

# Transport Sector Report 2022

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# Introduction

South Africa's commercial activity and economic performance are closely linked to its ability to transport goods both within and beyond its borders. Although South Africa's transport infrastructure is among the best on the continent, lack of investment in recent years has led to high usage costs. This sample of companies represent a mix of industrial transport and general retailers, all operating in the transport sector. We have added government-owned Transnet.

In this sector, our sample includes five companies listed on the Johannesburg Stock Exchange. These companies are:

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**ACSA (Airports Company South Africa)**

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**Grindrod**

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**Imperial Holdings (now Imperial Logistics)**

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**Super Group**

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**Transnet**

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A recent estimate of the South African Department of Transport<sup>1</sup> indicates that the transport, storage, and communication sector contributes 9.3% to South Africa's GDP, while transport alone contributes about 6.5%. The six companies in our sample employ thousands of people. 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.

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<sup>1</sup> [https://www.transport.gov.za/documents/11623/39906/4\\_EconomicStatus2017.pdf/c47470b7-90f4-48cf-bd96-b82878d651fa](https://www.transport.gov.za/documents/11623/39906/4_EconomicStatus2017.pdf/c47470b7-90f4-48cf-bd96-b82878d651fa)

## The Sector

The transport industry in South Africa plays a vital role in the country's economy, providing crucial connections between businesses, consumers, and markets. The industry encompasses a range of modes of transportation, including road, rail, air, and maritime.

At the start of the pandemic in March 2020, South Africa's state-owned airport operator ACSA reported that profit had risen sharply from ZAR 224 million in the previous financial year to ZAR 1.2 billion. However, the impact of the coronavirus pandemic has been severe, and cost-cutting has had to be ramped up as huge losses were incurred in the latter part of the year. ACSA reported a loss of ZAR 2.6 billion in the year through March 2021, compared with a profit of ZAR 1.2 billion a year earlier. The company got through months of almost no traffic by selling a 10% stake in Mumbai airport, issuing ZAR 2.3 billion of preference shares to the government, and taking a ZAR 810 million loan from the Development Bank of Southern Africa. A recent report estimates that in South Africa, ACSA's passenger figures fell by 78.2%, from 21 million to 4.6 million and total air traffic movements declined by 60%.<sup>2</sup> Several potential investors have expressed an interest in buying a stake in ACSA, but Transport Minister Fikile Mbalula maintains that the entity is not for sale.<sup>3</sup>

Transnet has been unable to meet demand due to poor performance, including a lack of trains, cable theft, and poor maintenance.<sup>4</sup> Transnet's volumes have dropped by 24% in the last five years, and its 'average monthly gross tonnes/km/locomotive key performance indicator shows a 33% drop in efficiency over five years'.<sup>5</sup> This is reflected in its poor performance below, and experts have warned of the state entity's 'imminent collapse' without drastic reform.

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<sup>2</sup> <https://businesstech.co.za/news/business/530384/south-african-airports-expect-good-news-for-december-holidays/>

<sup>3</sup> <https://www.news24.com/fin24/companies/airports-company-sa-is-not-for-sale-says-mbalula-20220909>

<sup>4</sup> <https://www.iol.co.za/business-report/companies/kumba-lowers-its-guidance-for-2022-2023-2024-thanks-to-transnet-88f62982-5166-4f44-bd17-f00f9d1e2d34>

<sup>5</sup> <https://www.engineeringnews.co.za/article/association-warns-of-imminent-collapse-of-transnet-2022-11-16>

The freight forwarding and customs clearance operations of major industry players such as Grindrod and Imperial Logistics contribute significantly to international trade in South Africa and co-ordinates over 80% of the country's international trade.

## Financials

### Revenue

The state-owned company Transnet is the biggest company in terms of revenue in the sample sector with a revenue of ZAR 67 billion, despite a 10% drop in revenue from 2020 to 2021. This is closely followed by Imperial holdings (now Imperial Logistics) with a ZAR 52 billion revenue for the 2021 financial year (up 12% since 2020). Super Group and Grindrod reported increases in revenue of 14% and 4% respectively. ACSA reported 70% loss in revenue from 2020 to 2021.

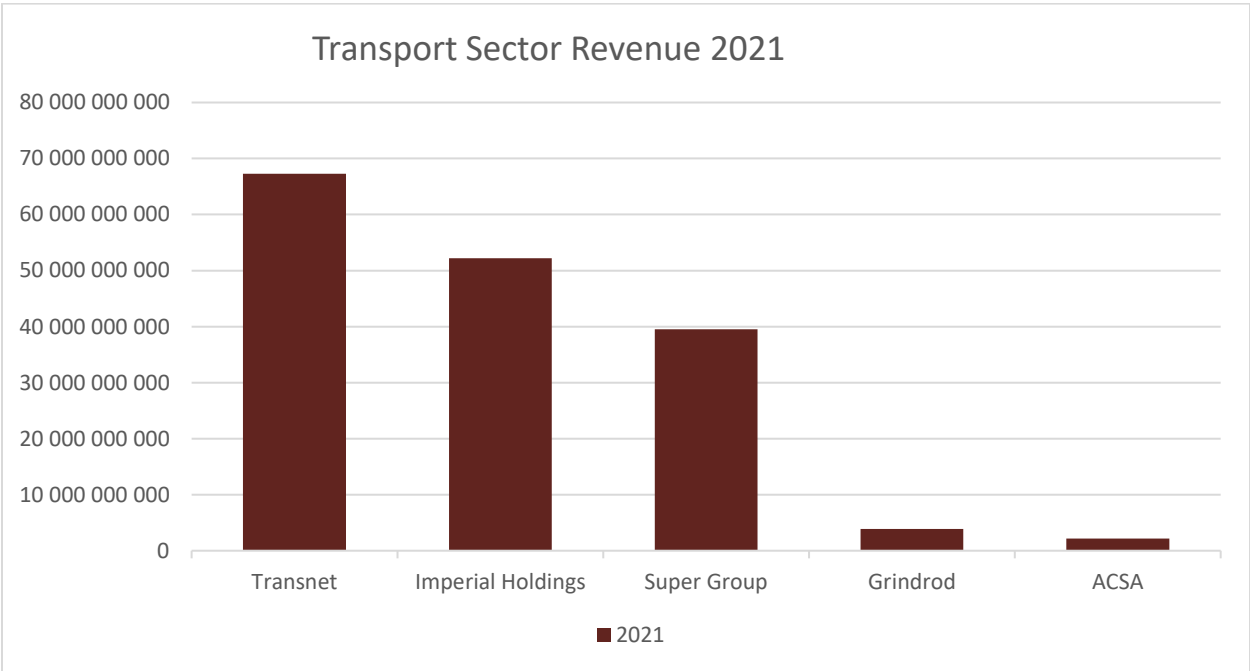


Figure 1 Transport Sector Revenue 2021

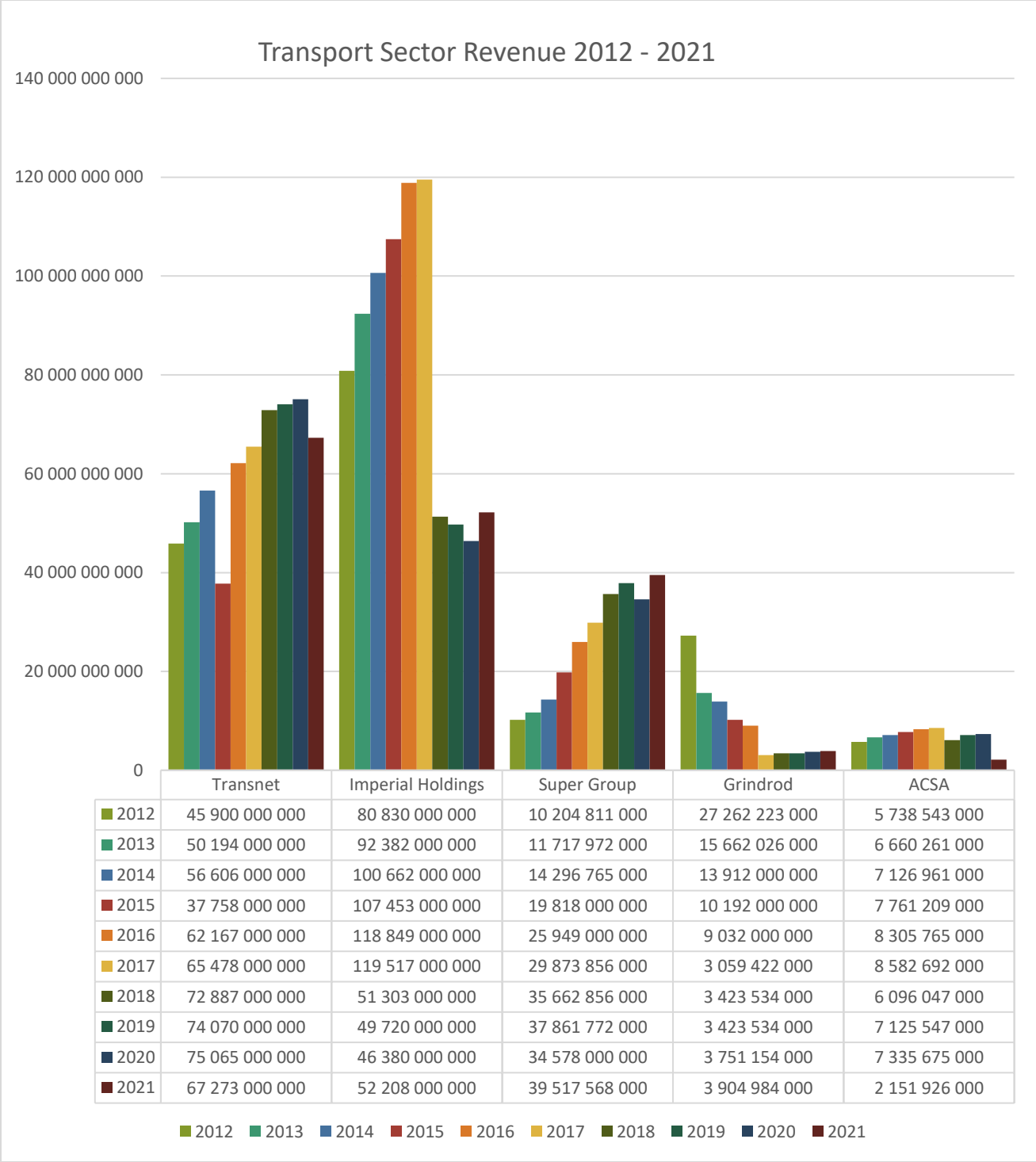


Figure 2 Transport Sector Revenue 2012 to 2021

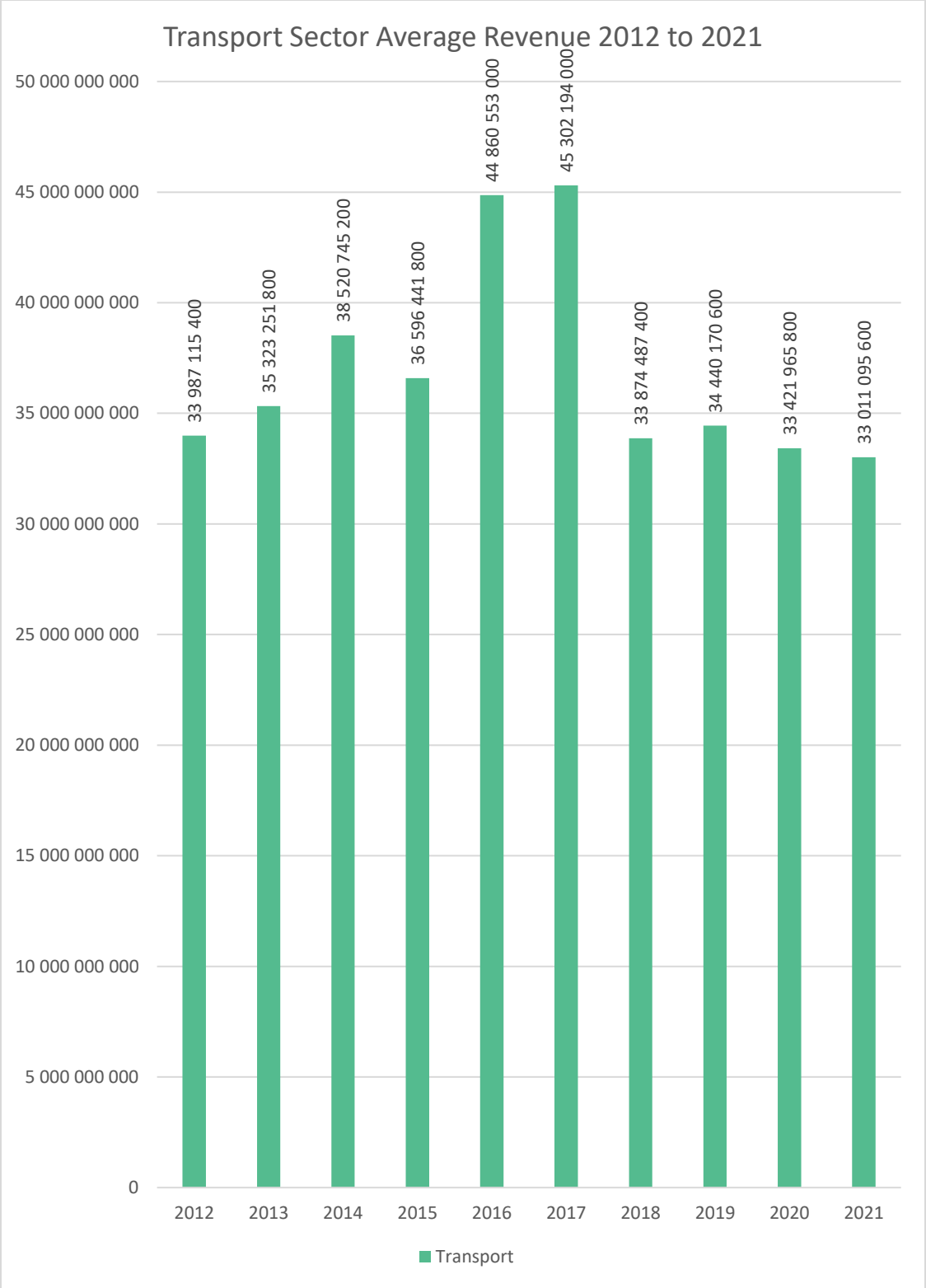


Figure 3 Transport Sector Average Revenue 2012 to 2021

## Profit before Tax

Imperial holdings reported a big increase in PBT from 2020 to 2021, from ZAR 277 million to ZAR 808 million. Grindrod, which had reported a loss in 2020 (- ZAR 291 million) reported profit of ZAR 352 million in 2021. However, this is far from pre-pandemic numbers. Super Group reported a loss in 2020 but reported a PBT of ZAR 1,7 billion in 2021 – still far below the ZAR 2,3 billion reported in 2019. Similarly, ACSA reported a loss of ZAR 3,6 billion. Transnet reported a loss of over ZAR 10 billion.

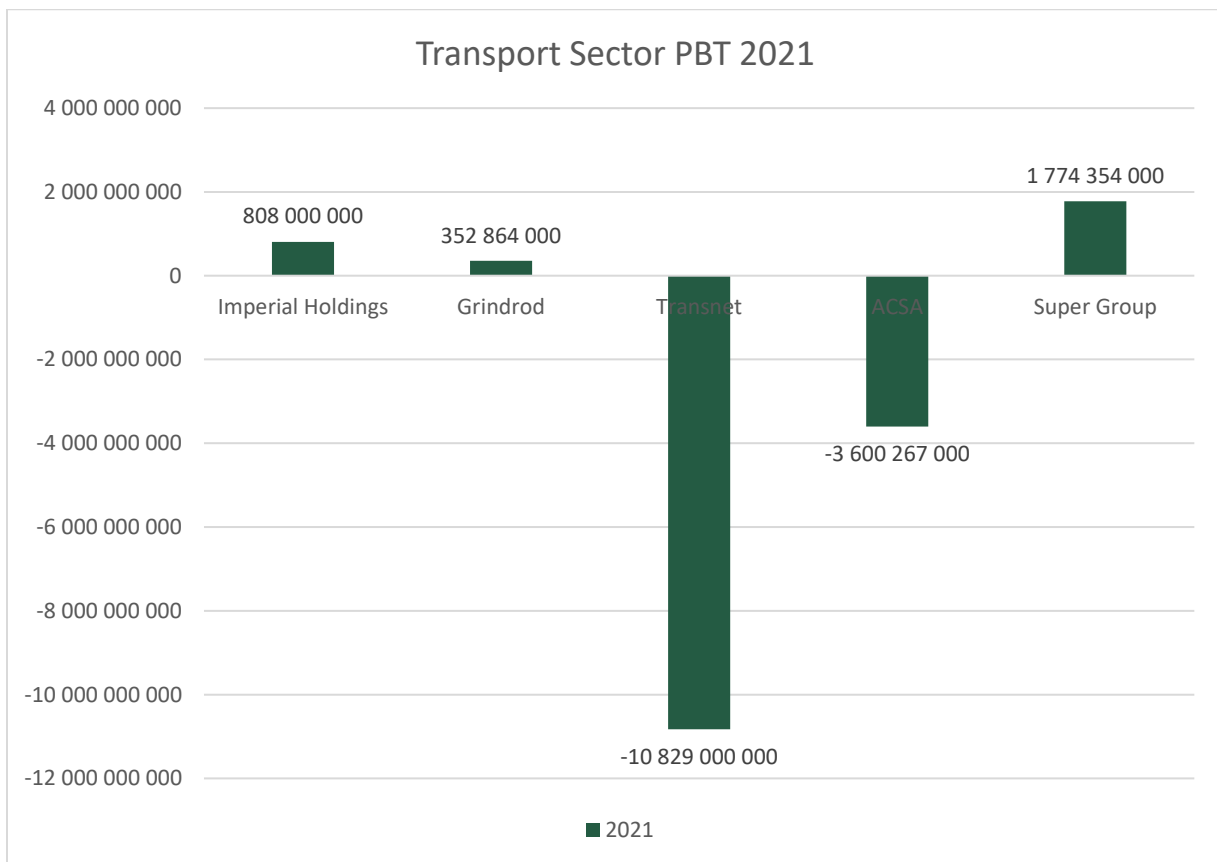


Figure 4 Transport sector Profit before Tax 2021





Figure 5 Transport sector Profit before Tax 2014 to 2021

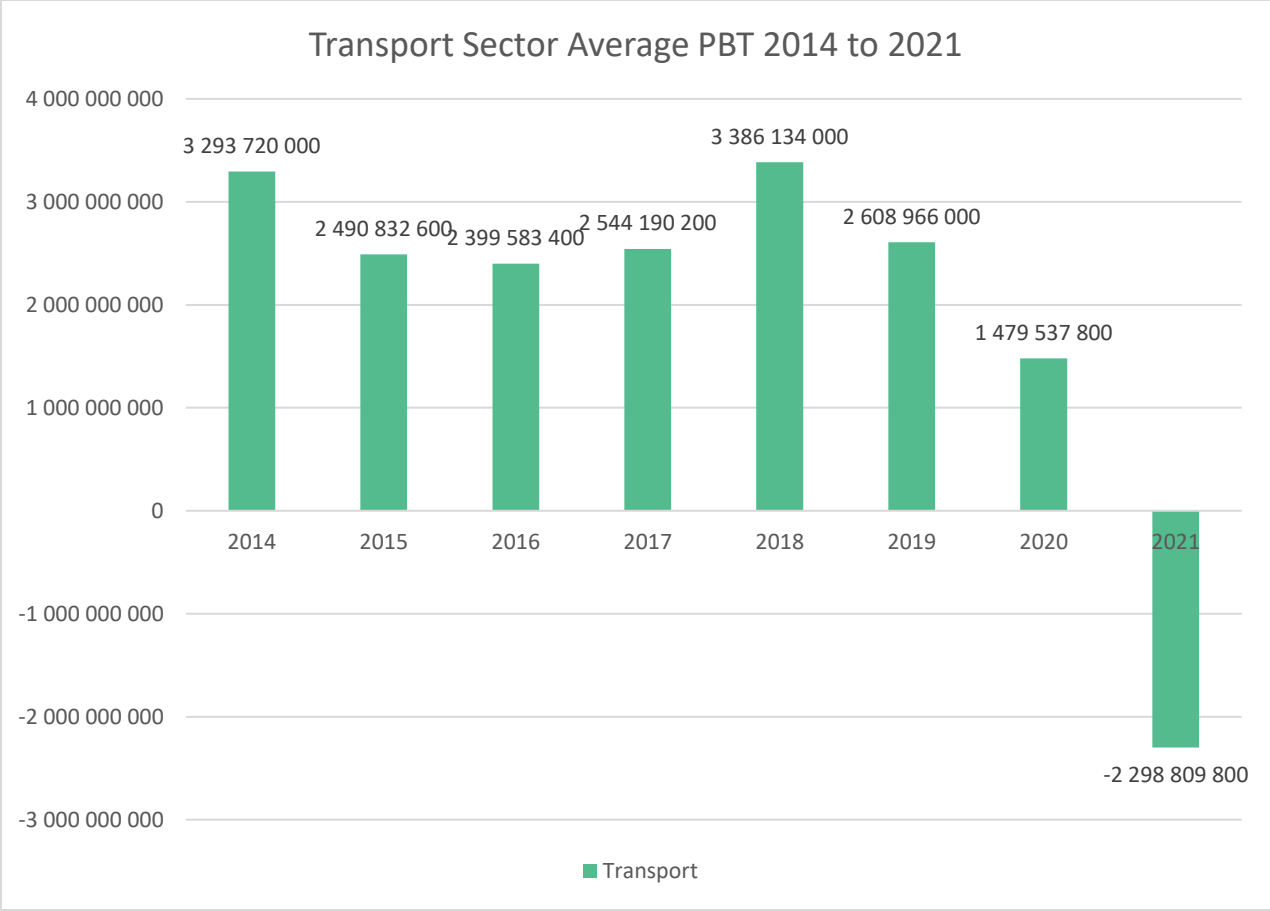


Figure 6 Transport Sector Average PBT 2014 to 2021

## Directors’ Remuneration

We use the LRS MNC database to examine CEO remuneration over the last eleven years for the five companies in our sample. When looking at *Figure 9*, we see that in 2014, 2015, and 2016 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. We also see the general movement from 2016 being upwards, this continued until 2018 when the trend started downwards. The average CEO pay excluding LTI was ZAR 7.2 million in 2020, which was arguably a very difficult year for the sector. In 2021, average total remuneration increased by 75% to the highest figure we’ve reported – ZAR 13,5 million.

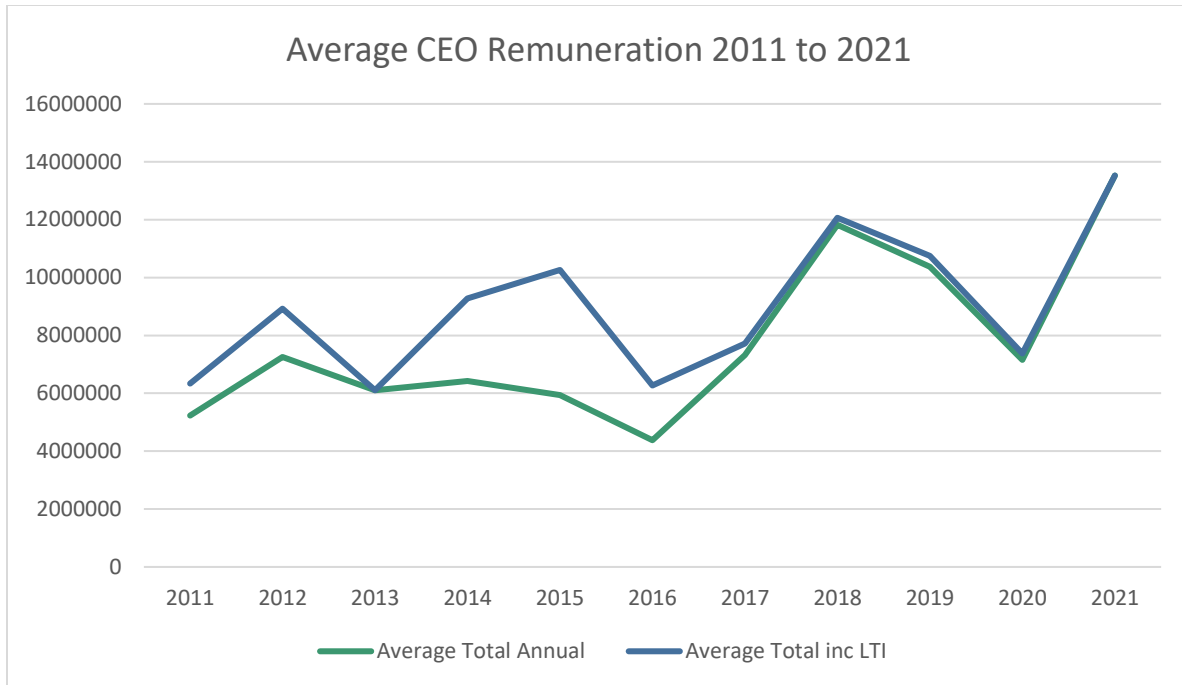


Figure 7 Transport Sector CEO Remuneration 2011 to 2021

### CEO Remuneration 2020

The highest earner in the sample for the 2021 financial year is the CEO of Imperial Holdings, Mohammed Akoojee, whose total remuneration was ZAR 26 million for the year, including a large ZAR 14 million cash bonus. Second was Grindrod CEO, Andrew Waller, whose total remuneration was ZAR 15,9 million for the year, inclusive of a ZAR 8 million cash bonus. No LTIs were paid this year.

On average, from 2020 to 2021, the total executive director and non-executive director's remuneration decreased by 75% and 9,7%, respectively (see *Figure 9 and 10*).

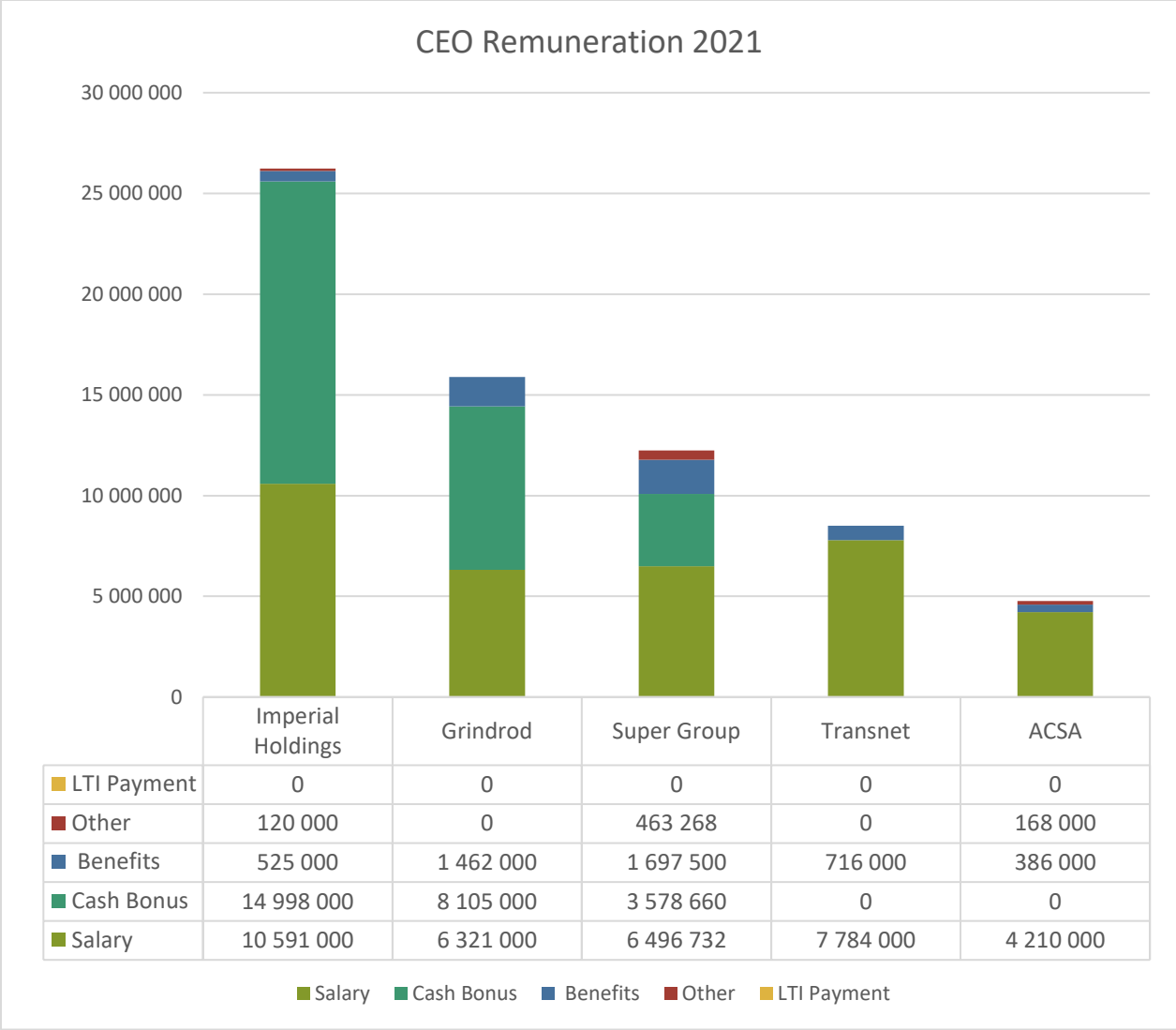


Figure 8 Transport Sector CEO Remuneration 2021

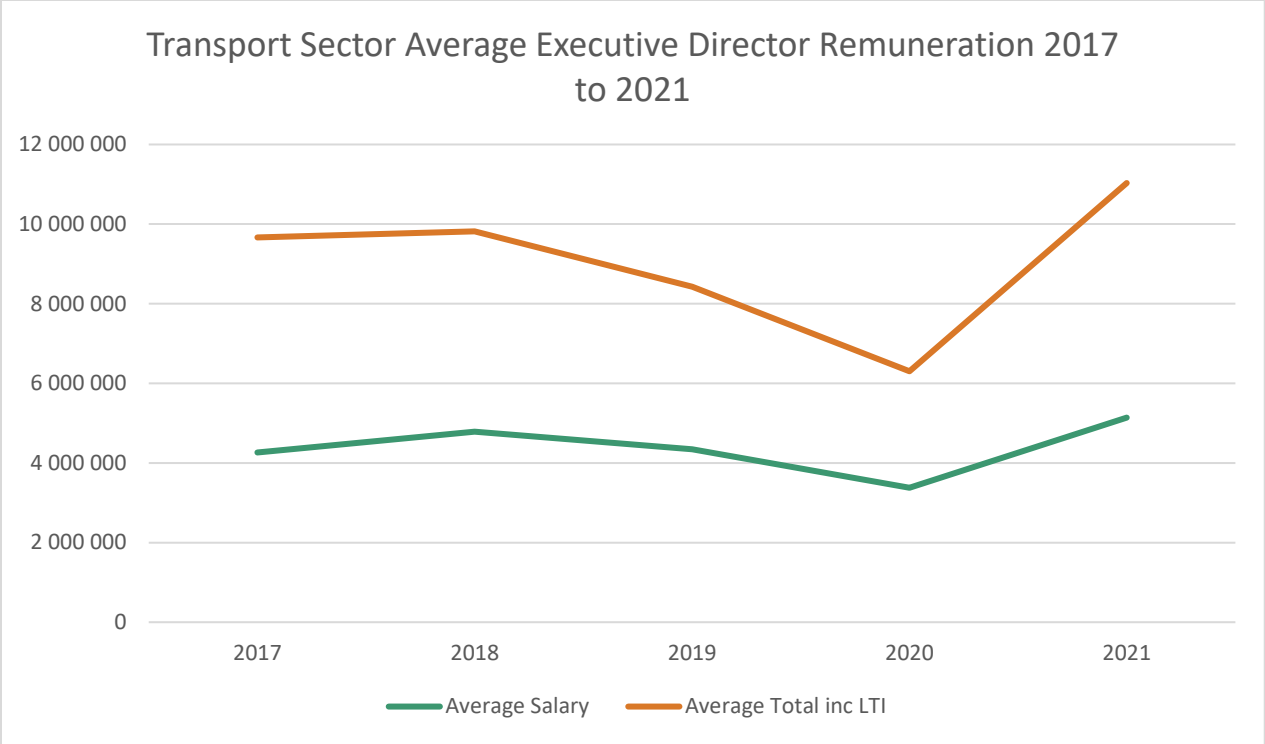


Figure 9 Transport Sector Average Executive Director Remuneration 2017 to 2021

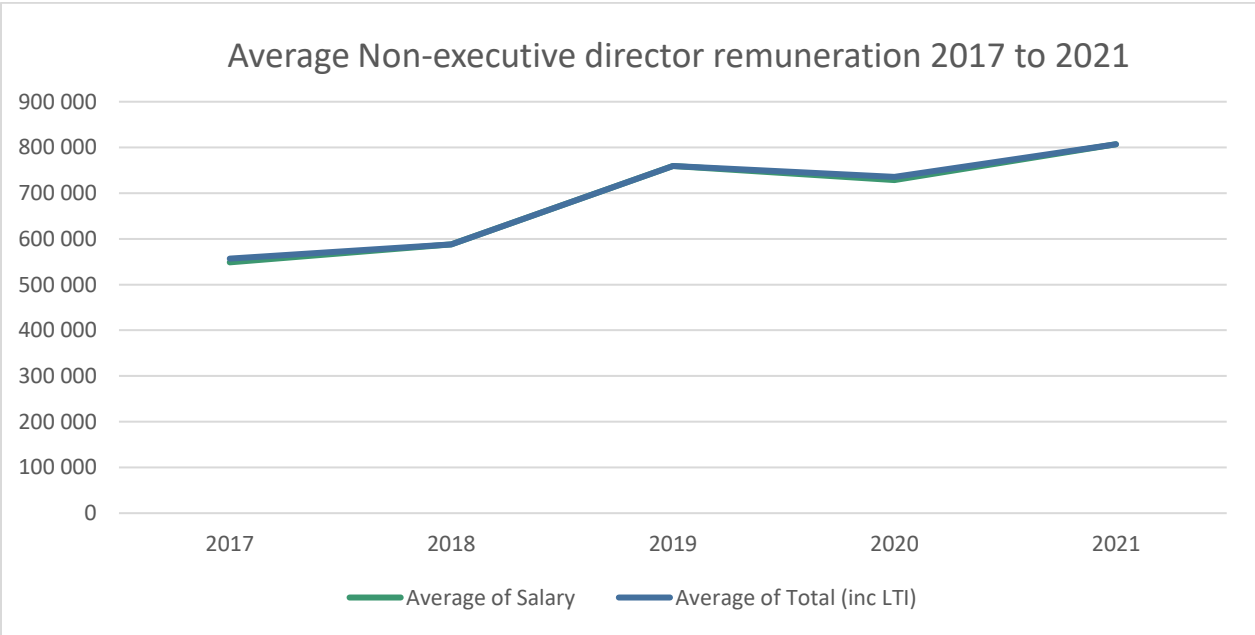


Figure 10 Transport sector NED Average Total Remuneration 2017 to 2021