“TOGETHER, WE WILL EMERGE FROM THE COVID-19 CRISIS STRONGER, MORE RESILIENT AND MORE UNITED.”

Hector Espitalier-Noël
CEO, ENL Group

DISCUSSION WITH THE CEO

ENL is exceptionally late in publishing its audited financial statements. How do you account for the delay?

Discipline and rigour are integral parts of ENL’s corporate culture, and the late publication of the company’s accounts is highly regrettable. A conjunction of several factors accounts for this situation. We were audited by a new firm which had yet to fully understand the complexity and diversity of our Group. The COVID-19 pandemic has been another major disruptor as it has ushered in a whole new set of complications, impacting companies’ capacity to deliver, and especially the hotel industry’s ability to secure adequate funding. Businesses are being subjected to tighter scrutiny. Accounting standards have become more rule-based, materiality thresholds have gone down, and our auditors have questioned how we account for key aspects of our business model.

What precisely is the issue about?

It is about how we account for our investment properties which lie at the very foundation of our business model. ENL is engaged at continuously leveraging its land assets to create cash generating businesses. We have been foresighted enough to constitute a landbank of strategically located, development-ready properties to support our business strategy. We keep these properties under sugar cane cultivation until such time when a development is undertaken on them. However, this agricultural activity is only incidental with regards to the main purpose for which the landbank is constituted, namely real estate development. Our ability to obtain value from the converted land has been amply demonstrated and we have always accounted for increases in its value as profit. Our new auditors have questioned this long-standing practice. We are publishing non-GAAP statements in this report to clarify our position.

The financial year under review marked the end of Vision 2020. What is your assessment of the Group’s performance with respect to set strategic objectives?

With Vision 2020, our strategic business plan for the period ending June 2020, we paved the way for our Group to grow further. Had it not been for the COVID-19 pandemic, we would have comfortably achieved, and even exceeded, set objectives. As it turned out, Vision 2020 equipped us to weather the first year of the COVID-19 pandemic more serenely since,

- We strengthened our capacity to grow by securing equity partnerships for Moka City, Oficea and VLH, and by restructuring part of our debts through finance raised on the bond market,
- We made strategic investments to sustain the dynamism of our real estate activities, securing additional space for Moka City to expand, creating Oficea to spearhead the development of our office properties, and opening two new malls to scale up our operations,
- We turned around the commerce & industry segment of our businesses, with Axess, the main contributor to its profitability, significantly increasing its market share,
- We diversified Rogers Capital’s scope of activities by venturing into consumer finance,
- We repositioned Bel Ombre as a sustainable agri-tourism destination, and
- We unified the ENL team and better aligned the interests of our Group’s many stakeholders by amalgamating our different holding companies.

What were the highlights of the financial year under review?

We cleared several important milestones during the first half of the year. The most significant ones contributed to strengthen real estate development and management as our main growth driver for the foreseeable future: Moka City was authorised to double its size to some 1,000 arpents, we started works to develop Gros Bois into a smart village and Ascencia initiated the expansion of Bagatelle Mall by adding some 13,000m² to the existing facilities.

The second half of the year was marked by the COVID-19 outbreak and the ensuing national lockdown. The exceptional agility and solidarity demonstrated by the ENL team in those times were undoubtedly the main highlight of this period. At a time when Mauritians were confined to their homes, the ENL team worked hard - both at home and on site, as well as at company and national levels, to ensure business continuity. We thus contributed to maintain supply chains open and our hotels served as quarantine centres. And all the while, we upheld solidarity with the lesser privileged: the Group donated Rs 5.5 million to the National COVID-19 Solidarity Fund and ENL employees raised some Rs 20 million to support local communities that were the most impacted by the pandemic.

How has the COVID-19 pandemic impacted ENL?

Our teams responded to the crisis with agility, switching to remote work and optimising the use of Work Access Permits to ensure business continuity. Given the encouraging results we had recorded during the first semester, we would have been able to contain the immediate impact of the pandemic on our performance. However, the closing down of national borders seriously compromised our chances to that effect as the hospitality industry was left with high fixed costs and no revenue.

The other segments of our businesses showed resilience, quickly overcoming delays and setbacks caused by the lockdown. Ascencia implemented a tenant relief plan and launched its Safe Shopping campaign to successfully renew with robust trading densities. Our farming operations calibrated production to shrinking demands following the hotel industry's shut down. Having played a vital role in keeping supply chains open during the lock down, our logistics services recovered largely despite lower trade volumes. Our fintech services remained stable, except for the consumer finance segment which was severely impacted by the pandemic and its toll on the purchasing power of Mauritians.

Our residential and office property developments and operations stayed their course, buoyed by investors' preference for property stocks in times of crisis, as well as by ENL's significant goodwill as property developer. Our commercial activities recovered from initial slowdown, boosted by the Government's scheme to support sales of new vehicles, and by the renewed dynamism of the construction sector.

What is the Group's strategy to navigate the coming years?

The *COVID-19* caught us right in the middle of the elaboration of **CAP 23, Impact Drive**n, our business plan for the period 2021-2023. We are naturally factoring in changes in the national and international socio-economic landscapes in our planning process. Prepared once again in collaboration with French consultancy *EY – Parthenon*, this strategic plan charts the way ahead with inbuilt agility, providing for regular reassessments and readjustments to suit the extremely volatile times we are living in.

We are staying our course in growing ENL into a modern, efficient, customer-centric, and sustainable business group. **CAP 23, Impact Driven** is underscored by two roadmaps which translate our ambition for sustainable innovation. Prepared under the guidance of French consultancy, *Imaginabl*e, our sustainability roadmap positions ENL as an open and learning enterprise, actively committed to the community, and consistently upgrading its business model to positively impact our natural environment. Our digital roadmap, put together with expert inputs from *EY Mauritiu*s, enables us to leverage technology and data to transform ENL into a modern technology-backed organisation.

" WE ARE INTRODUCING A FRAMEWORK FOR OUR BUSINESSES TO BE SUSTAINABLE BY DESIGN. IN ADDITION TO IMPACTING THEIR BOTTOM LINES, ENL COMPANIES WILL HENCEFORTH HAVE TO DEMONSTRATE HOW THEY ARE POSITIVELY AFFECTING THE SOCIAL AND NATURAL ENVIRONMENTS THEY OPERATE IN."

What is the sustainability agenda of ENL?

ENL is a long-term player, committed to creating value over time. As such, sustainability is part of our Group's DNA. We are now adopting sustainability as a way of doing business, and we are introducing a framework for our businesses to be sustainable by design. In addition to impacting their bottom lines, ENL companies will henceforth be called upon to demonstrate how they are positively affecting the social and natural environments they operate in. Our strategy rests on four pillars: *circular economy*, *innovative capacity and adaptability of business models*, *territorial anchoring*, and *skills and employability*. When designing their business plans, ENL companies are integrating initiatives to create impact in most of these areas. Progress is being monitored by a *Sustainable Innovation Committee* that I chair.

How will ENL ensure that it has high performing, committed and capable talents to give shape to its strategic ambitions?

Our teams are one of our greatest assets and we are committed to creating the most enabling environment for talents to grow and to contribute fully to the Group's business objectives. The development of our teams is a strategic focus area for the achievement of our CAP 23 objectives. Our strategy to grow our teams involves the activation of all the levers of modern human capital management, including talent, engagement, and performance management as well as training and leadership development. It explores principles such as flexible workforce and remote work. We have also overhauled our training capabilities by creating the Enabling Academy to nurture existing and future talents, while leveraging on systems and digital capabilities.

Given the context, how will the Group maintain its growth momentum in its six served markets?

We are expecting a return to profitability by FY 2022, except for the hospitality segment which is expected to recover by FY 2023. ENL has the inherent strengths and resources to weather this crisis: a sound financial structure, a reasonable gearing level, a talented and engaged team, a significant asset base and a strong goodwill among key stakeholders. The outlook from an operational point of view gives us good reason to believe in a rapid recovery.

- The market for real estate remains buoyant despite the crisis and we have the staying power to adapt our product offering to demand, should it slow down. As such, Moka City pursues its development plans, and so does Ascencia which is investing in the extension of Bagatelle Mall, including in a dedicated facility for Decathlon. We are also launching the development of Gros Bois under the *Smart City Scheme*.
- ENL Agri is maintaining its focus on improving operational efficiency and developing new business lines. Sugar cane cultivation should become sustainably profitable again on the strength of better remuneration of bagasse, which we expect to be implemented shortly.
- ENL Commercial will continue to grow its portfolio of brands and will aim for market leadership in its main businesses, namely by maintaining focus on customer satisfaction and operational efficiency. The cluster has secured a prestigious new brand, Decathlon, which will be opening its first retail outlet in Mauritius by the end of April 2021.
- Rogers has initiated the integration of our hotels and leisure activities with completion expected by 30 June 2021. This should create a differentiated hospitality powerhouse with unique and exclusive customer experiences. We are positioning and promoting Bel Ombre as a sustainable agri-tourism sub-destination. Additionally, construction works for a second golf course in Bel Ombre have progressed well, with a planned opening during 2022. As regards our travel services, we are resolutely going digital to be aligned with latest market trends.
- The crisis has opened new avenues for growth for Velogic and we have plans to consolidate our position in Mauritius, East Africa and India, as well as to turnaround our French loss-making operations. With strategic partnerships likely to unfold over the next few years, we also intend to play a leadership role in the provision of logistics services in the Indian Ocean and East Africa.
- The consumer finance segment of our fintech cluster has registered setbacks resulting from delays in debt repayment by clients. Rogers Capital is currently exploring several avenues to compensate for it. The company's corporate services segment, on the other hand, has demonstrated resilience despite the crisis and the EU's blacklisting of the Mauritian jurisdiction. We will continue to focus on providing more differentiated and value-added services in the coming year. The future, however, will depend on how readily the EU will white-list Mauritius once again, and when.
- We continue to develop photovoltaic projects and acquire new competencies through partnerships. We aim to develop a comprehensive value proposition that would not only equip Moka City to meet its sustainable energy needs but will also enable our Group to reduce its carbon footprint and develop its nascent energy cluster.

The hospitality sector is in a state of emergency. Will ENL continue to invest in this industry?

The hospitality industry is a key driver of the national economy, accounting for more than 100,000 direct and indirect jobs and nearly 25% of Gross Domestic Product. ENL is a major stakeholder with leading brands like VLH, Heritage, Beachcomber and Island Living. The sector is currently beset by very serious woes, both in our main markets and at home: confinements, disruptions in international air traffic, the decision of Air Mauritius to go into voluntary administration...

To date, hotel operators are on survival mode, and so despite Government's support through the *Government Wage Assistance Scheme* (GWAS) and the *Mauritius Investment Corporation* with its bail-out plan. The industry has opened to local customers and proposed quarantine travel packages in a bid to generate some revenue. But this has minimal impact on the distressed businesses. It will take the seamless opening of national borders to international travellers and a well-thought, integrated destination marketing plan to set the industry on the path of recovery. The availability of vaccines and on-going mass vaccination campaigns make us hopeful that the Government will soon be in a better position to reconcile public health with economic health.

Our Group is preparing for recovery by continuously working at boosting the resilience of our hotel and leisure operations and by enhancing our customer experience offering.

"OUR RESIDENTIAL AND OFFICE PROPERTY DEVELOPMENTS AND OPERATIONS HAVE STAYED THEIR COURSE, BUOYED BY INVESTORS' PREFERENCE FOR PROPERTY STOCKS IN TIMES OF CRISIS, AS WELL AS BY ENL'S SIGNIFICANT GOODWILL AS PROPERTY DEVELOPER."

What do you expect for the coming financial year?

We expect our financial performance to be significantly challenged for the coming financial year, especially in the hospitality sector given that national borders have remained closed for the entire financial year. With the marked exception of the hospitality segment, all our businesses posted positive results during the first semester of 2021. We expect these operations to continue to show resilience, but we are very clear that this will not offset the adverse impact of the prolonged confinement of Mauritius with respect to the rest of the world. The more so since Mauritius has had to lock its borders to outside traffic anew since March 2021.

The situation will only get worse the longer our country stays on the European blacklist. The lack of visibility as to how this matter will be resolved darkens the outlook for an otherwise healthy financial services industry. Fundamental shifts in our country's fiscal policy as witnessed by the increased taxation of individuals, and the controversial introduction of the *Contribution Sociale Généralisée,* further weakens the competitiveness of Mauritius as a destination to work, live and do business in. We will be closely monitoring the impact of this change, especially in the real estate sector.

Despite the Government's efforts to help businesses impacted by the crisis and to preserve jobs, it is anticipated that the gloomy economic outlook will be further enhanced by expected job losses and drops in consumption and consumer confidence. As such, we expect the coming year to be challenging for our commercial, retail properties and consumer finance activities.

As regards our real estate segment, the demand for our products in Moka remains strong and we are confident about the short- and longer-term prospects. The low interest environment, depreciation of the Mauritian rupee, and the loss of confidence in the stock market have resulted in the real estate market consolidating its position as a safe investment.

To conclude?

I would like to thank every single employee of the Group as well as my fellow CEOs, the ENL leadership team and my fellow Directors for their unwavering commitment to see our Group through this crisis. I would also like to place on record our appreciation of the Government's efforts to help businesses weather the COVID-19 pandemic. I am equally grateful to our business partners and various stakeholders for their continued support and trust in ENL.

Speaking from an economic point of view, I believe we have yet to bear the full brunt of the COVID-19 pandemic. So far, the economy has been largely supported by the Government's various support plans that no one can reasonably expect to last for ever. We remain convinced that our country will not engage on the path of sustainable economic recovery unless national borders are opened, and travellers are made to feel welcome once again. The Government's sound administration of the pandemic and the ongoing national vaccination campaign hold the promise of a speedy return to normalcy, and ENL is actively preparing itself for it.

Thank you, fellow shareholders, for your continuous support. I assure you of my unreserved commitment to lead ENL through these challenging times, and I am confident that together, we will emerge from the COVID-19 crisis stronger, more resilient, and more united.

"ENL HAS THE INHERENT STRENGTH AND RESOURCES TO WEATHER THIS CRISIS: A SOUND FINANCIAL STRUCTURE, A REASONABLE GEARING LEVEL, A TALENTED AND ENGAGED TEAM, A SIGNIFICANT ASSET BASE AND A STRONG GOODWILL AMONG KEY STAKEHOLDERS. WE ARE EXPECTING A RETURN TO PROFITABILITY BY FY 2022, EXCEPT FOR THE HOSPITALITY SEGMENT WHICH IS EXPECTED TO RECOVER BY FY 2023."