declining by 5.5%

Average Occupancy Rates by Region (2007-2013)



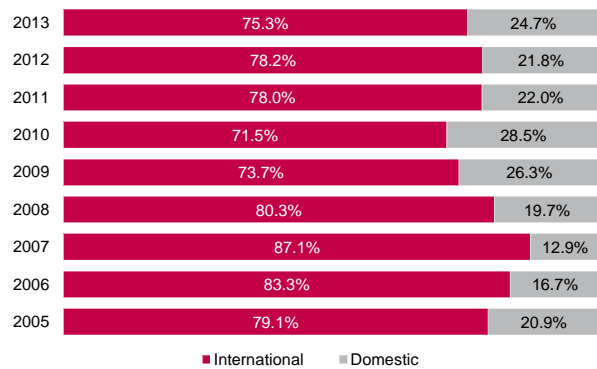
2.4% increase in overall occupancy rates with the Central and Highlands growing by 3.7%

Expenses & Profit as Percentage of Revenue



An increase in EBITDA in 2013 to 34.0%

International vs Domestic Guests (2005-2013)



75.3% guests staying at high-end hotels was international guests

Executive Summary

2013 was another successful year of Vietnam’s tourism industry. During the year, Vietnam welcomed 7,572,352 international visitors, increasing by 10.6%, a little lower than the 13.9% growth rate experienced in 2012. This number, in fact, exceeded the expected 7.2 million international tourist arrivals for the year.

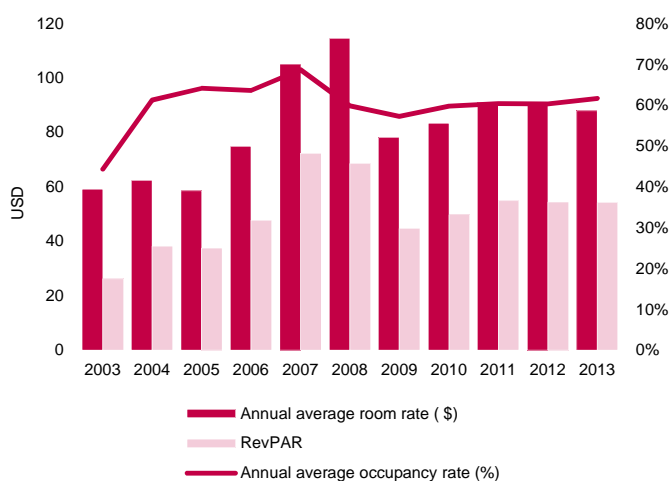
Grant Thornton’s Hotel Survey report 2014 provides readers with a detailed analysis and evaluation of Vietnam hospitality sector’s performance for the year 2013 compared with previous years. For the second year in a row, the survey also analysed the environmental issues across hotels in Vietnam, conducted on behalf of the European Union-funded Environmentally and Socially Responsible Tourism Capacity Building Programme (ESRT) on behalf of Vietnam National Administration of Tourism (VNAT).

Key Operating Figures 2013

Composition	3-Star	4-Star	5-Star
Average number of rooms per hotel	68	120	242
Average occupancy rate per hotel (%)	60.4%	62.6%	61.0%
Average room rate per hotel (USD)	\$45.06	\$84.25	\$117.63
Average RevPAR ¹ per hotel (USD)	\$27.23	\$52.70	\$71.79
EBITDA (%)	28.3%	37.5%	34.2%

¹ RevPAR: Revenue Per Available Room

Annual Room Rate, Occupancy Rate and RevPAR (2004-2014)



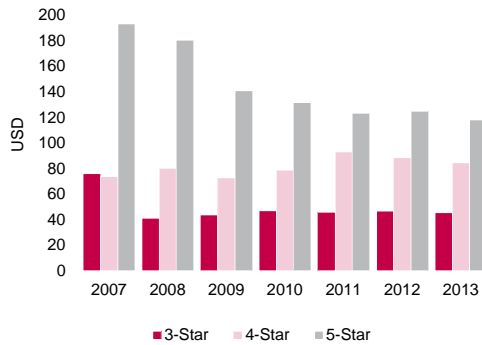
RevPAR, a standard industry measure of room utilisation and return, revealed a slight decrease in 2013 of 0.4% from USD54.44 in 2012 to USD54.22 in 2013.

The decrease is caused by a drop in average room rate (2.7%) and an increase in average occupancy rate of 2.4%. The drop is also the result of a significant loss of 14.6% in RevPAR of 3-Star.

4-Star hotels and 5-Star had a good performance in 2013, with an increase of RevPAR of 1.0% and 2.4%, to USD52.70 and USD71.79 respectively.

Room rates by Selected Categories

Average Room rates (\$) by Star ranking (2007 - 2013)



Average room rates in 2013 reduced by 2.7% to USD87.95 compared with USD90.40 in 2012.

The year 2013 showed an overall decrease in room rate in all star rankings, of which 5-Star experienced a significant loss of (5.5%), followed by 4-Star and 3-Star with (4.7%) and (3.1%) respectively.

Looking at the analysis by Region, Central and Highlands had a big drop of 7.5% in 2013 compared with the previous year although it was higher than room rates in the North. Average room rates continued to fall in the North with 2.6%, while the South showed an increase of 3.0% compared with 2012, reaching an average USD90.03 per night.

Average Room rates (\$) by Region (2013 vs 2012)

Location	2012	2013	Change
North	\$88.8	\$86.54	(2.6%)
Central and Highlands	\$94.3	\$87.23	(7.5%)
South	\$87.4	\$90.03	3.0%

Occupancy rates by Selected Categories

Compared with last year, average occupancy rates in 2013 increased by 2.4%.

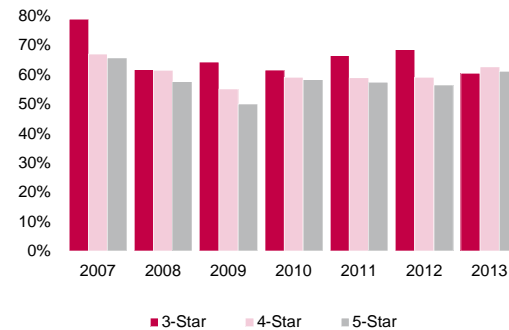
In 2013, the North showed an improvement of 2.7% (last year it decreased by 1.7%) while the South performed worse than in the previous year, with a decrease of 1.7%. Occupancy rates in the Central and Highlands Region also performed much better than in 2012 with a growth of 3.7%.

Average Occupancy rates (%) by Region (2013 vs 2012)

Location	2012	2013	Change
North	58.3%	61.0%	2.7%
Central and Highlands	57.6%	61.3%	3.7%
South	64.4%	62.7%	(1.7%)

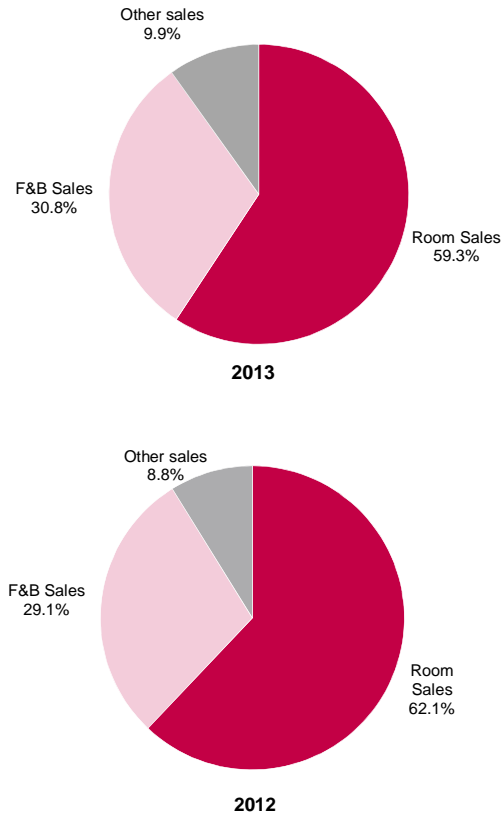
When analysing annual average occupancy rate by Star rankings, 4-Star and 5-Star hotels showed a good performance in occupancy rates with a high growth of 3.6% and 4.7% while 3-Star hotels faced a drop of 8.1%. The significant change in this year's survey has probably been affected by a change in the participants mix.

Average Occupancy rates (%) by Star rankings (2007 – 2013)



Revenue and Expenses

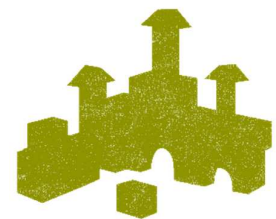
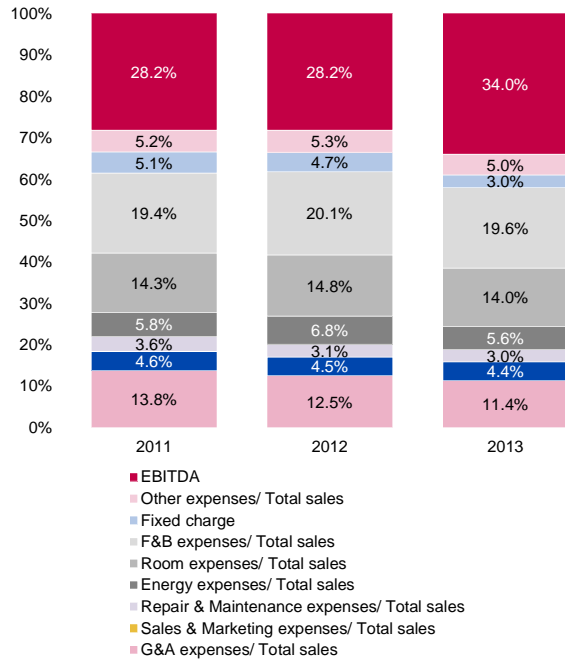
Revenue breakdown (2013 vs 2012)



Revenue consists of Room sales, Food and Beverage Sales (F&B) and Other services' sales (income from banquet, spa, conference and business centre etc). Due to the participant mix of hotels with strong F&B activities, the percentage of F&B in total sales in 2013 showed an increase of 1.7%.

2013 was a good year for high end segment, with a significant increase in EBITDA to 34.0%, increasing by 5.8% compared to 2012. This increase could be caused by changes in related costs structure including G&A, departmental expenses and fixed charges, decreasing by 1.1%, 1.3% and 1.7% respectively.

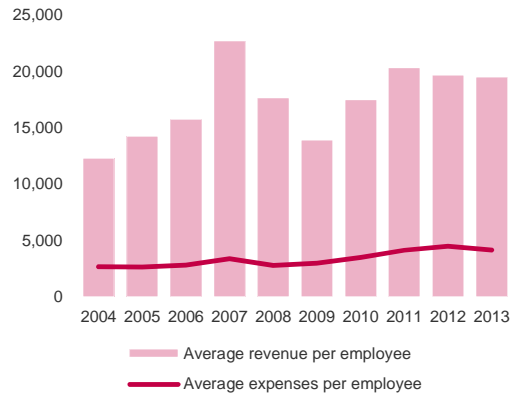
Expenses and Profit as Percentage of Revenue



Employees

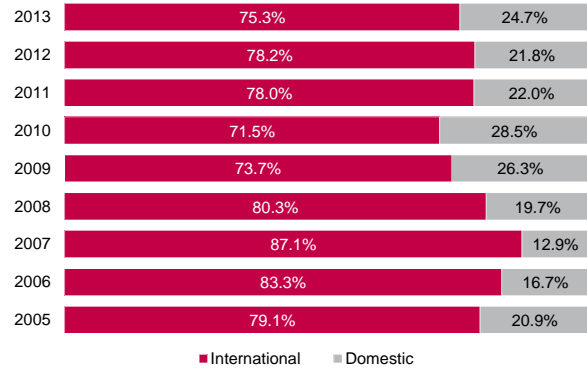
The graph below illustrates the average revenue and average expenses per hotel employee from 2004 to 2013. In general, the revenue earned per employee in 2013 continued to decrease (by 0.9%), and cost per employee also decreased by 7.6%, from USD4,485 in 2012 to USD 4,142 in 2013.

Average revenue and payroll per employee (2004 – 2013)



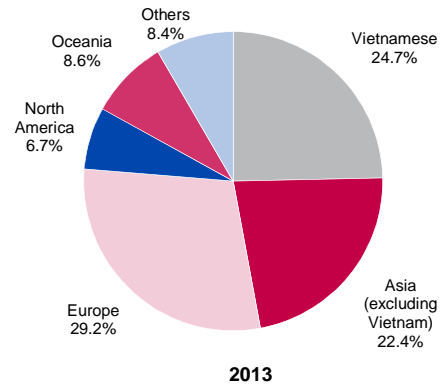
Source of Guests

Source of Guests (2005 – 2013)



The survey this year showed a reduction in the proportion of international guests staying in 3 – 5-Star hotels, with 75.3%, 2.9% lower than 2012.

Origins of Guests 2013

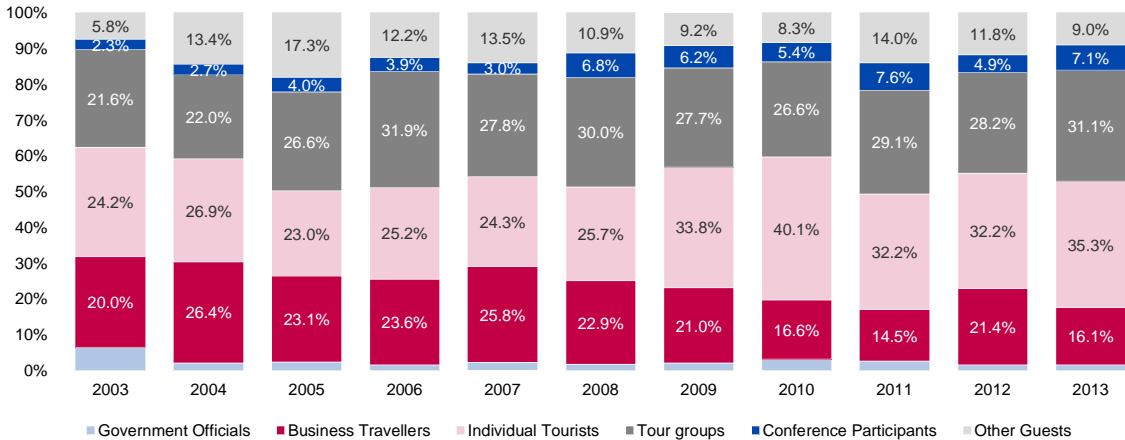


In 2013, Asian guests, including Vietnamese, retained first place among the origin of guests staying at hotels, comprising 47.1%, rising by 0.3% compared with the prior year. 2013 showed a considerable reduction in the proportion of guests coming from other Asian countries (2.5%) and a continuous slight decrease in other origins, eg North America and Oceania, by 1.4% and 0.5% respectively.



Purpose of Stay

Purpose of Stay (2003 – 2013)



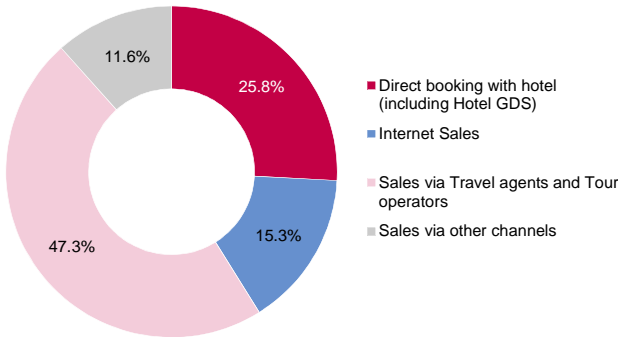
Business travellers, individual tourists and tour groups still accounted for the 3 largest components of guests over the 10 years from 2003 to 2013. Of which, individual tourists and tour groups increased by 3.1% and 2.8% compared with 2012. While business travellers significantly decreased by 5.3% in 2013.

Channels of Reservations

In 2013, hotel reservations via travel agents and tour operators recovered from the decrease last year, and increased to 47.3% in 2013, up by 1.6%. This channel also remained the most preferred method regardless of the type of property or region.

Direct booking with hotels continued to decrease, with a fall of 3.0%, but still remained the second most popular method with 25.8%.

Channels of Reservations 2013

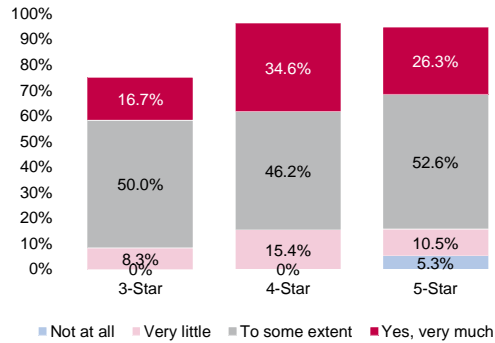


2013



Environmental management and corporate social responsibility programme

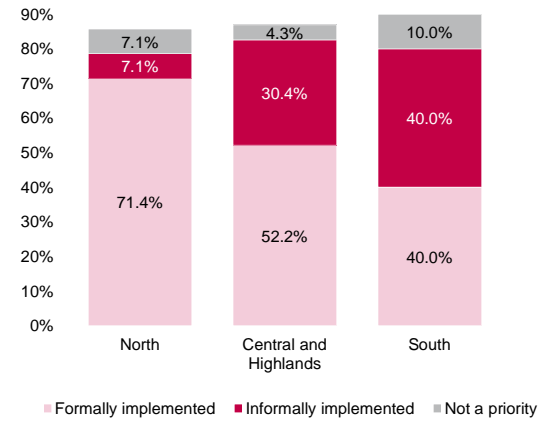
Issues about environment and environment management are important to the hotel sector in Vietnam 2013



When it comes to the notion of environmental awareness within hotels in Vietnam, 72% of the interviewed hotels rated the awareness in hotels above average from good to very good (respectively ranking 6 to 10), which covered all three hotel categories and all three regions and of which the 5-Star properties predominantly in the South ranked it the highest with 78.9%. This is an increase by 15.7% to the 2013 results. Only 7% answered that environmental awareness is not sufficient, below average (respectively ranking 1 to 4). This was mostly 4-Star hotels, predominately hotels from Central and Highlands regions.

More specifically, the responsibility of an organization for the impact of its decisions and activities on society and the environment through transparent and ethical behaviour can be seen through a company’s position on corporate social responsibility. Whereas 52.6% of the hotels (with the majority in the North) and predominately the 5-Star properties formally implemented a Corporate Social Responsibility programme; another 28.1% informally implemented such programmes.

Percentage of company’s position on corporate social responsibility programmes





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