Discussion with the CEO

At the height of the COVID-19 pandemic, we continued to invest to modernise, strengthen and broaden our productive capacity. We implemented transversal initiatives relating to digitalisation, sustainability, corporate culture and customer data to give additional impetus to what we are doing at operational level. We also took decisive steps into the field of renewable energy production.

With the notable exception of the hospitality segment of its operations, FY21 was good for ENL, wouldn't you say?

I unfortunately cannot say that it's been a good year when we recorded an unprecedented loss of Rs 1 billion. However, if we look at the brighter side of things, we can draw comfort from the fact that ENL is a well-diversified group and our businesses, other than hospitality, did well in a particularly difficult context. In fact, the good results achieved by our real estate, commerce and industry, logistics and fintech activities exceeded our Cap 23 projections, enabling us to partly offset the massive Rs 2.5 billion loss we recorded in the hospitality segment.

The country opened its borders to travellers in October 2021, one year later than anticipated. How did this impact the group's results?

We had anticipated that the COVID-19 pandemic would be brought under control much earlier, and that the hospitality industry would reboot after the initial lockdown at the beginning of 2020. However, the borders were only opened on 1 October 2021. Our main markets responded very well to the reopening and booking rates were beyond our best estimates. Unfortunately, shortly after, Mauritius closed its borders to South Africa and Reunion, two countries that were still grappling with high rates of COVID-19 infection. Added to that, France included us on its "Rouge écarlate" list. The conjunction of these factors resulted in a deluge of cancellations which squashed our hopes for a strong restart. We are heartened by the fact that our borders are now fully opened, and that Mauritius remains a prime tourism destination. If the issue of air access adequacy is addressed in a timely and satisfactory manner, we should be back to pre-COVID-19 levels of performance in the industry in no time.

What were the driving factors behind the good performance of ENL's non-hotel business activities?

Our businesses have been building capacity over the years and, except for the hospitality industry which was hit by a cas de force majeure, they were able to demonstrate strong resilience during the pandemic.

- Well-situated and well-serviced land is a haven for many investors, especially during crises. Residential land we took to the market in Moka, Gros Bois and Bel Ombre remained in high demand. Our portfolio of office properties, developed and marketed under the Oficea brand name, also continued to garner interest. Ascencia shopping malls are constantly being uplifted and we teamed up with our tenants, especially by providing them with rental relief plans during the crisis, to maintain trading densities at pre-COVID-19 levels.
- Our commerce and industry segment delivered strong operational and financial results despite disruptions in supply chains, contraction in the market for new cars and the overall hike in cost of sales. Our longstanding focus on rationalisation of costs, diversification of markets and improvement of overall efficiency continued to pay off.
- We laid emphasis on value-adding logistics services that supported customers in a context of rising costs and disrupted supply chains. The geographical diversification of Velogic also contributed significantly to the segment's profitability.
- Rogers Capital introduced new fintech products, such as high-speed internet as well as cybersecurity, and tax advisory services. We also improved the management of our credit finance offering by implementing more stringent cost controls and more prudent credit policies.
- Sugar cane production was affected by poor climatic conditions, but our sugar revenue improved nonetheless because of better prices. On the domestic front, we suffered significant COVID-induced reductions in demand for our farm produce as hotels remained closed and restaurants worked below capacity.

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> **Hector Espitalier-Noël**
> **ENL Group CEO**

How did ENL use the COVID-19 downtime to further strengthen its staying power?

We continued to invest in the modernisation, strengthening and broadening of our productive capacity. We started several transverse projects with a view to give additional impetus to initiatives taken at operational level. We thus undertook to digitalise our processes and to leverage our customer data to significantly improve customer and employee experiences. We also took decisive steps to embed ESG criteria in our value creation model. At operational level, ENL companies upheld their entrepreneurial dynamism:

- Moka started infrastructure works for Telfair, its upcoming city centre. Upon completion, Telfair should be a catalyst for the future development of the smart city. Oficea continued to expand its portfolio of office properties with the addition of new, state-of-the-art buildings that cater for COVID-19 induced changes in the way people work. Ascencia further improved the attractivity of its shopping malls to maintain its leadership of the retail property market. After the expansion of Bagatelle Mall, it has started construction works for a metro station at Phoenix Mall, an investment that should significantly improve footfall.
- In addition to new brands and products proposed by our tenants, we partnered with Decathlon, a world leader in sports equipment, and opened a first outlet at Bagatelle. Axess invested in new and modern showrooms at Bagatelle in support of its strategy to increase its market share for premium vehicles.
- Rogers restructured its hotel and leisure operations into a unified brand, and is thus able to optimise opportunities arising in the hospitality industry as borders reopened. It also continued to grow Bel Ombre into the benchmark resort for sustainable development in the Indian Ocean. We expect these investments to significantly improve the attractiveness of this region for visitors and residents.

ENL is claiming a stake in the renewable energy sector. What is the rationale behind it?

As one of the largest sugar cane and bagasse producers in Mauritius, ENL has always been an important stakeholder in renewable energy production. In recent years, we have built on this legacy and ventured into the production of electricity from solar energy. We have installed solar farms on the rooftops of several hotels, offices and commercial buildings. We recently strengthened our capacity in the field by acquiring a majority stake in Ecoasis, a sustainable energy solutions provider with know-how and experience built over more than 20 years. We are now well structured to roll out a development programme with projects delivering a total of 15 MWh in the pipeline. Given the current context of accelerating climate change, rising fuel prices, and the Mauritian government's declared ambition to significantly increase the share of renewables in its energy mix, I believe the scene is all set for ENL to launch a fully-fledged green energy cluster.

ENL has indeed been fuelling its entrepreneurial drive during the pandemic. How have these investments been financed?

We finance our growth using a mix of debt, equity and strategic partnerships. ENL leverages its size and its significant asset base to raise funds at favourable rates, all the while ensuring that its net indebtedness remains at sustainable levels. In the case of Moka Smart City, for instance, we have also opened the company's capital and welcomed new shareholders onboard.

ENL traditionally values strategic partnerships as a preferred growth enabler and accelerator. We invest time and resources in nurturing winning relationships with like-minded partners who, in addition to their financial strength, can add value to our teams given their expertise and experience.

ENL has committed to sustainable development. A road map has been adopted and seminal initiatives are being implemented across the group. What is your assessment of progress so far?

We are long-term value creators and sustainability is part of our DNA. However, given the pressing challenges of our time, particularly with regards to climate change, we have adopted a more deliberate and structured approach to sustainable growth. Our sustainability agenda, as spelt out in Cap 23, Impact Driven, engages us to introduce frameworks, cross-sectional initiatives, and performance tracking mechanisms to enable each subsidiary to do business with a keen eye for the net social, economic and environmental impact it is creating.

We devoted the first year of implementing Cap 23 to further embed sustainability in our corporate culture. We crafted and executed the **#myInPACT** initiative to foster shared ownership of the group's sustainability agenda and to move our teams to action. The initiative contributed to strengthen trust among employees who voted 15 ENL companies as a Great Place to Work.

In parallel, we are bringing fundamental changes in the way we do business. We are strengthening our innovative capacity and adapting our business models to integrate the ESG criteria. We are implementing two group-wide projects aimed at limiting the volume of wastes generated in the group, and at lowering our carbon footprint. We also continue to develop skills to sustain employability both in and outside ENL, namely by training entrepreneurs at the Turbine business incubator and by providing customised training, coaching and financing to micro-entrepreneurs from vulnerable communities.

How does ENL's listing on the Stock Exchange of Mauritius Sustainability Index (SEMSI) help further its sustainability agenda?

The SEMSI listing makes our sustainability efforts more visible to stakeholders with whom we seek to build long term relationships. It also commits us to greater accountability. Both factors should encourage our teams to uphold the group's sustainability agenda. As it is, the process of joining the SEMSI has already proved to be a positive experience. The independent audit of business practices, to which candidates to a SEMSI listing are subjected, has confirmed that our group has definite assets to build on.

Rs 78bn
total assets

The coming year is predicted to remain impaired by COVID-19 flares, supply chain disruptions, financial instability, and the high volatility of commodity markets. How will ENL face these headwinds?

ENL is powered by a solid balance sheet, with total assets currently valued at Rs 78 billion and total equity amounting to Rs 41 billion. We have secured funding for the next phases of our flagship developments, and we are constantly honing our productive instruments to create value efficiently and sustainably. We are therefore well-equipped to stay on our growth trajectory over the coming year.

Rs 41bn
total equity

Nevertheless, it cannot be denied that the present economic context is influenced by several unforeseeable and exogeneous factors that make both strategic decision making and day-to-day management of business particularly challenging. However, evolutions in the current context allow for optimism, and the reopening of Mauritius to the rest of the world is by far the most material one. We also draw comfort from the fact that the price of bagasse has finally been raised to levels that are closer to its real value. This certainly goes a long way in giving a new lease of life to the sugar cane industry.

So much to say that the current context is volatile, but also full of opportunities. Much will depend on how Mauritius manages to keep the productive sectors of the national economy enabled and motivated. More than ever before, the return to rapid economic growth calls for a close collaboration between the Government and the private sector. To stay a competitive and attractive destination to live, work and play, Mauritius needs to remain a low tax jurisdiction, capable of attracting the best talents and investors; its financial ecosystem needs to enable entrepreneurship and innovation.

As far as the ENL team is concerned, we remain fully geared up to continue to create value sustainably, despite the context. In addition to the strong assets our group holds and which support and fuel our performance, we are driven by a positive mindset, an agenda to create a positive impact on our natural, social and economic environment. This spirit is worth highlighting and on behalf of the ENL Board of Directors, I would like to place record my deep appreciation of the commitment and support extended to us by our collaborators, shareholders, Government, business partners and customers.

> **"The current context is volatile, but also full of opportunities. A low tax environment capable of attracting the best talents, for example, should conjugate with an enabling financial ecosystem that supports entrepreneurship and innovation to create a strong base for fast economic growth."**