

# Technology & Telecommunications Sector Report 2022

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TRADE UNION COMPETENCE CENTRE  
SUB-SAHARAN AFRICA



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## Introduction

The Johannesburg Stock Exchange lists six companies in the Telecommunications sector. Our sample includes three companies from the list. These companies are:

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**MTN Group**

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**Telkom**

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**Vodacom Group Limited**

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The Technology and Telecommunications sector in South Africa is one of the fastest-growing sectors in the country. This makes it a key 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 remuneration packages received by directors in this sector.

## The Sector

The telecommunications sector in South Africa is an important contributor to the country's economy and plays a crucial role in connecting people and businesses. The sector is dominated by a few major players, including Vodacom, MTN, and Telkom, which offer a range of services including mobile phone and internet services.

South Africa has a relatively high level of mobile phone and internet penetration, with over 90% of the population having access to a mobile phone and more than 50% having access to the internet. The government has been working to increase access to telecommunications services in rural and underserved areas through initiatives such as the Universal Service and Access Fund.<sup>1</sup>

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<sup>1</sup> <http://www.usaasa.org.za/usaif/>

In recent years, the telecommunications sector in South Africa has faced challenges including regulatory uncertainty, competition from new entrants, and the impact of the COVID-19 pandemic.

The sector generates its income from two main services: telecommunications (which includes the provision of fixed, mobile and internet services) and broadcasting. MTN, the biggest company in the sample, has 285 million customers in 19 markets. MTN was recently in talks with Telkom about a potential acquisition, but these talks fell flat as no agreement could be reached.<sup>2</sup>

According to Brand Finance's 2022 annual report on the most valuable and strongest brands in South Africa, MTN was elected as the country's most valuable brand for a eleventh consecutive year: 'MTN's value has extended its lead over second-ranked Vodacom (brand value up 5% to R29.9 billion) meaning that MTN's brand value is now worth almost exactly double Vodacom's brand value.'<sup>3</sup> Both companies together control over 70% of the South African mobile market in terms of subscribers.<sup>4</sup>

## Financials

### Revenue

From the *Figure 1* chart below, it is clear that MTN remains the biggest company in the Technology and Telecommunications sector, with Vodacom following. Telkom recorded 0.4% increase in revenue in 2021 when compared to the previous year. Telkom remains a small competitor when compared to other MTN and Vodacom.

*Figure 3* shows that Vodacom and Telkom have reported a steady increase in revenue since the 2014 financial year. In 2017, MTN reported a sharp decrease in revenue. By 2020, MTN reported

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<sup>2</sup> <https://www.ghostmail.co.za/ghost-bites-gold-fields-massmart-mc-mining-mtn/>

<sup>3</sup> <https://brandfinance.com/press-releases/south-african-brands-power-economy-as-mtn-bounces-back-from-covid-19-to-remain-most-valuable-south-african-brand>

<sup>4</sup> <https://www.news24.com/fin24/companies/battle-of-the-brands-latest-report-highlights-which-sa-companies-ruled-the-roost-in-2020-20210525>

its highest revenue since 2014 which grew by a further 1,27% in 2021 to ZAR 181 billion. On average, the three companies reported an 3% increase.

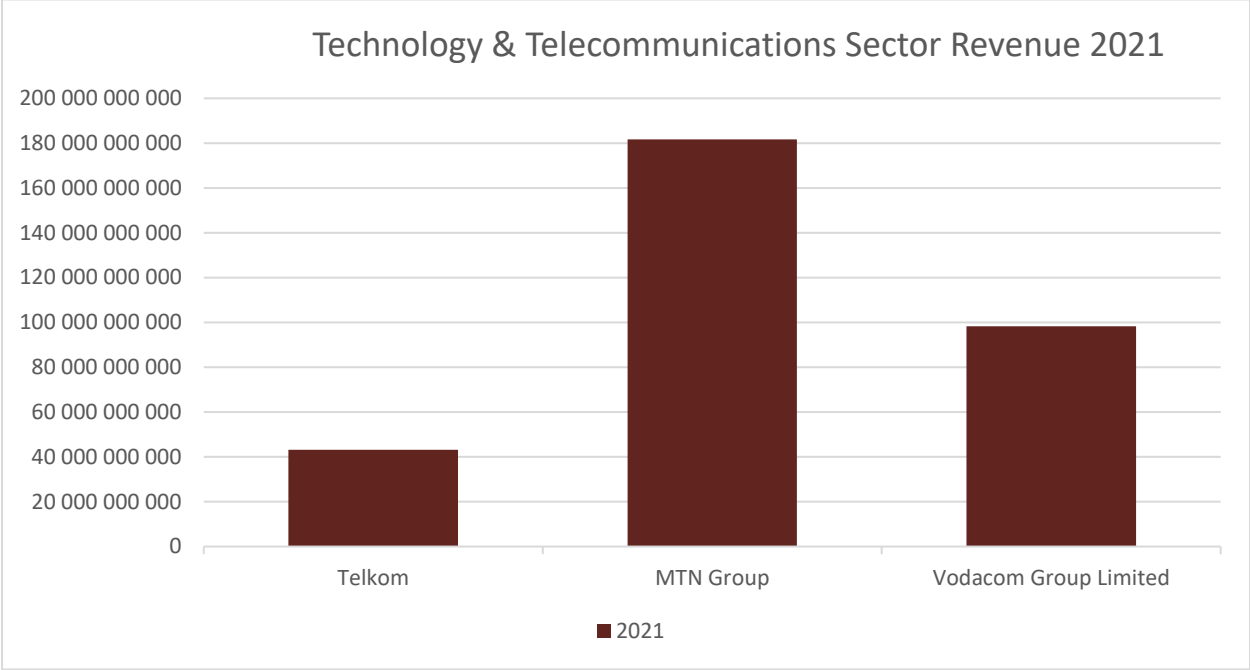
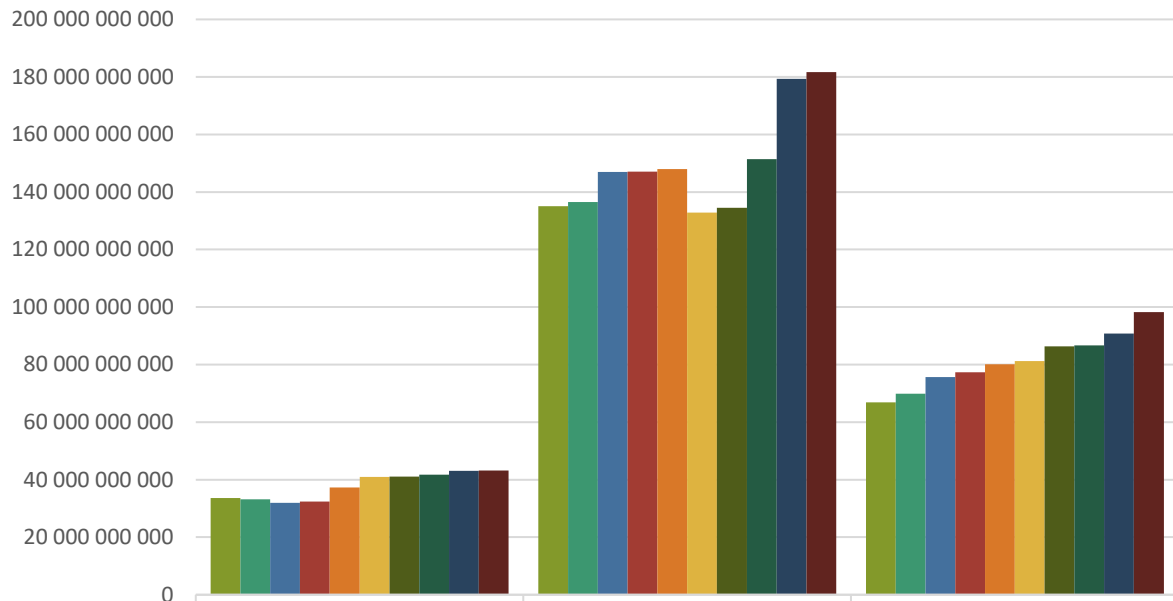


Figure 1 Technology and Telecommunications Sector Revenue 2021

## Technology & Telecommunications Sector Revenue 2012 to 2021



	Telkom	MTN Group	Vodacom Group Limited
2012	33 668 000 000	135 112 000 000	66 929 000 000
2013	33 119 000 000	136 495 000 000	69 917 000 000
2014	31 905 000 000	146 930 000 000	75 711 000 000
2015	32 400 000 000	147 063 000 000	77 333 000 000
2016	37 325 000 000	147 920 000 000	80 077 000 000
2017	40 970 000 000	132 815 000 000	81 278 000 000
2018	41 018 000 000	134 560 000 000	86 370 000 000
2019	41 774 000 000	151 460 000 000	86 627 000 000
2020	43 043 000 000	179 361 000 000	90 746 000 000
2021	43 222 000 000	181 646 000 000	98 302 000 000

■ 2012 
 ■ 2013 
 ■ 2014 
 ■ 2015 
 ■ 2016 
 ■ 2017 
 ■ 2018 
 ■ 2019 
 ■ 2020 
 ■ 2021

Figure 2 Technology and Telecommunications Sector 2012 to 2021

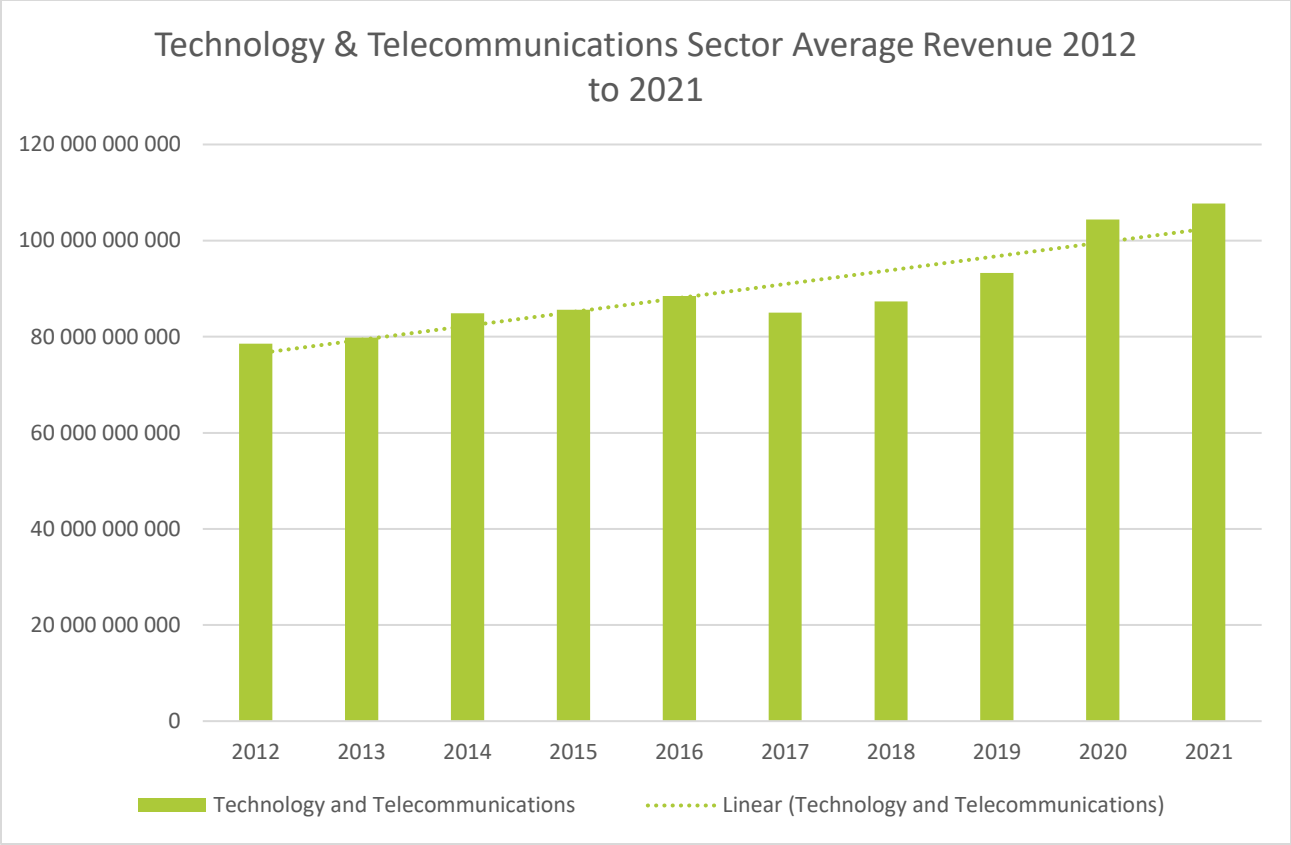


Figure 3 Technology and Telecommunications Sector Average Revenue 2012 to 2021

### Profit before Tax

MTN remains the biggest earner in the sample with reported PBT of ZAR 28 billion (a slight decrease of 0,9% since 2020). Telkom took a huge hit in PBT in 2020 but has recovered to reported PBT of ZAR 3,5 billion (still lower than 2019, 2018 and 2017).

On average, the 2020 PBT for the three companies went up by 5,7%, compared to the 2020 value. From the graph below (see Figure 8), we see a steady upward trend in PBT since 2016.

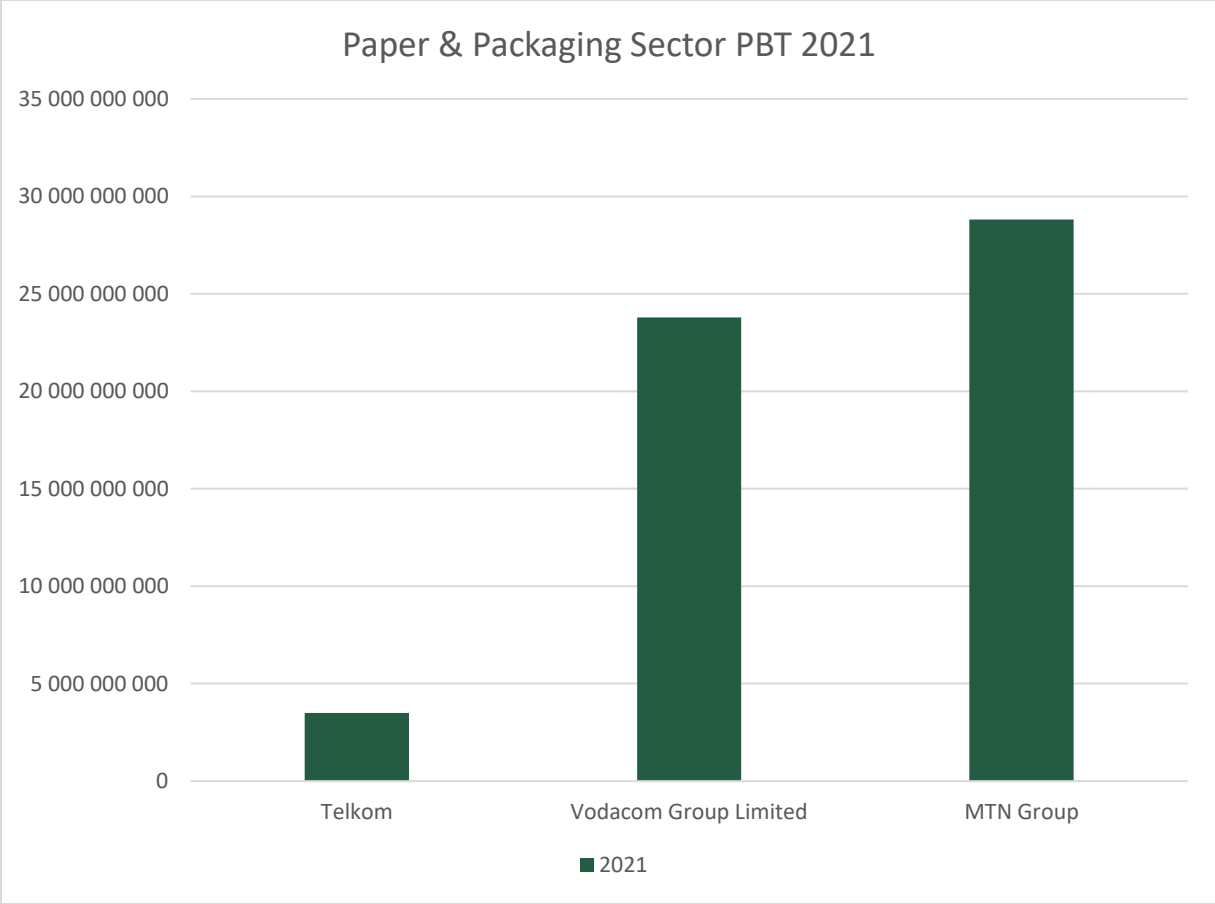


Figure 4 Technology and Telecommunications sector Profit before Tax 2021



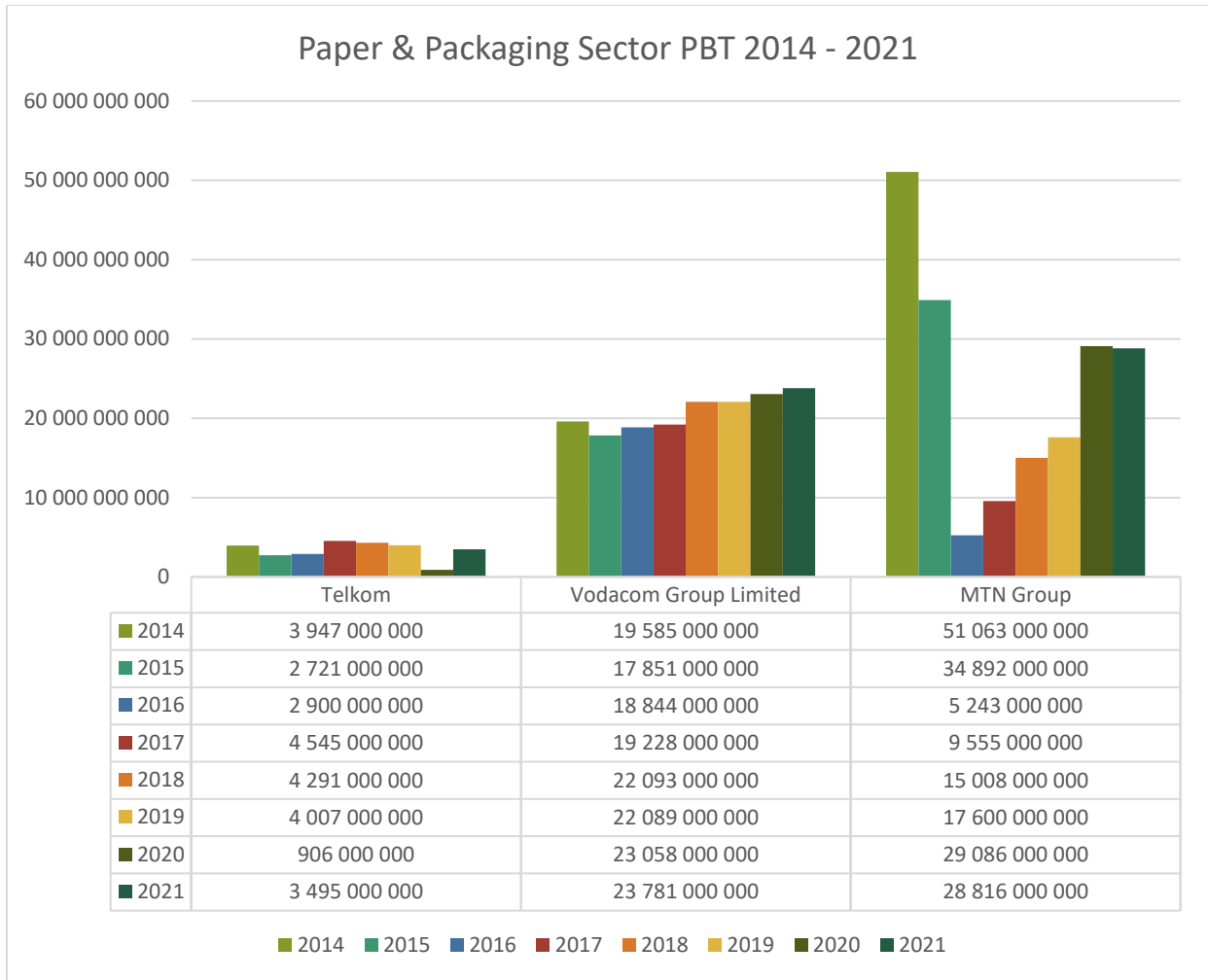


Figure 5 Technology and Telecommunications sector Profit before Tax 2014 to 2021

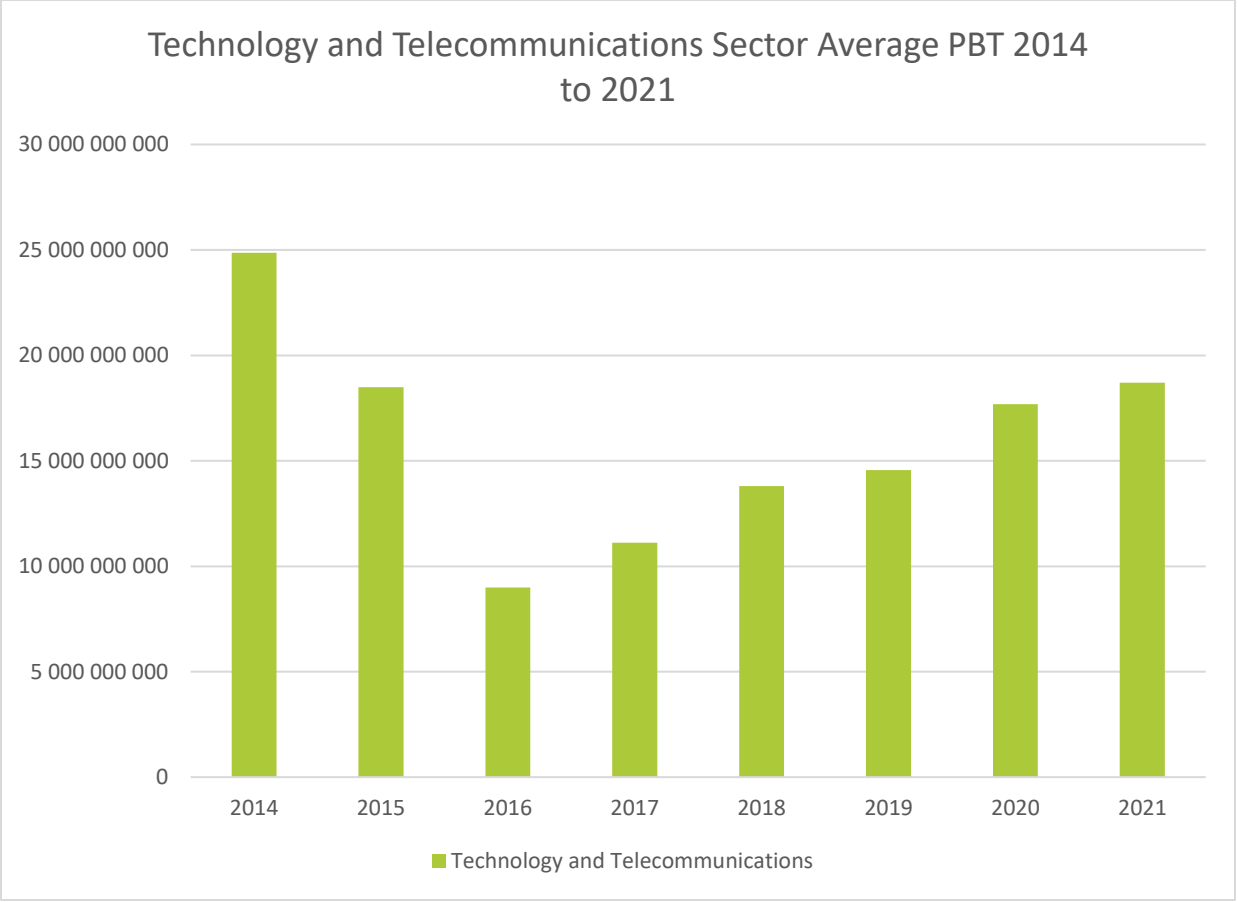


Figure 6 Technology and Telecommunications sector Average PBT 2014 to 2021

## Directors’ Remuneration

The LRS MNC database allows us to look at CEO remuneration over the last eleven years. For the three companies in our sample, we see the trend between 2011 and 2015 being downwards, with a large spike in 2016 when the then MTN CEO retired and was paid a significant salary and bonus (see *Figure 9*).

When looking at *Figure 9*, we see that in 2017, 2018, 2019 and 2020 there was a gap between the average total remuneration without LTI and average total remuneration including LTI. This shows that large LTIs were paid in these four years. From 2020 to 2021, average total remuneration for CEOs in the sector increased by 5,2%. This is mainly due to an 18% increase in average salary payment.

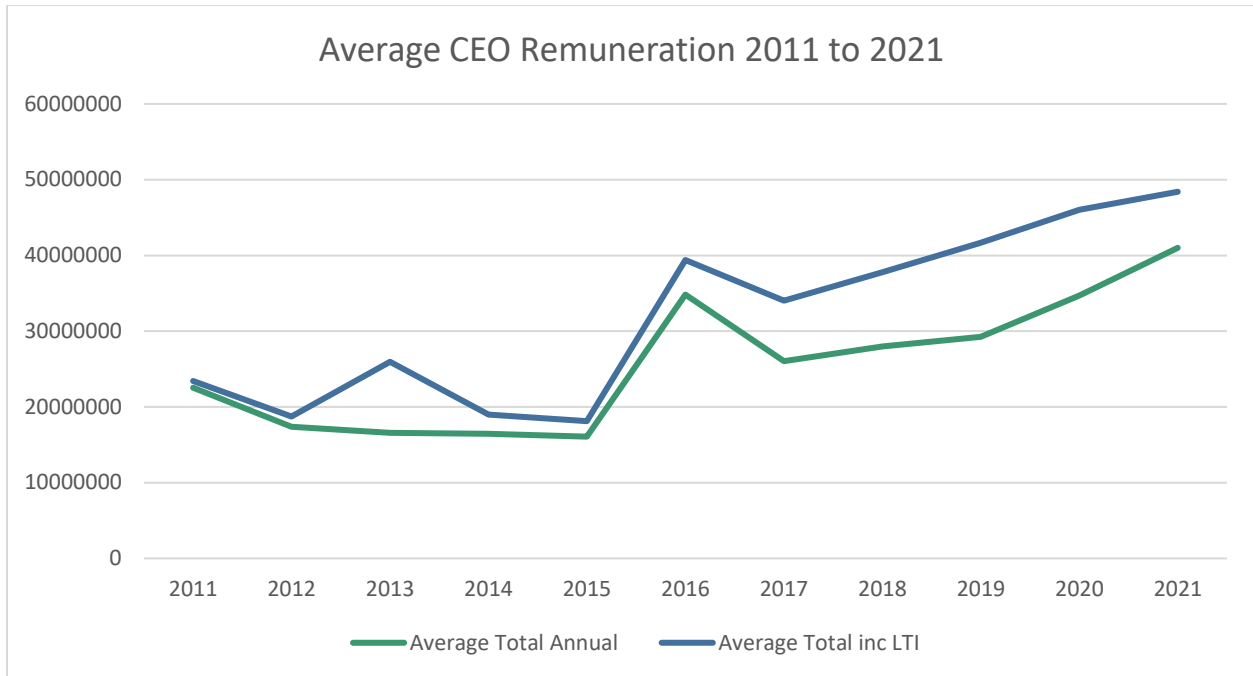


Figure 7 Technology and Telecommunications sector CEO Remuneration 2011 to 2021

## CEO Remuneration 2020

The CEO of Vodacom Aziz Joosub's remuneration for 2021 included ZAR 21 million as an LTI payment, ZAR 17 million as a cash bonus and ZAR 11,7 million as salary bringing his total remuneration to ZAR 52,6 million, the highest in the sample.

RT Mupita ceased to be Group Chief Financial Officer (GCFO) of MTN on 31 August 2020 and was appointed as the Group President and CEO on 1 September 2020. His remuneration for 2021 includes ZAR 5,3 million LTI, ZAR 29 million cash bonus and ZAR 15 million salary. His salary is the highest in the sample.

Despite low performance in 2021, Telkom CEO SN Maseko received a cash bonus of ZAR 10 million and a total remuneration of ZAR 35 million in 2021 - a huge 60% increase on his 2020 package of ZAR 21,8 million.

From 2020 to 2021, the average total executive director remuneration went up by 9,9% (due to large LTIs). In the same period, average non-executive remuneration went up by 5,5%.

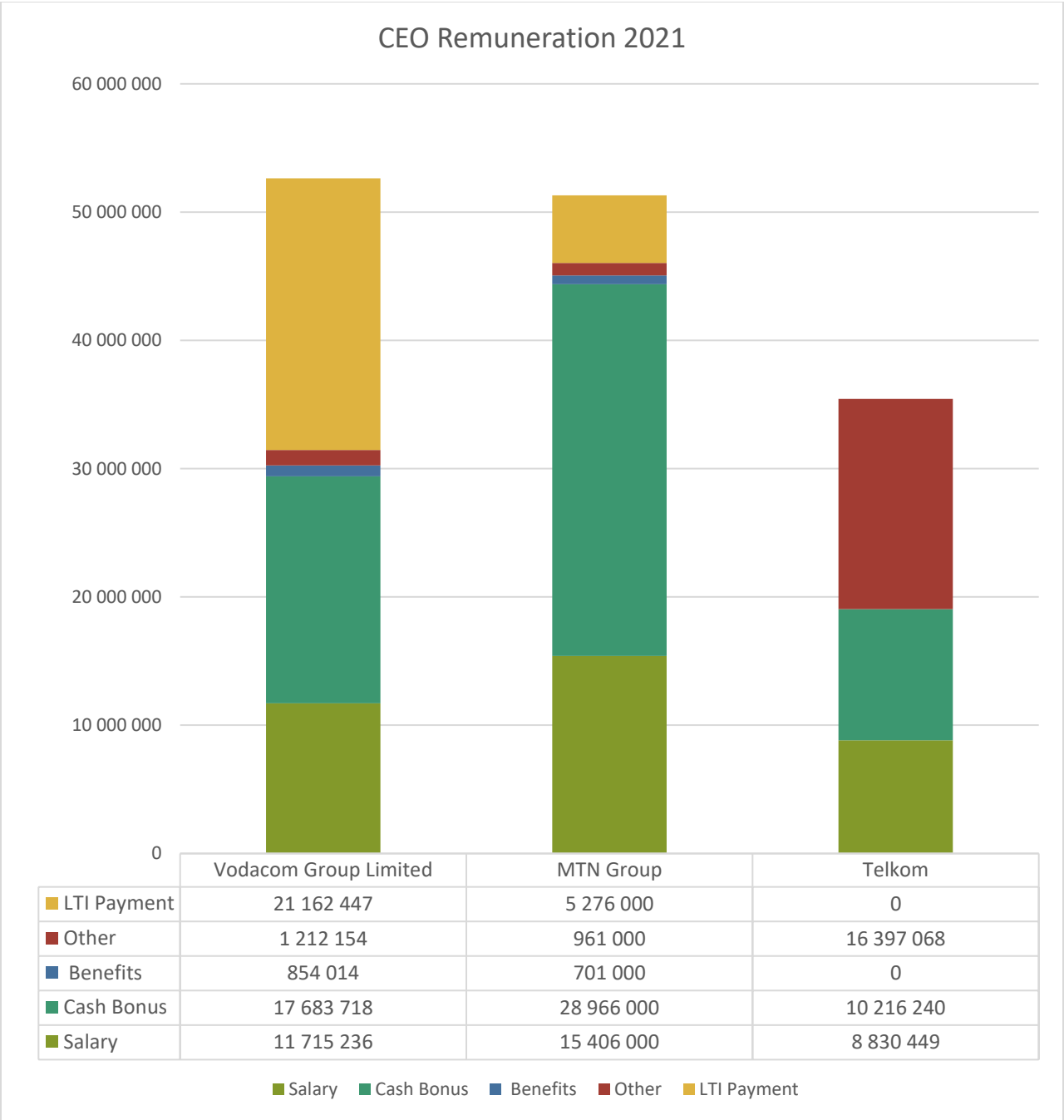


Figure 8 Technology and Telecommunications sector CEO Remuneration 2021

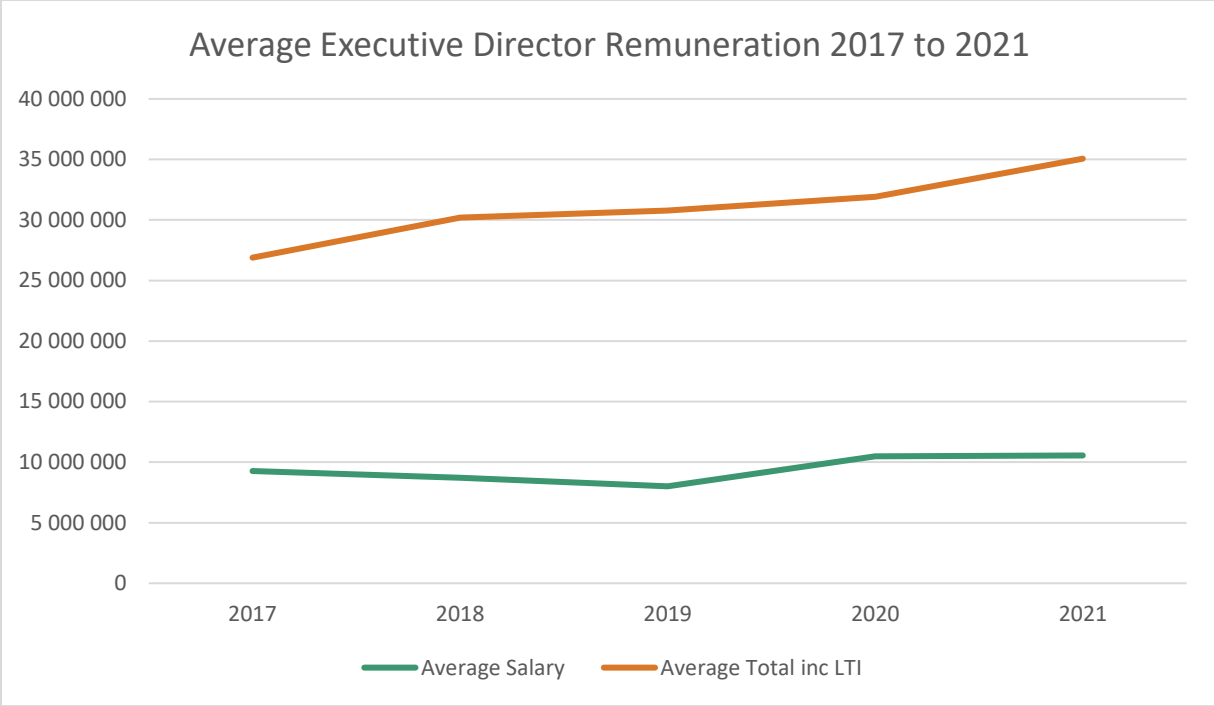


Figure 9 Technology and Telecommunications sector Executive Director Remuneration 2017 to 2021

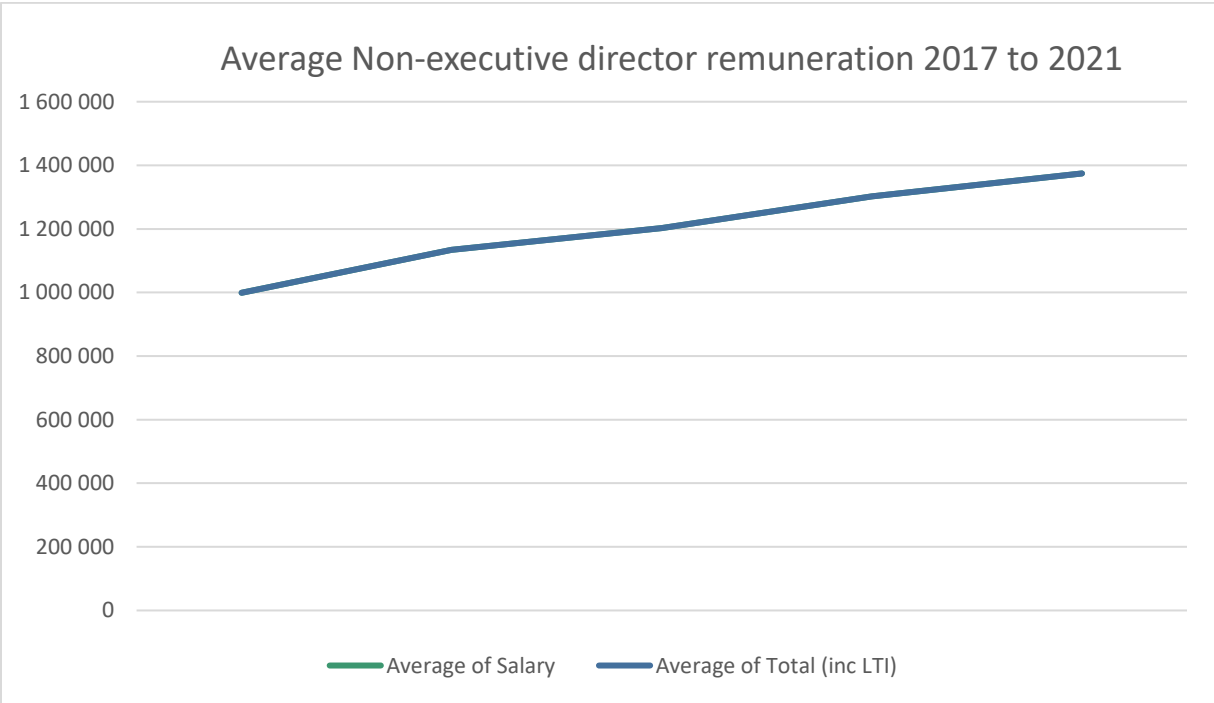


Figure 10 Technology and Telecommunications sector NED Average Total Annual Remuneration 2017 to 2021