

Industrial Sector Report 2022



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Introduction

In this sector, our sample includes seven companies listed on the Johannesburg Stock Exchange. This sample is a mix of support services, industrial, chemicals and one state-owned enterprise. These companies are:¹²

AECI
Altron
ArcelorMittal SA
Eskom Holdings Limited
Invicta Holdings
Reunert
Sasol

South Africa has a strong industrial tradition dating back 150 years. The seven companies in our sample employ thousands of people. This shows why it is a crucial industry for the LRS to monitor. The rich data extracted from the LRS's [MNC Database](#) enables a retrospective view of company performance over the last seven years. We also analyse the high remuneration packages received by directors in this sector.

The Sector

The severity and unpredictability of the Covid-19 pandemic in the last year and a half has disrupted global business operations and earnings. In addition to these disruptions South Africa's national lockdowns and restrictions in 2020 and 2021 have severely impacted the industrial sector.

¹ Denel was previously included in this group of companies but failed to submit its financial statements for 2021.

² African Oxygen (Afrox) was previously including in this list but has been delisted from the JSE.

South Africa's industrial sector faces several challenges, including high unemployment, low levels of economic growth, and a lack of access to finance for small and medium-sized enterprises. In addition, the country is facing a skills shortage, with many workers lacking the training and education needed to fill the high-skilled jobs being created in the industrial sector. The industry is also facing increased competition from foreign firms, which can make it difficult for local companies to compete. Another major challenge is the high cost of electricity, which can make it difficult for manufacturers to operate efficiently and remain competitive.

Financials

Revenue

From our sample, Eskom Holdings Limited and Sasol remain the biggest companies in the Industrial Sector, with revenue of ZAR 204 billion and ZAR 201 billion respectively, as shown in Figure 1 chart below. The 2021 value is a 2.44% increase from the 2020 financial year revenue for Eskom Holdings Limited and a 6% decrease for Sasol in the same period. Invicta Holdings is the smallest company in our sample with a revenue of ZAR 6,2 billion. Compared to 2020, the company recorded a 37,7% decrease in revenue for the 2021 financial year.

Acelor Mittal reported a 61% increase in revenue, but this is from a low base in 2020 and the company is still well below 2018 revenue levels. Similarly, Reunert reported a 19% increase in revenue, but at ZAR 9 billion this is still lower than the ZAR 10 billion reported in 2018 and 2019. AECI reported an 8% increase, reporting to the highest revenue since we've monitored the company (ZAR 26 billion). Altron reported a decrease of 7,5% (to ZAR 15 billion) and Invicta reported a decrease of over 37%.

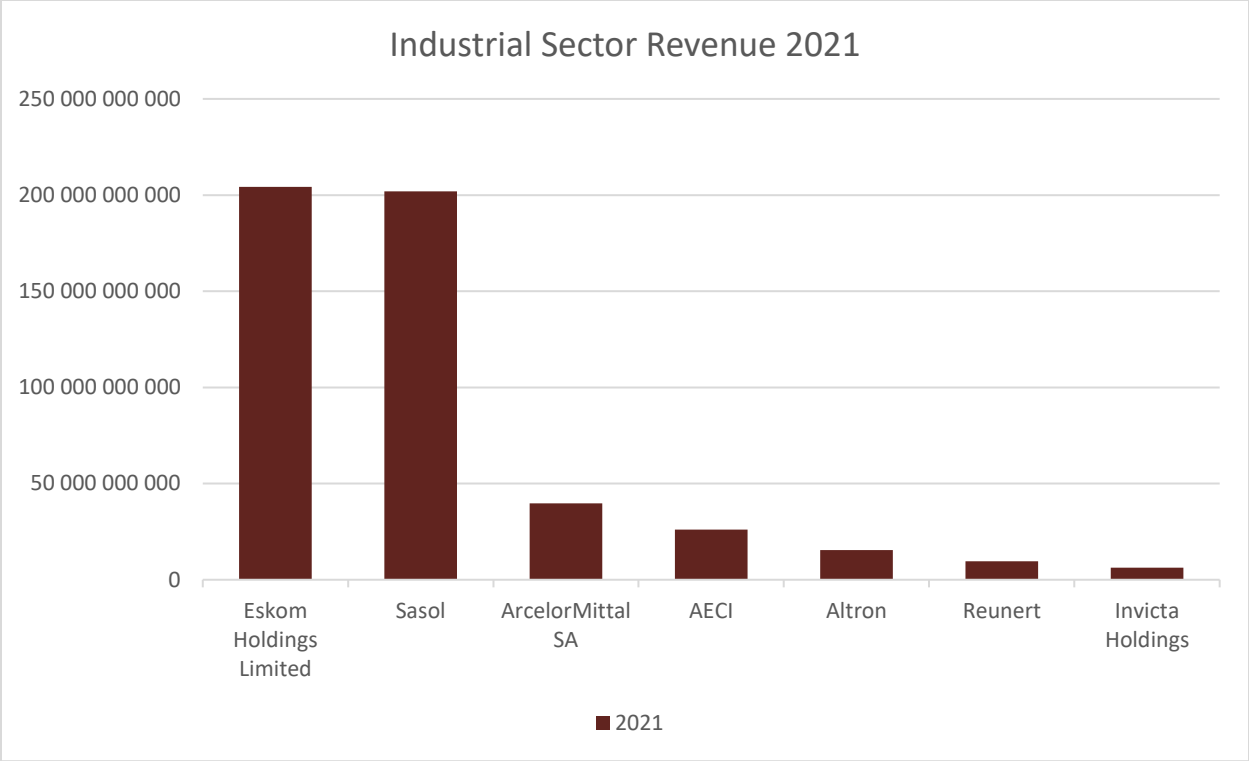


Figure 1 Industrial Sector Revenue 2021

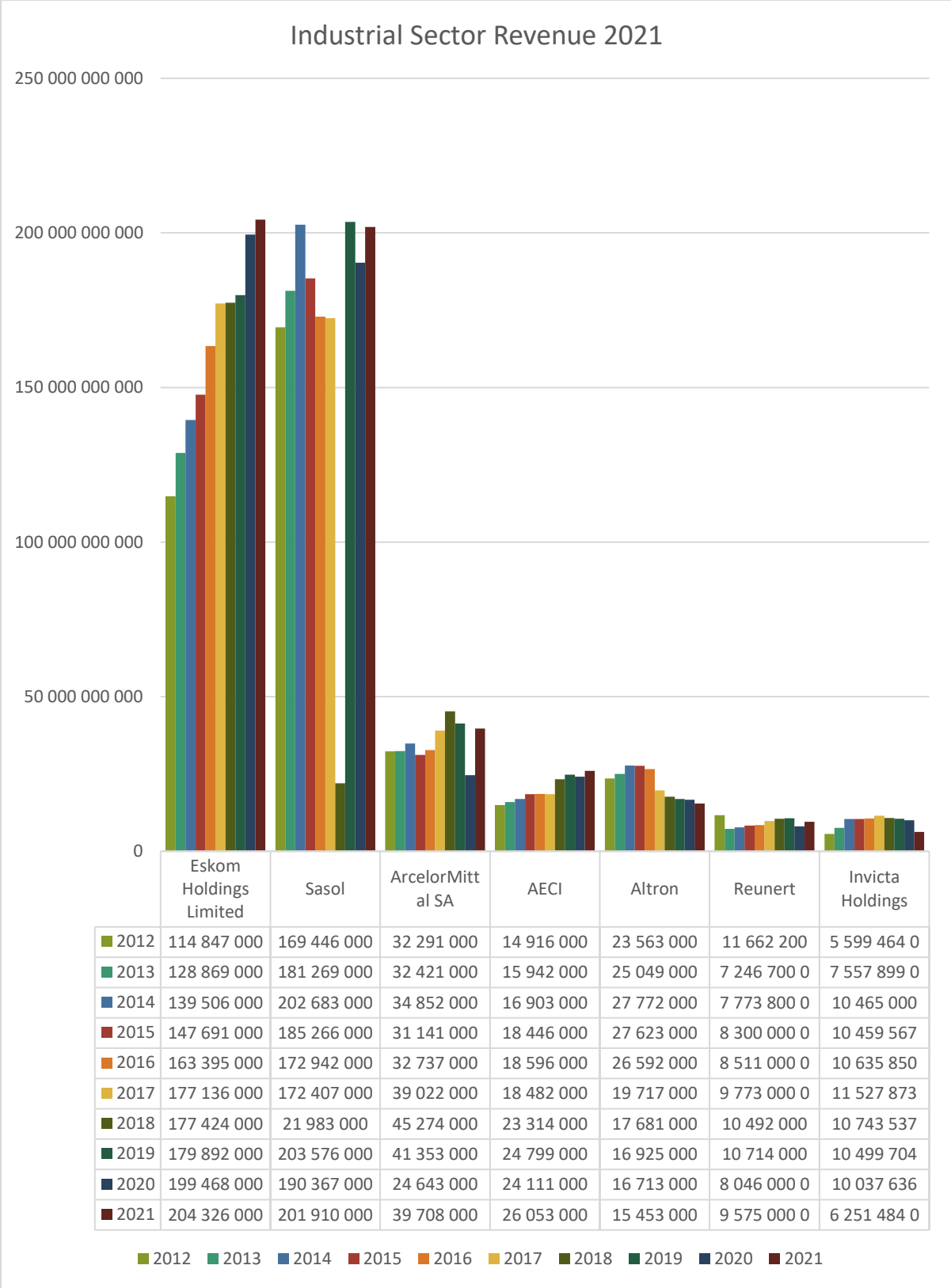


Figure 2 Industrial Sector Revenue 2014 to 2021

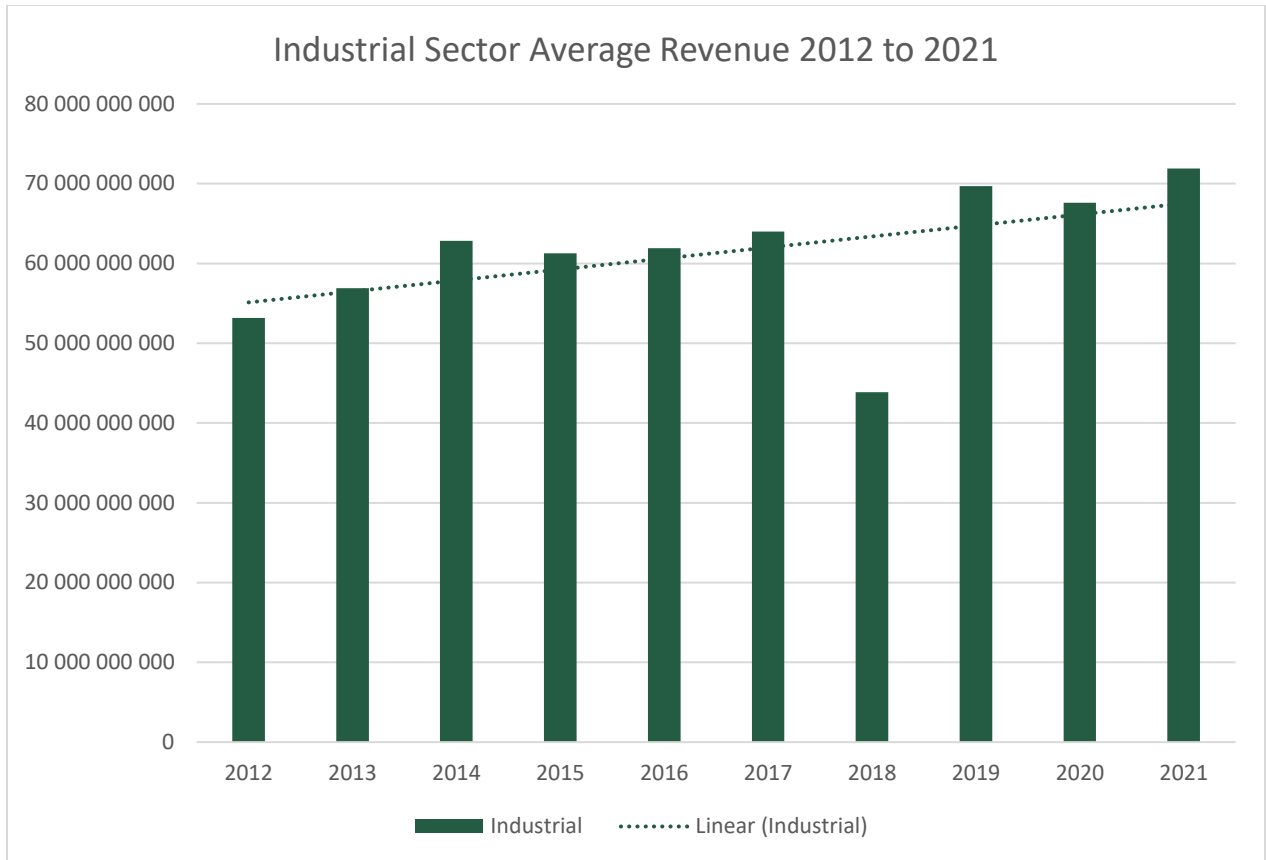


Figure 3 Industrial Sector Average Revenue 2012 to 2021

Profit before Tax

Most companies in this sector made a significant loss in the 2020 financial year. In 2021, Altron reported a big increase in profit before tax due to discontinued operations. Sasol, which had reported a loss of ZAR 117 billion in 2020, reported PBT of ZAR 10,7 billion in 2021. Arcelor Mittal turned around a loss in 2019 and 2020 to a PBT of ZAR 6,6 billion in 2021. AECL increase profit to the same levels as before the pandemic (ZAR 1,8 billion). Reunert reported an increase to ZAR 1 billion in PBT, similar to reported PBT in 2019. Invicta Holdings turned around a loss in 2020 to a PBT of ZAR 457 million, still well below previous profit levels. Eskom reported a loss of ZAR 24 billion.

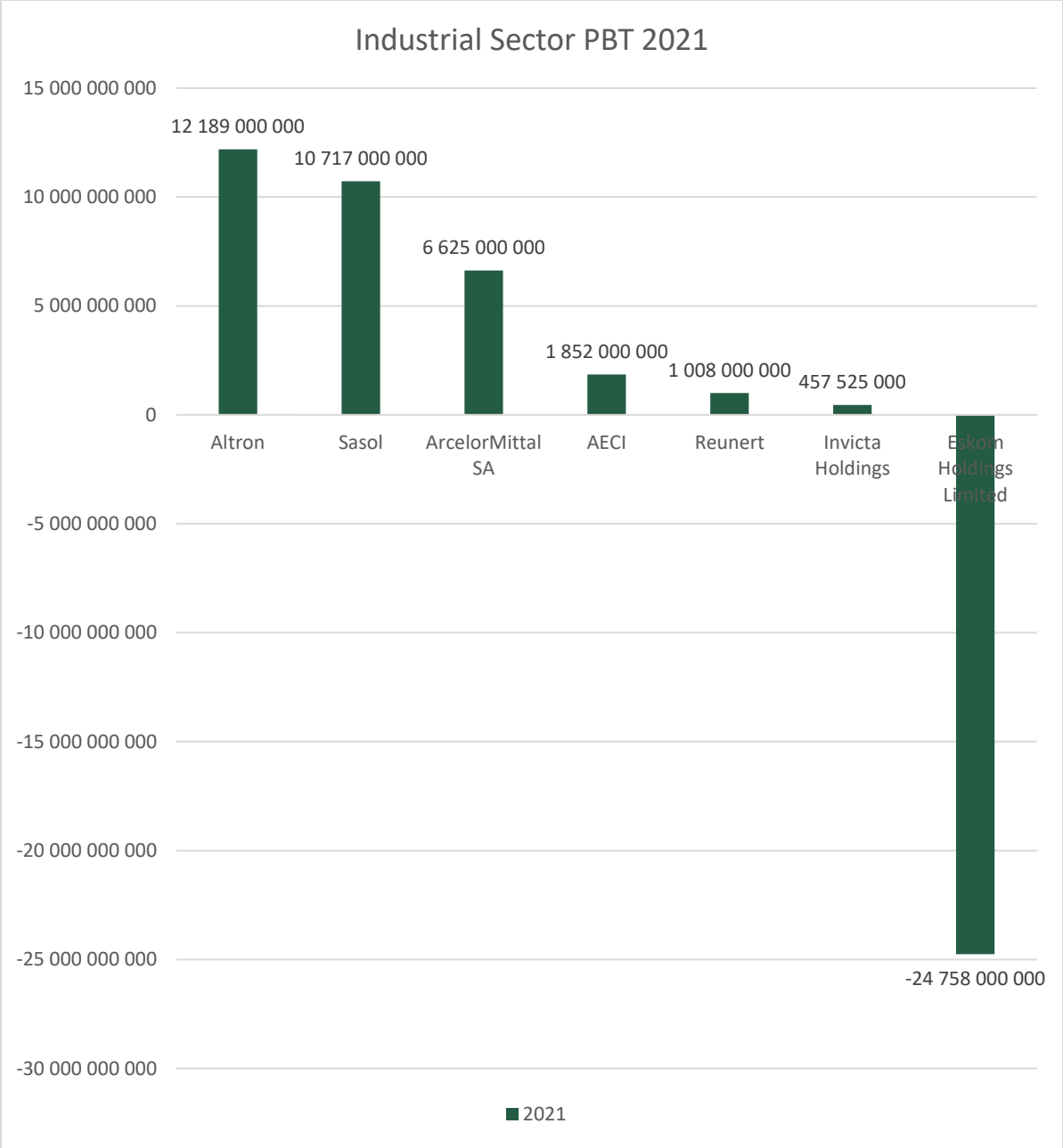


Figure 4 Industrial sector Profit before Tax 2021



Figure 5 Industrial sector Profit before Tax 2014 to 2021

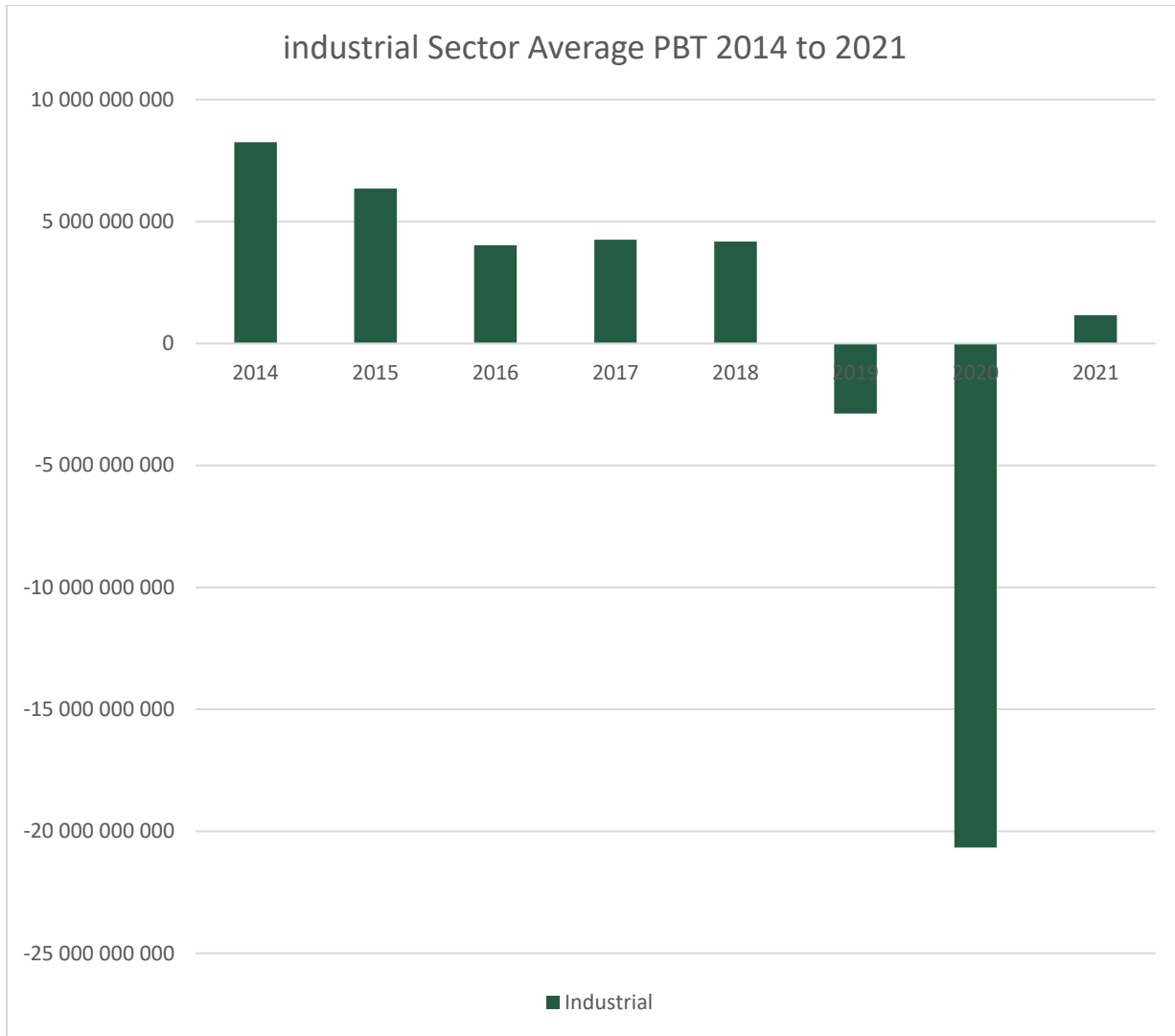


Figure 6 Industrial Sector Average PBT 2014 to 2021

Directors' Remuneration: a ten-year retrospective

We use the LRS MNC database to examine CEO remuneration over the last eleven years for the seven companies in our sample. When looking at *Figure 9*, we see that 2014 has the largest gap between the average total remuneration without LTI and total remuneration including LTI. This implies that large LTIs were paid in the year. Compared to 2020, the total remuneration including LTI increased by 3,14% in 2021 (on top of a 24% increase in 2020).

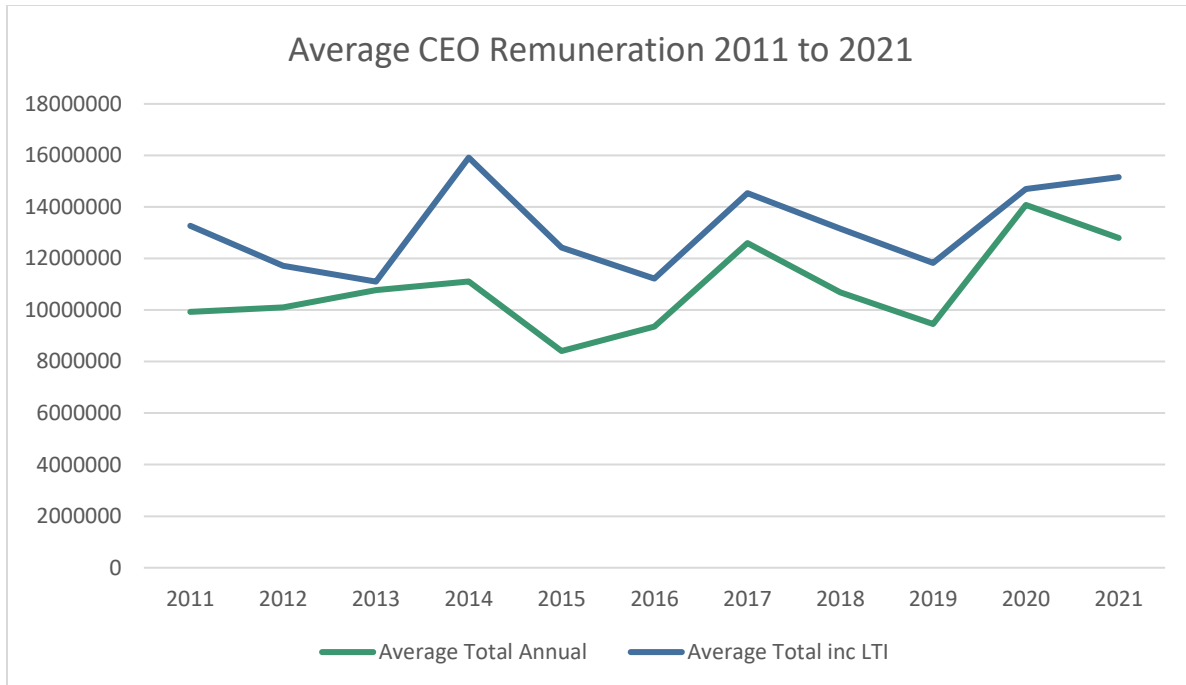


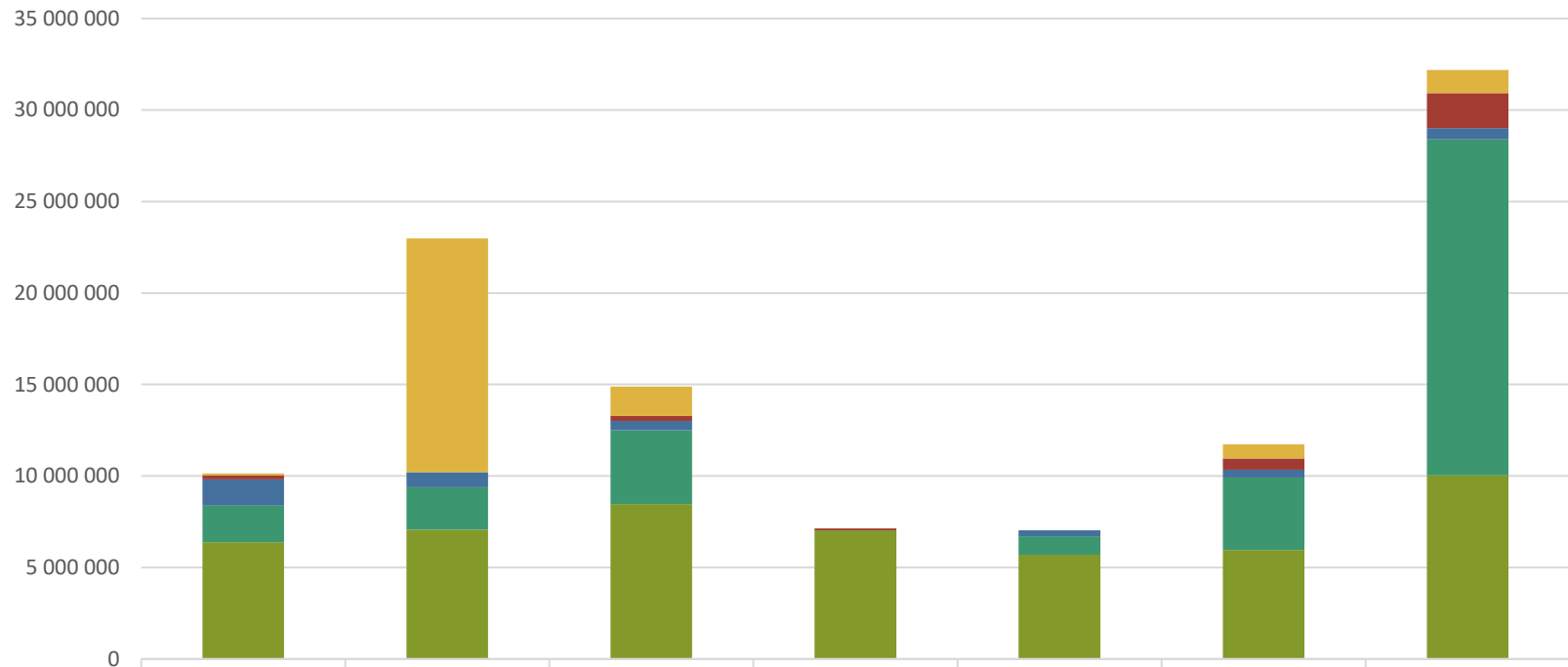
Figure 7 Industrial Sector CEO Remuneration 2011 to 2021

CEO Remuneration 2021

The highest paid CEO in the sample is the CEO of Sasol, Fleetwood Grobler, who received total remuneration of ZAR 32 million for the 2021 financial year. This is inclusive of a ZAR 18 million cash bonus and salary of ZAR 10 million. The CEO of Altron received an LTI of ZAR 12 million, making his total remuneration for the year ZAR 22,9 million. The highest salary as paid to Sasol CEO Grobler (ZAR 10 million), with the CEO of Arcelor Mittal being second in line with a salary of ZAR 8,5 million (and total remuneration of 14,9 million).

On average, from 2020 to 2021, the average executive director remuneration went up slightly by 0,81% and total non-executive remuneration went down by 8,7% (see *Figure 9 and 10*).

CEO Remuneration 2021



	AECI	Altron	ArcelorMittal SA	Eskom Holdings Limited	Invicta Holdings	Reunert	Sasol
LTI Payment	109 000	12 773 000	1 600 000	0	0	778 000	1 255 000
Other	221 000	0	272 139	98 000	0	600 000	1 923 000
Benefits	1 443 000	828 000	521 151	0	319 000	432 000	607 000
Cash Bonus	1 994 000	2 327 000	4 036 500	0	997 000	3 958 000	18 366 000
Salary	6 380 000	7 060 000	8 458 833	7 040 000	5 708 000	5 963 000	10 032 000

■ Salary ■ Cash Bonus ■ Benefits ■ Other ■ LTI Payment

Figure 8 Industrial Sector CEO Remuneration 2021

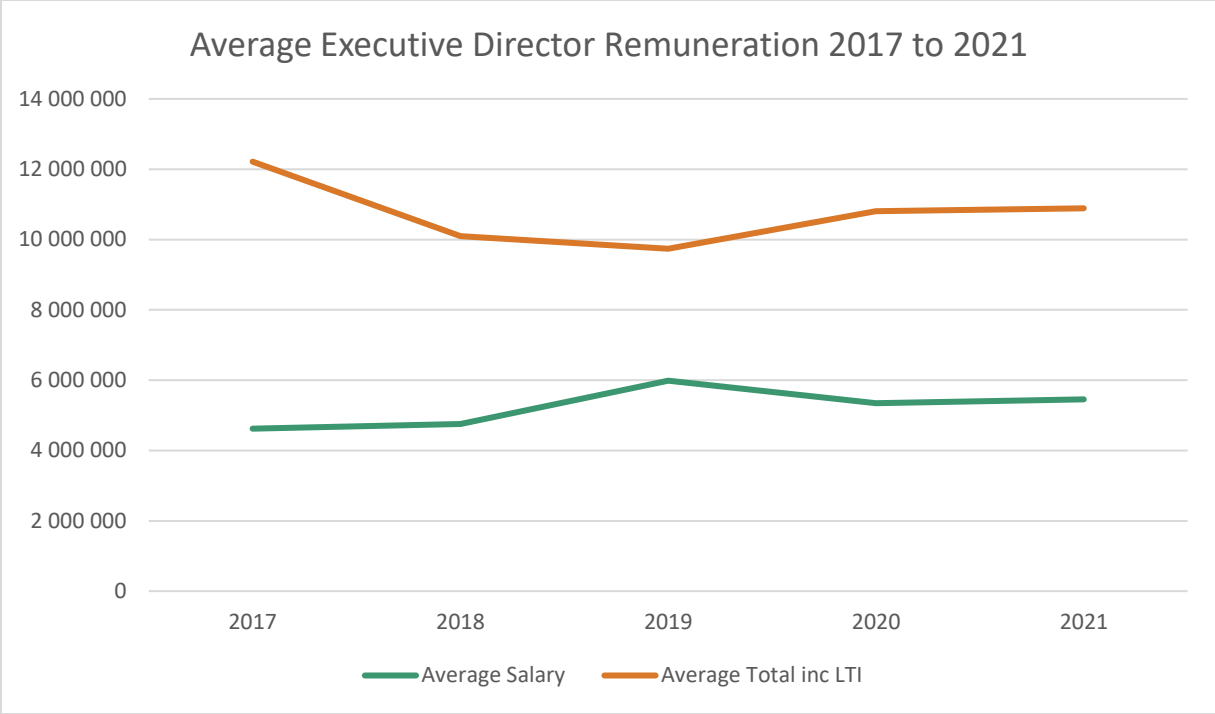


Figure 9 Industrial Sector Executive Director Remuneration 2017 to 2021

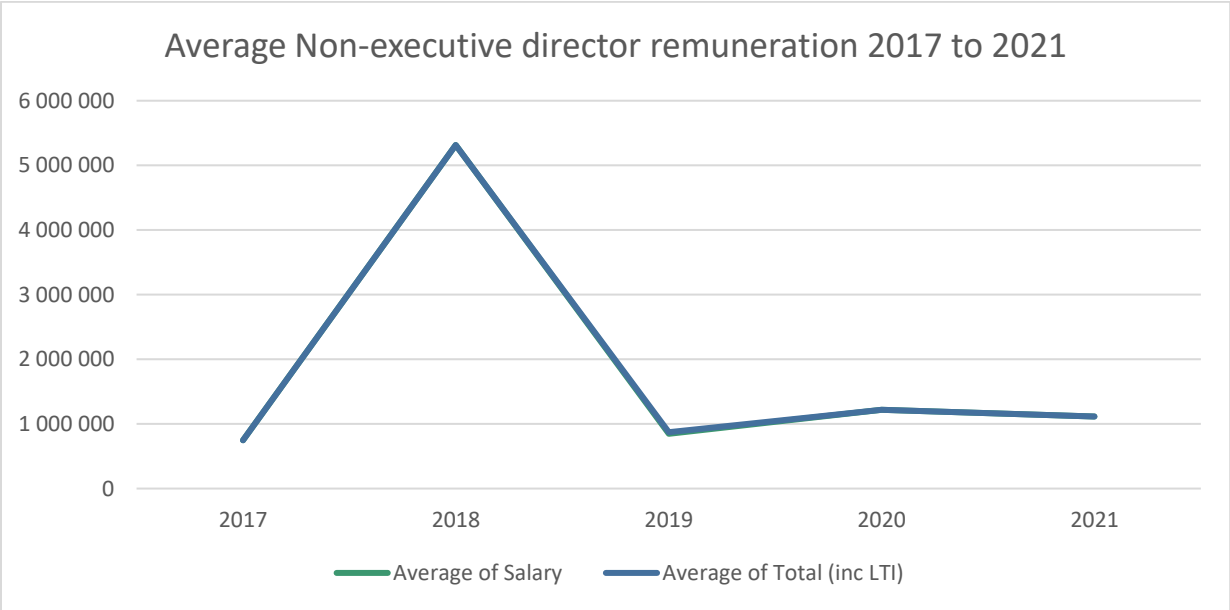


Figure 10 Industrial sector NED Average Total Annual Remuneration 2017 to 2021