

Food and Beverage Sector Report 2022



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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

The food and beverage sector in South Africa is a major contributor to the country's economy. In 2018, the sector accounted for more than 3% of South Africa's gross domestic product (GDP) and employed over 2 million people.

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.

According to a recent report by Statistics South Africa,² 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 on³ 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%. By July 2022, income in the sector grew by 55,8%.⁴ However, this is from a very low base in July 2021. As a whole, 'food and beverage income at constant 2019 prices in July of this year was R5.75-billion, compared with R6.3-billion in the same month in 2019.'

The food and beverage sector in South Africa is facing several challenges. The industry is highly dependent on exports, and South Africa's economic downturn has had a negative impact on the sector. In addition, the industry is facing increasing competition from imported products, particularly in the processed food market.

Financials

Revenue

The biggest company by revenue in our sample is RCL Foods, who reported revenue of ZAR 31,7 million in 2021 (*Figure 1*). This value is a 13,7% increase from the 2020 financial year revenue. Tiger Brands and Distell are also big players in the Food and Beverage Sector, with revenues of ZAR 31 billion and 28 billion, respectively, in 2021. Distell reported the highest increase in revenue in our sample: 26% year on year increase in revenue from 2020 to 2021. Tongaat Hullet

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

² <https://www.dailymaverick.co.za/article/2021-04-20-sa-food-and-beverage-sector-is-still-staggering-but-fast-food-is-recovering/>

³ *Ibid*

⁴ <https://www.dailymaverick.co.za/article/2022-09-26-sas-food-and-beverage-sector-battling-to-rebound-after-pandemic-lockdown-measures/>

reported a small decrease in revenue of 3%; while Crookes Brothers (a company that had seen remarkable growth in 2020) reported a decrease in revenue of 9%.

The 2021 financials still reflect the lasting impact of the Covid-19 pandemic.

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.

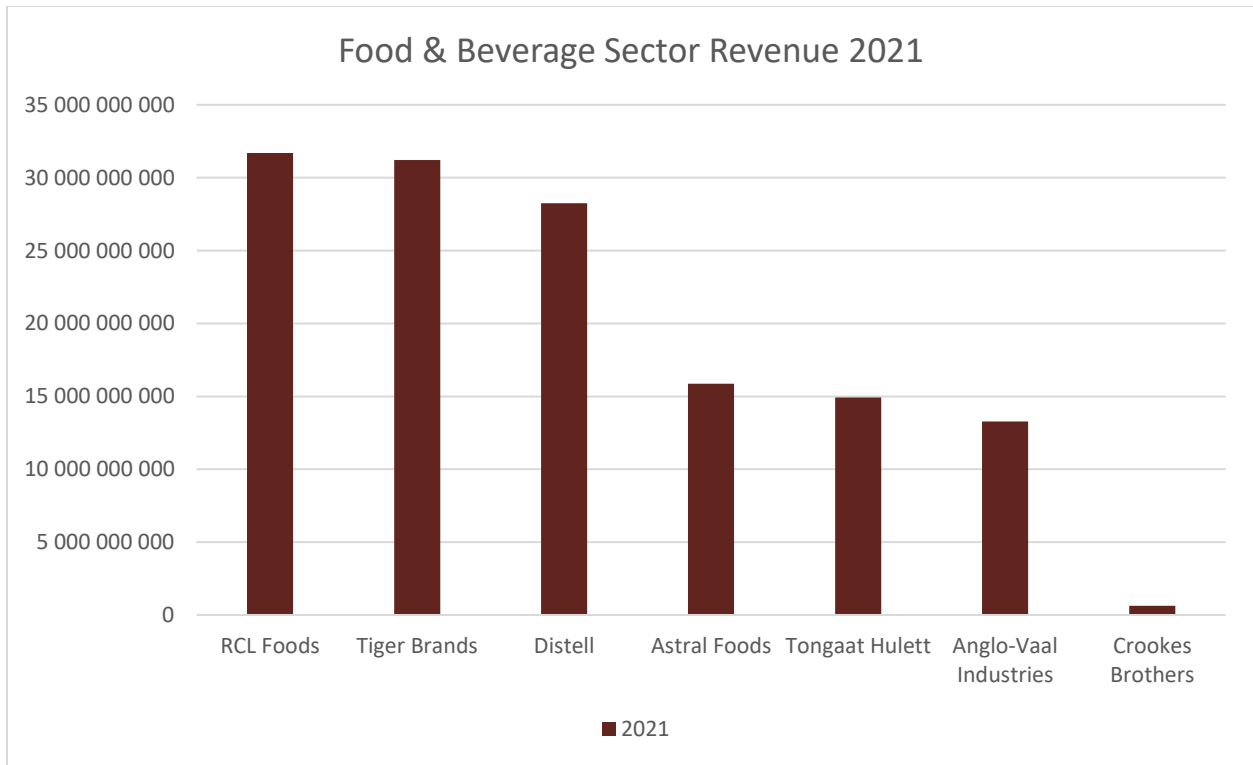


Figure 1 Food & Beverage Sector Revenue 2021

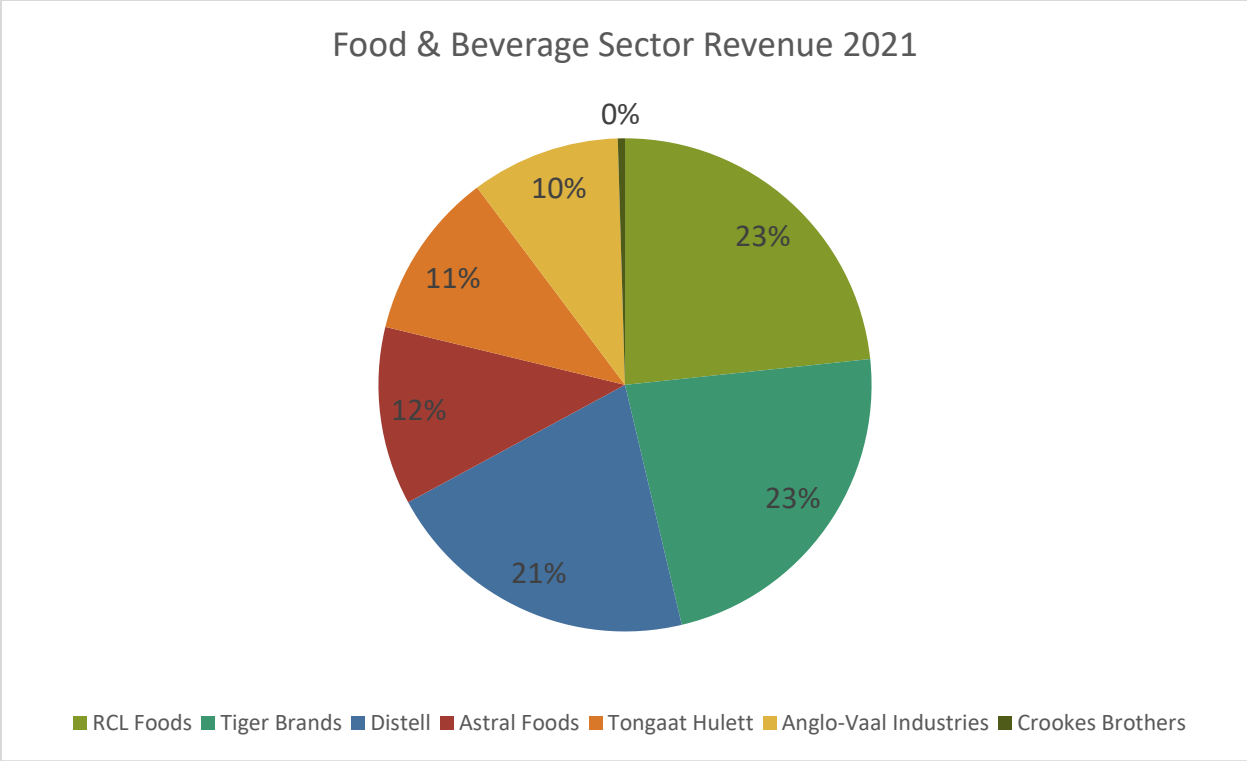


Figure 2 Food & Beverage Sector Revenue Pie Chart 2021

Food & Beverage Sector Revenue 2012 to 2021

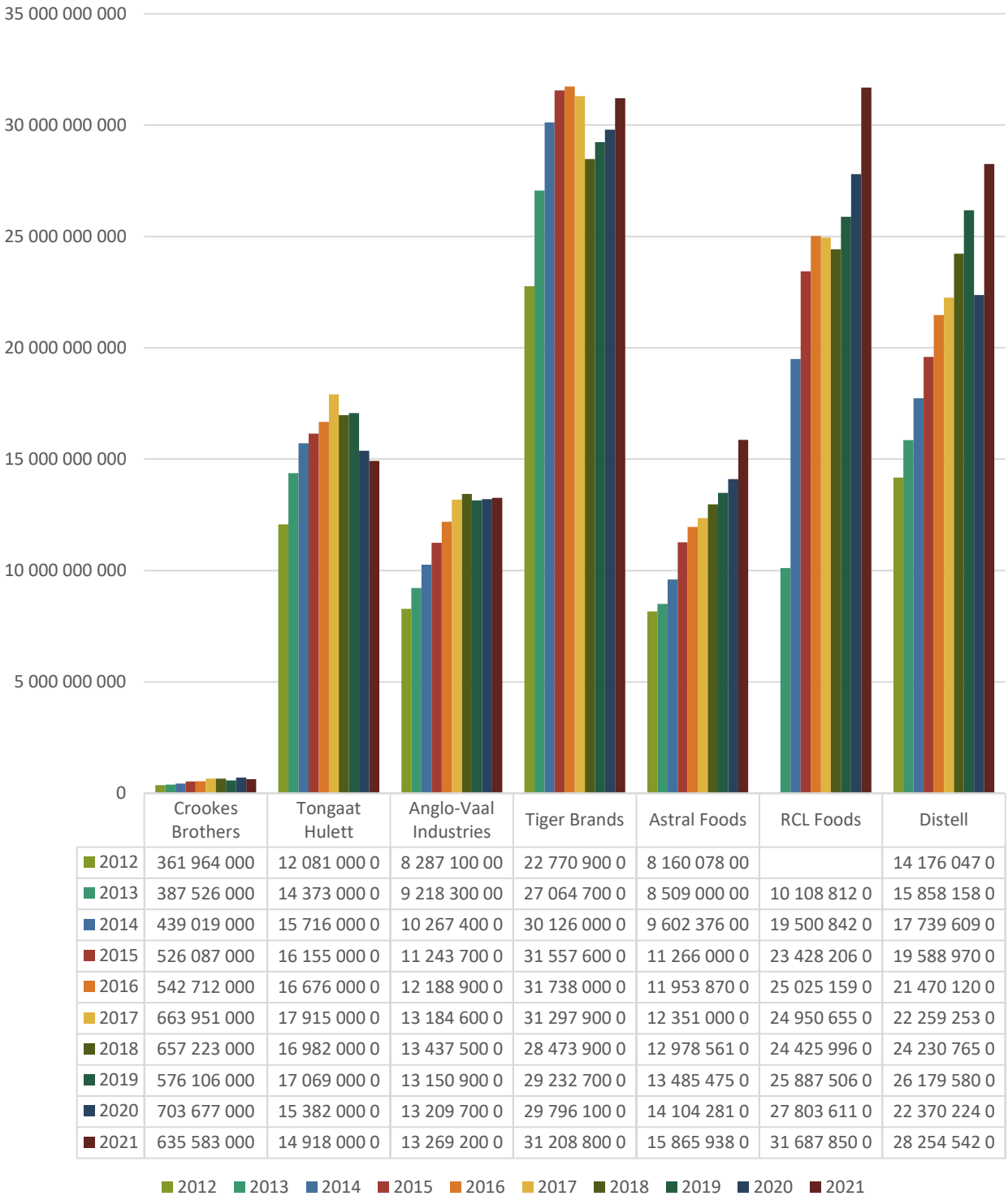


Figure 3 Food & Beverage Sector Revenue 2014 to 2020

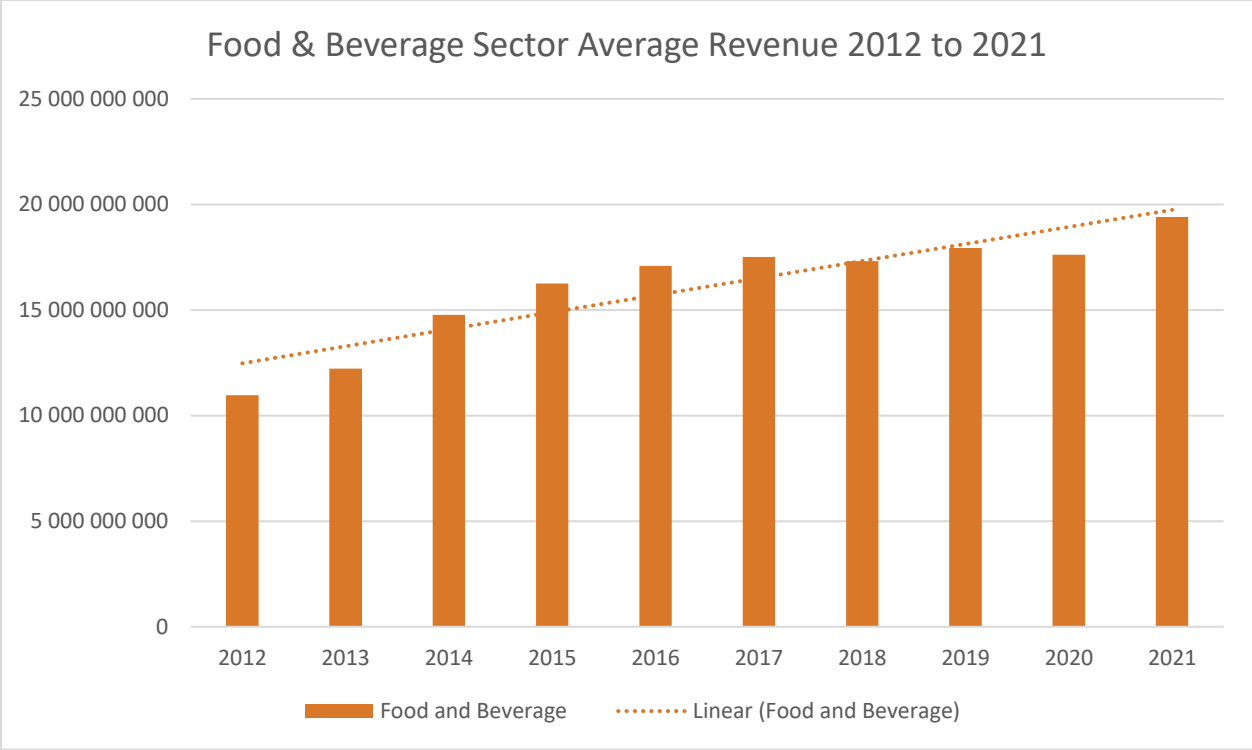


Figure 4 Food & Beverage Sector Average Revenue 2012 to 2021

Profit before Tax

In 2021, Distell reported a remarkable increase in PBT from ZAR 700 million in 2020 to ZAR 2,6 billion in the 2021 financial year. However, this company delisted from the JSE in 2022 due to being bought out by beer giant Heineken.

RCL foods reported a profit of ZAR 1,3 billion after having reported a loss of over ZAR 1 billion in 2020. RCL has a new CEO: Paul Cruickshank took over from Miles Dally on 1 December 2021 following Dally’s retirement. This led to a new executive structure being put in place and the consolidation of the CEO and COO roles.⁵ The executives are focused on the food division of this business as this has previously been the most profitable.

⁵ <https://www.ghostmail.co.za/rcl-is-far-more-than-just-a-chicken-business/>

Tongaat Hullet, however, reported a loss of ZAR 369 million for the financial year. The business has suffered from ‘years of poor maintenance leading to lower production, higher costs and more capital expenditure.’⁶ A drop in sugar prices has severely affected the company further and it is expected to continue to operate at a loss in 2022. The South African operations of the business have been placed into business rescue.

Despite the drop in revenue, Crooks Brothers reported a 17% increase in PBT, while Tiger Brands boasted PBT increase of 8%. Astral Foods reported a decline in PBT of 15%.

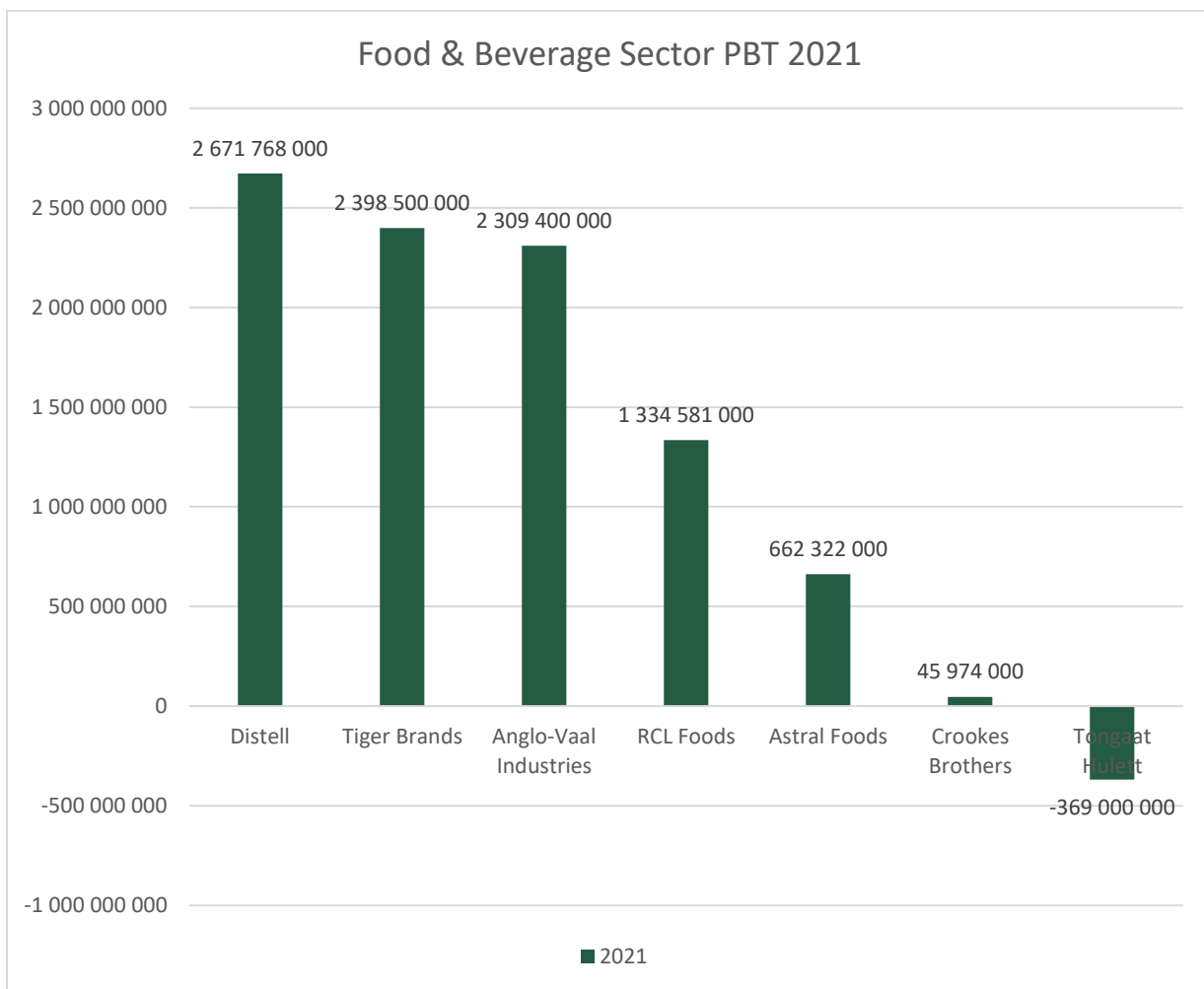


Figure 5 Food & Beverage sector Profit before Tax 2021

⁶ <https://www.ghostmail.co.za/tongaata-horror-story/>

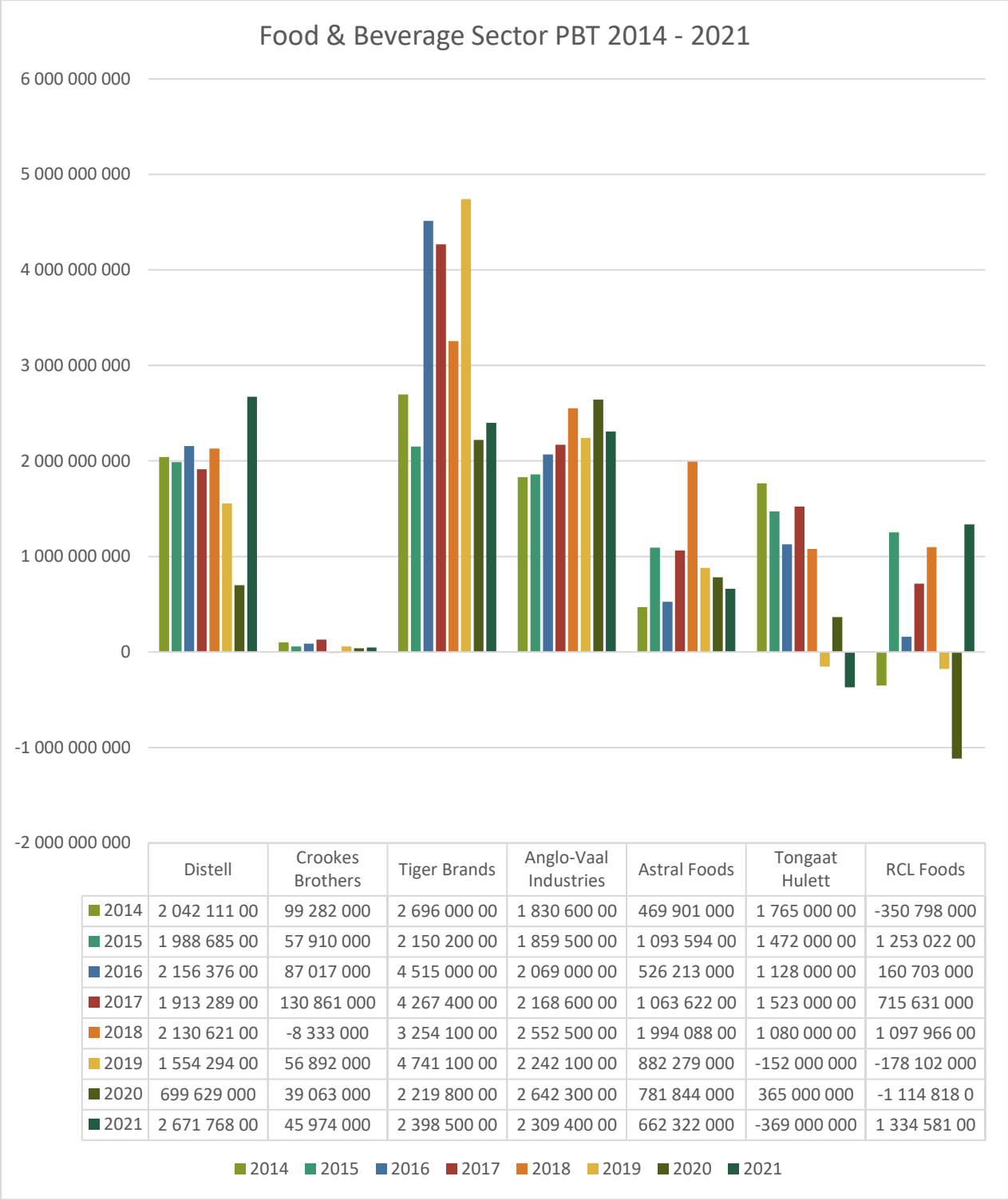


Figure 6 Food & Beverage sector Profit before Tax 2014 to 2021

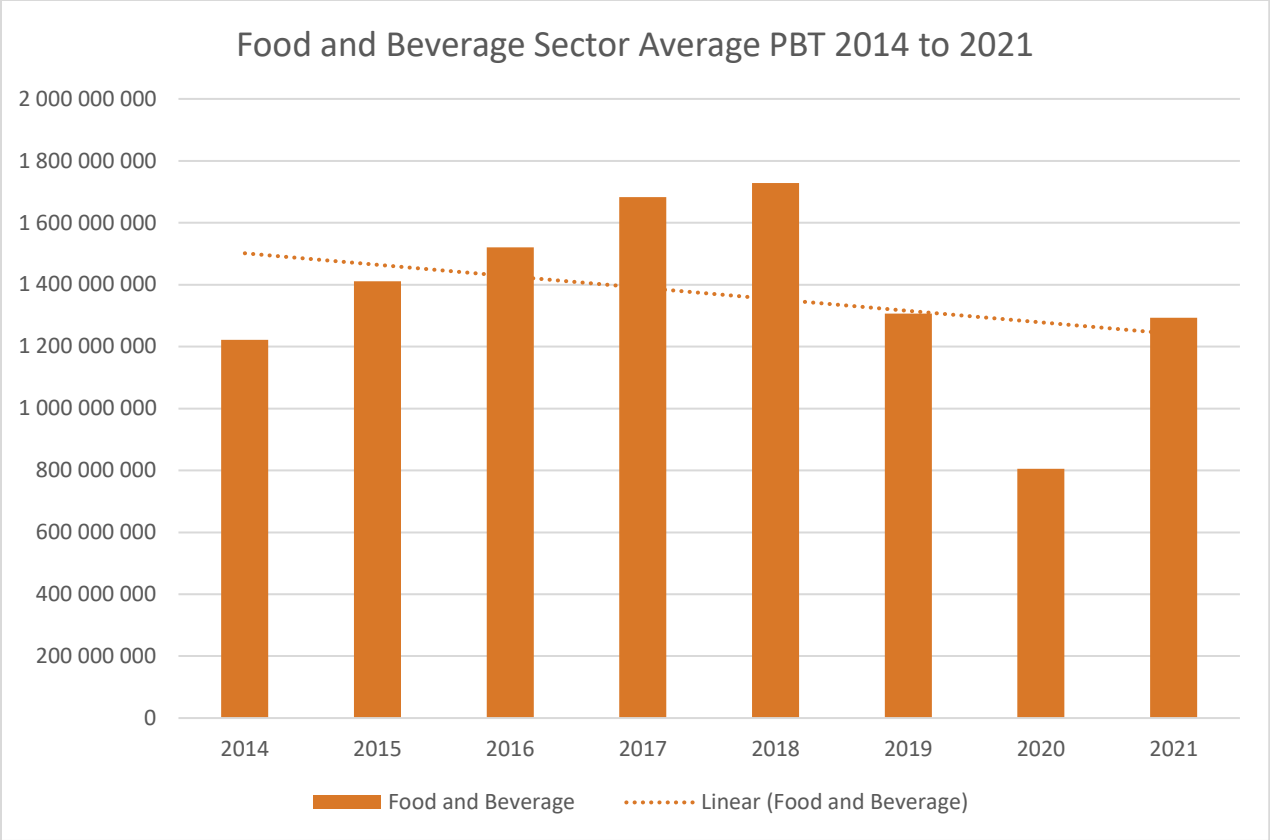


Figure 7 Food & Beverage Sector Average PBT 2014 to 2021

Directors’ Remuneration

We use the LRS MNC database to examine CEO remuneration over the last eleven years for the seven companies in our sample. The average CEO pay excluding LTI for all the companies was ZAR 10 million in 2021, while the average CEO pay including LTI for all the companies was ZAR 14.9 million. This is down 5,6% from 2020. 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.

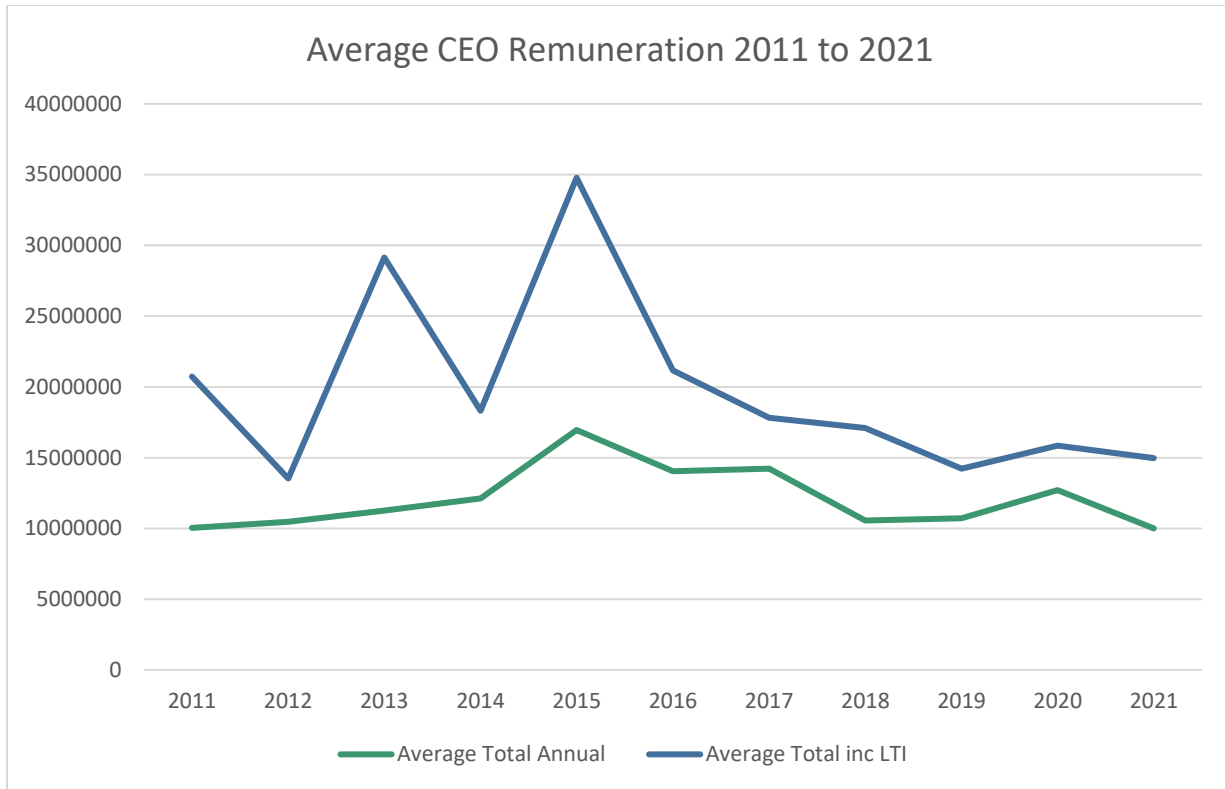


Figure 8 Food & Beverage Sector CEO Remuneration 2011 to 2021

CEO Remuneration 2020

Simon Crutchley of Anglo-Vaal Industries received the highest CEO remuneration in our sample. He received a total of ZAR 29,5 million (up from ZAR 27 million in 2020). He is followed by the CEO of Distell who received total remuneration of ZAR 23,7 million – inclusive of a ZAR 14 million LTI paid in the year. The Astral Foods CEO also received an LTI in 2021 (ZAR 6,6 million) bringing his total remuneration to ZAR 16 million.

On average, from 2020 to 2021, the total executive director’s remuneration decreased by 9,45%, while the non-executive director’s remuneration increased by 11,6% (see *Figures 10 and 11*).

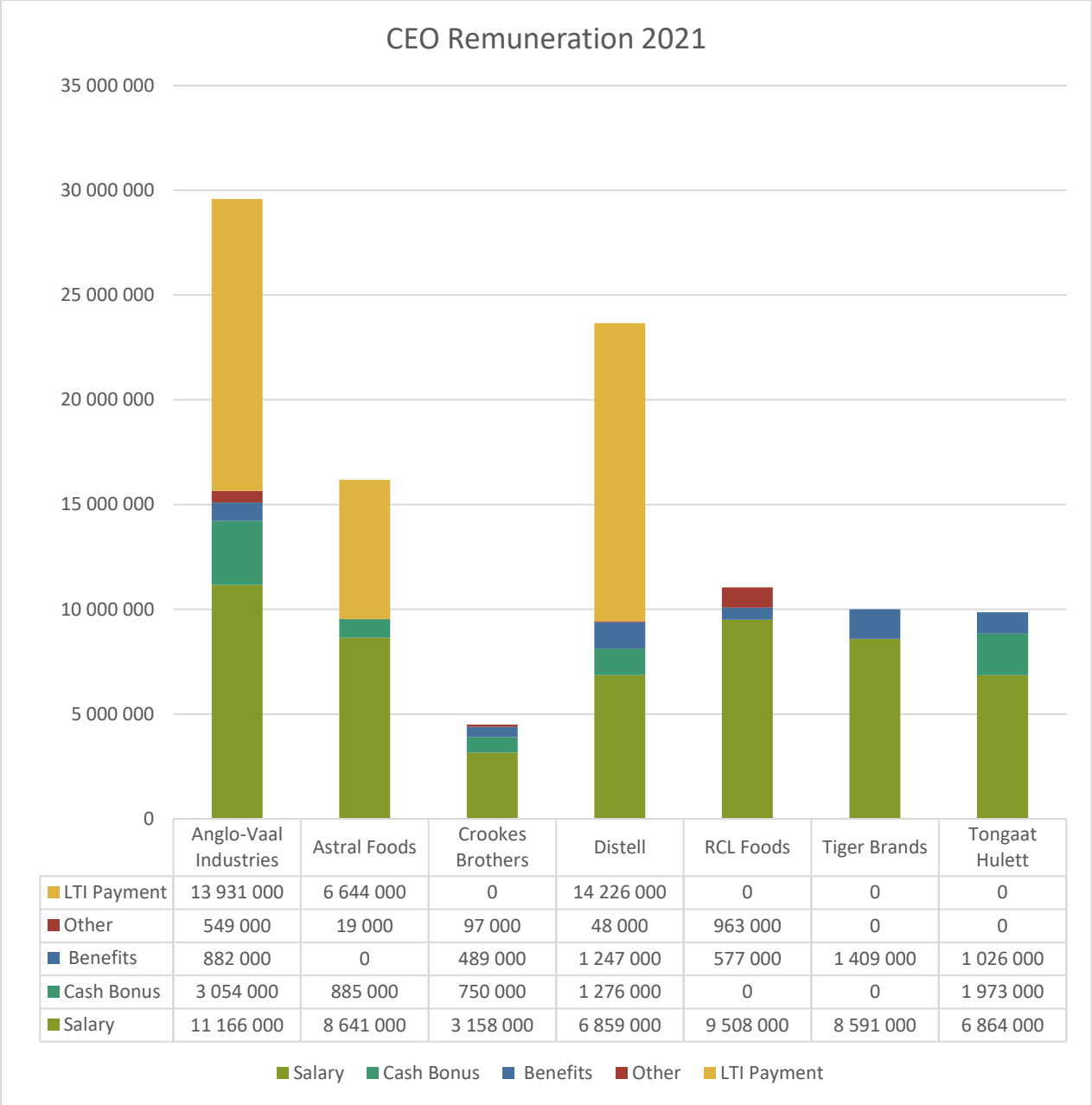


Figure 9 Food & Beverage Sector CEO Remuneration 2021

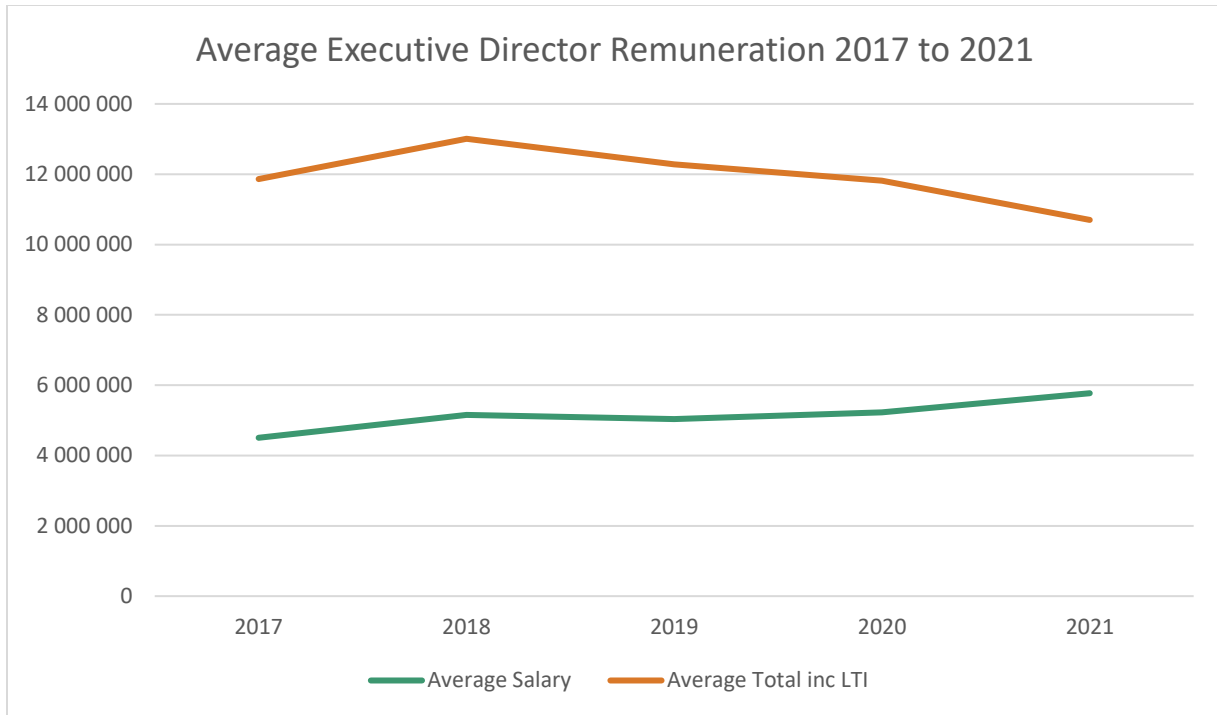


Figure 10 Food & Beverage Sector Executive Director Remuneration 2017 to 2021

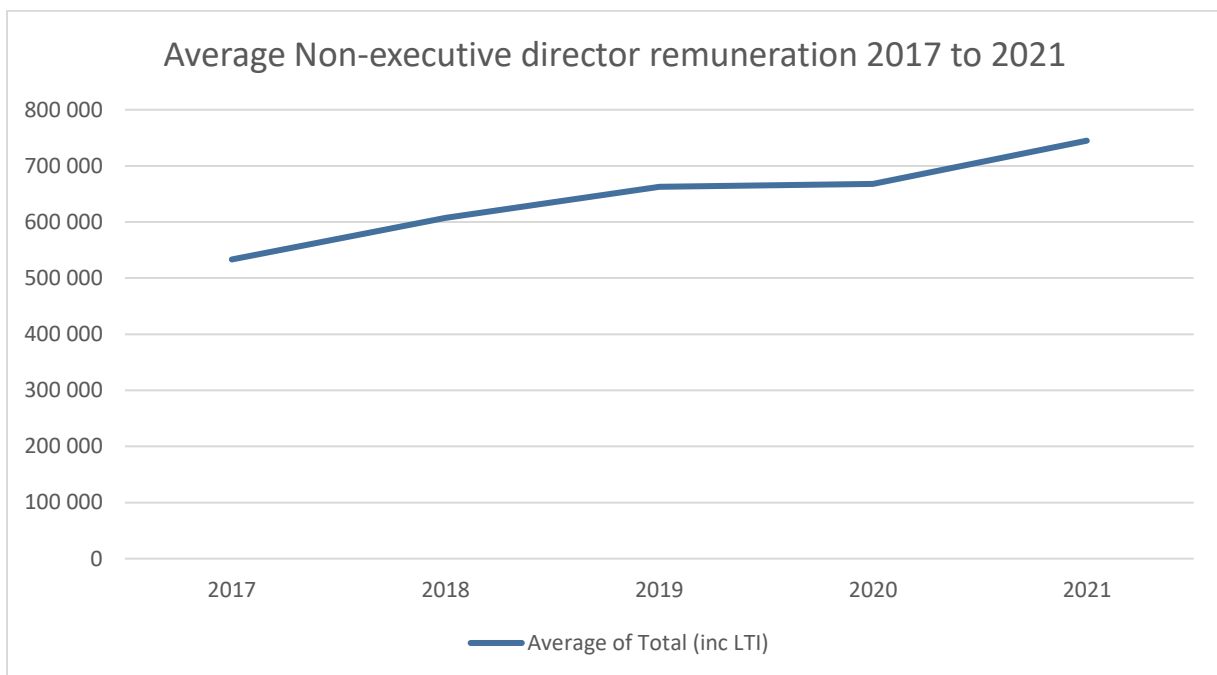


Figure 11 Food & Beverage sector NED Average Total Annual Remuneration 2017 to 2021