

# 70 years: a new milestone

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## STRATEGY

# Group CEO's message

## 70 YEARS: A NEW MILESTONE

### LAST YEAR, UBP GROUP HAD WHAT YOU CALLED A 'BREAKTHROUGH' FINANCIAL YEAR. WAS THIS MOMENTUM PURSUED INTO FY 2023?

UBP Group delivered a satisfactory 15% increase in revenue and a turnaround performance in terms of net profit due to the exceptional goodwill impairment of Premix Ltd in FY 2022. Having said that, I would not characterise FY 2023 as a breakthrough year. The upsurge in imports, fuel, electricity and maintenance costs significantly impacted our core businesses locally, leading to escalated production costs and logistics expenses, and severely affecting our profit margins. However, our net result for the year benefitted from the reversal of provisions on staff-related costs, retirement benefit liabilities, inventories and expected credit losses during the last quarter of the financial year.

Our retail segment, for its part, saw a 7.9% increase in revenue but profitability suffered from reduced household income caused by inflation, while also contending with soaring operating expenses. The successive spikes in interest rates severely affected our borrowing and financing costs, which were particularly high following our recent investments in Premix, Drymix and FAST. Additionally, we incurred exceptional costs related to the due diligence process carried out for the acquisition of a group of companies in Reunion Island, which also drove down our bottom line.

As you know, UBP measures its achievements through the dual lens of its financial and non-financial performance. And although the Group's financial performance was not up to expectations, what we have achieved at the individual business level, and from a strategic standpoint, is noteworthy. Our core business locally led the way, driven in part by the consolidation of Premix Ltd (formerly Pre-Mixed Concrete Limited) as a subsidiary for the first full financial year and the acquisition of 100% of Flacq Associated Stonemasters Limited (FAST) in March 2023. Alongside this, we continued to invest heavily in training our people; we captured crucial expansion opportunities; and we innovated fiercely to improve our operational efficiency and deliver on our environmental commitments.

Not least of all is Gros Cailloux's return to profitability, marking a watershed in its story. The strong engagement of our teams injected new impetus and focus within the company, turning the business around after many years of losses, and confirming that UBP's core values - Engagement, Innovation and Integrity - are more than just words.

### DOES UBP'S STRATEGY STILL HOLD TRUE, GIVEN THE COMPLEX AND VOLATILE ENVIRONMENT?

Although we are guided by a strategic vision, which sets a clear direction in which the Group is heading, strategic planning at UBP is not about having an immovable roadmap or fixed destination that must be followed under any circumstances. I believe this rigid approach would limit innovation and could lead to a failure to capture unexpected opportunities. In a world that is in constant flux, and especially in an industry that is cyclical and volatile in nature, the window of strategic opportunity is usually short. This is why we must have a dynamic and adaptive strategy that allows us to pivot to a new course of action when the situation warrants it. While we cannot fully eliminate external risk, we can increase our odds of success by focusing on the inner workings of our organisation. This means developing the agility and readiness to swiftly reconfigure processes, structures and resources for new circumstances.

Our increased shareholding in FAST to 100%, and our imminent acquisition of the group of companies in Reunion Island are two recent examples of the Group's preparedness to act decisively when unexpected opportunities arise.

Of course, this entails developing a good understanding of our operating environment; remaining close to our clients to understand their needs; having the right internal controls in place to model different scenarios and evaluate potential trade-offs; and having a culture of continuous learning that encourages us to grow from our successes and failures. These will all hold true, even when our strategic direction is called upon to shift.

### WHAT WERE THE MAIN OPERATIONAL HIGHLIGHTS OF THE YEAR?

I would first like to make a distinction between our 'Grey cluster' - UBP, Premix and Drymix (our Core Business) - and the other two segments, represented by Espace Maison (Retail) and Gros Cailloux (Leisure & Agriculture). With the integration of Premix in October 2021, the 'Grey cluster' was solidified as a one-stop solutions provider able to respond to any construction need, with UBP's blocks, aggregates, rocksand and other concrete products like paving-blocks, roof tiles, pipes and slabs; Drymix's ready-to-use dry mortar and ISO-certified lab; and Premix's range of ready-mixed concrete. A strategy is being developed to promote the cross-selling of products, bring the teams closer together and position the 'Grey cluster'-UBP, Premix and Drymix (our Core Business) - as an integrated business.

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Unlike the retail business, the price of building materials, in particular cement, tends to be inelastic. Due to this, as well as our reluctance to pass on the higher production and operating costs to our customers, our margins took a severe hit. Even so, all three companies were profitable during the year and were the largest contributors to the Group's revenue increase. The strategic acquisition of FAST, which has already contributed Rs 36 million to Group revenue in FY 2023, is expected to drive further revenue and cost synergies between FAST and UBP St Julien, whose combined forces are poised to take their production capacities to a higher level.

Premix is undergoing a phase of transformation following the smooth transfer of management responsibilities from LafargeHolcim to UBP in FY 2022. Prior to our acquisition, Premix was virtually unknown to individual customers. We invested heavily in communication and marketing materials to give Premix more visibility and fuel brand awareness in a bid to position Premix as a strategic pillar for the Group. We also made considerable investments in new equipment and trucks to upgrade its fleet. Although our Capex investment rose as a result, they are a prerequisite to preparing Premix for an ambitious future.

Drymix delivered mixed results, on account of supply chain challenges and skyrocketing expenses. A deep-dive into the business, however, revealed certain areas of improvement. We took prompt action by appointing a new Production Manager to optimise the production process, and by implementing a new shift system to maximise the plant's production capacity. Improved coordination between our production, inventory and sales processes led to Drymix comfortably meeting its production target for the year.

Espace Maison had a very satisfactory year, in spite of a decrease in profitability. Excellent procurement and inventory management practices, coupled with continuous innovation in all areas, from product offerings to loyalty programmes, paid off. Espace Maison has made leaps and bounds in creating a seamless shopping experience across its retail network, ecommerce website and mobile applications, thanks, in large part, to its ability to harness data to gain valuable insights into customer behaviours and buying habits. It also placed greater emphasis on its people through a programme entitled 'How to make our people happy', aiming to combat the high employee attrition plaguing the retail industry.

Gros Cailloux's performance was boosted by favourable sugar prices, improved vegetable-growing and greenhouse activities, and the 'Enn Roupi Profi' challenge, which pushed for a return to profitability without relying on the sale of

land. This challenge was taken up with great enthusiasm by Gros Cailloux's team through a series of well-coordinated actions and training sessions. The restaurant operations, which were previously ineffective and costly, were leased out to a third party, turning around the performance of Tekoma. Now better structured, with a dedicated manager for each cluster - agriculture, nursery, landscaping, and recreation & leisure - we are confident that this 'reset year' will serve as a springboard for Gros Cailloux's sustained growth.

### HAS THE GROUP MADE ANY PROGRESS IN DIVESTING ITS FOREIGN SUBSIDIARIES? IS REGIONAL EXPANSION STILL PART OF THE STRATEGY?

Our regional expansion is in full swing and very much central to our growth strategy, even if it has changed course. We are still firm in our intent to dispose of both operations in Sri Lanka and Madagascar, but several factors have delayed our exit plan.

In Sri Lanka, we continued to operate in unfavourable circumstances: political instability prevailed, along with power cuts and shortages of commodities such as fuel. Furthermore, the prohibition on the import and use of explosives, which are vital for quarrying activities, has hindered our plans there. We are confident in our ability to maintain our operations in Sri Lanka until the country regains its footing, and until we find ourselves in the right conditions to resume our search for a suitable buyer.

In Madagascar, contrary to Sri Lanka, operations are at a standstill. We have been keeping our workforce on the payroll in the hope of being ready to resume activities upon securing a buyer. Having been unsuccessful in our endeavours due to the gloomy economic climate, we have embarked on a piecemeal exit, which entails the progressive liquidation of our stone-crushing activities. We have maintained our blasting activities for mining projects for the moment, but we expect to fully exit our Malagasy operation in the coming financial year.

Meanwhile, we expect to finalise the acquisition of the group of companies in Reunion Island in FY 2024, once all the conditions precedent will have been satisfied.

## YOU MENTIONED THAT UBP'S INNOVATION CAPACITY HELPED TO ENHANCE OPERATIONAL EFFICIENCY. COULD YOU SHARE SOME KEY EXAMPLES OF THIS?

Indeed, we expanded the budget dedicated to Research & Development (R&D), which is opening up exciting avenues for cost savings, revenue synergies and substantial progress in our sustainability commitments. The Capitals Report (on pages 56 to 105) offers extensive details on these projects, so I will highlight only the most noteworthy innovations:

- At the Group level, we embarked on the modernisation of our IT systems, with the goal of centralising critical data from all businesses onto one core ERP, giving us end-to-end visibility into our processes. Premix and Drymix have already migrated to the new system, and the Group's other entities will follow suit in the coming years. An IT Committee was set up to steer this project.
- We successfully completed the automation of our St Julien plant using a system called SCADA, which is fully customised to our stone-crushing processes and specificities, and which provides real-time data for swift decision-making. The next step is to progressively roll out the system to all major production sites and eventually have every UBP site fully automated and digitalised.
- The Customer Care Center, which was set up in 2022 to serve UBP, Premix and Drymix's clients, was further refined to improve the feedback mechanism. Of the customers who participated in the feedback survey, 100% of them rated our service as "Satisfactory" or "Very Satisfactory". Given the volume of queries coming in each day, we are extremely encouraged by these outcomes and aim to continue using our customers' valuable feedback to elevate our service levels.
- Espace Maison further enhanced its e-commerce website and mobile app with new functionalities based on the data and feedback gathered from customers. For instance, the Club Espace Maison's mobile app now includes a warranty tracker. All of these efforts led to a 30% increase in downloads, and the Club Espace Maison's customer base counts over 133,000 loyal members.

Naturally, any digital adoption goes hand in hand with adequate change management. Continuous training and upskilling are central to our ability to fully maximise the use of these systems. We spent close to Rs 8 million in training and development, a 20% increase over the previous year, to equip our workforce with the technical skills, knowledge and digital-first mindset needed for them to develop a state of readiness in the face of opportunities or challenges.

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## COULD YOU SHARE MORE ON HOW THE GROUP INTENDS TO STRENGTHEN THE 'READINESS' OF ITS WORKFORCE?

Our people are the driving force behind our success and developing our talents is at the centre of our priorities. This commitment is demonstrated in the launch of The Path, a comprehensive development programme designed to provide our employees with a meaningful career path, and not just a job. Each employee first undergoes a needs assessment. The findings of this assessment form the basis for a personalised development path that is not only in line with their individual career aspirations, but also aligned with the Group's strategic objectives, such as embedding service excellence and sustainability as a mindset. Training is delivered through several mediums to give employees every chance to learn, move into new roles within the Group, and hone their management and leadership skills.

One of the biggest threats to our industry relates to retaining and attracting talent. The construction industry has historically faced labour challenges due to common misconceptions, but this has escalated into an urgent need to fill the skills gap and replace an ageing workforce. This is a relatively new challenge for us, given that the family values that prevail at UBP have always been a strong differentiating factor for us as an employer. Several colleagues have had longstanding careers with the Group, marking 30, 40, and up to 49 years of service. We introduced the Long-Term Service Award to honour team members who have had at least 10 years of employment at UBP, which applied to 530 colleagues across our businesses and brought new meaning to the phrase 'Tough times don't last, tough people do'. On behalf of the Group, we are proud to have you as part of our work family. From the bottom of our hearts, we thank you for your loyalty and for the positive mark you have left.



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This is a track record we are proud of, and one we intend to perpetuate by continuing to stay attentive to our people's needs. We are also aware that to ensure the resilience of our business and industry, we must remain attuned to the expectations of the younger generation entering the workforce, such as wellbeing, work-life balance, digital tools and teamwork. These are already important components of our organisational culture, but we are committed to doing more to create a work environment where people find meaning and purpose in their work.

The Human Capital report on page 66 details how The Path and our People strategy are positioning the Group as an employer of choice.

### WHAT PROGRESS IS UBP MAKING ON ITS ENVIRONMENTAL AND SOCIAL COMMITMENTS?

UBP has always been a strong advocate for sustainability, as I have previously highlighted. In FY 2023, we increased our sustainability training sixfold over the previous year to build up sustainable behaviours and environmental sensitivity at a grassroots level. We are far from being sustainability champions, but there has been a noticeable mindset and behavioural shift within the Group, whether in the areas of product development and risk management, or in the daily actions in our head office and across our sites.

Tackling climate change is arguably one of the most important issues of our time. Rising urbanisation patterns and infrastructure needs are leading to the widespread use of cement, which is a large contributor to global warming. Our strategy is centred on reducing the carbon intensity of our products. Drymix, in particular, exemplifies the Group's strong commitment to R&D in its quest for eco-friendly products. Every product, every formulation is carefully considered with sustainability and longevity in mind.

To take our initiatives even further, we carried out a double materiality assessment of the Group to evaluate how our activities impact society and the environment, and, in turn, how we are affected by sustainability issues. We intend to assess all Group entities individually through focus groups, and use those findings to craft an integrated sustainability strategy that addresses the most material matters.

The path to decarbonisation requires creative leadership and a firm resolve to act, but no company can bring about the necessary changes in isolation. We find ourselves in an increasingly complex regulatory environment, and while we fully welcome new frameworks and norms to regulate

the construction industry, some are not delivering the intended outcome due to a lack of coordination between stakeholders. As a founding member of the BMMA (Building Materials Manufacturers Association), we strongly believe in collaboration at the industry level to drive more impactful change. The development of Mauritian norms and standards for concrete blocks in 2023 is a powerful illustration of effective coordination between players in our sector and regulators to set new standards for the sustainability of the industry.

Our social commitments extend not only to our external communities, but also internally, to our workforce. True to our word, we have worked hard to reinforce our Health & Safety (HSE) practices. Each entity has its own full-time dedicated HSE officer, responsible for enforcing a culture of safety on all our sites. This includes not only installing guardrails and protective equipment, but also focusing on more preventative measures, such as medical checkups, regular site inspections and a competency test during the hiring process to stay one step ahead of HSE risks.

We strive to extend this same degree of care and empathy to our communities. We have nurtured strong ties with NGOs and community members over the years, collaborating with them to tackle deep-rooted issues such as social inclusion and education, which are two pillars for societal progress. Beyond our in-house CSR programme, we also contribute to Fondation Joseph Lagesse's Empowerment, Literacy and Rapid Response programmes, which are also aligned with the United Nations Sustainable Development Goals.

### HOW IS FY 2024 LOOKING FOR THE GROUP?

The outlook looks promising. Two months into the new financial year, the companies in our 'Grey cluster' have already outperformed the corresponding period last year. We are now focusing on the following priorities:

- Prepare for the integration of the Reunion Island group of companies into UBP Group. Our governance, executive and organisational structures are being reviewed to better support our growing activities and ensure a smooth transition.
- Execute our one-stop strategy for the 'Grey cluster'. We have embarked on a programme to bring more cohesion and alignment between the teams, and ensure an integrated service across UBP, Drymix and Premix. The programme will then be deployed at Espace Maison and Gros Cailloux, with the aim of positioning UBP Group as a partner of choice for any construction or renovation project.

- Building on the success of the St Julien plant, we are targeting the automation of at least two additional plants in FY 2023.

## DO YOU HAVE ANY FINAL THOUGHTS TO SHARE WITH UBP'S STAKEHOLDERS?

My optimism and confidence for the future come from our ability to constantly challenge ourselves, look at new ways to improve, and never rest on our laurels. For instance, we used this year's adversities as stepping stones to improve our financial and operational efficiency. Looking back at UBP's 70 years of existence, I am reminded of the many instances in which the Group used adversity as a positive accelerant for change. In the 1960s, following the effects of Cyclone Carole, UBP became the first to industrialise the process of block-making. In 2004, UBP pivoted its activities into the production of rocksand to support the country's construction needs. This was a necessary shift to prevent coastal erosion and protect our marine ecosystems, on which we are highly dependent for tourism.

When I joined the Group as an Assistant Works Manager back in 2000, UBP was a very different company. From a traditional building materials company, UBP has evolved time and time again to meet the needs of customers, growing into a Group of five standalone companies, each with its own value proposition and identity, and even stronger collectively. Today, UBP-branded blocks and our Premix signature mixer trucks are instantly recognised by Mauritians across the country, reminding us that UBP is deeply anchored in the local landscape. Our growth has been in tandem with the unfolding of the Mauritian story. This is a source of great pride and strength for us.

For us, celebrating the 70th anniversary of UBP is a celebration of the many people who have stood by our side along this journey, and who have been directly or indirectly involved in our growth. Our employees, who have worked tirelessly, through triumphs and setbacks, have shaped UBP into the leading company we are today. They are the heartbeat of UBP. As we celebrate this milestone together, through a series of activities and events, we wish to pay tribute to the heroes, even those no longer with us, who have made these 70 years nothing short of extraordinary. None of this would have been

possible without our partners and customers, whose faith in us has always pushed us to achieve what seemed impossible; or without the oversight of our highly engaged and dedicated Board of Directors. It is even more gratifying to celebrate this milestone as the future for UBP looks bright.

On this note, I would like to thank the men and women who make up the UBP family. A special token of appreciation goes out to the team members who played a part in the spectacular turnaround of Gros Cailloux. I have been beyond impressed by the engagement of our teams, as well as the strong sense of belonging and unity that is instilled in our organisation.

Thank you to our Board members for their stewardship and for setting high standards of governance that will be critical to our growth plans. I also extend my gratitude to our customers, partners and shareholders, who continue to offer us their unwavering support.

Having come this far over the course of 70 years, let us turn eagerly to the years that lie ahead, which promise to be equally exciting and rewarding.



**Stéphane Ulcoq**  
Group CEO

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