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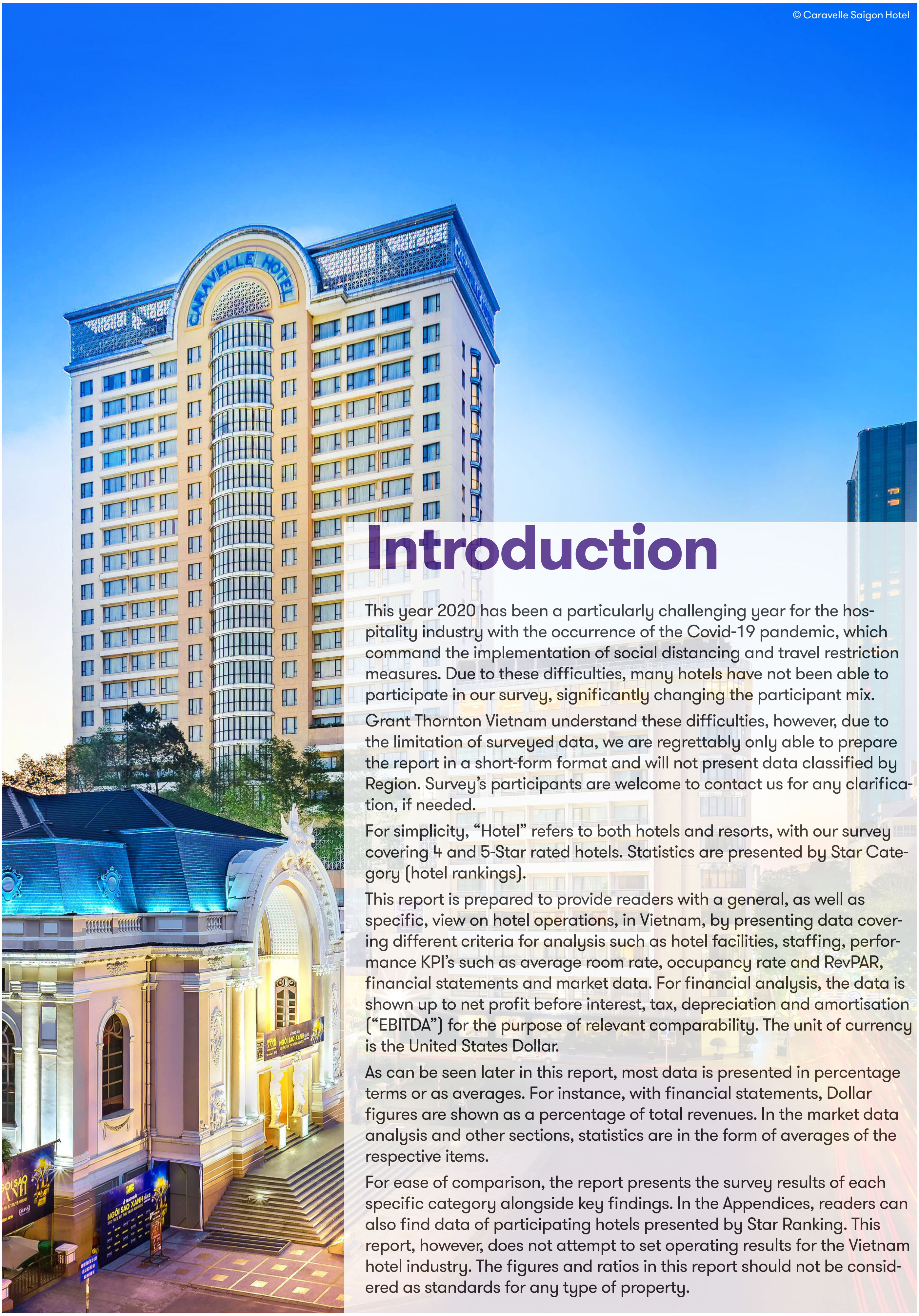
VIETNAM LODGING INDUSTRY

Hotel Survey - Executive Summary

2020

DATE ISSUED: 30 September



Introduction

This year 2020 has been a particularly challenging year for the hospitality industry with the occurrence of the Covid-19 pandemic, which command the implementation of social distancing and travel restriction measures. Due to these difficulties, many hotels have not been able to participate in our survey, significantly changing the participant mix.

Grant Thornton Vietnam understand these difficulties, however, due to the limitation of surveyed data, we are regrettably only able to prepare the report in a short-form format and will not present data classified by Region. Survey's participants are welcome to contact us for any clarification, if needed.

For simplicity, “Hotel” refers to both hotels and resorts, with our survey covering 4 and 5-Star rated hotels. Statistics are presented by Star Category (hotel rankings).

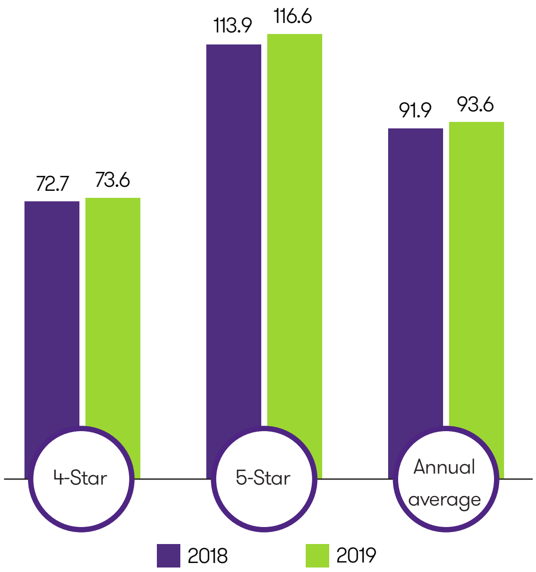
This report is prepared to provide readers with a general, as well as specific, view on hotel operations, in Vietnam, by presenting data covering different criteria for analysis such as hotel facilities, staffing, performance KPI's such as average room rate, occupancy rate and RevPAR, financial statements 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 data of participating hotels presented by Star Ranking. 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.

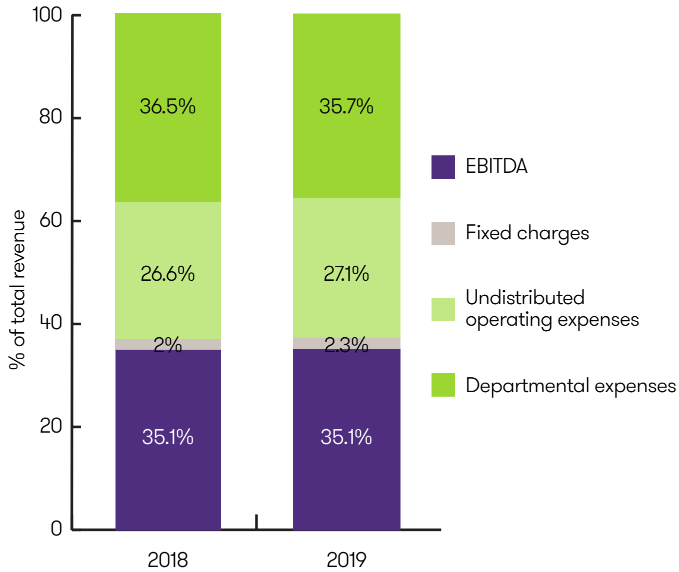
Key Trends

Average room rate (USD) by Star Ranking



Average room rate increased by **1.9%**

Expenses and Profit as Percentage of Revenue

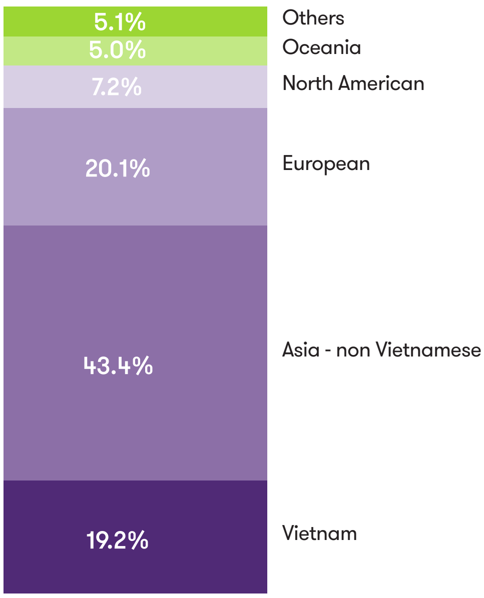


EBITDA showed no improvement
GOP increased by **0.3%**

Average Occupancy Rate and RevPAR by Star Ranking

Occupancy rate decreased by **4.3%**
RevPAR decreased by **3.4%**

2019 Origin of Guest



Asia continue to be the biggest market, while domestic guest grew slowly. South Korea is replacing China as Vietnam's biggest source of guests.

Executive summary

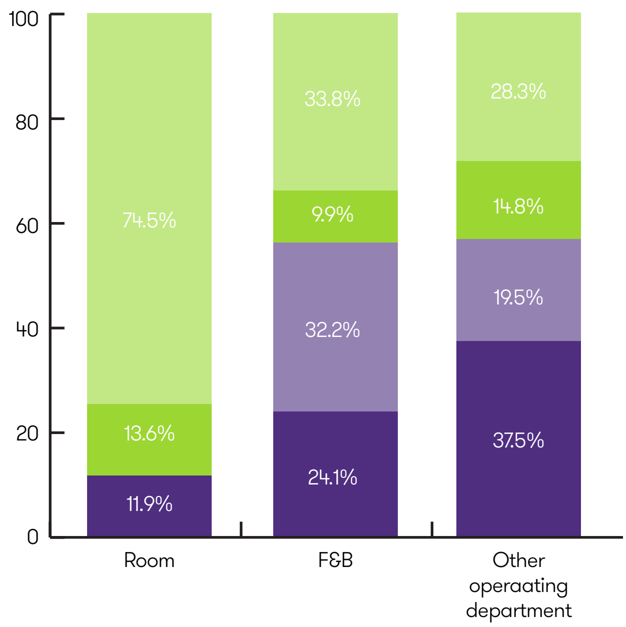
2020 has been an extraordinary year for the hotel industry and the global economy as a whole. The spread of Coronavirus and the efforts to contain it has impeded travel and tourism, negatively impacting hoteliers' revenue and profits. The pandemic is not yet over, and the impact can last for years to come.

As a result of this unprecedented event, many hotels have not been able to participate in our survey this year. The change in participant mix means that data from this year's survey may not be comparable with previous years'. For this reason, we chose not to present in this report data for 2017, or data classified by Region. In addition, we would release this year report in a short-form format only.

Overall, 2019 saw little change in terms of trends and patterns in comparison to 2018 with the exception of Other Operating Department's expense & profit structure.

Revenue and Expenses

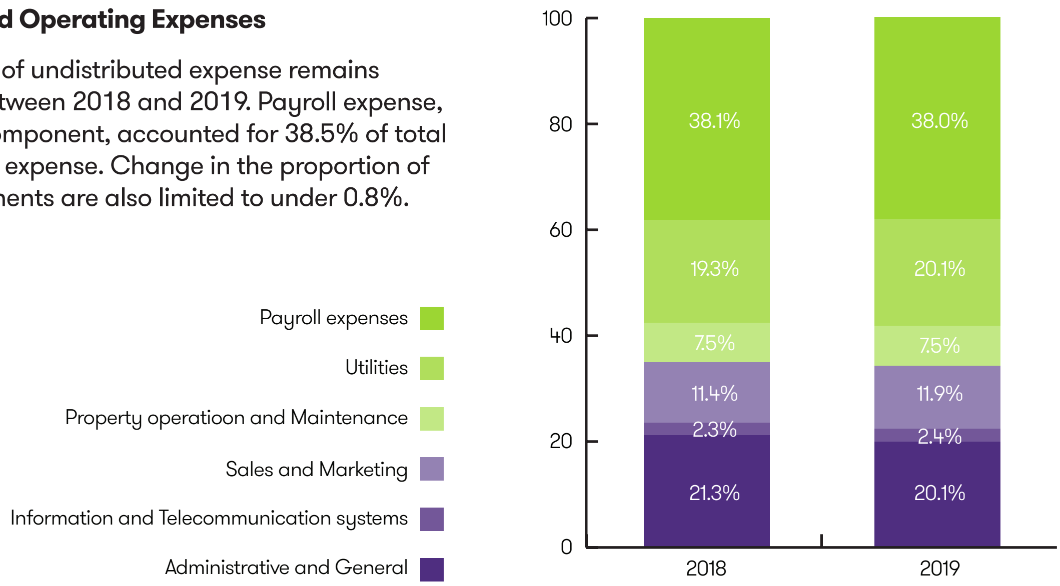
Departmental Expenses and Gross Profit as Percentage of Departmental Revenue



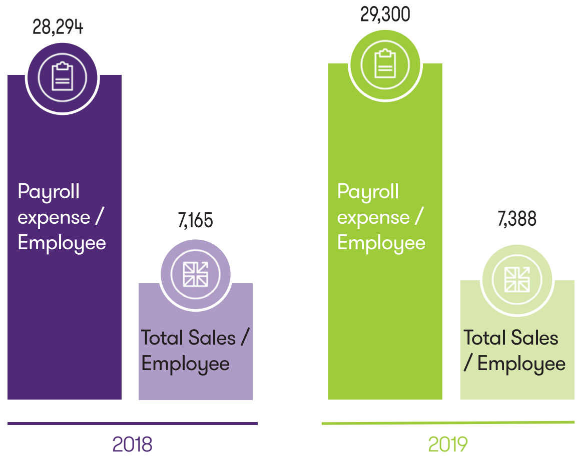
Room service is always the hotel's main source of gross profit. While there is no discernable change in cost structure for room and F&B service between the years, gross profit of other operating departments improved by 3.5%, thanks to decreasing Cost of Sales.

Undistributed Operating Expenses

The structure of undistributed expense remains consistent between 2018 and 2019. Payroll expense, the largest component, accounted for 38.5% of total undistributed expense. Change in the proportion of other components are also limited to under 0.8%.

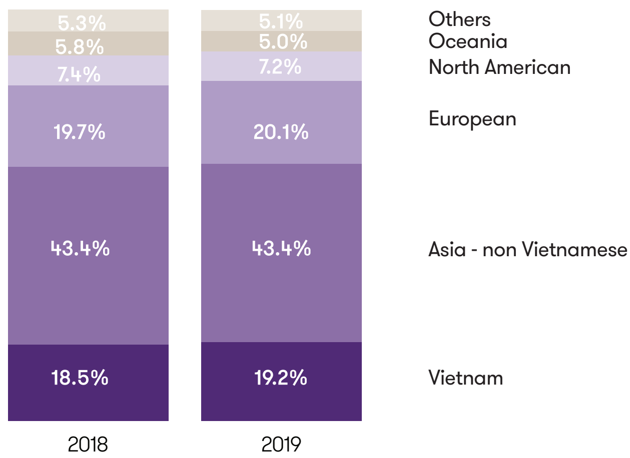


Employee by selected category



In keeping up with last year's trend, both revenue and payroll expense per employee increased. While revenue per employee increased at 3.6%, a rate slightly higher than last year, payroll expenses only increased by 3.1%, compared to last year's 6.4%.

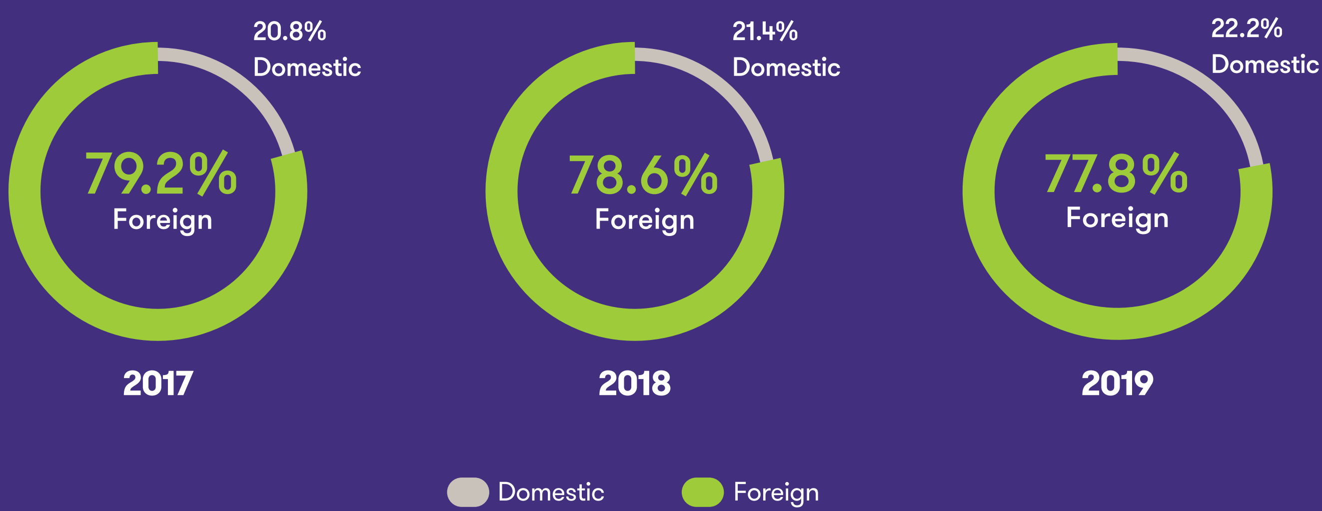
Source of Guest by selected category



While the proportion of visitors from other Asian countries remained stable, the proportion of non-asian guests declined slightly.

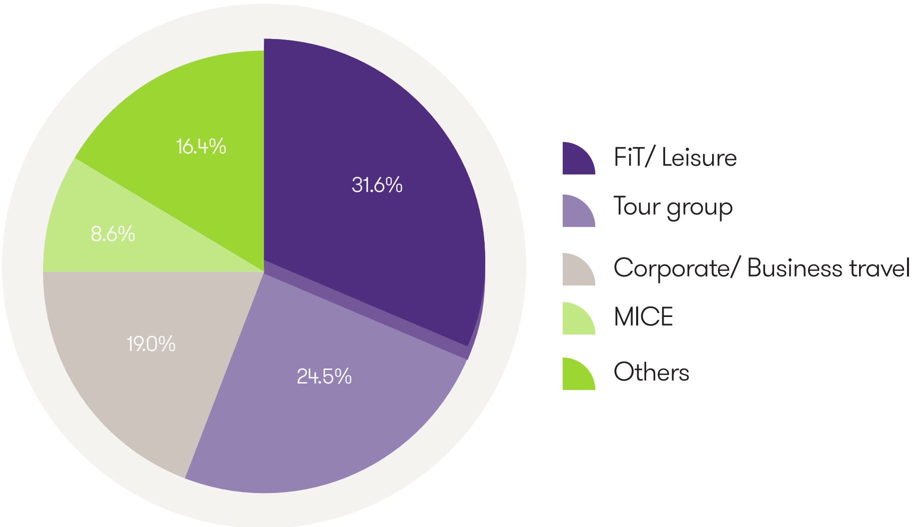
Proportion of Total Arrival

The proportion of Domestic guests visiting upscale hotels has been increasing over the years, reaching 22.2% in 2019.



Purpose of Stay by Star Ranking

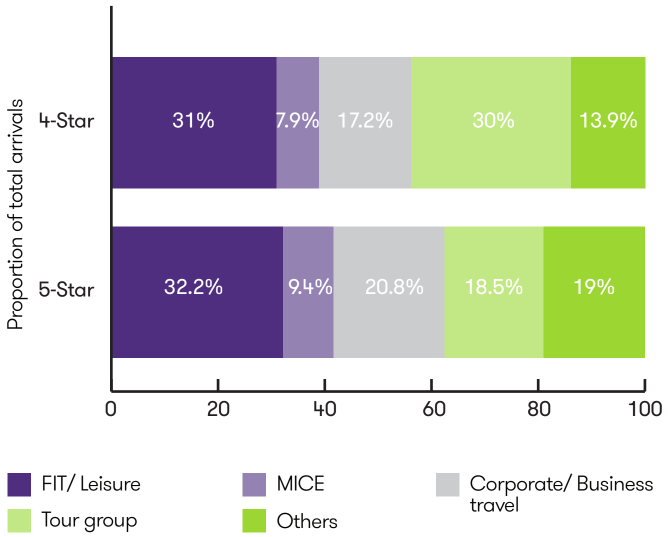
2019 Purpose of Stay



2019 Purpose of Stay by Star Ranking

While the proportion of FiT/Leisure travelers were similar across both star rankings, 4-Star hotels served a much higher percentage of tour guests, at 30.5% compared to 18.3% of 5-Stars properties. 5-Star hotels, on the other hands, served more business and conference guests.

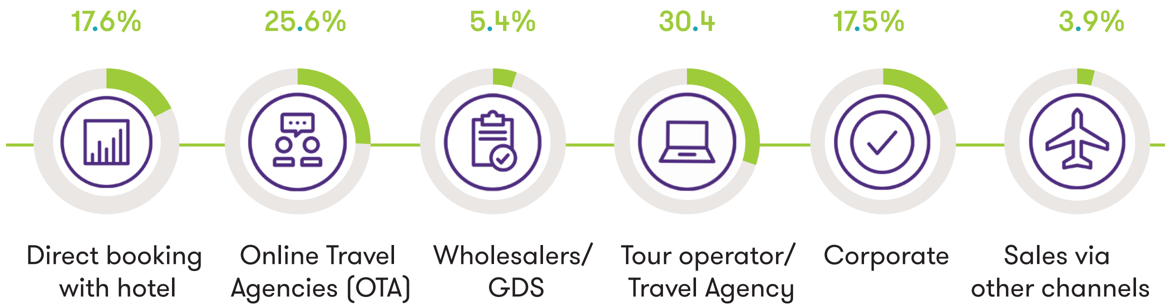
We note that 5-Star hotels would usually have higher portion of FiT guests than 4-Stars. However, as fewer 5-Stars hotels have joined our Survey this year, many of which are city hotels, our data did not reflect this characteristic.



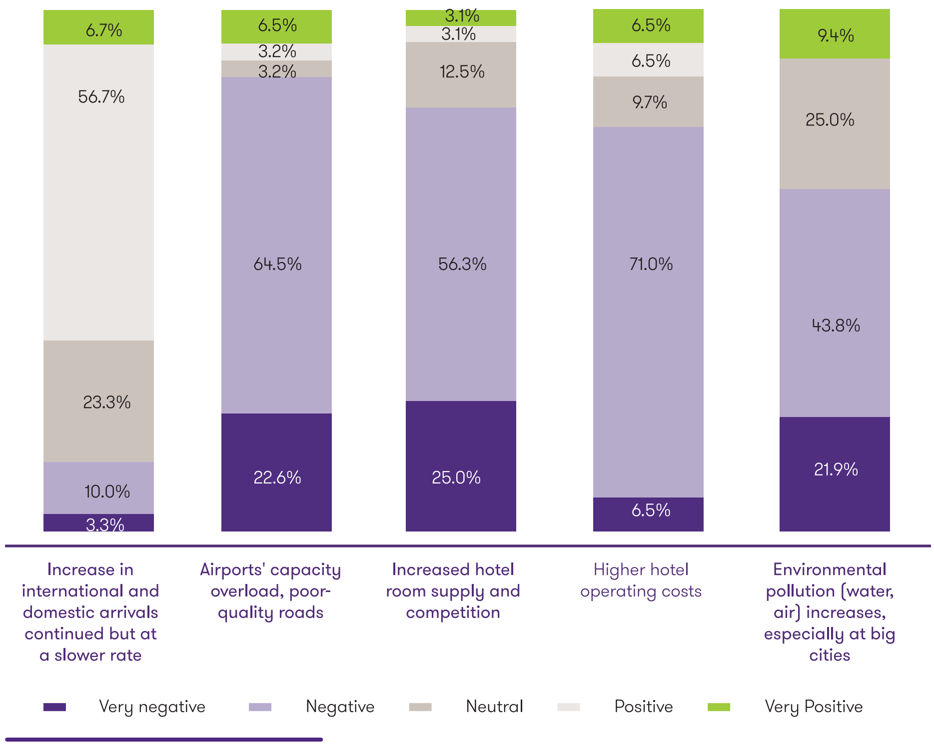
Channel of Reservation by selected category

2019 Channel of Reservation

Tours operators continue to be the biggest channel for guest reservations overall, owing to their popularity among 4-Star hotel guests. OTA's also retained its second place and continue to grow, though slowly.



Issues impacting the market for the year 2019



Hoteliers remain wary about some of Vietnam's issues regarding hotels & tourism development.

Poor Infrastructure, increasing competition and hotels' operating costs are the top concerns by hotels. While partcipants are less worried about the impact of environmental problems, 21.9% of them consider it to be highly impactful.

While the slow down in the growth of arrivals is less likely to be seen as risky, we note that this suvey was carried out during June 2020 when the pandemic situation was more positive. As of the time of this report, participant's sentiment may have significantly changed.

Further information

Grant Thornton provides a wide range of services to 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

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