

Diversified Sector Report 2021



Contents

Introduction	2
The Sector	2
Financials.....	3
Revenue	3
Profit before Tax	5
Directors' Remuneration	7
CEO Remuneration 2021.....	8

Table of Figures

Figure 1 Diversified Sector Revenue 2021	3
Figure 2 Diversified Holdings Sector Revenue 2012 to 2021.....	4
Figure 3 Diversified Holdings Sector Average Revenue 2012 to 2021	5
Figure 4 Diversified Holdings Sector Profit before Tax 2021	5
Figure 5 Diversified Holdings Sector Profit before Tax 2014 to 2021	6
Figure 6 Diversified Holdings Sector Average PBT 2014 - 2021.....	7
Figure 7 Diversified Sector CEO Remuneration 2011 to 2020.....	8
Figure 8 Diversified Holdings Sector CEO Remuneration 2021	9
Figure 9 Diversified Holdings Sector Average Executive Director Remuneration 2017 to 2021.	10
Figure 10 Diversified Holdings Sector NED Average Total Annual Remuneration 2017 to 2021.	10

Introduction

This small group of companies fall within the ‘general industrials’ sector on the JSE. Our sample includes three companies, namely:

Barloworld Limited
Bidvest
Remgro

The rich data extracted from the LRS’s [MNC Database](#) further enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the remuneration packages received by directors in this sector.

The Sector

Over the course of the last year and a half, COVID-19 has caused a significant slowdown in world trade and disrupted global supply chains. In addition to these disruptions, South Africa’s national lockdowns over the course of 2020 and 2021 have severely impacted businesses. No sector has been untouched by the global COVID-19 pandemic. These effects are very visible in the

As this group of companies operates in various sectors, we can look at some of the companies’ individual struggles as well as gains during the last financial year. Barloworld Limited, a global industrial company, has recovered from a loss in 2020 during the worst of the pandemic with what has been deemed a ‘phenomenal run’.¹ Barloworld has made several strategic investments and acquisitions to expand its operations and strengthen its position in key markets.

Bidvest operates an assortment of businesses with exposure to several sectors. The share price is up more than 14% this past year, signalling a healthy recovery from pandemic-related pressures.²

¹ <https://www.businesslive.co.za/fm/money-and-investing/2021-11-25-barloworlds-phenomenal-run/>

² <https://www.ghostmail.co.za/ghost-bites-vol-84-22-bidvest-rcl-foods-avi-mtn/>

Remgro is an investment holding company, with interests in banking, financial services, packaging, glass products, medical services, mining, petroleum, beverage, food and personal care products. Many of these sectors were severely impacted by global supply shortages, lockdowns and trading restrictions over the course of 2020 and into 2021. By September 2021, the company’s share price had yet to recover from these effects.³

Financials

Revenue

From 2019 to 2020, this group of companies reported that revenue decreased by 4,5%, in line with general trends for 2020. From 2020 to 2021, the group of companies reported an average increase in revenue of 8%, showing some recovery from the pandemic.

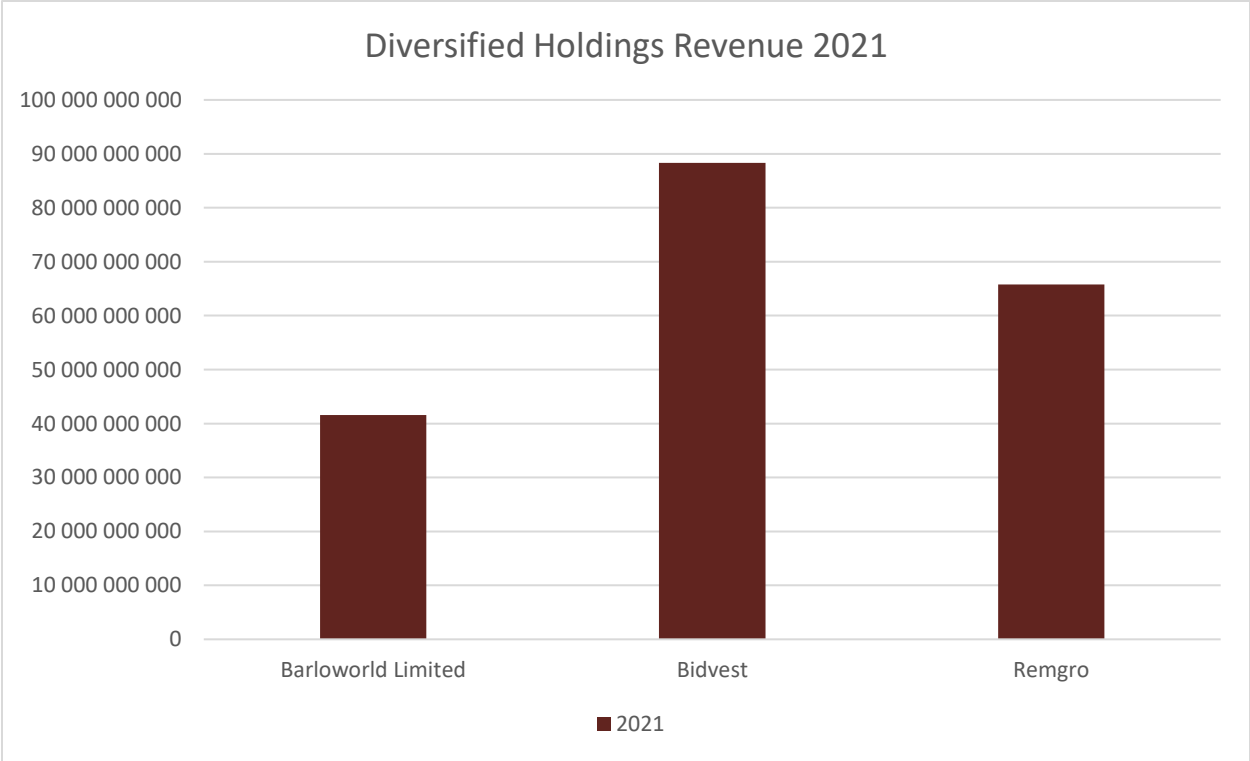


Figure 1 Diversified Sector Revenue 2021

³ <https://www.moneyweb.co.za/news/companies-and-deals/remgro-still-trading-at-a-significant-discount-durand/>

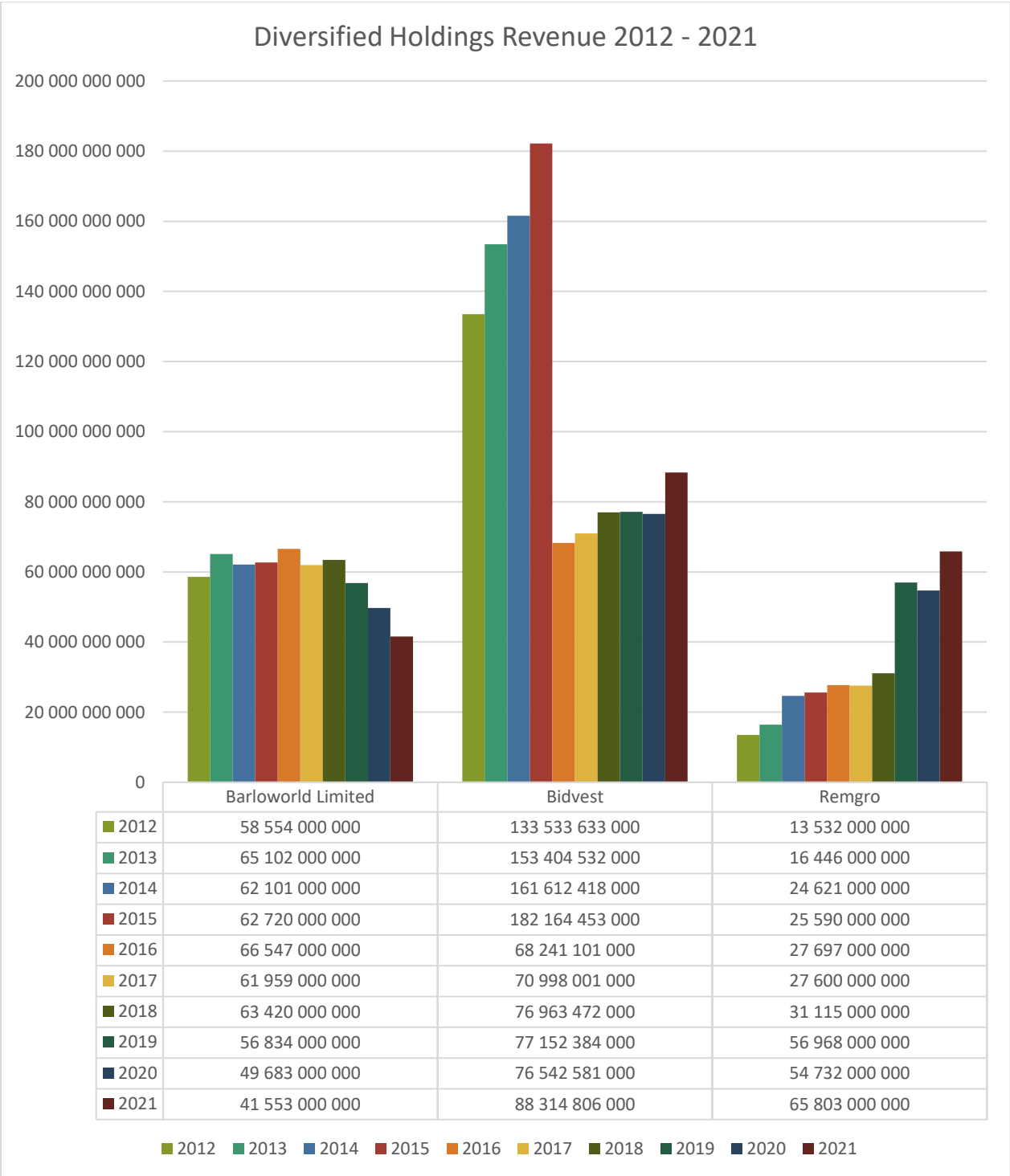


Figure 2 Diversified Holdings Sector Revenue 2012 to 2021

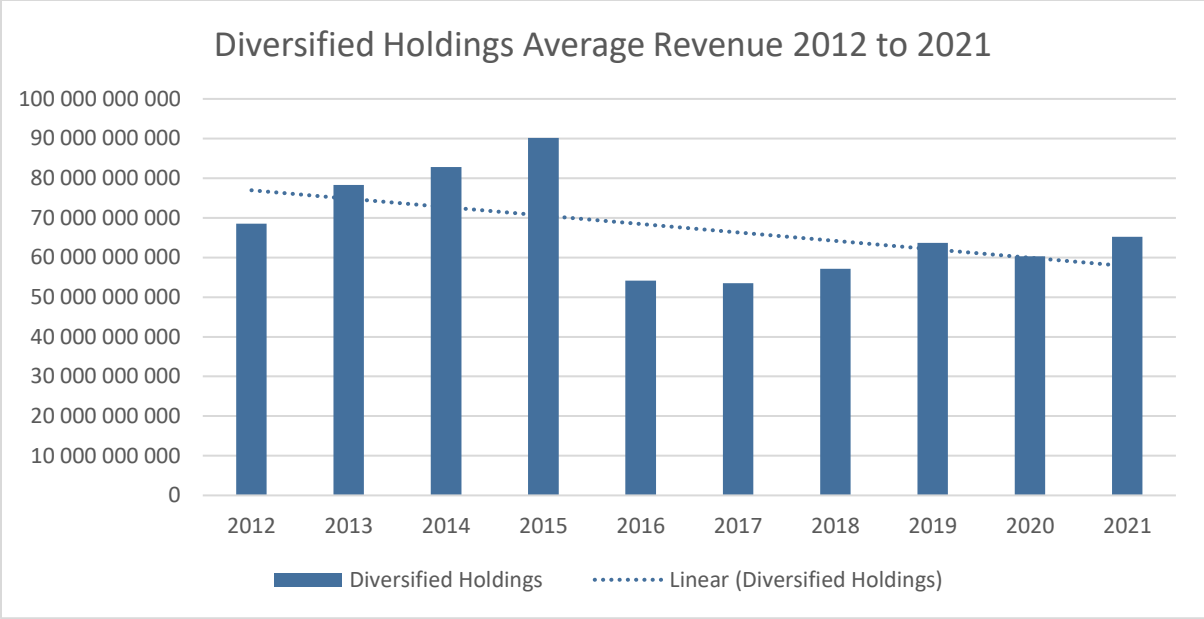


Figure 3 Diversified Holdings Sector Average Revenue 2012 to 2021

Profit before Tax

In 2019, Profit before Tax in this sector took a big hit. On average, reported PBT went down by over 70% (mainly due to significant losses reported by Remgro). From 2019 to 2020, PBT went down a further 92% with companies reporting losses. In 2021, companies reported positive changes in PBT – with all three companies in the sample reporting profit similar to pre-pandemic levels. Barloworld reported PBT of ZAR 3,5 billion after reporting a loss in 2020.

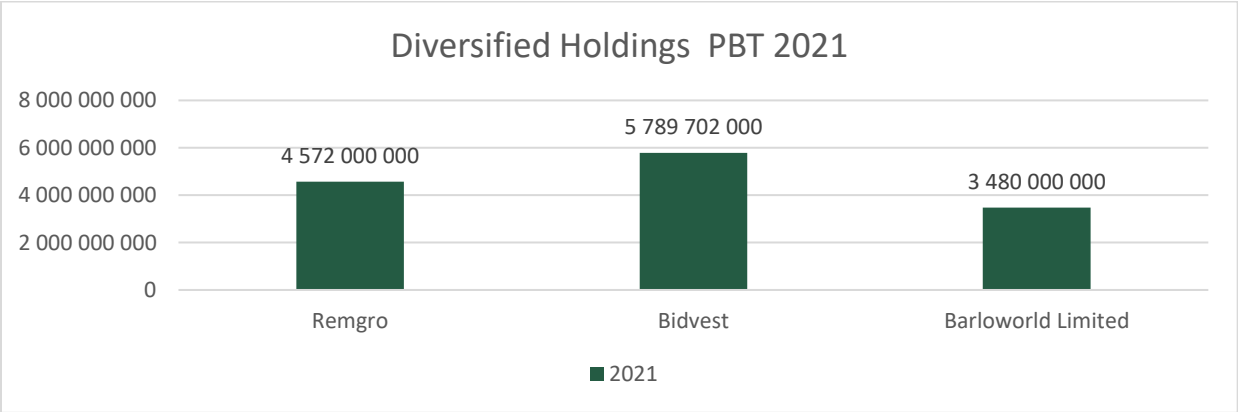


Figure 4 Diversified Holdings Sector Profit before Tax 2021

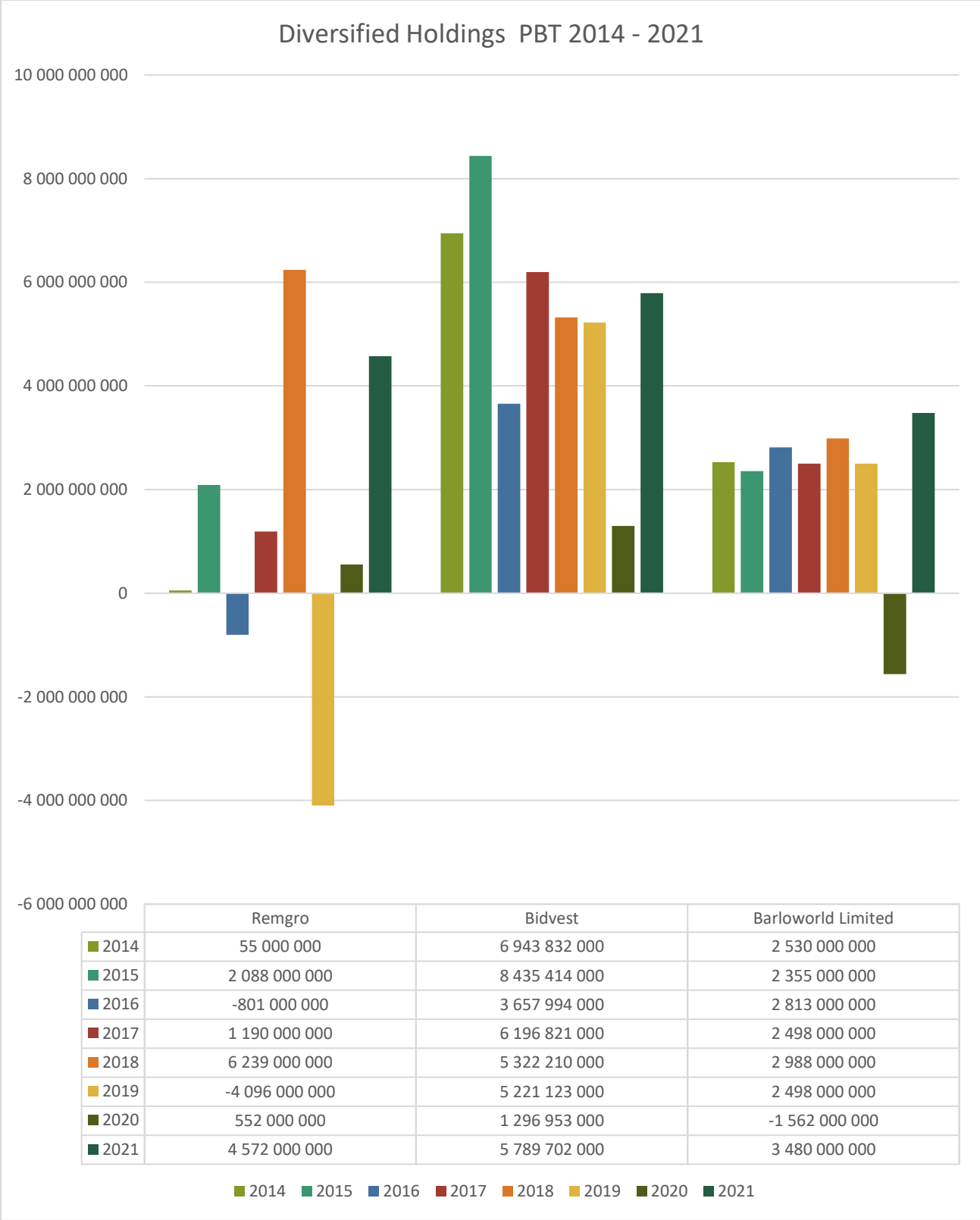


Figure 5 Diversified Holdings Sector Profit before Tax 2014 to 2021

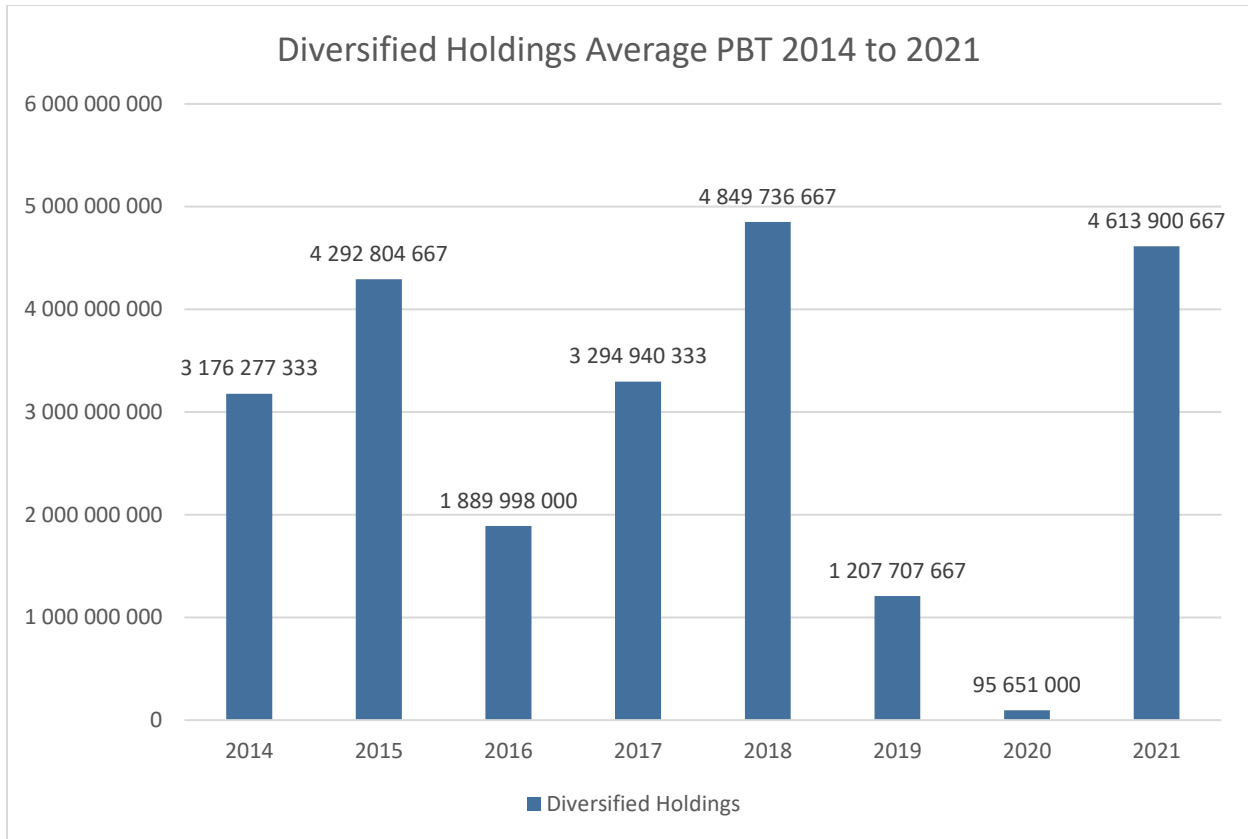


Figure 6 Diversified Holdings Sector Average PBT 2014 - 2021

Directors' Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last ten years. In the Diversified Holdings sector, and our sample specifically, we see the general trend over time being flat, with a large spike in 2015 and 2016 when the CEOs of both Bidvest and Steinhoff International (which was then included in our sample) received large LTIs (ZAR 26 million and ZAR 69 million respectively).

When looking at *Figure 7*, we see that in 2015, 2016, and 2017 we can see a large gap between the average total remuneration without LTI and total remuneration including LTI.

This shows that large LTIs were paid in these three years. This gap closes in 2018. From 2019 to 2020, average total remuneration (including LTI) went up by 31%. From 2019 to 2020, this

number decreased by 31%, back to similar numbers as 2018. Given the losses reported by the companies in 2020, this is not surprising. In 2021, this number increased by 22,9%.

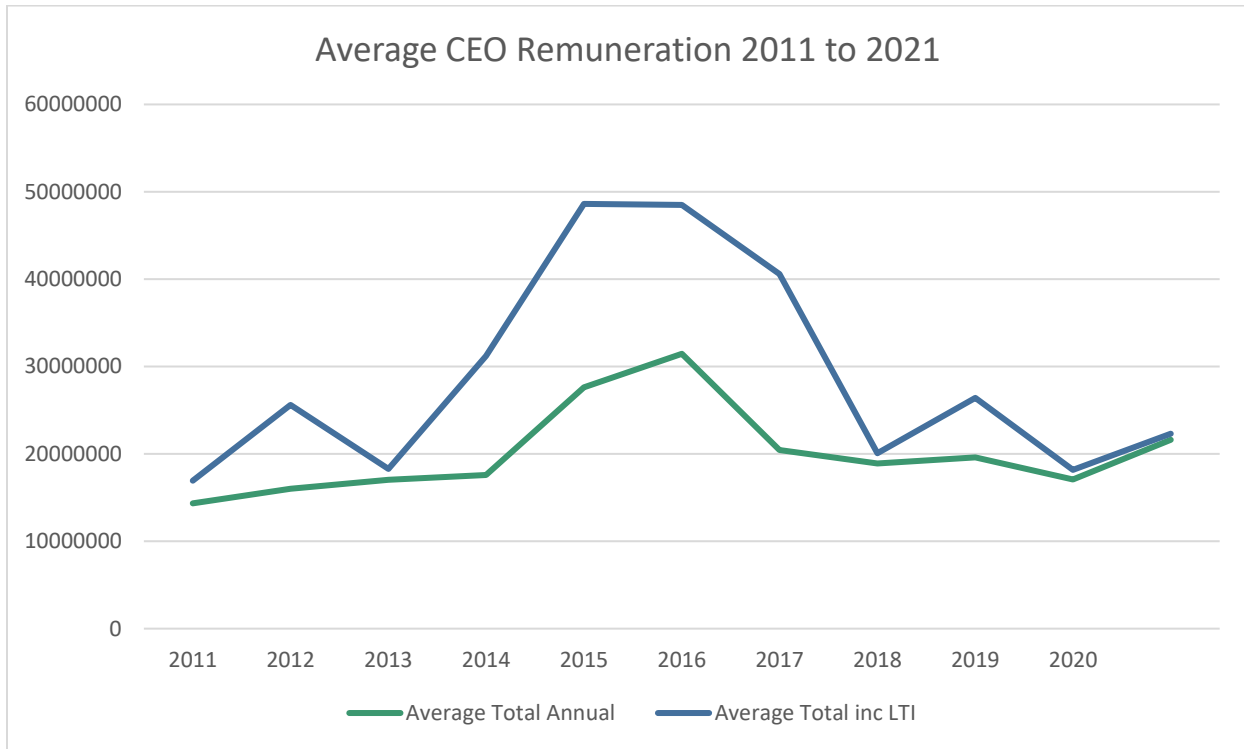


Figure 7 Diversified Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2021

In October 2020, Bidvest CEO Lindsey Ralphs stepped down and was replaced by new CEO, Mpumi Madisa.⁴ Madisa received total remuneration of ZAR 24 million for his first year as CEO.

The average CEO remuneration went up during this time. The only LTI paid in our sample was to Bidvest's CEO, of just over ZAR 2 million. This brings his total remuneration for the year to ZAR 13 million. In general, CEOs in the sector were not paid extremely large remuneration packages considering the operating environment. On average, executive remuneration in this sample went up by 10% in 2021. In the same time period, non-executive remuneration went up by 6,75%.

⁴ <https://www.news24.com/fin24/companies/interview-ceo-mpumi-madisa-plans-for-a-little-more-speed-in-bidvests-acquisition-drive-20210302>

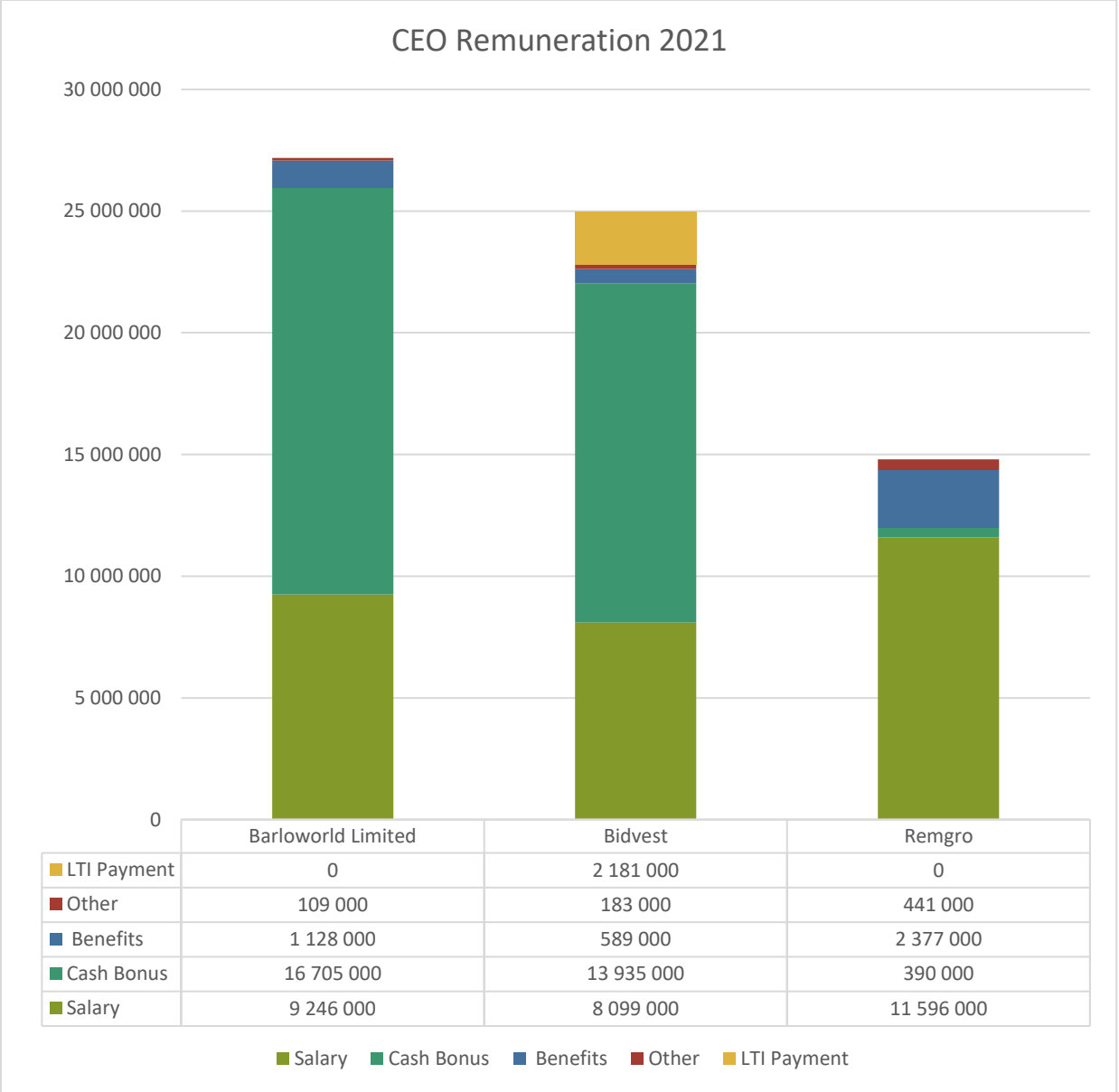


Figure 8 Diversified Holdings Sector CEO Remuneration 2021

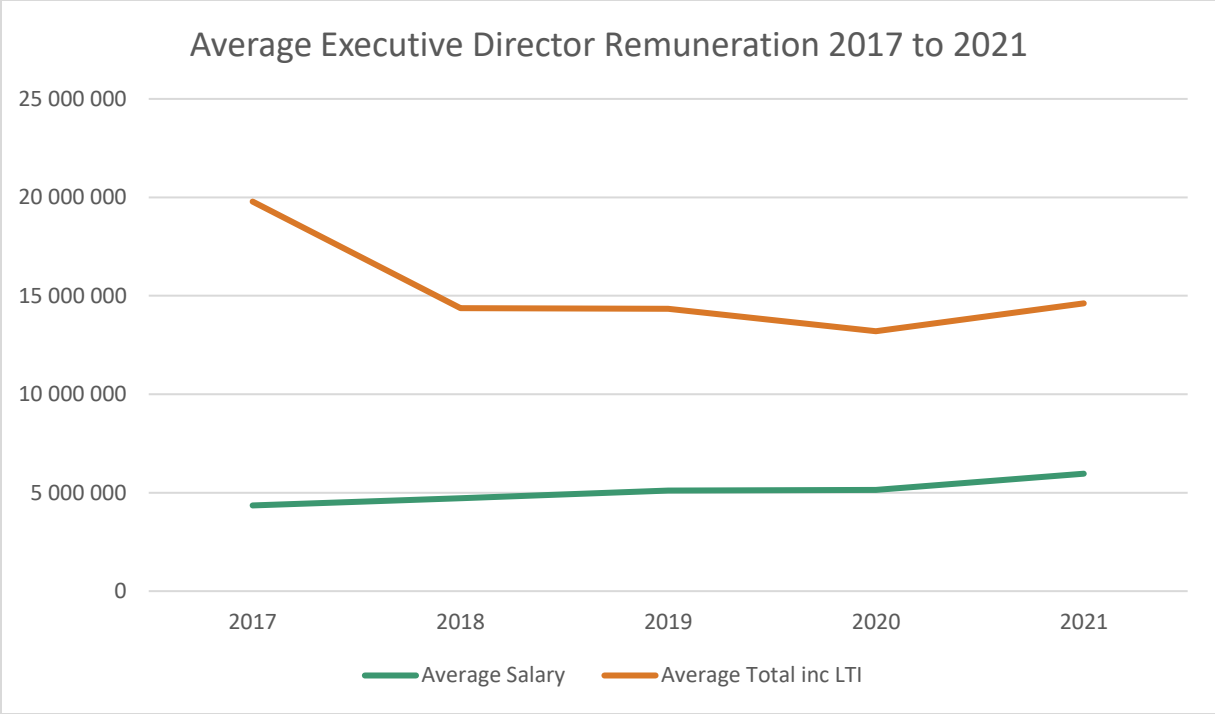


Figure 9 Diversified Holdings Sector Average Executive Director Remuneration 2017 to 2021

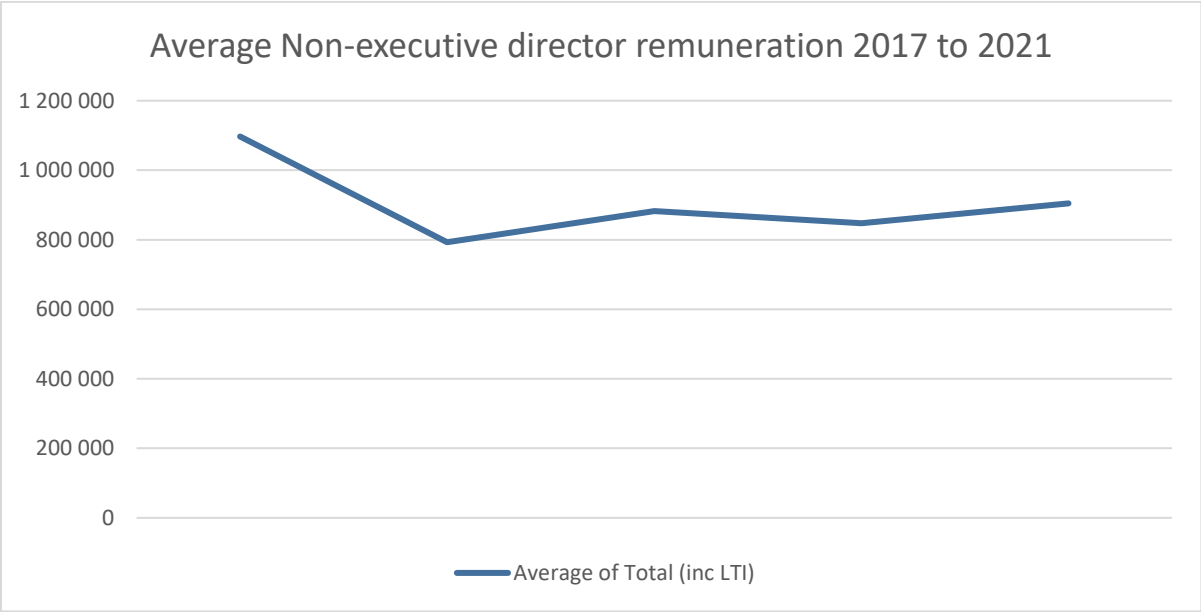


Figure 10 Diversified Holdings Sector NED Average Total Annual Remuneration 2017 to 2021