

Leading the curve

AX Holdings is one of Malta's leading construction groups. Founded in 1975, the company has been through all the ups and downs of the Maltese property and construction business. *The Malta Economic Update* spoke to Angelo Xuereb, the group's founder to discuss its plans for the future.

AX Holdings has moved into a number of new businesses since its humble beginnings as a small construction company with two employees. It now owns and operates hotels, and was the prime mover behind the Valletta Waterfront project. It also ventured early into private hospitals and healthcare with the Capua Palace Hospital, a business it has now moved out of.

"We have embarked upon a total rethink of how we run the Suncrest Hotel at Gawra," Mr Xuereb said. "We plan to revitalize it. We will be investing in new equipment, and refurbishing many of the rooms and public areas as well as looking at the management structures."

"The tourism market has changed, and we need to streamline our operations to remain competitive. So far, the business has been dominated by the tour operators but that is changing. We have decided to take the bull by the horns and invest in order to be able to handle the changes."

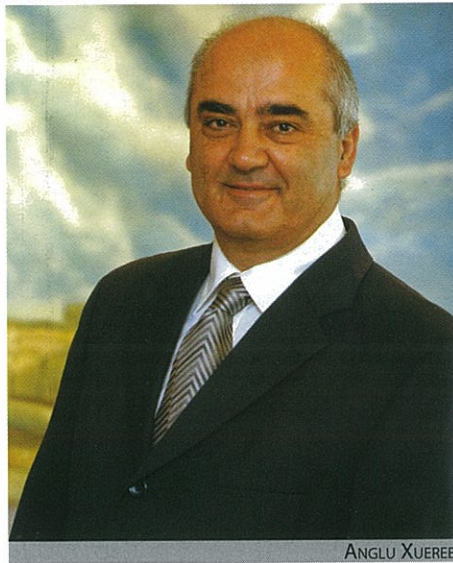
This is not the only major project in hand. "The Sunny Coast complex has had refurbishment carried out almost every year, one floor at a time. But over the past three years, we have been carrying out a total refurbishment. We have now reached the final phase. We have also completely upgraded the lido," Mr Xuereb explained.

AX Holdings is also close to completing a new five star hotel in Sliema, behind the group's existing Victoria Hotel. "We plan to open it in 2007. It will not be a five star hotel's like all the others there are so far: it will be relatively small with 155 rooms and is planned as a city hotel, convenient and comfortable for business travelers. It will combine comfort with a mixture of classic and modern design – it will be more of a boutique hotel," he said.

"Besides which, it will be the only five star hotel in Sliema once the Holiday Inn closes!"

In a bolder move, Mr Xuereb is planning a new retirement complex at Tas-Simblija in Naxxar. "This is a completely new concept for Malta. Too many retirement homes look like waiting rooms for death! Life should continue, people should be able to enjoy their old age. I want to extend life!" he exclaimed.

"At Tas-Simblija, we will be building an enclosed development of small apartments,



ANGLU XUEREB

set in landscaped gardens. It will include a chapel, a swimming pool, a hall for group activities, a hobbies centre and, of course a clinic. It will include everything for people to continue to enjoy an independent yet secure lifestyle."

The company is now opening two new outlets at the Valletta Waterfront. One is a second edition of the Tal-Kaptan Pizzeria, while the second is a bar which will be providing what Mr Xuereb calls "more adult entertainment" – which means in this context entertainment for those who do not enjoy the Paceville crush and the house music associated with clubs nowadays. "We are planning to have a different theme every night – Country and Western, followed by 1970's music, then Karaoke the following night," he said.

Mr Xuereb has come a long way from his first contract in 1975. "That was a Lm200 contract to restore a pavement," he said. "I have never looked back since!"

That first small contract was followed by others, each larger than the last and within three years he had established Malta's second pre-stressed concrete plant. Mr Xuereb was 25 years old at the time.

General Precast Concrete Ltd grew, and in 1991 moved to new premises at Hal Far. It has remained one of Malta's leading prestressed concrete suppliers. AX Holding sold its share of the company two years ago. "We were rationalizing the group, making it more focused," Mr Xuereb explained. "We wanted to concentrate on our areas of strength, and we had already had years of good business with GPC!"

"The hard work is having the vision to do new things," he said. "After that, it is simply a matter of doing it. But the problems arise

when people do not understand the vision. It can be hard getting them to subscribe to it!"

By 1982 he again struck in a new direction. "Quarrying techniques have not changed much for fifty years," he said. "Globigerina is still cut using two machines, one for the vertical cuts and the other for horizontal cuts. The hardstone we use for gravel and spalls – the lower coralline – is blasted and then fed through a crusher. But the Maltese stone is softer than the rock used abroad, and produces a lot of fines – dust and small pieces. This all used to be fed into machines designed for harder stone which does not break up so easily. This leads to stoppages, was inefficient and created a lot of dust. I felt we could do it better.

"Instead of feeding the rock directly into a crusher, I installed a grid. The broken rock passed across this, and the small pieces and dust fell through so I fed only the larger pieces into the machine. A simple thing, but it made the process much more efficient. This was Hard Rocks Ltd, a company managed by my brother Paul," Mr Xuereb said.

Mr Xuereb then began to look for a business that included a more long term, tangible investment. "As a construction contractor, you do a project and then its over. There is no investment building up," he said. "We decided to go into tourism, and began construction of a hotel at Bugibba, away from the coast. We began preselling it when we had the first floor constructed, and one travel agent told me that to really make it valuable, I should have built it near the coast."

Mr Xuereb looked at the costs and realized that building the hotel on the seashore rather than on the inland location would only add three per cent to the costs. He stopped construction and moved to the seaside immediately.

"That was the Sunny Coast," he said. "And it is still doing well."

This first foray into the tourism industry in 1982 was followed by the Coral Reef in 1983 and then, in 1986, AX Holdings began work on the Suncrest Hotel. "The Suncrest received its first guests in June 1987 – after only 13 months of construction," he said. The Victoria Hotel followed in 1997, establishing AX Holdings as a major hotel operator in Malta.

In 1996, Mr Xuereb moved into yet another area. He opened the Capua Palace Hospital. Mr Xuereb's vision was, possibly, ahead of its time. It was flanked by Capua Palace, converted to a convalescent home and, next door to that the Victoria hotel. This was intentional: "I saw that people could come to ▶



VALLETTA WATERFRONT

—The hospital had been equipped to very high standards specifically to cater for this sort of business, with five fully equipped operating theatres. “A hospital the size of Capua would usually only require two,” Mr Xuereb explained.

AX Holdings sold the hospital to St James Clinics two years ago. “St James were about to begin construction of a new hospital. We were reorganizing ourselves to focus the company. The time was right: St James benefited – it costs less to buy than to build from scratch, and they could start operating immediately – and we benefited.”

AX Holdings has taken the lead in the various businesses it has operated in. This has meant taking risks, not all of which paid off. The company’s investment in Albania is a case in point. Yet by keeping itself at the forefront of business, and developing new areas according to a vision for the future the company has

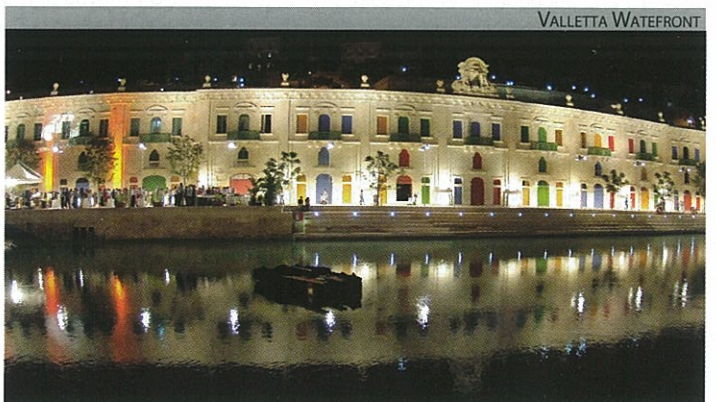
Malta for medical treatment. They could then stay in the Capua Palace to recover, while their family could use the hotel,” Mr Xuereb said.

This export of medical services did not take off at the time, for a variety of reasons. Mr Xuereb still believes Malta can export medical services this way. “It is happening now,” he said.



CAPUA PALACE

managed to establish itself as one of Malta’s leading groups. Mr Xuereb has consolidated this with detailed proposals for things like a mass transport system for Malta, and through forward looking projects like Valletta Waterfront plus a commitment to quality in construction. These are the elements of AX Holdings’ success, and look set to continue to drive the company. The formula – vision, the willingness to take calculated risks and to seek out opportunities and a commitment to quality – should serve other Maltese companies as well. □



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