"We are back on track and I am confident that the coming year will see ENL reach its highest level of performance yet, and so despite heightened inflation and disrupted supply chains."

Hector Espitalier-Noël
Group CEO

DISCUSSION WITH THE CEO

Group profit after tax is at pre-COVID-19 levels. How do you account for this rapid bounce-back considering that national borders reopened only nine months before the end of the year under review?

We are indeed back on track, with profit after taxation at Rs 1.6 billion. For the first time since the onset of the COVID-19 pandemic, performance was not weighed down by heavy losses in the hospitality segment of our businesses. Since the reopening of borders in October 2021, the destination has attracted a steady stream of travellers, and the hotel industry has been able to stop the financial haemorrhaging caused by two years of lockdown. The sector is now back to profitability and has contributed Rs 369 million to group PAT.

On the other hand, we have maintained solid performances in real estate, commerce and industry, finance and technology, logistics as well as in agriculture. These segments have stayed the course thanks to their inherent resilience and due to the Government's strategy to see the national economy through the pandemic. Government's agenda to help businesses protect jobs, as well as its support to consumer spending turned out to be well inspired.

Much is being said about how the hospitality industry needs to rethink itself. What does the COVID-19 pandemic tell us about the general health of the sector?

The pandemic has raised people's awareness about the quality of interactions they want to have with the world around them. Today's traveller seeks to connect with the territory and its culture in meaningful ways. Our group has stayed attuned to this evolution, and Rogers Hospitality is successfully using authenticity and sustainability as major product differentiators.

The hotel industry's rapid bounce-back following the reopening of borders also tells us that Mauritius remains a preferred destination in its target markets. The performance of our own hospitality segment points to that: we have swerved from a Rs 2.5 billion loss last year to a profit of Rs 369 million in 2022 despite a brief resurgence of the pandemic that impacted the December peak season.

National earnings from tourism between January and June 2022 reached 80% of pre-COVID-19 levels. Occupancy rates hit a record high for the off-peak season, and forward bookings are promising a very good peak season in late 2022. As airline connectivity improves, the industry should continue to grow robustly during the next financial year.

What are the challenges that could potentially slow down the hospitality industry along the path of recovery and sustainability?

The industry must adapt to the changing needs and aspirations of travellers as expressed by last-minute bookings, longer stays and growing expectations with regard to sustainability commitments. In addition to these substantive shifts, disruptions in supply chains, inflation and the war in Ukraine will likely further impact customer behaviour and challenge the industry. The context calls for a close partnership between the Government and industry to preserve the destination's market share.

Shortage of manpower has been another constant challenge since border reopening. Post-pandemic shifts in workforce behaviour seem to challenge businesses the world over. In Mauritius, the hospitality industry is particularly hit, most probably because it was out of business for the longest period. Immediate solutions to the situation could include increasing the proportion of international talent in our employment mix.

And while we address these real challenges of our times to keep the hospitality industry afloat, coastal erosion is threatening to compromise its very sustainability. It is relentlessly gnawing at the destination's most precious asset, its beaches. The situation urgently requires joint public-private initiatives to restore and prevent further damage to what remains the main allure of the Mauritian destination.

Sugar cane is once again king in agro-industry. How is ENL using the favourable context to improve the sustainability of its sugar cane operations?

With sugar prices on the rise and fairer remuneration for bagasse, the sugar cane industry is experiencing positive and growth-enabling conditions after a very long time. And despite the increasing costs of farm inputs like labour, fuel and fertilisers which put our margins under pressure, we are optimistic about the industry's future.

After years of prioritising cost containment, we are once again investing to improve our productive capacity. More specifically, we are accelerating our field replantation programme in a bid to improve crop productivity: 280 hectares have been replanted during FY22 and an additional 400 hectares should be renewed in FY23.

To date, sugar cane remains the most commercially viable crop that we can grow on the island. However, it is subjected to the vagaries of the commodity market which is cyclical in nature. We have diversified our production mix over the decades in a bid to mitigate the inherent risks of a monocrop business model. We farm chicken and grow vegetables, thus contributing to feed the nation with locally grown fresh produce. Today, up to 40% of revenue in our agro-industry segment comes from non-sugar activities.

Mauritius, like the rest of the world, is experiencing inflationary pressures. How will this affect ENL?

Mauritius is in the grips of imported inflation brought about by the depreciation of the rupee coupled with inflationary pressures experienced by our main trading partners. However, consumption has shown remarkable resilience and ENL is faring rather well. It must be said that our diversified business model provides hedging to our group, and our strong land assets remain a solid safety net against inflation. Our businesses are nonetheless taking cost-cutting measures to remain competitive and we continue to invest to further strengthen our productive capacity. Central banks worldwide are increasing interest rates, and hopefully, they will soon succeed in taming inflation.

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Acquiring the integrated energy solutions provider, Ecoasis this year was a strategic move. What are ENL's ambitions for electricity production?

Mauritius has stated its objective to produce at least 60% of its electricity requirements from local, renewable sources, mainly biomass and solar, by 2030. This presents business opportunities which ENL is determined to embrace.

Our group is well positioned to develop renewable energy production into a strong business pillar: we are already an important supplier of biomass to independent power producers and we produce electricity through rooftop photovoltaic farms. We now aim to further develop our potential as a solar power producer on selected parts of our land. We are building capacity accordingly: we acquired a majority stake in Ecoasis during the year and sealed a strategic partnership with a large, international energy producer.

As a party to the Paris Agreement on climate change, Mauritius has committed to lower its carbon footprint within a given time frame, and ENL is determined to contribute towards this sustainable development goal. We believe that in so doing, a lot of value can be generated locally and substantial savings can be realised on our import bill for fossil fuels.

ENL is now 15 years into the urbanisation of Moka, and it is investing the know-how and experience cumulated over time into the development of Savannah Connected Countryside. What does success look like?

Real estate development, management and operation have grown into an important driver of growth for our group. The segment contributed a healthy Rs 896 million to PAT this year. More than a mere revenue centre, the real estate segment of our businesses enables our group to have a direct and lasting positive impact on our natural, social and economic stakeholders. We are fully aware of the privilege, and of the responsibilities that come with it, as we go about creating integrated places to live, work and play.

- The development of Moka has gathered momentum; one can now get a better idea of what the smart city is going to look like in another ten years' time. Current and upcoming road infrastructure development, as well as the prospect of being connected by the metro network, promises to further accelerate growth by making the smart city significantly more accessible.
  - We are currently opening a boulevard that will link the heart of Moka to its iconic mountains. We are inviting nature into town. And all the while, we are growing the smart city outwards, away from Helvétia, its core, towards Telfair in the south and L'Avenir in the north. We are also strengthening Moka's offering as a business centre: Les Fascines just expanded our office portfolio by 9,000m^2 and Telfair will boast new 20,400m^2 LEED-certified mixed-use buildings by December 2023.
- Savannah Connected Countryside, on the other hand, is positioned as a connected village. It will offer residents the possibility to adopt a more laid-back lifestyle, reminiscent of yesteryear while very much anchored in the modernity of today. The smart village is master planned over 365 arpents to be developed over the next ten years. We have already started giving shape to its very first district, Gros Bois, which now houses more than a hundred residences, an international school and communal facilities. The initial response of the market to Savannah has been very encouraging.
- Bel Ombre is also getting our focused attention. We have grown the region into a serene and chic destination, with several premium beach resorts and an acclaimed golf course set against a unique backdrop of hilly landscapes rich in endemic biodiversity. The ambition, here, is to build on the unique natural assets of the area to develop Bel Ombre into a reference for sustainable and tropical art de vivre.

Shopping malls are the biggest net contributor to the profitability of ENL's real estate segment. How is the retail property cluster strengthening its leadership in the face of increasing competition, inflation and disrupted supply chains?

Our retail properties continue to be a very good source of income for our group. Far from sleeping on our laurels, however, we are upholding our investment programme aimed at enhancing customer experience in all our facilities. During the year, we added a whole new wing to Bagatelle Mall and welcomed 42 Market Street in the precinct, thus opening the mall to small- and medium-sized local tradesmen/women. This extension also provides a new entrance to the mall, which gives added visibility to tenants with an upmarket product offering. New extension works planned at the south end of the mall will further enrich shopper experience. Phoenix Mall, on the other hand, is promised to a significant increase in footfall as it joins the metro network in early October 2022.

Compliance regulations governing business are being strengthened, both globally and in Mauritius. How is ENL keeping up?

Mauritius has upgraded its AML-CFT framework such that the country is now recognised as a credible and compliant jurisdiction by international standards. This brings in its stride several adjustments for business operators who now must carry out a vast array of checks and controls related to global KYC standards. These business practices inevitably result in slower and more arduous processes. ENL views governance and compliance as cornerstones of good business practices. We have strengthened our governance structure with a full-time compliance team which sees to it that our group is up to the mark while preserving operational efficiency and agility for optimal customer experience.

Would you say that ENL's financing structure is adequate to fund its growth?

ENL is powered by a solid balance sheet, with total assets currently valued at Rs 82.8 billion and total equity amounting to Rs 43.6 billion. During the year, we successfully raised a Rs 1.4 billion bond, to which CARE Mauritius gave an A-stable rating. The funds are being used to partly refinance existing debts and to fund development.

Our business activities and developments are funded by a mix of equity and debt. We enable our individual businesses to continually invest in their growth while paying shareholders reasonable dividends. To that end, we ensure that each business is autonomously financed, and risks are adequately ring-fenced.

How do you assess ENL's progress on the sustainability agenda so far?

Our group fully subscribes to the Global Goals and we are committed to promoting growth that is inclusive and respectful of the natural environment. Cap 23, our current business plan, has seen us structure our approach to sustainable development and to track progress with a view to be fully aligned with the national and international agenda.

For the sake of efficiency and optimal impact, we have chosen to focus our interventions on the following four areas: circular economy, local anchoring, skills and employability and innovation. Among the many initiatives started in this context, we have introduced a waste management framework, aimed at significantly reducing the volume of waste we send to the landfill. We are also initiating measures to further reduce our carbon footprint.

Rogers Foundation is invested into the rehabilitation of the Jacotet riverbanks in Bel Ombre. Our offices, malls and hotels are producing part of their electricity needs in solar farms installed on their rooftops and we are gearing up to produce electricity from renewable sources for the national grid. ENL Foundation is working alongside international funders to promote employability and micro-entrepreneurship in more vulnerable communities. The smart city of Moka is being developed on the principles of sustainable urban development and Ascencia is looking into the transformation of wet waste into biogas, a clean source of energy.

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When I look around at what's happening within our companies, I cannot but be energised and encouraged by the conviction and dynamism with which the ENL community is engaging with sustainable development.

Cap 23 is entering its final year of implementation. What is the outlook?

We are on track to achieve our growth targets and I am confident that FY23 will see ENL reaching its highest levels of performance, notwithstanding the heightened inflation and disruptions in supply chains. I would like to place on record my appreciation for the discipline, focus and agility with which our teams continue to manoeuvre through these unprecedented times. I would also like to thank the ENL Board of Directors for its trust, support and insightful supervision. Over the next few months, we will be conducting our mid-term assessment of Cap 23 prior to starting our next business planning exercise. We will, as usual, keep our shareholders updated on our progress as we go along.