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Report Overview

Vietnam Hotel Survey 2015

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

Grant Thornton Vietnam



Introduction

Grant Thornton Vietnam’s Hotel Survey 2015 presents financial, operational and marketing information for the 2014 financial year from a range of Vietnamese 4 and 5 star hotels and resorts.

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), 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, we do not include 3 star hotels because of the level of response and change in hotel mix in this category, and we focus on the upscale hotel industry, covering 4 and 5-Star hotels.

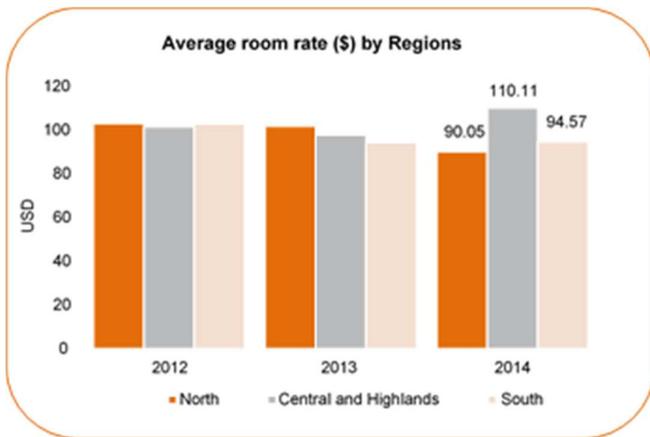
This report is prepared to provide readers with a general, as well as specific, view on hotel operations in Vietnam by presenting data covering different criteria for analysis such as hotel facilities, staffing, financial statements and market data. For financial analysis, the data is shown up to net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

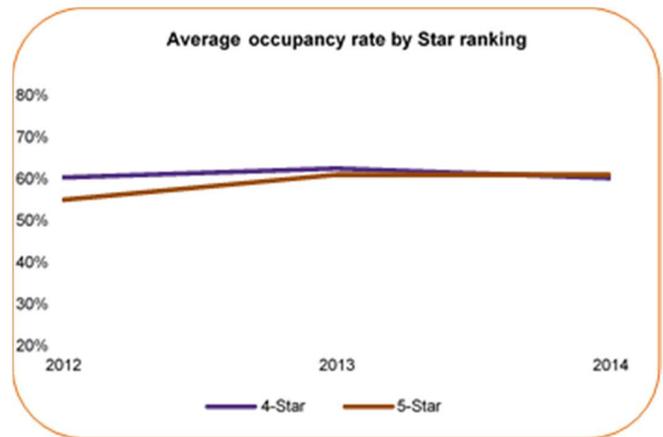
For ease of comparison, the report presents the survey results of each specific category alongside key findings. In the Appendices, readers can also find tables showing the minimum, maximum and mean values of market data for the 2013 and 2014 financial years. This report, however, does not attempt to 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.

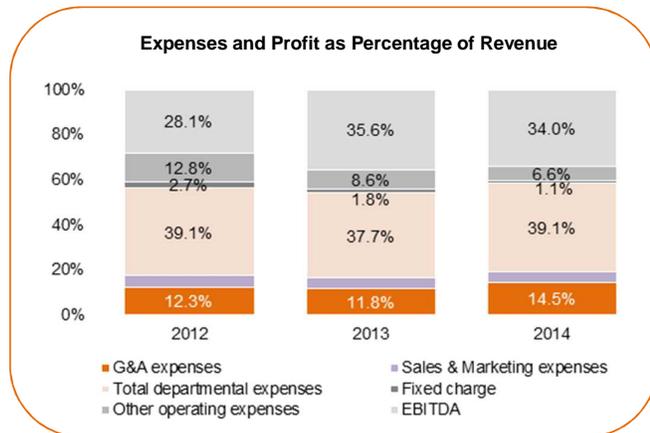
Key trends



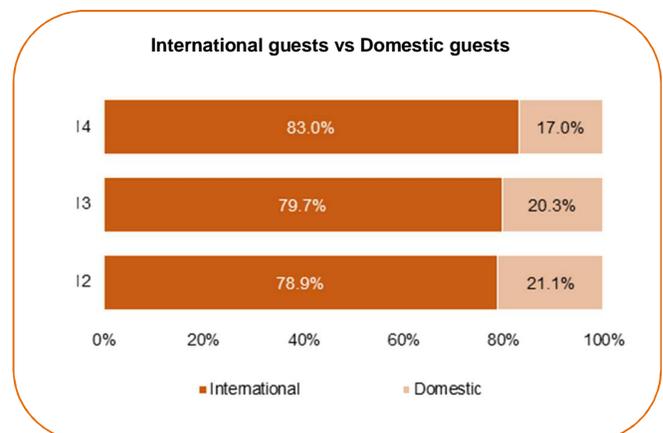
0.2% increase in average room rates with 5-Star hotels declining by 6.4%



2.0% decrease in average occupancy rate with 4-Star hotels fell by 3.6%



34.0% EBITDA for upscale hotel in 2014



83.0% of total guest in 2014 was international guests

Executive Summary

Room rates by Selected Categories

Average room rate in 2014 of upscale hotels experienced a small increase of 0.2% compared with 2013, from USD97.6 in 2013 to USD97.8 in 2014.

The analysis of average room rate by star ranking shows that there was an increase of 3.6% in the average room rate of 4-Star hotels while there was a drop of 6.4% in that of 5-Star hotels in 2014.

Average Room rates (\$) by Star ranking (2012 - 2014)



By region, Central and Highlands had the highest growth rate in average room rate. In which, Da Nang/Hoi An had the best performance with a 23% growth rate. Meanwhile, there was a significant decrease in the annual average room rate of Phan Thiet by -17.2%. Both Ha Noi and HCMC fell 13.7% and 4.7%, respectively in 2014.

Occupancy rates by Selected Categories

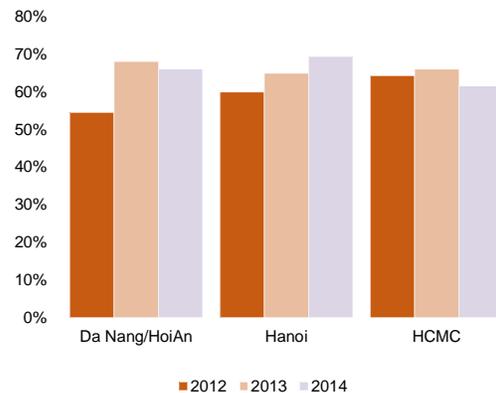
Overall average occupancy rate was 60.7% in 2014, which was 2% lower than the achievement in 2013.

Compared with the previous year, 4-Star hotels average occupancy fell by 3.6%. Meanwhile, the average occupancy rate of 5-Star hotels remained stable in 2014 at 61.1%.

When looking at the average occupancy rate by selected cities:

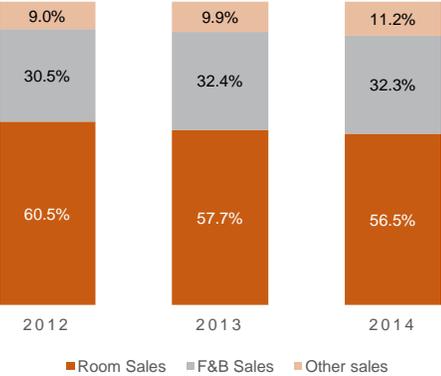
- In 2014, there was an increase of 22.6% in total number of visitors (international and domestic tourists) visiting Da Nang compared with 2013 with a total of 3.8 million. However, the annual Occupancy rates shown a decline of 3%. This probably is the result of the new upscale hotels which came to market in 2014.
- The annual Occupancy rate in Hanoi increased by 6.7% for 4 and 5-Star hotels. While in HCMC Occupancy rates fell by 6.7% compared with the previous year.
- Hanoi benefited from the increased airport capacity with the opening of the new terminal.

Average Occupancy Rates (%) by Cities (2012-2014)



Revenue and Expenses

Revenue breakdown (2012 - 2014)

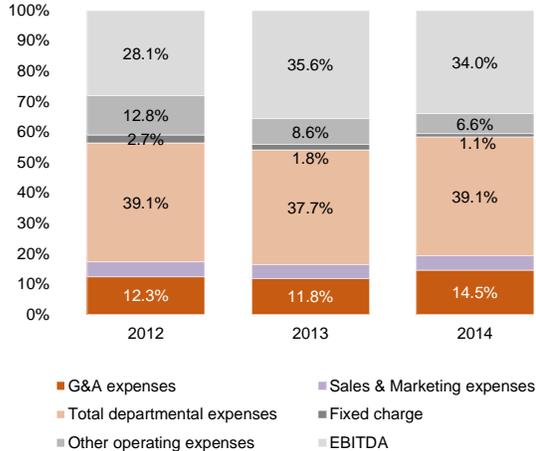


Revenue mainly consists of Room sales, Food and Beverage sales (F&B) and Other services’ sales (income from banquet, spa, conference and business centers etc). In general, Room sales accounted for the largest percentage of revenue with 56.5% of total sales in 2014, whilst F&B sales contributed to around 32.3%. Sales from other services had a slight growth of 1.3% contributing to 11.2% of total sales.

The upscale hotel sector showed a worse performance in 2014 with an overall EBITDA of 34.0% a decrease of 5.5% compared with 2013. The decrease in 2014’s EBITDA was due to the changes in cost structure, particularly a sharp increase in G&A expenses by 2.7% and other operating expenses by 1.9%. A slight increase of 1.4% in departmental expenses also impacted on the decline in EBITDA.

Looking at EBITDA by star ranking, 5-Star hotels revealed a better performance than 4-Star hotels, achieving 35.2% EBITDA, which could be attributed to better cost control in fixed charges and other operating expenses (total decrease of 2.6% compared with that in 2013). 4-Star hotels, in contrast, showed a decrease in EBITDA in 2014, achieving 32.7%.

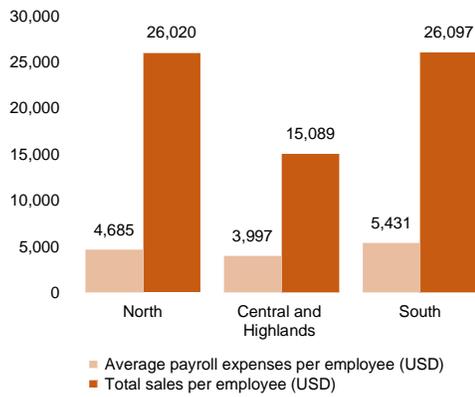
Expenses and Profit as Percentage of Revenue



34.0% EBITDA for upscale hotels in 2014

Employees

Total sales and average annual expense per employee by region in 2014



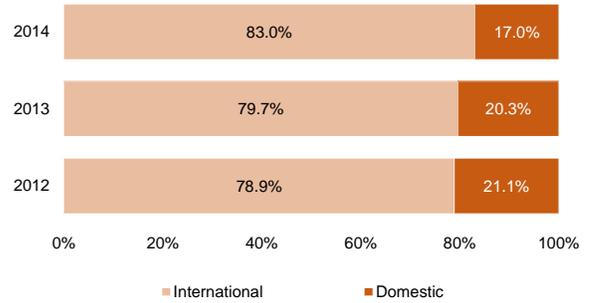
Total sales per employee was lowest in high-end hotels in the Central and Highlands region, reaching only USD15,089 in 2014. This figure was far exceeded by the North and the South, with both regions achieving a total sales per employee of around USD26,000.

With regard to monthly average salary and expenses per employee, upscale hotels recorded an average of USD394.42 per employee per month.



Source of Guests

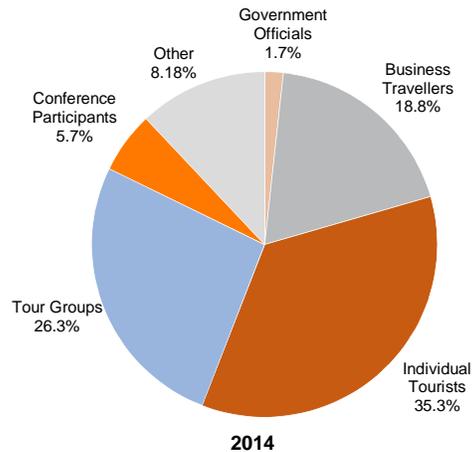
Source of Guest (2012 – 2014)



The proportion of groups staying at 4 and 5-Star hotels in 2014 decreased to only 17.0%. FIT's contributed to the majority of guests, at 83.0% in 2014 which was much higher than the 70% in 2013.

The numbers of international arrivals staying at upscale hotels located in the South increased by 10.1% in 2014 compared with the previous year. Meanwhile, the rate in the Central and Highlands dropped by 3.5% and was constant in the North with 85.4% of total guests in 2014.

Source of Guest by Origins in 2014

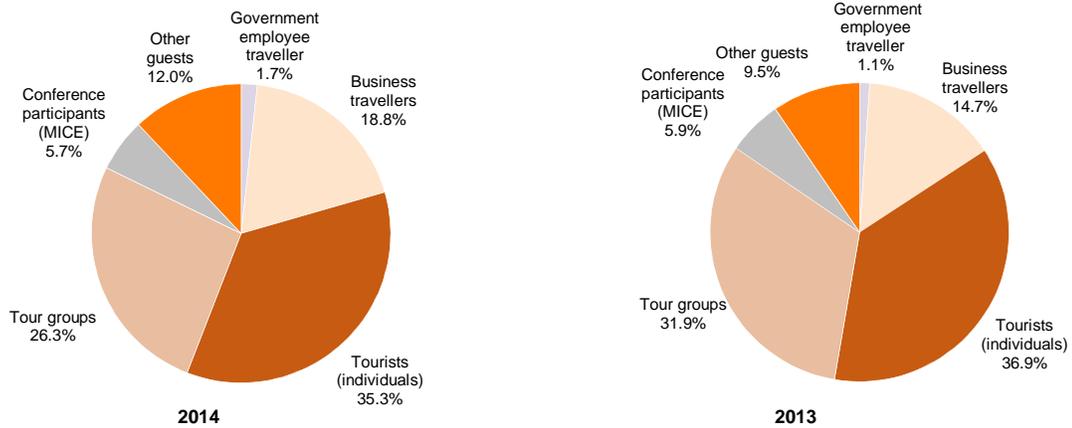


In 2014, the total number of Asian guests, including Vietnamese was the number one origin of guests with 44.8%, however this rate dropped by 0.4% compared with the previous year. There was also a reduction in proportion of number of European visitors to Vietnam in 2014, decreasing by 1.6% since last year. This could be attributed to the political tensions in Europe in late

2014. In addition, there was another slight decrease of guests from Oceania.

Purpose of Stay

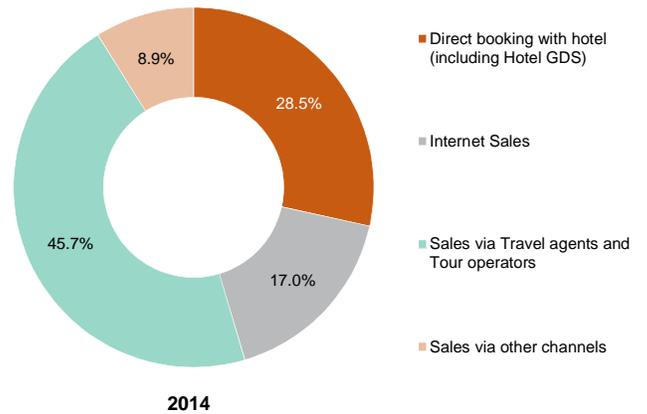
Purpose of Stay (2013 – 2014)



Individual tourists and tour groups contributed the major proportion of guests staying at hotels in 2014, with 35.3% and 26.3%, although there was a decline in both sectors compared with 2013. Business travelers, in contrast, showed a significant increase of 27.9%, achieving 18.8% of total arrivals in 2014.

Although Vietnam has been considered as a MICE (Meeting, Incentive, Conference and Exhibition) destination in Asia, the Conference tourists dropped by 3.3% compared with 2013.

Channels of Reservations

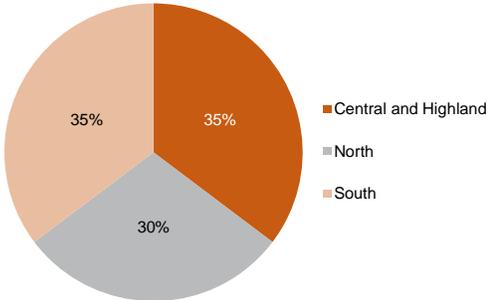


Overall, the proportional structure of room reservations in upscale hotels saw no radical changes from 2013 to 2014. Travel agents and Tour operators remained the most preferred channel of room reservations, accounting for 46% - 48% of the total proportion. There was a slight increase of 2% in the proportion of Direct bookings in 2014, constituting 28% of total reservations. Meanwhile, the proportion of Internet sales stood still at 17% from 2013 to 2014.



Business readiness for the ASEAN MRA-TP

Awareness of the ASEAN-MRA-TP by the regions



In 2015, the ASEAN economic community will be launched, aiming to bring a greater integration between ASEAN member states. For tourism professionals and the industry, MRA-TP will facilitate the mobility of tourism professionals based on tourism competencies, recognised skills of tourism professionals in order to enhance the quality of tourism services.

85% of surveyed hotels stated that they are aware of the MRA-TP signed between Vietnam and other ASEAN member states, of which the majority of respondents are from 5 stars hotels. 15% of hotels who did not know about the ASEAN MRA-TP are from Central and Highland and the Northern regions of Vietnam.

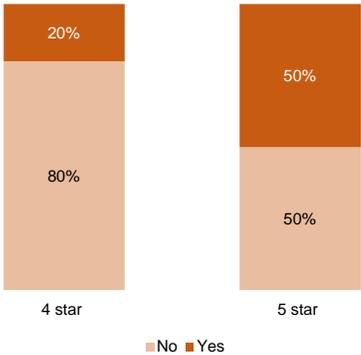
The rate of respondents stated to be aware of the MRA-TP from all three regions is relatively high and equally distributed. Within 85% of respondents, 30% are from the North and 35% are each from Central and Highland and the South of Vietnam.

Destination brand and marketing campaigns

Vietnam National Administration of Tourism works with a significant number of partners and businesses assisting them to open up new sales channels and creating platforms for a stronger market presence, a service that particularly benefits destinations and service providers who would otherwise struggle to succeed internationally. By working together it is aimed to extend the reach and impact of Vietnam’s marketing campaigns and promotional activities, strengthen and broaden the brand appeal of Vietnam and generate more business for all stakeholders.

Tourism marketing is a new section in the hotel survey 2015, and the results indicate that only 35% of hotels participating in the survey apply the national brand design elements of ‘Vietnam Tourism – Timeless Charm’ to their promotional collaterals and as many as 65% of respondents stated that they do not have any of their promotion material related to the “Vietnam Tourism – Timeless Charm” brand. 4 star hotels seem to care less about the national tourism brand as compared to 5 star hotels, with only 20% of them applying the brand to their promotional collaterals.

Application of ‘Vietnam Tourism – Timeless Charm’ brand elements to hotel promotional collaterals



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.

Kenneth Atkinson

Executive Chairman
T +84 8 3910 9100
E Ken.Atkinson@vn.gt.com

Nguyen Chi Trung

Managing Partner
T +84 4 3850 1686
E ChiTrung.Nguyen@vn.gt.com

Website

www.gt.com.vn

Ho Chi Minh City

28th Floor
Saigon Trade Center
37 Ton Duc Thang Street
District 1

T +84 8 3910 9100

F +84 8 3914 3748

Hanoi

18th Floor
Hoa Binh International Office Building
106 Hoang Quoc Viet Street
Cau Giay District, Hanoi
Vietnam

T +84 4 3850 1686

F +84 4 3850 1688

Tourism and Hospitality Industry Leader

Kenneth Atkinson
T +84 8 3910 9100
E Ken.Atkinson@vn.gt.com

Audit

Nguy Quoc Tuan
Partner
T +84 8 3910 9100
E Tuan.Nguy@vn.gt.com

Tax Services

Hoang Khoi
Partner
T +84 8 3850 1686
E Khoi.Hoang@vn.gt.com

Advisory Services

Nguyen Thi Vinh Ha
Partner
T +84 4 3850 1686
E VinhHa.Nguyen@vn.gt.com

Outsourcing Services

Le Minh Thang
Partner
T +84 8 3910 9100
E MinhThang.Le@vn.gt.com





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