

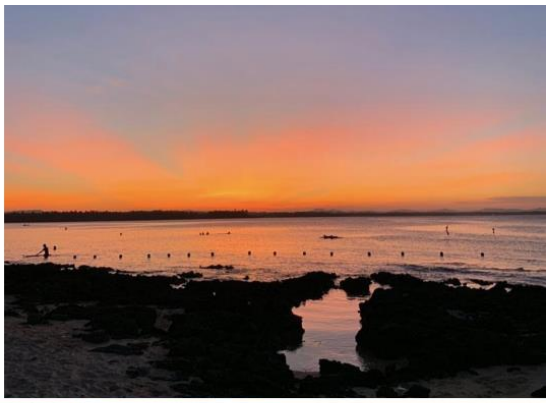

Horwath HTL™

2019 PHILIPPINES
Hotel Industry
Survey of Operations

2018 Calendar Year

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FOREWORD BY HORWATH HTL – ASIA PACIFIC

Horwath HTL is once again pleased to present the 2019 Philippines Hotel Industry Survey. The study presents results gathered from Horwath HTL's Industry Surveys and refers to 2018 financial year.

This year, we are delighted to introduce new participating hotels under Red Planet, Dusit International, New World Hotels and Resorts, and Wyndham Hotels and Resorts. With that, we present the aggregated results of 48 hotels in the Philippines, accounting for 12,101 rooms as valuable benchmarks. This represents 88 percent YoY growth in rooms captured by the study.

In 2018, tourist arrivals in the Philippines recorded an all-time high of 7.1 million. Despite the closure of Boracay, tourist arrivals indicated an approximate 8 percent YoY growth. Although various stakeholders raised their concerns about the closure of Boracay and its impact on tourism in the Philippines, the act has proven to be a blessing in disguise for the country as travellers were diverted to secondary destinations such as Palawan, Siargao, Lloilo, La Union and more. As these alternative destinations begin to open up, tourism in the Philippines is likely to benefit over time.

Lastly, we would like to extend our appreciation to our members of Honorary Advisory Board and all participating hotels, without which this study would not have been possible. We are grateful for any feedback or comments you may have to offer that will assist us in continuing to improve the utility of this survey.

Robert Hecker
Managing Director
Horwath HTL – Pacific Asia

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TOURISM MARKET

Despite the 6-month closure of Boracay (a key tourism destination of the Philippines), tourist arrivals achieved a new record of 7.1 million, exhibiting an increase of 8 percent growth YoY. The strong growth indicated that secondary destinations in the Philippines have started to open up and travellers are looking to explore these emerging spots. Based on the United Nations World Tourism Organization's World Tourism Barometer, tourism growth rate in the Philippines exceeded the average growth in Asia and the Pacific. However, total tourist arrivals did not achieve the Department of Tourism's (DoT) target of 7.4 million arrivals for 2018.

While South Korea maintains as the Philippines' top source market in 2018 with 1.6 million arrivals (22 percent of the total tourist arrivals), South Korean tourists have declined marginally by 1 percent from 2017. Traditionally, South Koreans have demonstrated strong preferences for Boracay as a destination, hence its closure led to the contraction of demand from this market last year.

On the contrary, the Chinese market has increasingly gained market share, especially after it surpassed the US as the second largest market in 2017. The proportion of Chinese tourists to the total tourist arrivals increased from 15 percent in 2017 to 18 percent in 2018. The number of Chinese tourists grew by a robust 30 percent YoY, attributed by the opening of new air routes and increasing frequency, and most importantly, the improving ties between the Philippines and China since the Duterte administration. In addition, to facilitate convenience for the Chinese travellers, the Philippines government is looking into shortening the process of visa on arrival. Additionally, USA represents the third largest source market with 15 percent of the total tourist arrivals. Apart from tourists, this source market also consists of former Filipinos who have acquired US citizenship, also commonly referred to as "Balikbayans". Other key source markets include Japan, Australia, Taiwan, Canada, UK, Singapore and Malaysia.

Going forward, DoT is optimistic about creating a new record on tourist arrivals as the government is positive that total tourist arrivals will surpass the targeted 8.2 million, which is approximately a million higher than 2018's tourist arrivals. Based on YTD June 2019 figures, the Philippines has achieved approximately 4.1 million tourist arrivals, which is about half of its targeted arrivals. This also indicates a 11 percent growth rate compared to same time last year. In August, US Homeland Security lifted its public travel notice on Ninoy Aquino International Airport (Manila) due to improved airport security. Thus, the Philippines is expecting more US travellers in the coming months.

Over the longer term, National Tourism Development Plan (NTDP) has high hopes for the Philippines to achieve 12 million tourist arrivals by 2022. While arrivals have shown strong growth in the past few years, it is crucial to note that infrastructure improvement, sufficient skilled labour and sustainable tourism initiatives are required to cope with the influx of tourists.

HOTEL MARKET

Based on the latest available statistics by DoT, there are 1,760 DoT accredited accommodation establishments in the Philippines in 2017, representing 289,649 rooms. Metro Manila welcomed an addition of 2,700 hotel rooms in 2018, indicating a 1.7 times more new supply than in 2017. These new hotels include both internationally branded hotels such as Grand Hyatt, Hilton, Sheraton, Holiday Inn Express and domestic players such as Savoy Hotel and Seda. Manila is expecting another 2,300 rooms to enter the market in 2019. Apart from Manila, a supply pipeline is expected to show significant growth in the other markets such as Metro Cebu and Bohol. The hotel market is also likely to see further development of homegrown brands, following the success of Seda and Aruga.

SURVEY ACCURACY NOTES

The benchmark data presented in this survey of operations for the hotel industry offers users a baseline reference on the operational performance of hotels in each category by and large. With great emphasis on presenting accurate benchmarks, the following fundamentals on the results presented should be noted.

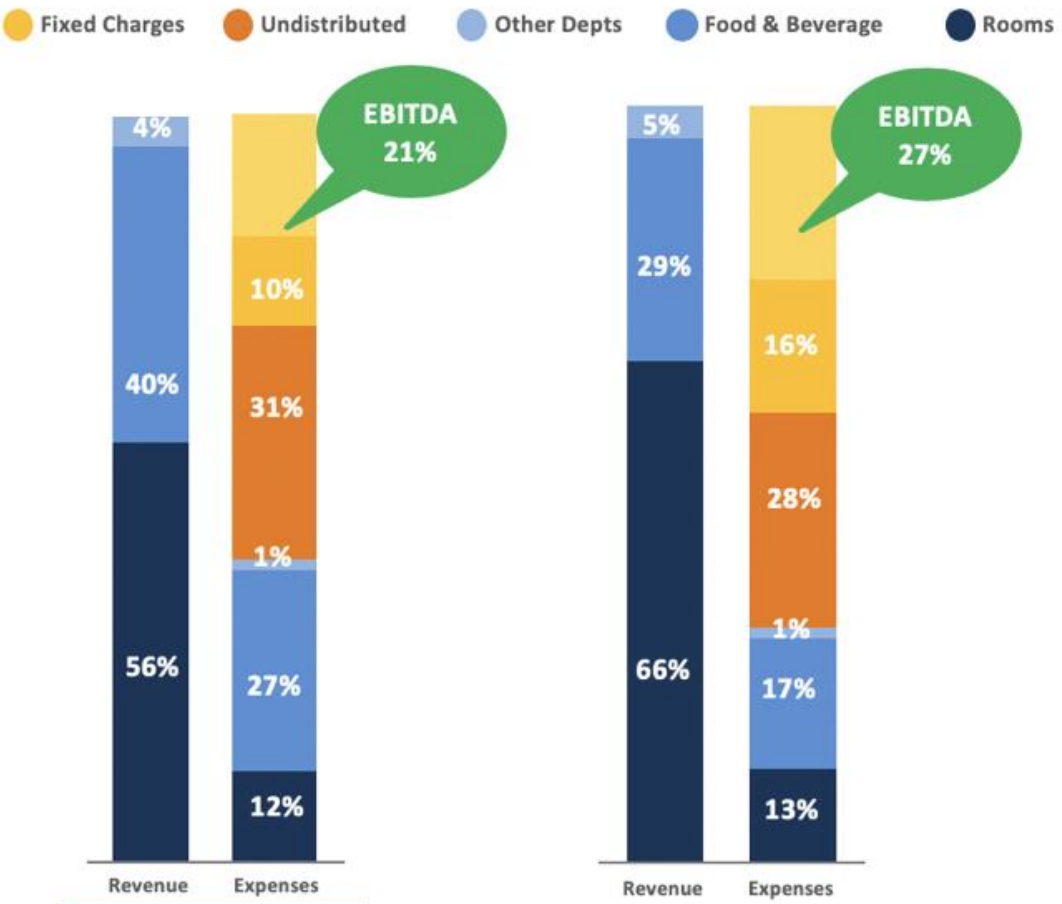
Service Charges: In accordance to local industry practice, all respective departmental revenues, Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) are exclusive of service charges.

Previous Year Comparisons: The derivation methods of the previous year data (presented in the Summary of Results), has been retroactively adjusted to be consistent with the current year's practice. On this note, the 2017 performance figures shown in this current 2019 study (calendar year 2018) might not be identical to the previous year's study. As per the 11th revised edition of the Uniform System of Accounts, expenses in relation to Information and Telecommunications Systems are reclassified as a separate line item under Undistributed Operating Expenses.

Line Items: Vertical totals and averages may not add up as each average indicator is based on the hotels that contribute data for each specific line item.

Requisite Sample Size: Each average benchmark figure will only be presented if the number of respondents is more than 10 percent of the total respondents in the respective column group. Anything less than 10 percent will be shown as Not Available (N/A).

Categories by Number of Rooms: In previous years, we have used number of rooms as a category along with average daily rates and locations. However, as of 2014, we have chosen not to segment hotels by size to avoid misleading data. If we rely solely on number of rooms, data from hotels in different segments, such as budget and luxury, could be combined and create false averages. We feel that analysing hotels based on rate category and location provides stronger and more accurate data.



Manila Hotels

ADR: PHP 5,050

PHP 2,296,850 Total Rev PAR

Other 7% Bev 9% F&B Rev Mix Food 84%

F&B Rev POR: PHP 4,442

Total Labour Cost To Revenue 22%

30% Gross Operating Profit

Other Hotels

ADR: PHP 3,383

PHP 1,456,315 Total Rev PAR

Other 3% Bev 12% F&B Rev Mix Food 85%

F&B Rev POR: PHP 2,346

Total Labour Cost To Revenue 16%

42% Gross Operating Profit

KEY FINDINGS

The 2018 survey had 48 participating hotels, accounting for a total of 12,100 available rooms per day, 88 percent increase of total available rooms per day from last year's survey. As a majority of these new participating hotels fall under PHP 4500 rate category, certain metrics such as ADR and RevPAR may have decreased as compared to 2017's performance.

- The surveyed hotels achieved 73 percent occupancy, a marginal increase of one percent year-over-year (YoY). Emerging destinations in the Philippines are gaining popularity and the improving ties with China has contributed to the Philippines' tourism growth.
- ADR decreased by 13 percent from 2017 to 2018 largely due to a larger mix of low-rated participating hotels. As a result, RevPAR dropped by 11 percent YoY. Similarly, the decline in EBITA per Available Room is also attributed to the higher proportion of low-rated participating properties.

TABLE 1.1 2018 VS. 2017

SUMMARY OF RESULTS	2018	2017	% Change
Total Number of Hotels	48	19	153%
Total Number of Available Rooms per Day	12,100	6,444	88%
Total Number of Occupied Rooms per Day	8,890	4,651	91%
Occupancy	73%	72%	2%
Average Number of Guests per Occupied Room	2.0	2.5	-21%
Average Daily Room Rate (PHP)	4,592	5,256	-13%
RevPAR (PHP)	3,374	3,793	-11%
Average Rate per Guest Night (PHP)	2,025	1,964	3%
Total Revenue per Guest Night (PHP)	3,496	3,674	-5%
Total Revenue per Available Room (PHP)	2,084,439	2,549,597	-18%
Total Expenses per Available Room (PHP)	1,416,597	1,823,579	-22%
GOP per Available Room (PHP)	667,842	726,018	-8%
GOP as a Percentage of Revenues	32%	28%	14%
Fixed Charges per Available Room (PHP)	220,199	224,372	-2%
EBITDA per Available Room (PHP)	447,643	501,646	-11%

Note:

Vertical totals may not add up as averages are based on respondents that contribute for each specific line items.

GOP: Gross Operating Profit

EBITDA: Earnings Before Interests, Taxes, Depreciation and Amortization