

TOURISM AND

Hospitality



TOURISM AND HOSPITALITY

CLUSTER PERFORMANCE, OUTLOOK AND STRATEGIES

In 2019, the cluster improved its turnover to reach Rs 147M compared to Rs 82M in 2018. This was mainly achieved due to the opening of the Anantara IKO Mauritius Resort & Villas in September 2019 and the good performance of our travel agency, Silver Wings Travels Ltd.

The hotel, however, experienced a slower start than expected and together with the costs associated with the opening, ended with an operating loss of Rs 120M in 2019. However, the positive performance of Silver Wings, coupled with the increase in fair value of our freehold properties at Le Chaland, resulted in a cluster operating profit of Rs 152M in 2019.





OPERATING ENVIRONMENT IN 2019

- The travel industry has been undergoing profound shifts over the last decade as a result of advances in technology (e.g artificial intelligence, wearable devices, recognition technology, etc), the emergence and consolidation of new and bigger players bringing stiffer competition, and above all, the rise of new-age travellers who expect personalised, ready-made and culturally immersive experiences. Guest attitudes have shifted tremendously over the years, with experiential travel continuing to gain momentum: they are increasingly seeking out authentic cultural experiences that allow them to connect to a place on a deeper level. In addition, sustainable tourism is not just a rising trend. It has become a priority for hotel businesses, who find that social, environmental and ethical standards are becoming major factors in travel decision making. Travellers are more and more ethically and socially conscious, with a heightened awareness of how their travel contributes to local economies and communities. Hotels are tasked with offering transformative cultural experiences, coupled with strong sustainability elements.
- Despite a challenging year in 2019, tourism remains a key pillar of the Mauritian economy, with a direct contribution to GDP estimated at 8.2% and contributing around 8.8% to total employment in 2019. While annual tourist arrivals by air decreased by 1.1%, arrivals by sea experienced an unprecedented 13.9% increase. Cruise tourism is expected to continue increasing, facilitated by the new passenger cruise terminal building in Port Louis with a capacity of 4,000 passengers. A continuous monthly reduction in tourist arrivals has prompted the Government to initiate a re-engineering of the industry in collaboration with all stakeholders, in an effort to increase the visibility of the destination, diversify the client base and consolidate traditional markets.
- Global tourism is characterised by fierce competition, particularly by similar island destinations like Maldives, Seychelles and Sri Lanka. At the same time, Mauritius is still severely disadvantaged by the high cost of travel due to its remoteness from tourist-generating markets.
- The South East of Mauritius, where CJ owns Le Chaland and 69 acres of adjoining freehold land, is planning an impressive evolution. The extension of the Airport Terminal, a new air traffic control tower, a cargo and freeport zone, logistics facilities and new road networks will bring forth exciting long-term opportunities for businesses in the region. These developments are conducive to the growth of our Real Estate and Hospitality project, which we aim to develop into a unique Integrated Coastal Resort Village over the medium and long term.
- An acute shortage of skilled labour continues to cripple the industry, as hospitality is slowly losing its appeal among the younger generation. This poses a challenge for us as we operate in a highly competitive environment where service excellence is the cornerstone of our success.

| Performance in 2019 | How it contributes to the Group strategy |
|--|--|
| <p>Despite the inherent pressures that come with opening a hotel on schedule and in time for peak season, we successfully opened our hotel, Anantara IKO Mauritius Resort & Villas, on 1 September 2019 as planned. Operated by Minor Hotels, our 5* was opened on time, below the estimated budget, and grants guests exclusive direct access to the pristine beach of Le Chaland, on the South East coast of Mauritius. While it is currently proving extremely popular among locals, we are targeting specific markets beyond our traditional European markets, like Reunion Island, South Africa and the Middle East, where the Anantara brand is hugely successful. MINOR Hotels, the management company, is making use of its global network to increase the visibility of Anantara across its main markets. Nevertheless, the initial uptake has been slow in view of decreasing arrivals for our destination, increased competition and a new hotel brand.</p> |   |
| <p>The resort capitalises on its unique location in the authentic South East of Mauritius, close to Mahebourg. Guests are encouraged to explore the surroundings and immerse themselves in the historical richness of the neighbourhood, engage with locals and uncover the unique landscapes and local culture. Discerning travellers will be able to indulge in both onshore and offshore activities, including a focus on the ever growing area of wellness, as well as fulfil their experiential aspirations through the Anantara brand.</p> |   |
| <p>Complementing our offering are 8 high-end Anantara villas, built under the PDS scheme. Construction of the villas began in April 2019 and is set for completion by mid October 2020. Once completed, the project will comprise six 4-bedroom villas and two 2-bedroom villas with individual swimming pools, offering a sanctuary with ultimate luxury and privacy. The Villas, which will also be managed by Minor Hotels under the Anantara brand, offer more choice to our guests and broaden our Hospitality segment's current portfolio in a drive towards creating an integrated development in a unique coastal living environment.</p> |   |
| <p>Anantara IKO Mauritius Resort & Villas was created in a way that aligns with both CJ's and our guests' values. For us, being sustainable goes beyond complying with regulations: it is at the core of our strategy, practices and development. Anantara IKO Mauritius Resort & Villas seeks to set new standards of sustainable development, achieved in collaboration with environmental experts: ozone is privileged as an alternative to chlorine in the main swimming pool, guest rooms are equipped with solar technology for water heating, plastic straws are banned across the resort, water is reused for irrigation purposes and recycled materials have been used to build and enhance the hotel.</p> |  |

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| Performance in 2019 | How it contributes to the Group strategy |
|---|---|
| <ul style="list-style-type: none"> In parallel, CJ has significantly developed the infrastructure around the hotel, directly contributing to the improvement of the community's quality of life. It has also generated employment in the region through the recruitment of 114 team members from the community. Please refer to pages 126-143 for more information about Anantara IKO's social initiatives. |  |
| <ul style="list-style-type: none"> Silverwings Travels had a profitable year in 2019 and recorded a year-on-year growth in revenue of 38%. Of all the segments, inbound tourism experienced the highest growth, with total turnover increasing by over 55%. This growth can be explained by a rigorous marketing strategy in the Indian market, which has been steadily growing in Mauritius. Several MICE groups materialised during this period. We also successfully diversified into several regional markets. |  |
| <ul style="list-style-type: none"> While our outbound segment achieved the turnover we had projected, we recorded a decline in our commission margins. The leisure sales segment, for its part, recorded the highest growth. Intense competition between airlines has driven significant promotional airfares, which coupled with our loyal customer base, has led to increased sales. |  |
| <ul style="list-style-type: none"> In 2019, Silverwings retained its position of being amongst the Top 3 travel agencies in Mauritius. |  |



OUTLOOK AND PRIORITIES IN 2020

- The recent outbreak of Covid-19 is presenting a huge threat to Mauritius on several fronts:
 - Mauritius' tourism industry has been navigating troubled waters before Covid-19, with international air arrivals stagnating, hotel groups recording lower occupancy rates and stiff competition from other island nations in the Indian Ocean that offer a similar experience to Mauritius. While Sri Lanka, Maldives and Seychelles recorded double digit growth from its main European markets and an increase in Indian and Chinese tourist arrivals in 2019, Mauritius saw fewer tourists from all its key markets.
 - Arrivals from emerging markets like India and China also declined by 20% and 11% respectively, a trend we expect to worsen in 2020.
 - This global health emergency is creating devastating ripple effects on Hospitality and several other Hospitality-linked industries, including airline companies, cruise ships, MICE markets hotels and other travel trades. As a long haul destination, Mauritius is highly dependent on air connectivity and will be severely impacted by the growing number of travel restrictions following Covid-19. In addition, the cruise ship industry is reeling, with several cruise lines halting their operations for the immediate future.
- With the closure of our international borders to contain the spread of the virus locally, Anantara IKO Mauritius Resort & Villas was closed on 22 March 2020 after only 7 months of operations. It is expected to reopen by 1 September 2020 (subject to the reopening of travel) following new stringent health and hygiene standards. Our immediate priority following closure was the safety of our remaining guests until their departure, as well as the protection of our team members and our assets. This was successfully achieved.
- CJ Hospitality's ability to recover following the issues linked to the virus is fundamental. Following our island's track record in successfully containing the virus, travellers might reconsider safer destinations like Mauritius. We are determined to view this as a catalyst for change by focusing on further improving our product positioning, while enhancing the customer experience. We have proactively refocused the hotel's short-term marketing strategy to match new market realities in conjunction with the phased reopening of the destination for our main source markets.
Moving forward, we intend to work closely with local authorities and other stakeholders in the industry to promote our destination along the following key areas:
 - Ensure the price competitiveness of the destination
 - Monitor market trends and reduce seasonal fluctuations in arrivals to promote Mauritius as an all-year-round destination
 - Accelerate market diversification and consolidate the European market as far as possible
 - Regulate the informal accommodation sector, especially the rise of Airbnb
 - Product development and improvement with a focus on responsible tourism and wellness
 - Service improvement at all levels of the supply chain distribution network
 - Enhance the visibility of Mauritius as a leading world-class sustainable island destination
 - Increase efforts to upgrade the island's general environment
 - Be at the forefront of technology and innovation (e.g. room management system, online booking, e-marketing, high-speed connectivity, guest services etc)
 - Adopt appropriate measures and hotel protocols to counteract the effect of the outbreak of Covid-19 while safeguarding our guests and team members
- We are focused on completing the construction of our 8 luxury villas by October 2020. Future phases, subject to market conditions post Covid-19, will include the development of additional high-end villas, apartments, serviced land, a beach club and a sports club under the PDS scheme. The sports club will be designed with increased emphasis on health, fitness, nutrition and wellness (i.e balanced living: a combination of physical, mental and social wellbeing to reinvigorate the body and mind). We are in the process of finalising the right mix of projects and value engineering components for future phases of development, prior to making an application for a second PDS certificate.
- Over the next few years, we aim to increase Anantara IKO Mauritius Resort & Villas' capacity while creating economies of scale, and in due course, look at expanding our operations in the region.
- Though it is premature to assess the consequences of Covid-19 at this stage, the Hospitality industry has shown resilience and will hopefully bounce back from this big setback.