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FOOD AND BEVERAGE SECTOR REPORT 2021



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Introduction

In this sector, our sample includes seven companies listed on the Johannesburg Stock Exchange. The companies employed over 80,000 people in the 2020 financial year. These companies are:

Anglo-Vaal Industries
Crookes Brothers
Astral Foods
Distell
RCL Foods
Tiger Brands
Tongaat Hulett

South Africa is Africa’s leading Food and Beverage industry market. Firstly, this report looks at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS’s [MNC Database](#) further enables a retrospective view of company performance over the last seven years. We also analyse the remuneration packages received by directors in this sector.

COVID-19

In 2020, the Food and Beverage sector was severely impacted by the Covid-19 lockdowns and prohibition policies imposed by the South African government. Companies in the sector were affected by reduced consumption and disrupted supply chains. At-home consumption increased, but out-of-home consumption – which historically generates the highest margin – stopped almost completely. In April 2020, the sector generated only ZAR 241 million in income compared to almost ZAR 4.5 billion in April 2019. However, the lockdown relaxation helped marginally in May 2020 and lifted the sector’s income to almost ZAR 550 million¹.

¹ <https://www.2oceansvibe.com/2020/07/21/staggering-numbers-from-sas-food-and-beverage-industry-collapse/#ixzz7DVicgtdl>

In November 2020, South Africa's largest food producer Tiger Brands reported a 23% drop in headline earnings per share (HEPS) for the year to September, while revenue edged up 4% to R29.8 billion in what the company called a "disappointing set of results".² Distell, Africa's leading producer and marketer of spirits, fine wines, ciders and ready-to-drinks (RTDs), reported that the restrictions imposed on the sale of alcohol in South Africa in 2020 reduced the trading year by nearly 20%. As a result, Distell reported a loss of ZAR 4.3 billion in revenue.

According to a recent report by Statistics South Africa,³ in January 2021, the Food and Beverage sector's income dropped 37.6% compared to the same period in 2020, while bar sales plummeted 80.5%. The report also shows that income declined 24.6% year on year. This decline is attributed mainly to the drop in bar sales, which fell 49,3% from the previous year, and food sales which were down 22.5%.

Financials

Revenue

The biggest company by revenue in our sample is Tiger brands, who reported revenue of ZAR 29,8 million in 2020 (*Figure 1*). This value is a 1.9% increase from the 2019 financial year revenue. RCL Foods and Distell are also big players in the Food and Beverage Sector, with revenues of ZAR 27.8 billion and 22.4 billion, respectively, in 2020. Crookes Brothers, the smallest company in our sample, reported the highest year-on-year increase. Compared to 2019, the company recorded a 22.1% increase in revenue for the 2020 financial year. Also, compared to 2019, Astral Foods's revenue increased by 4.6% and Tongaat Hulett's revenue decreased by 9.9%.

Many of these companies will be further effected when reporting 2021 financials, as these numbers reflect only part of the 2020 year.

² <https://www.iol.co.za/business-report/companies/tiger-brands-earnings-slide-23-in-disappointing-year-74391b6c-fe8a-58f3-a5e3-1bce7043811a>

³ <https://www.dailymaverick.co.za/article/2021-04-20-sa-food-and-beverage-sector-is-still-staggering-but-fast-food-is-recovering/>

Figure 2 shows a pie chart of the companies in our sample by revenue. This chart clearly shows the size of the sample market that each company has by revenue. Furthermore, the trend line in Figure 4 shows a steady upward trend in revenue since 2012.

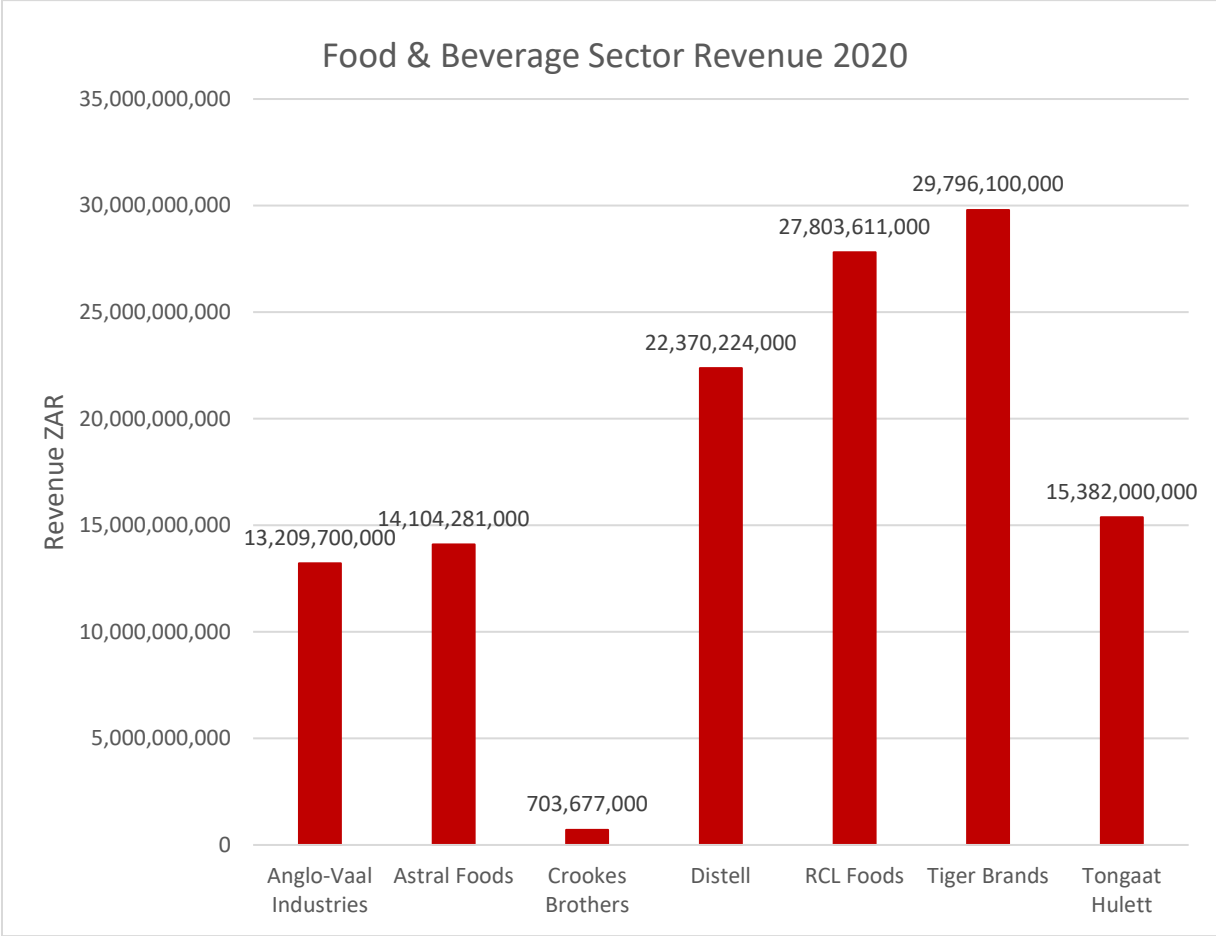


Figure 1 Food & Beverage Sector Revenue 2020

FOOD & BEVERAGE SECTOR REVENUE 2020

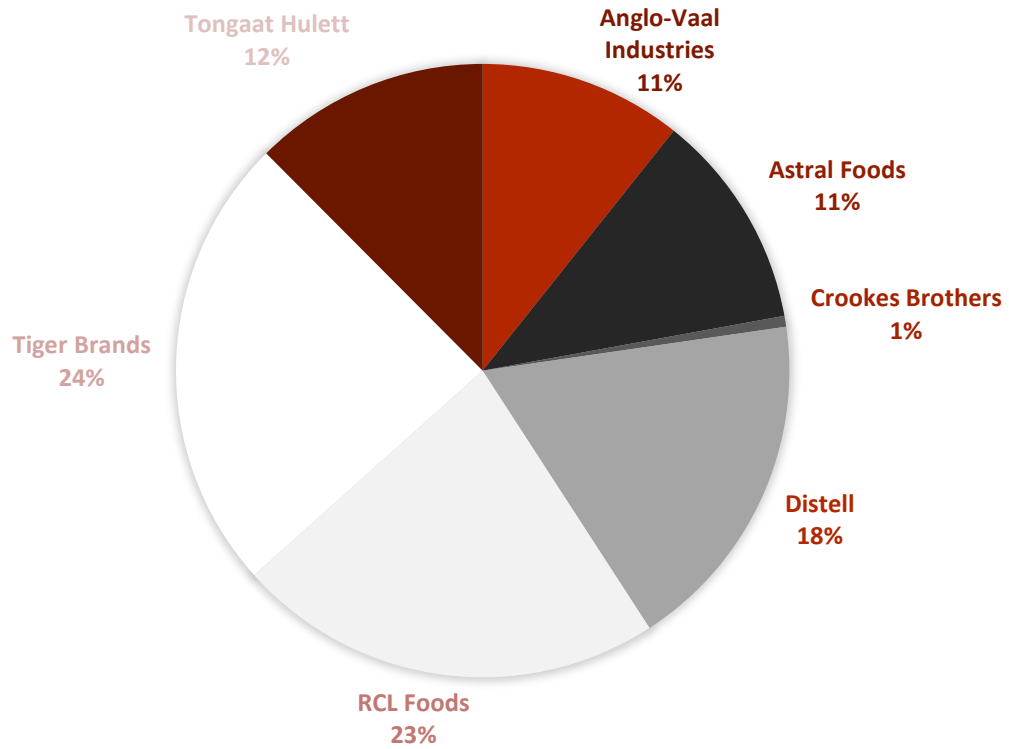


Figure 2 Food & Beverage Sector Revenue Pie Chart 2020

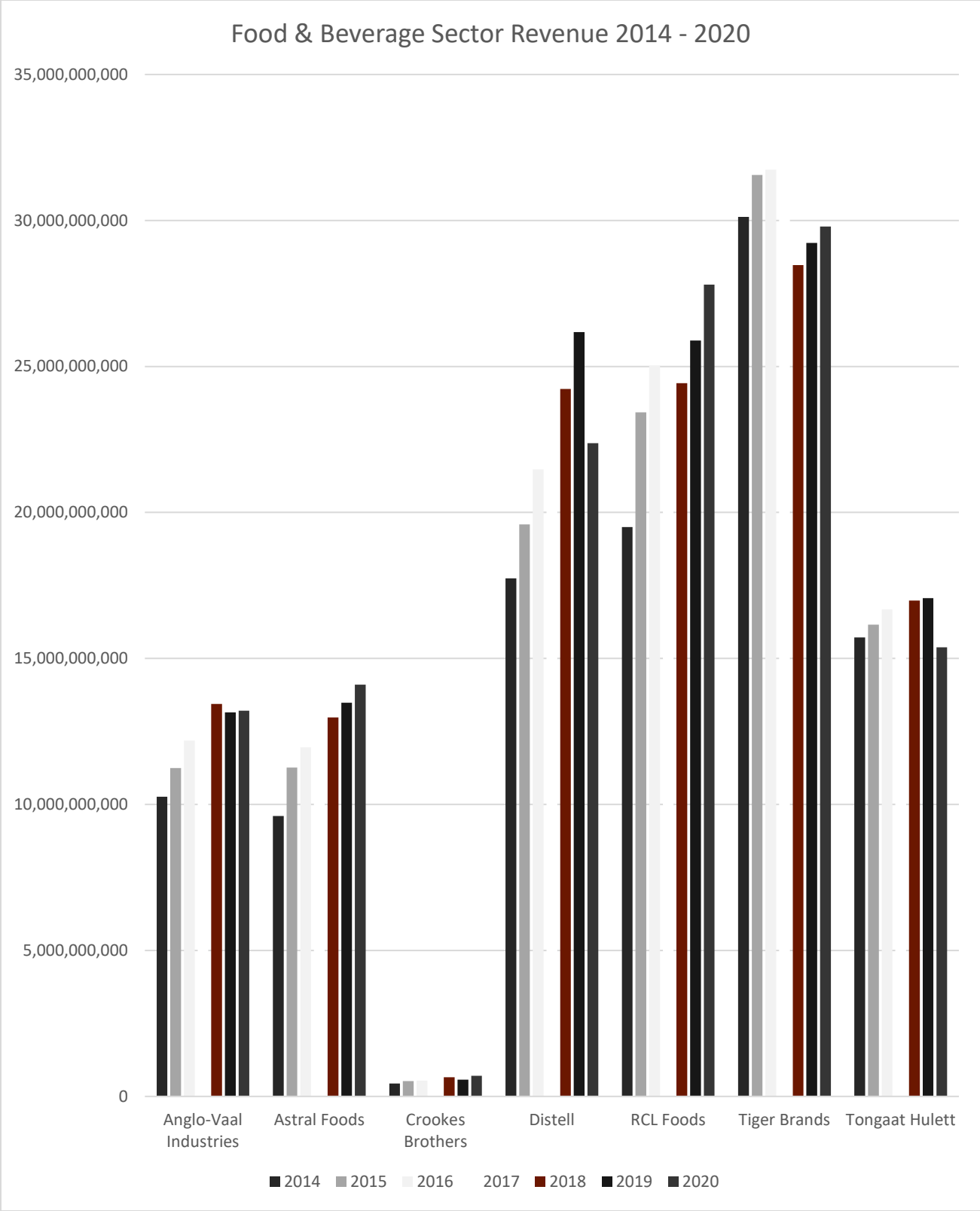


Figure 3 Food & Beverage Sector Revenue 2014 to 2020

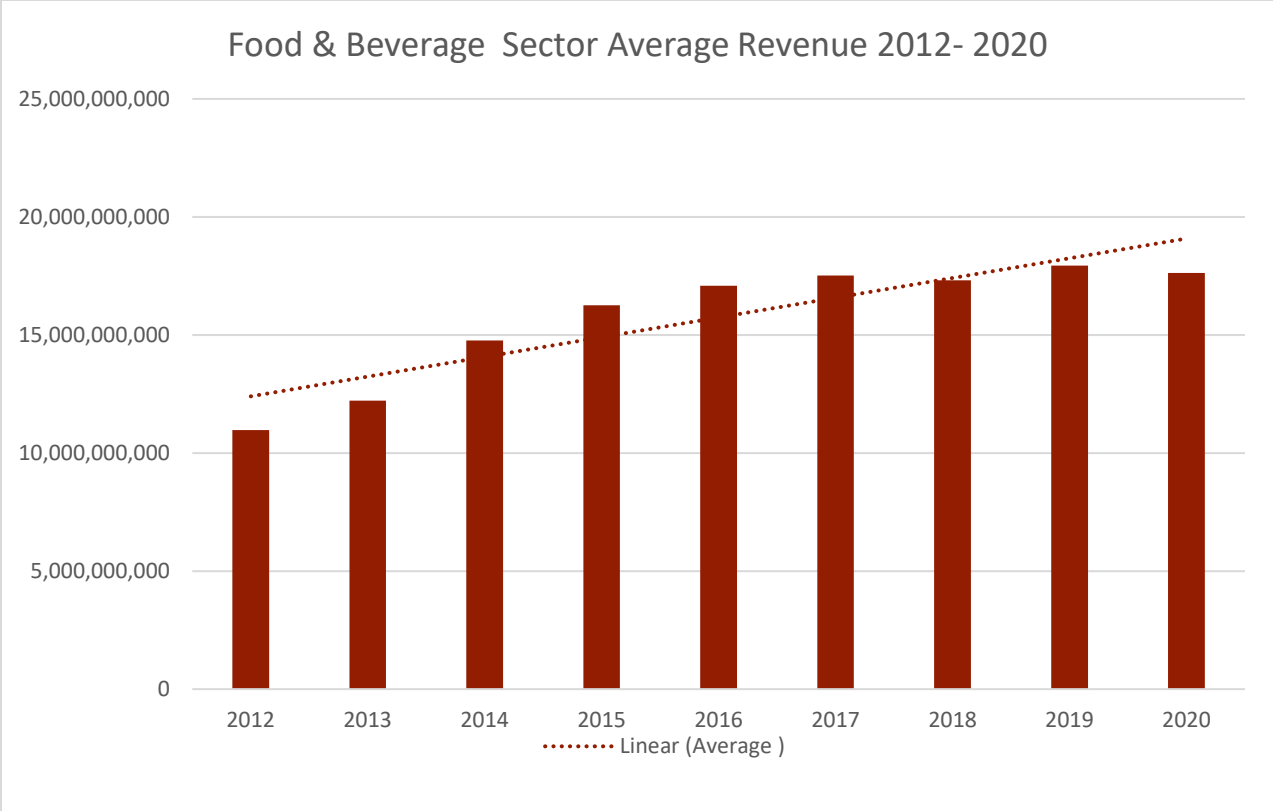


Figure 4 Food & Beverage Sector Average Revenue 2012 to 2020

Profit before Tax

Compared to 2019, all the companies in our sample recorded decreased Profit before Tax except for Anglo-Vaal Industries and Tongaat Hulett. In 2019, Anglo-Vaal Industries reported a PBT of ZAR 2.2 billion; however, in 2020, the company’s PBT rose to ZAR 2.6 billion. In 2019, Tongaat Hulett reported a loss of ZAR 152 million. In 2020, the company turned around to report a profit before tax of ZAR 365 million. RCL Foods reported the biggest loss in the sector. The company had a Loss before Tax of ZAR 1.1 billion in the 2020 financial year. From the graph below (see *Figure 8*), we see that the PBT has been decreasing in the sector since 2018.

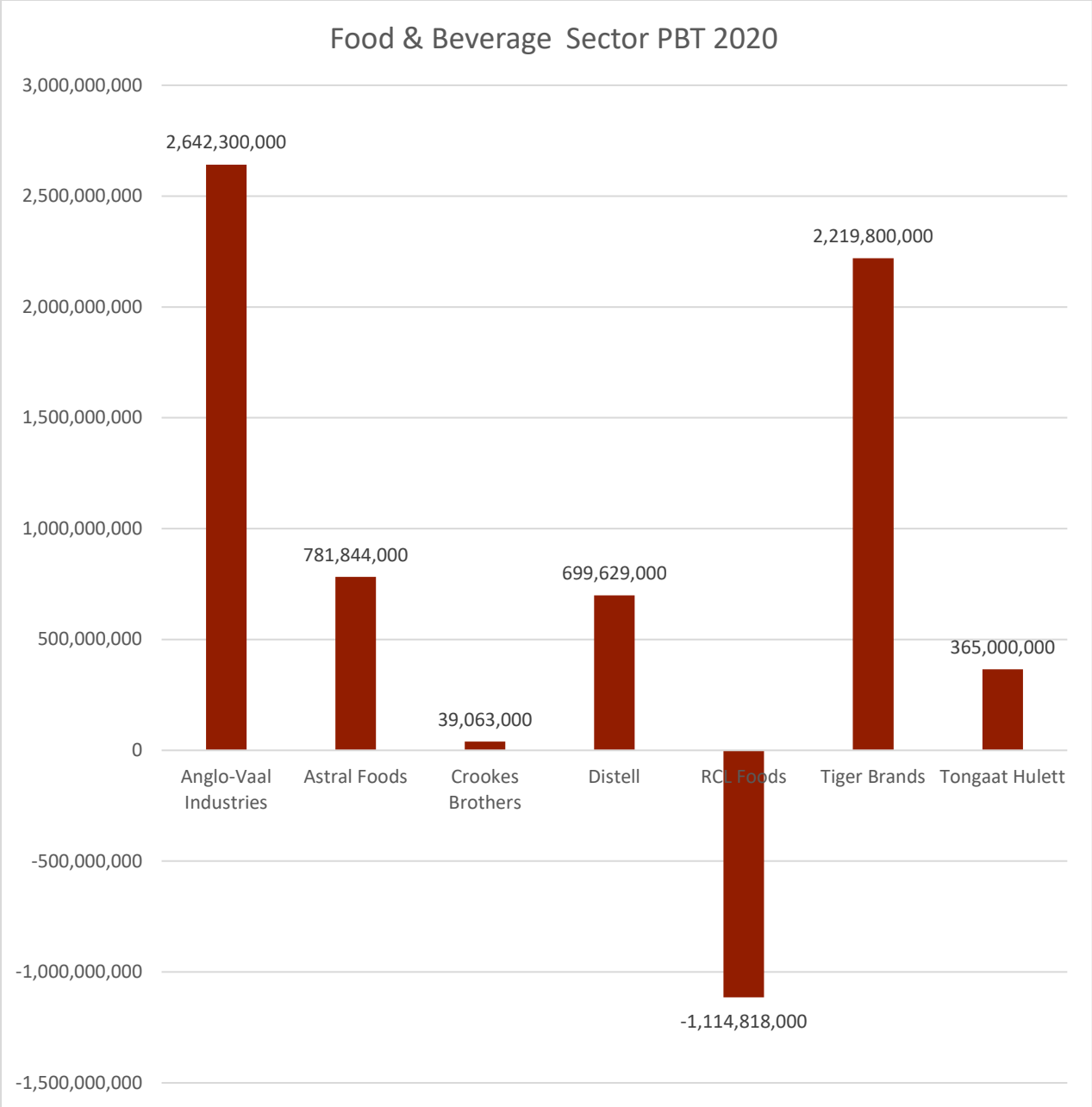


Figure 5 Food & Beverage sector Profit before Tax 2020

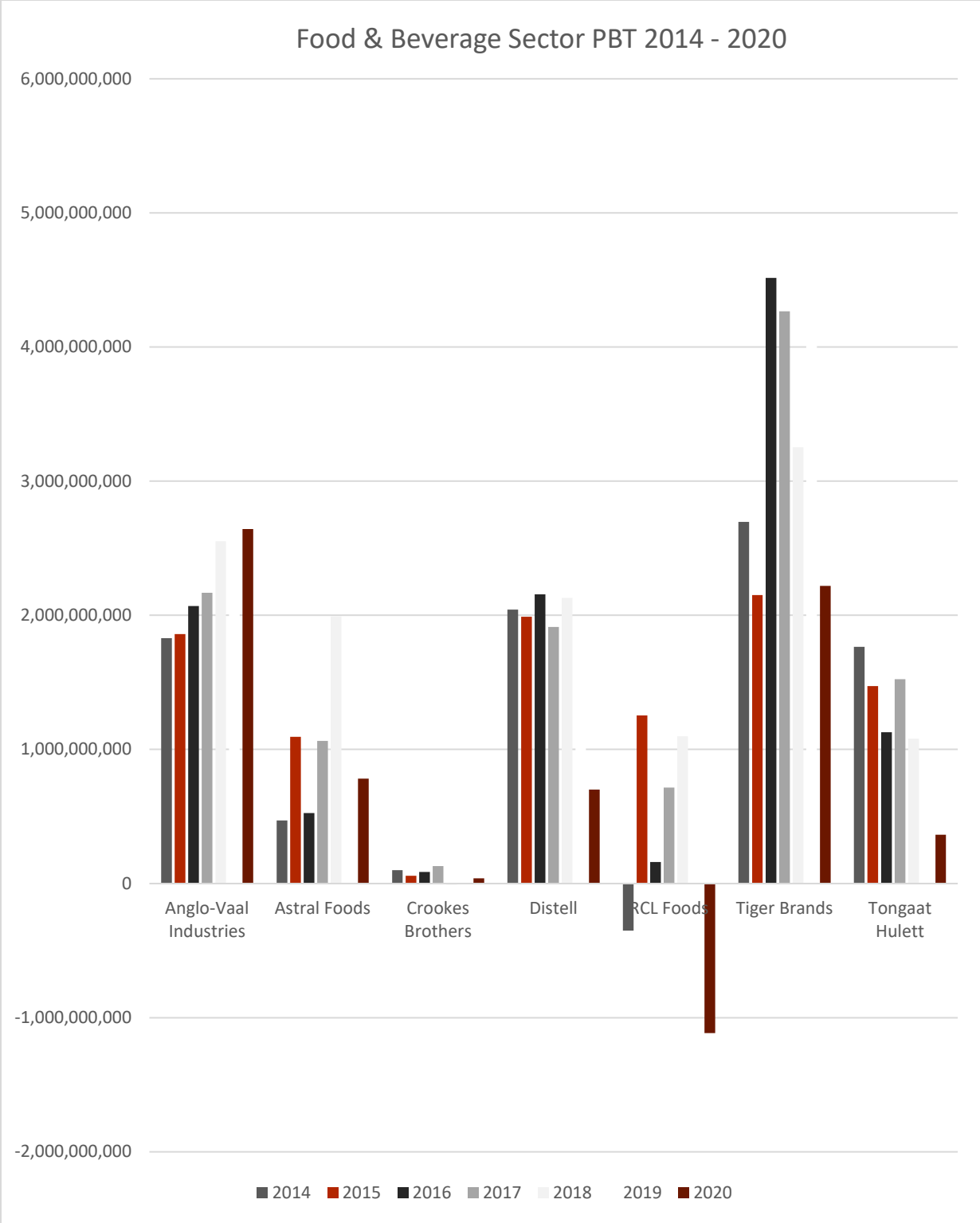


Figure 6 Food & Beverage sector Profit before Tax 2014 to 2020

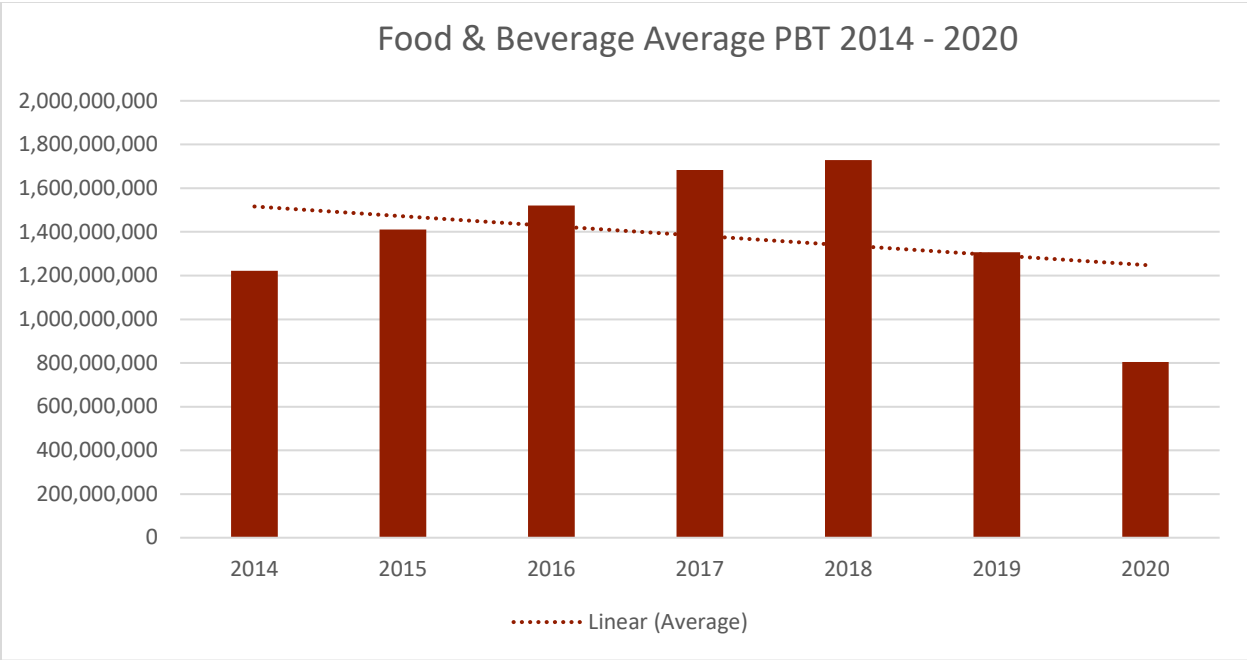


Figure 7 Food & Beverage Sector Average PBT 2014 to 2020

Directors’ Remuneration: a ten-year retrospective

We use the LRS MNC database to examine CEO remuneration over the last ten years for the seven companies in our sample. The average CEO pay excluding LTI for all the companies was ZAR 12.7 million in 2020, while the average CEO pay including LTI for all the companies was ZAR 15.9 million. When looking at *Figure 9*, we see a gap between the average total remuneration without LTI and total remuneration including LTI. This is due to the large amount of LTIs paid to CEOs in the financial year.

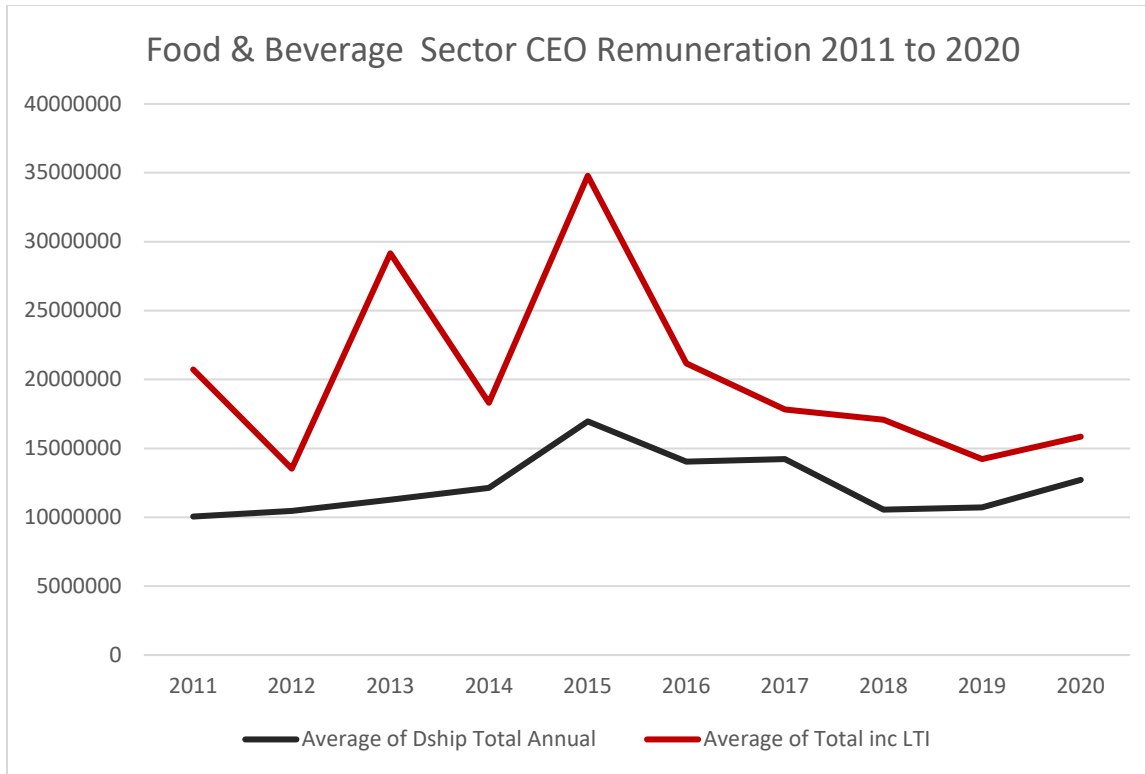


Figure 8 Food & Beverage Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

Simon Crutchley of Anglo-Vaal Industries received the highest CEO remuneration in our sample. He received a total of ZAR 27 million. He is followed closely by Chris Schutte of Astral Foods, whose remuneration decreased by 9.4% compared to 2019. He received ZAR 21.4 million in the 2020 financial year. On average, from 2019 to 2020, the total executive director's remuneration decreased by 3.8%, while the non-executive director's remuneration increased by less than 1% (see Figures 10 and 11).

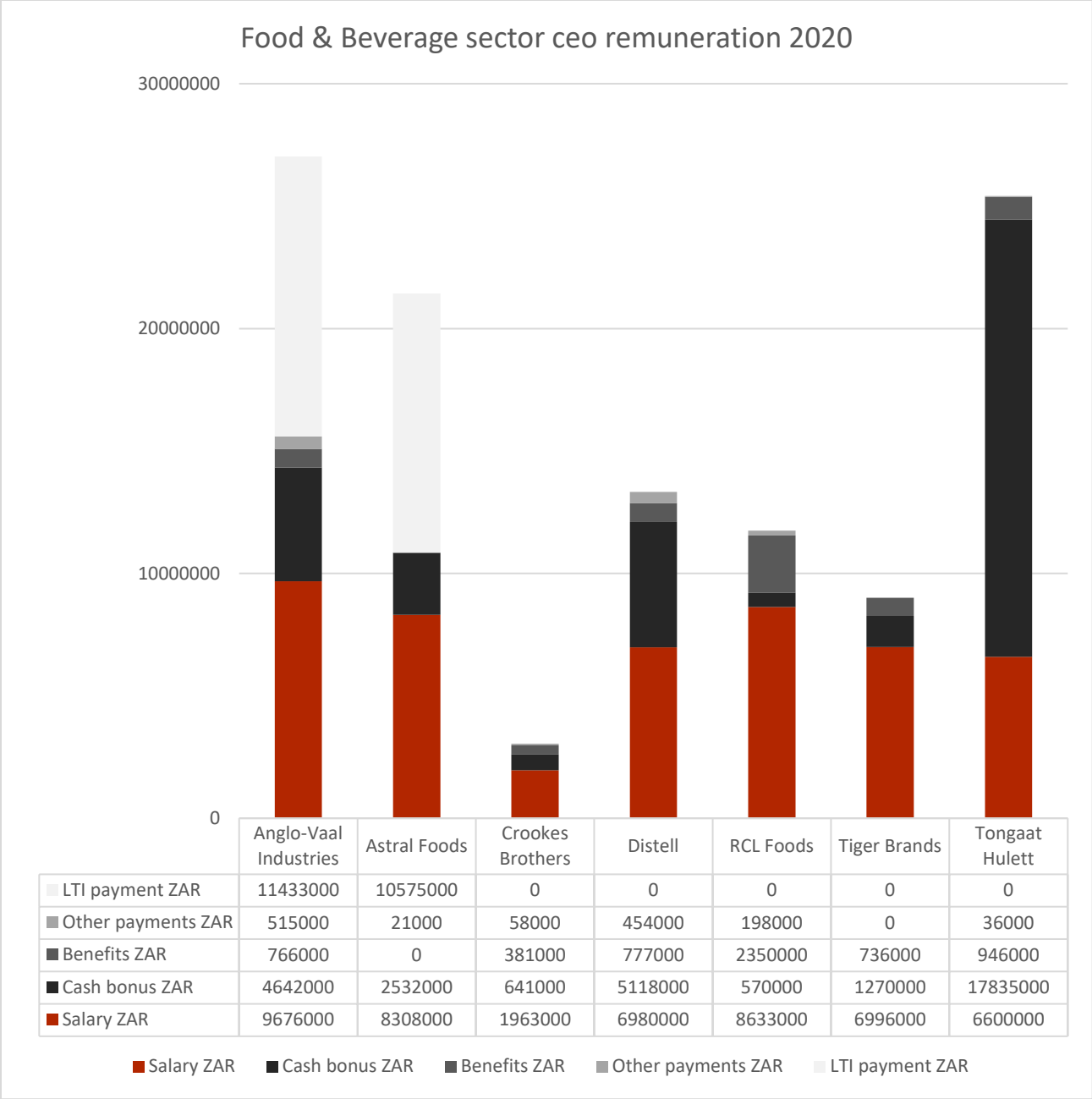


Figure 9 Food & Beverage Sector CEO Remuneration 2020

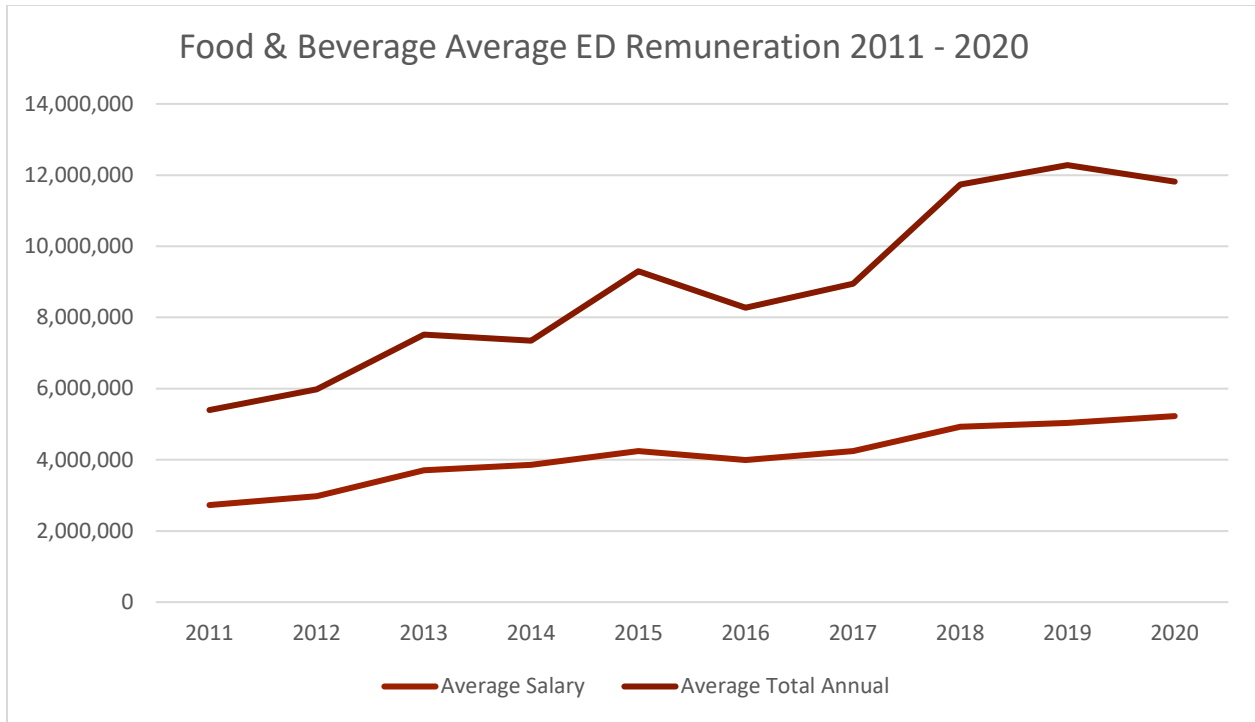


Figure 10 Food & Beverage Sector Executive Director Remuneration 2012 to 2020

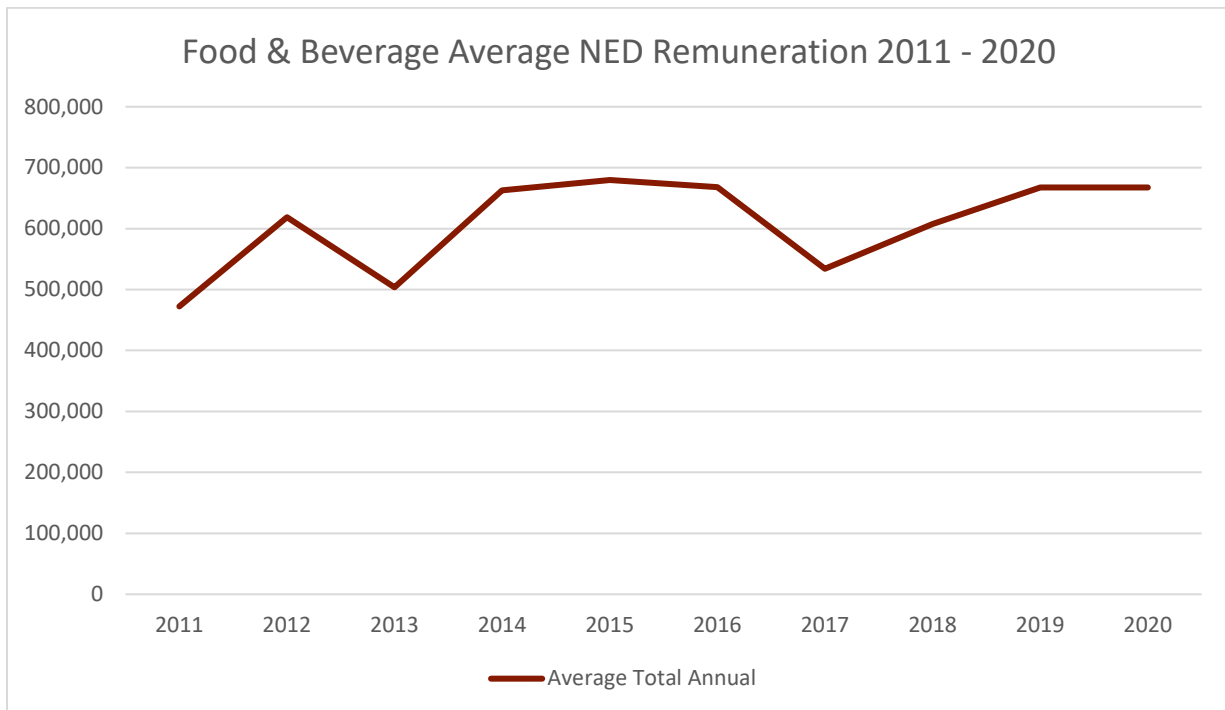


Figure 11 Food & Beverage sector NED Average Total Annual Remuneration 2011 to 2020