

Interview with the Group CEO

12.3 min

Investing for sustainable growth



It's been three years since the creation of IBL Ltd. Are you satisfied with the Group's progress?

Overall, IBL has had a satisfactory year. We navigate a complex and volatile environment with uncertain market conditions; yet, our Group achieved another solid year of growth. We also delivered on more than 85% of the strategic initiatives set out in the three-year strategic plan we developed in 2016 with the collaboration of McKinsey. Our aim remains to strengthen IBL's Mauritian core while expanding our regional and international activities, positioning ourselves as a leading diversified Group able to create sustainable value for all our stakeholders. Our ability to deliver on this global strategy depends on our capacity to transform our businesses through three pillars of growth: a Human Capital strategy that strengthens our capabilities, a Digital Transformation strategy to drive customer engagement and accelerate our growth, and a sustainability approach that reinforces our commitment towards the Planet and our communities.



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We saw a drop in profitability mainly as a result of one-off gains recorded last year following the disposal of our stake in ABAX, and a significant non-recurring write down in the value of assets of our associate, Alteo, which adversely affected the current year results. Group turnover increased by 7% and was matched by a growth in underlying profits of 8% compared to last year. The latter was subdued by challenges experienced mainly in our Retail, Insurance and Contracting businesses. We are confident that the decisive steps we are taking will reap benefits in the mid to long term. We are balancing consistency and agility to move forward with the right strategies for the transformation of our businesses. Our ability to consistently deliver sustainable results is also evidenced by our performance on the stock market: our share price has seen an 8% year-on-year growth, and more than 100% growth since our listing as an amalgamated Group back in July 2016.

Have any major transactions affected the Group's results this year?

IBL announced and executed several major strategic transactions that strengthened our capabilities across our nine clusters.

Locally:

- Following the acquisition of Monoprix in Mauritius last year, IBL acquired Shoprite in Port-Louis and Trianon, and rebranded Monoprix to Winner's. Additionally, we converted Shoprite Trianon into a Winner's hypermarket and launched a new e-commerce platform for the brand. Though these transactions required significant investment, resulting in lower earnings, it helped us consolidate our Retail segment and strengthen our position as Mauritian consumers' partner of choice over the long term.
- Following a major restructuring, our BrandActiv and HealthActiv businesses are performing well. Seven pharmacies have been rebranded and have introduced an innovative self-service concept, enabling us to stay ahead of the competition.
- IBL recently announced its intention to acquire General Construction Co Ltd, one of the country's leading civil engineering, project management and construction businesses. Once we are granted the relevant authorisations and finalise the procedures, this will enhance the vertical integration of our Building & Engineering cluster and reinforce our presence in an industry that is experiencing sustained growth.

Regionally:

- Our Life cluster is currently implementing a new strategy, developed in collaboration with Global Strategy consulting firm, Roland Berger. Notable transactions in 2018-19 include the sale of Proximed to dedicate more resources to "the professions of the future" and implement our vision of becoming a Health & Wellness destination. CIDP Holding, which recorded losses last year, has bounced back to profitability, largely contributing to our Life cluster's upward trend.
- CNOI is pursuing its expansion plan, having just signed the lease for the land adjacent to the current facility. It recorded solid business within its core activity, offsetting the impact of lower shipbuilding activities. A succession plan is now in place, and Mr Franck Piriou has taken over as CEO as of 1 September 2019.
- Our Manufacturing & Processing cluster has been expanding regionally and internationally, with our Seafood activities recording much better results than last year. 2017-18's lobbying regarding the enforcement of sustainable albacore fishing quotas is also yielding results. The entire value chain, from fishing to canning, has returned to solid profitability despite some challenges in our operations in France (Nutrifish S.A.) Meanwhile, in January 2019, we opened a new fish protein and fish oil factory in Ivory Coast, which is now fully operational.
- Our Beverage activities also saw sustained growth thanks to continued product innovation. Profits were achieved despite a disruption in our activities in Reunion Island caused by the 'Gilets Jaunes' movement and administrative challenges in obtaining relevant permits to source water.

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Internationally:

· IBL's Hospitality cluster continues to perform exceedingly well, despite a decline in tourist arrivals in Mauritius in the first quarter of 2019 and fierce competition in the Maldives. LUX* was restructured on 1 December 2018, separating its activities between the management company, The Lux Collective Ltd (TLC), and the real estate & hotel operations arm, Lux Island Resorts Ltd. Both companies now operate independently, with separate headquarters, Boards, governance committees and management teams.

Has IBL faced any particular challenges this year?

IBL's Agro cluster continues to be severely impacted by plummeting sugar prices on the world market, as well as a weak alignment between the private sector and local authorities on how to revitalise the cane sector. While Alteo performed well in Africa, it recorded unfavourable results in Mauritius. We intend to review the company's sugar-related activities moving forward.

Our Building & Engineering cluster posted mixed results, with profitability being eroded by a drop in performance at Manser Saxon Contracting. The latter received fewer contracts in its core areas of expertise this year, resulting in a 18% drop in turnover. In parallel, our Dubai operations remain challenging.

The outlook for this cluster remains positive, notably with the future acquisition of General Construction and the involvement of UBP in a number of public infrastructure and property development projects.

Last year, IBL announced the implementation of a Digital Transformation strategy. Why is this a priority for the Group? What key developments can you report over the past year?

We strongly believe in the enormous potential of digitalisation and the opportunities it presents for value creation. Over the last decade, the digital revolution has rewritten the rules of competition internationally and reshaped entire industries. IBL's digital transformation journey goes beyond simply investing in technologies. We made a bold commitment to reimagine our business model and change long-held habits that may hinder an emerging digital environment. If we do not transform our core processes, people and value proposition, our digital initiatives are likely to fall short. We are therefore working towards building an enterprise-wide culture of change, empowering all members of our organisation to adopt new mindsets all with one main goal: to be more client-centric.

Our Digital Transformation team is responsible for driving this change through effective digital adoption and change management plans across our operations. This is no easy task, but a strong focus on upskilling and training, support from management and a clear roadmap will ensure the successful execution of our strategy.

Some of this year's most notable measures include:

- Transforming IBL's Corporate Centre, particularly in the area of operational efficiencies.
- We finalised the wiiv project, the first multi-partner loyalty programme of its kind in Mauritius, which then commenced roll-out in early July 2019. It offers consumers discounts, exclusive deals and instant rewards when they shop with any of our 11 partners. It also provides a holistic view of what IBL has to offer, encouraging cross-selling and synergies within the Group.
- Winner's launched its e-commerce platform winners.mu, providing a unique omnichannel consumer experience. We are currently operating a Click & Collect model and will deploy a full-fledged delivery service.

One of IBL's main pillars is sustainability. What has been achieved thus far? What are your priorities for the coming year?

IBL is guided by the belief that as Mauritius' largest diversified Group, the future of our business is tied to the future of our Island. Our commitment toward greater responsibility and accountability is reflected in our adherence to the highest international standards. As advocates for the UN Global Compact and Global Reporting Initiative (GRI) Standards, we are dedicated to integrating most of the 17 Sustainable Development Goals (SDGs) into our operations and providing a transparent account of our progress towards achieving them.

As announced last year, we rolled out our Group sustainability policy, which outlines IBL's key priorities: reduce our environmental footprint, continue placing our stakeholders at the heart of our strategy, and implement high standards of integrity and governance, all while being profitable. This year, we focused on applying this Group-wide strategy and IBL's Code of Business Ethics within all our operations and subsidiaries.

We made substantial progress against the sustainability goals outlined last year:

- 22 companies are currently engaged in materiality assessments. We are also providing continuous support to our business entities to encourage them to report on their environmental, social and governance impact based on the GRI Standards and SDGs.
- A joint venture between IBL and Green Yellow, a leading Energy Manager firm, has enabled us to optimise our energy consumption and better monitor our energy performance. We aim to reduce our energy consumption by 30% by 2021 and to introduce innovative renewable energy solutions to the Mauritian market.
- We signed a statement of support for the Women's Empowerment Principles (WEPs) in October 2018, reinforcing our commitment to women's equality. We intend to continue taking concrete action to achieve gender equality.

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How has Fondation Joseph Lagesse performed this year, given the challenging CSR context in Mauritius?

Corporate Social Responsibility has always formed an integral part of our sustainability agenda. Most of our initiatives are carried out through Fondation Joseph Lagesse (FJL), which receives funds from almost a hundred IBL companies.

Executing our long-term agenda has been challenging due to the increasingly stringent constraints in the national CSR framework. The foundation has accomplished significant work over the last few decades and the team continues to work on its community development and poverty alleviation endeavours across Mauritius.

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IBL is in the process of refreshing its Human Capital strategy. How do you intend to ensure you have the right human capital for the long-term?

This year, we continued building on the Great Place to Work (GPTW) survey carried out last year, which revealed our strengths in the areas of career progression and talent management. This is a testament to our people-first culture and effective workplace practices, which we aim to improve to create a more enabling work environment.

Furthermore, we identified new areas for improvement, our first step being to transform our Corporate Centre into a Centre of Excellence looking after Talent Management, Leadership Development and Operational Efficiency. We intend to put in more flexibility to allow for mobility between clusters or even at an international level.

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Our office in Nairobi has the potential to be a key contributor to our regional growth. Two Business Development Executives are currently seeking out expansion opportunities in the Indian Ocean and sub-Saharan Africa, but we recognise the need to reinforce our Human Capital strategy in the region. By bringing in more capabilities, we expect to transform the many leads for partnership into concrete opportunities.

A Group-level Risk Management team has been in place for two years now. How is it enabling IBL to systematically identify and manage its main risks?

Comprehensive risk management remains front and centre at IBL. Rather than viewing it as a specialised function, we treat it as an integral, enterprise-wide component that must be embedded in our strategy, culture and business operations. This year, our risk management function has taken on a stronger role and now integrates an operational compliance function.

A Senior Risk Officer and an Internal Compliance Manager were appointed to accelerate the deployment of the risk management framework adopted earlier this year, which sets out a clear allocation of responsibilities among the Board, its committees and different business entities in the areas of risk oversight, risk appetite, measurement tools and training, amongst others.

The framework's successful implementation requires a concerted effort involving the Board and senior management, who are responsible for setting the right tone at the top. In this view, all Senior Executives of our business entities are actively engaged in risk-related exercises within their own operations to better understand their challenges, set their risk appetite and measure their performance against these risks. IBL's commitment to strong ethics and intolerance for compliance failures is key in fostering a Group-wide culture that steers IBL towards long-term resilience.

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Our biggest priority going forward is to keep sustaining growth in a global market rife with competition and instability.

What are your top priorities for 2019-20?

Our biggest priority going forward is to keep sustaining growth in a global market rife with competition and instability. In addition, in the wake of the digital revolution, risks related to cybersecurity deserve our ever-increasing attention. Monitoring market trends and taking prudent risks are vital. We are also focusing on reducing the Group's debt and solidifying our financial position.

In order to meet our stakeholders' high expectations, another priority is to continue investing in what we consider our most vital resource: our People. We are committed to upskilling our human capital to prepare them and the Group for future challenges.

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Looking forward, how do you feel about IBL Group's growth prospects?

I am optimistic about IBL's growth prospects, taking on board current downturns in the sugar and tourism sectors. Our competitive advantage lies in our long-standing experience, a balanced portfolio of activities, a strong presence in local, regional and international markets and our ability to execute our vision in each and every single entity of the Group with both consistency and agility. While some of our entities have been impacted by macroeconomic factors, others like our Financial & Other Services cluster, inter alia, have excellent prospects for further expansion.

The world is changing faster and more unpredictably than ever, bringing about waves of disruption across industries. The fall of Thomas Cook is an example of how quickly and profoundly business models are changing. We must innovate rigorously to keep up with these changes. New fields are gaining relevance and others are ceasing to exist; what worked yesterday may not work tomorrow. We must stay ahead of the curve, complementing our existing expertise with new levels of innovation and forward thinking. Our efforts over the last few years are already yielding positive results, and we strive to carry on cementing IBL's position as a resilient Group that our shareholders can depend on.

In closing, is there a message in particular you would like to communicate to stakeholders?

I would like to thank our Board of Directors and committee members, particularly IBL's Chairman, Jan Boullé, for their counsel and guidance through a year of accelerated transformation.

IBL's greatest strength is our People. I would like to express my sincere gratitude to our team members, whose talent and hard work allow us to deliver on our promise of making IBL a resilient Group.

To our shareholders, we appreciate your continued support and look forward to exceeding your expectations as IBL moves into the future with optimism and purpose.



Arnaud Lagesse
Group CEO