



STRATEGY

GROUP CEO'S INTERVIEW

BUILDING A ROCK-SOLID FUTURE

In last year's report, you anticipated a challenging FY2024 due to a VUCA environment. How did these challenges materialise, and how did they impact the Group?

As expected, challenges abound in FY2024. High inflation kept interest rates on the rise throughout the year, significantly increasing our borrowing costs for newly acquired entities. Meanwhile, raw material prices continued their upward trajectory, casting a shadow over UBP's operations and affecting players along the entire value chain. Although we maintained strong sales volumes from larger clients, the individual segment, including SMEs and small businesses who are central to our ecosystem, experienced a slowdown. These more price-sensitive players were forced to either delay, reconsider, or even cancel their construction or renovation projects. Additionally, the industry is grappling with labour shortages and escalating labour costs, which particularly affected Espace Maison's operations, undermining its ability to maintain service excellence.

Despite this difficult operating background, the Group delivered an improved performance over the previous year, with most of our metrics seeing appreciable increases. Notably, Premix achieved a remarkable turnaround, delivering its best year on record. The finalisation of the acquisition in Reunion Island marked a major milestone, strengthening both our core business and regional footprint. All things considered, we have much to be proud of, and I consider FY2024 a year of progress for the Group.

What operational achievements in the Building Materials cluster stood out to you this year? Did the consolidation of Premix and FAST meet expectations?

The Building Materials cluster—comprising UBP, Premix, and Drymix—has not entirely recovered since the pandemic, as a result of both external factors and recent Capex investments that are critical for future growth but currently reflect poorly on the bottom line. To counterbalance these pressures, we continued to focus on innovation and operational excellence to drive product differentiation and efficiency across all businesses.

The full consolidation of FAST and Premix into UBP has, in many respects, exceeded our expectations, delivering value beyond their financial contributions. FAST, now in its first full year of integration, achieved results that far exceeded our initial projections, despite incurring some exceptional expenses. The synergies and cross-fertilisation between our sites at UBP St Julien and FAST have boosted production capacities, supported by a modernisation project at St Julien that is yielding significant gains. We are carefully evaluating the effectiveness and impacts of the new system, with plans to replicate these improvements at our Plaine Magnien site in FY2024 to further optimise plant efficiency.

UBP, on the other hand, faced a difficult year. Its activities were impacted by a combination of factors, including adverse weather conditions and new environmental regulations for stone-crushing plants.

On a positive note, UBP pursued its innovation drive and introduced a new product, the "Bloc à Bancher" (BAB), which offers significant benefits while projecting a 15-25% reduction in construction costs. Equally, UBP's ongoing Digitisation and Automation Journey (refer to our Intellectual Capital on pages 84 is already enhancing operational excellence and is expected to yield improved results in the upcoming financial year.

The acquisition of Premix presented itself as an opportunity that we seized with enthusiasm. This is why we take even greater pride in its remarkable turnaround, which has positioned Premix as the crucial link in our Building Materials operations. After a transition year of investments in upgrading its fleet, equipment and brand visibility, Premix delivered a standout performance, which was no easy feat given that the brand was largely unfamiliar to customers over a year ago. This success is a testament to the dedication of the team, which worked tirelessly and diligently to secure every contract and execute our roadmap. This team cohesion has put Premix on solid ground. Investments in modernising its equipment and infrastructure, from its truck mixers to its production plants, along with the attainment of the ISO 9001:2015 certification, have enhanced high productivity levels and maintained Premix's competitive edge.

Drymix began the year with strong momentum but was impacted by a shortage of rocksand during the last three months of the financial year. Nonetheless, the team stayed focused on future-proofing through digital transformation and R&D. The implementation of a Laboratory Information Management System is reinforcing our quality control capabilities and streamlining data management, enabling us to maintain accurate data for future analysis and initiatives. Drymix also set up its own in-house hotline to ensure high levels of customer service.

Could you explain the strategic importance of Bazalt Réunion for UBP Group?

We are thrilled to announce the successful "acquisition" of Bazalt Réunion as a subsidiary of Bazalt Limited, a wholly-owned subsidiary of UBP, on July 01, 2024—coinciding with UBP's own incorporation exactly 71 years ago on July 01, 1953. This timing feels particularly symbolic, heralding not just the beginning of a new financial year, but also the dawn of a new era for the Group.

Bazalt Réunion was established as the holding company for the acquisition of 10 companies that were previously part of another holding company in Reunion Island, all of which are on a positive growth trajectory and demonstrating consistent profitability. These companies operate in two areas of the construction sector: concrete and construction aggregates,

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as well as the trading of 'VRD' products ("Voirie et Réseaux Divers"). This strategic move strengthens UBP's Building Materials cluster on the sister island, allowing us not only to operate in a familiar geography, but also to leverage our core competencies and deep expertise.

Strategically, this acquisition enhances our regional presence, a critical component of UBP's vision, while also providing access to the Eurozone market—a stable environment characterised by stringent regulations and high standards. This makes Bazalt Réunion a perfect strategic fit and a significant milestone in creating a strong, unified Building Materials cluster. Shared values have also been essential to this partnership. We are pleased to be collaborating with businesses that fully align with our core principles. Much like UBP, they prioritise employee welfare, which is evidenced by their employee longevity, reflecting a strong culture of trust and stability.



"UBP finds itself at an exciting crossroads, having achieved significant growth and solidified its leadership position in the construction industry"

Supporting this growth has also involved building the right bridges and pathways to facilitate a seamless transition. A key step in this direction was the restructuring of the Corporate Office in Mauritius to ensure the right resources are filling the right roles and drive greater agility in this new phase of growth. New key positions have been introduced, such as a Head of Corporate Services, responsible for streamlining our corporate support services and improving overall efficiency. We are also in the process of appointing a Chief Operating Officer for the Building Materials cluster, responsible for overseeing the operations of UBP, Premix and Drymix. This will bring a focused leadership perspective for the cluster and will be instrumental in driving synergies.

What opportunities do you see for creating synergies between UBP and Bazalt Réunion?

The completion of this transaction marks just the beginning of our journey. Now, our energies are fully directed towards making this venture a success. During the first year, which is especially critical in setting the foundation for long-term success, I intend to take a hands-on approach, actively engaging on the ground to make sure that we operate in a collaborative environment that taps into our collective strengths.

First and foremost, our approach to synergy creation prioritises the human element. In Reunion, we have inherited strong teams and processes that operate like a well-oiled machine. Our focus is on continuity. We have been intentional in not making any changes to the teams or imposing our ways of working. Instead, Bazalt Réunion operates with full autonomy, while we provide support in enhancing their existing strengths. As the saying goes, 'why change a winning team?'

Both businesses share many similarities, from operating the same machinery and equipment, to dealing with similar projects and clients. This alignment opens doors for resource sharing and standardising processes, with the potential for substantial productivity gains and economies of scale. However, the real value of this partnership lies in the cross-fertilisation of know-how and knowledge that will make all entities involved even stronger. This is especially relevant when it comes to environmental standards. Bazalt Réunion operates in a regulated landscape, with frequent and rigorous audit processes, and requiring compliance with strict environmental criteria to obtain operating permits. UBP stands to benefit from these high standards, as well as from the efficiency of our Reunion cluster, where lean processes and automation are driving performance.

Conversely, we are eager to share our growing knowledge in sustainability, particularly regarding carbon management and traceability, an area where we are making steady progress. We also intend to bring our expertise in matters of governance. As a listed company, UBP has a wealth of experience in compliance, reporting, and best practices which we believe could significantly benefit our partnership.

Could you provide an update on the Retail segment's performance?

Espace Maison maintained its turnover but saw a decrease in operating profit due to multiple challenges. Firstly, we incurred significant pre-operational costs relating to the refurbishment and extension of our outlet in Cap Tamarin, aimed at elevating the store layout and customer experience. While we initiated a supplier switch plan last year to address ongoing global supply chain challenges—exploring various procurement and sourcing avenues, without compromising on quality—the implementation has taken longer than anticipated.

Compounding this, heightened labour expenses and a severe shortage of workers added further complexities. Espace Maison faced a 42% shortfall in sales representatives, considerably impacting sales volumes and service quality. To address the decline in customer service, we reclaimed our after-sales support back from UBP, bringing it in-house to provide a more responsive customer experience. This involved establishing a dedicated team of technicians and supervisors to manage repairs and customer inquiries, offering attentive service to Espace Maison's clients.

What are some ways to counter these labour challenges?

These labour trends are worrying for both the retail and construction industries, underscoring the need for effective and innovative strategies to retain and engage talent. In addressing these labour challenges, we recognise the need to retain and nurture our local talent, more than ever. To that effect, we have proposed a retention plan to the Board, outlining innovative ways to foster the loyalty of our Mauritian

workforce—who have long been the backbone of UBP's success. I look forward to sharing further progress on these initiatives in next year's report.

We also continue to focus on professional training and personal development to foster knowledge-sharing across the Group and offer opportunities for growth. Our training initiative, The Path, was launched in 2023 to focus both on technical and soft skills training, tailored to the needs of each department, and encouraging on-the-job learning. Team members also participate in workshops and peer sessions to discuss emerging trends such as AI and environmentally conscious practices. This past year, significant emphasis was placed on strengthening Safety & Wellbeing and unifying Service Excellence training across the Group. We are already witnessing positive developments, with our General Managers adopting a more forward-thinking mindset and better anticipating training needs.

Gros Cailloux showed promising signs last year. How has this activity evolved?

While the figures may not fully reflect this progress, Gros Cailloux continued to gain momentum, achieving remarkable advancements across most segments. This success stems from a people-focused agenda that has delivered results beyond our expectations. While operations were more siloed in the past, the teams have embraced a culture of cross-functional collaboration, inspired by the "Sak Roupi compté" challenge, meaning 'Every Rupee matters.' This initiative has empowered individuals to contribute their diverse skills and ideas, promoting an environment where team members wore multiple hats, and reacted quickly in pursuit of common objectives. As a result, we have seen a shift at Gros Cailloux, where employees no longer feel confined to a specific department or role but view themselves as members of the larger Gros Cailloux family.

An improved organisational structure, with a manager dedicated to each cluster—Leisure, Agriculture, Nursery, and Landscaping,—has allowed us to narrow our strategic focus on each activity. At the beginning of the year, each Manager is made to develop an action plan outlining opportunities, challenges, and priority areas, while allocating budgets for their segments. This structured approach has allowed us to pinpoint and prioritise the most high-performing activities. Notably, agricultural and vegetable production activities grew significantly during the year.

This is a true demonstration of agility and UBP's philosophy—the ability to stay flexible and course-correct in the face of unexpected situations, rather than rigidly following a fixed roadmap or strategy.

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Can you provide an update on UBP's subsidiaries in Madagascar and Sri Lanka? Were the planned exits completed as intended?

I am pleased to announce that we have successfully completed the sale of our subsidiary in Madagascar, marking a positive conclusion to our adventure there. A comprehensive transition plan is in place to ensure a smooth handover over the coming year. In contrast, due to ongoing challenges in Sri Lanka, our planned exit from this market is currently on hold. In the interim, we plan to transition the company to a dormant status until market conditions become more favourable for a potential sale.

These developments align with our strategic focus to redirect our efforts and resources on our core business in the region. This brings me to our long-standing presence in Rodrigues, where we've had a meaningful presence for over 30 years. I would like to extend my heartfelt appreciation to Jean-Pierre Rose, our dedicated manager, whose efforts have consistently ensured the smooth operations of our subsidiary.

What key milestones has the Group achieved so far in its sustainability journey?

Decarbonisation remains a central pillar of the Group's sustainability strategy. Several impactful projects have been launched as part of this initiative, as detailed in the 'Natural Capital' section on pages 64. A significant milestone on this journey has been the creation of the Corporate Sustainability Committee (CSC), a dedicated sub-committee of the Board. The CSC plays a crucial role in shaping our sustainability agenda, ensuring that our decisions and operations are aligned with our ambition to drive greater impact. Supporting this effort is the newly formed Transformation and Innovation Office (T&IO), tasked notably with implementing sustainability initiatives, tracking progress, and ensuring that all activities align with the Group's overarching objectives.

The T&IO was set up with a clear, forward-thinking mission: to prepare our teams for future challenges and opportunities. By focusing on long-term, strategic initiatives rather than getting caught up in daily operational tasks, the T&IO ensures that we remain agile and prepared, and never lose sight of the bigger picture. Its mandate cuts across departments and functions, challenging the status quo by asking critical questions that identify key issues that could affect the Group's future-readiness. Backed by in-depth research and data-driven analysis, the T&IO develops well-rounded dossiers, presenting actionable recommendations on high-impact projects that ensure we navigate the evolving landscape with clarity, confidence and foresight.

What are your top priorities for the next 12 months, and what is your outlook for the coming year?

UBP finds itself at an exciting crossroads, having achieved significant growth and solidified its leadership position in the construction industry following the landmark acquisition of Bazalt Réunion. As we look ahead to the next 12 months, we are posed to seize numerous opportunities. Our reorganised and reinforced Top Management Team, combined with a sharper focus on our strengths and areas for improvement, equips us to make well-informed, strategic decisions. While we remain vigilant of broader economic conditions that could pose financial and operational challenges, we have every reason to be optimistic about the factors within our control.

We are now guided by clear priorities leading into FY2025. Central among these is an extensive, in-depth reflection on the reorganisation of the Group's structure, aimed at enhancing our market position, streamlining operations, and driving sustainable growth.

Do you have any special acknowledgments and closing remarks?

During this transformative period, fostering a strong team spirit has been more crucial than ever. We feel fortunate to have team members who are fully invested in our journey, and who have gone to great lengths to make the integration with Reunion a positive experience for everyone involved. For this, I would like to express my heartfelt gratitude to all our people. You all hold a vital place in this transformation, and we wouldn't be where we are without your agility, dedication and tireless efforts.

I would also like to extend my sincere thank you to our Board of Directors for their strategic guidance and insights, which are steadily guiding us towards a stronger and better-governed organisation.

To our valued customers, thank you for your continued support and confidence in us. We are committed to deepening our understanding of your needs and expectations, so we continue to earn your trust and loyalty.

As this past year has shown, the future belongs to those who dream big and act with purpose. By continuing to unite our strengths and placing our people at the heart of our strategy, we aim to build a future that stands firm on the power of collaboration and teamwork. This is the essence of building a 'rock-solid' foundation that stands the test of time.



Stéphane Ulcoq
Group CEO

