

Diversified Sector Report 2023

LRS Labour
Research
Service

**FRIEDRICH
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TRADE UNION COMPETENCE CENTRE
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Introduction

This report aims to provide detailed insights into Diversified Holding Sector in the South African economy. Our sample report will be focusing only on three of these companies. By nature, companies within this sector maintain diversified portfolios, highlighting their significance in bolstering other businesses and contributing to economic diversification and stability in the economy.

Bidvest

Remgro

Barloworld Limited

The data extracted from the LRS's [MNC Database](#) enables a retrospective view of company performance over the course of the last ten years. In undertaking this project analysis, we explain the sector in detail, provide a financial overview of the sector, and conclude by examining the directors' remuneration over the last eleven years.

The Sector

The Diversified Holding sector is multifaceted with companies operating across various sectors. Bidvest and Barloworld belong to the diversified industries group on the JSE, whereas Remgro is part of the diversified financial services group. All three companies engage in diverse business operations, including logistics, financial services, and consumer goods. This diversity highlights the wide range of sectors these conglomerates participate in through their varied subsidiaries and divisions.

In 2020, Barloworld reported a loss, a setback attributed to global supply chain constraints, logistics issues and product shortages induced by the pandemic¹.

¹ https://www.barloworld.com/news/press-releases/news_article.php?articleID=11666

However, in the post-pandemic period, Barloworld reported an improved operating profit, particularly within their core business areas: Industrial Equipment and Service and Consumer Industries.

Bidvest operations have been disrupted by the pandemic resulting in supply chain constraints. However, despite these challenges in the period between 2021 to 2022 the company saw revenue increase by 34.37%. The Bidvest annual report (2022) states that the “exceptional performance is attributed to outstanding results in divisions such as Freight, Commercial Products, Branded Products and Automotive.” . Additionally, the rebound in travel following the Covid-19 pandemic contributed to the increase in revenue².

Remgro is an investment holding company, after the restructuring of the former Rembrandt Group. Recently, the company has acquired several businesses including Distell Group Holdings, Mediclinic International, Community Investment Ventures Holdings, and Rand Merchant Investment³. The company’s revenue increased by 15.64% from 2021 to 2022.

Financials

Revenue

The companies' reported revenue has improved post COVID-19 pandemic, with a revenue growth rate of 19.04% observed between 2020 to 2022. On average, during the period from 2021 to 2022, the companies in the sample reported a revenue increase of 10.08%. This marks an improvement as compared to the 2020 to 2021 period, which saw an average revenue increase of 8.12%. Barloworld has been experiencing a decline in revenue since 2019. Between 2019 and 2020, the revenue declined by 12.6%. In the following period, from 2020 to 2021, there was

² <https://www.bidvest-reports.co.za/results/annual-2022/pdf/booklet.pdf>

³ <https://www.engineeringnews.co.za/article/remgros-full-year-headline-earnings-recover-to-above-pre-pandemic-levels-2022-09-27>

a further decline in revenue of 16.4%. Finally, in the period from 2021 to 2022, reported revenue declined by a further 5.22%.

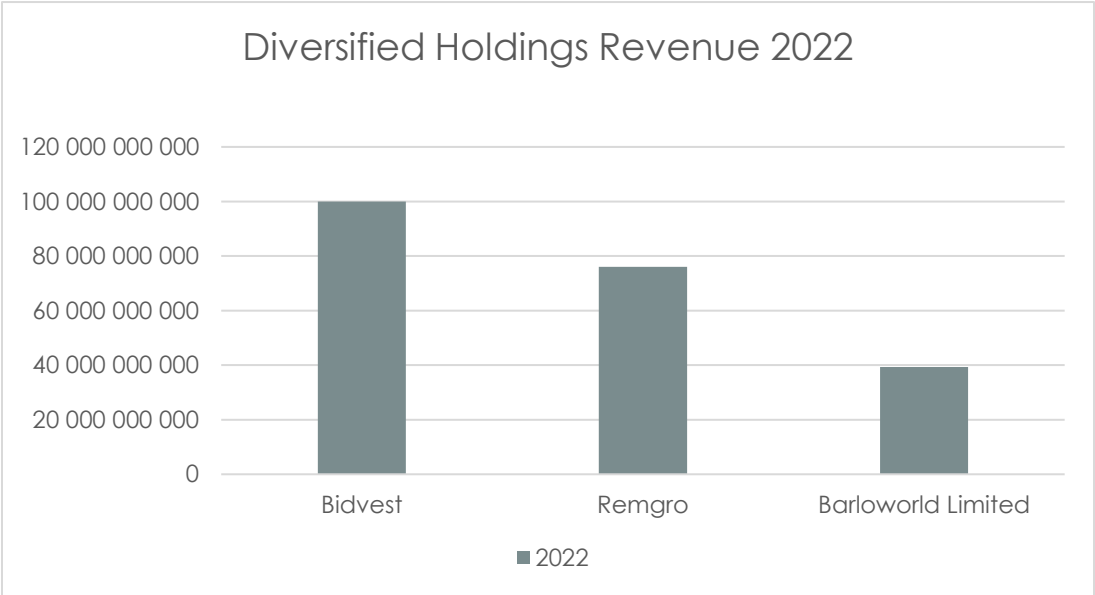


Figure 1 Diversified Sector Revenue 2022

Diversified Holdings Revenue 2012 - 2022

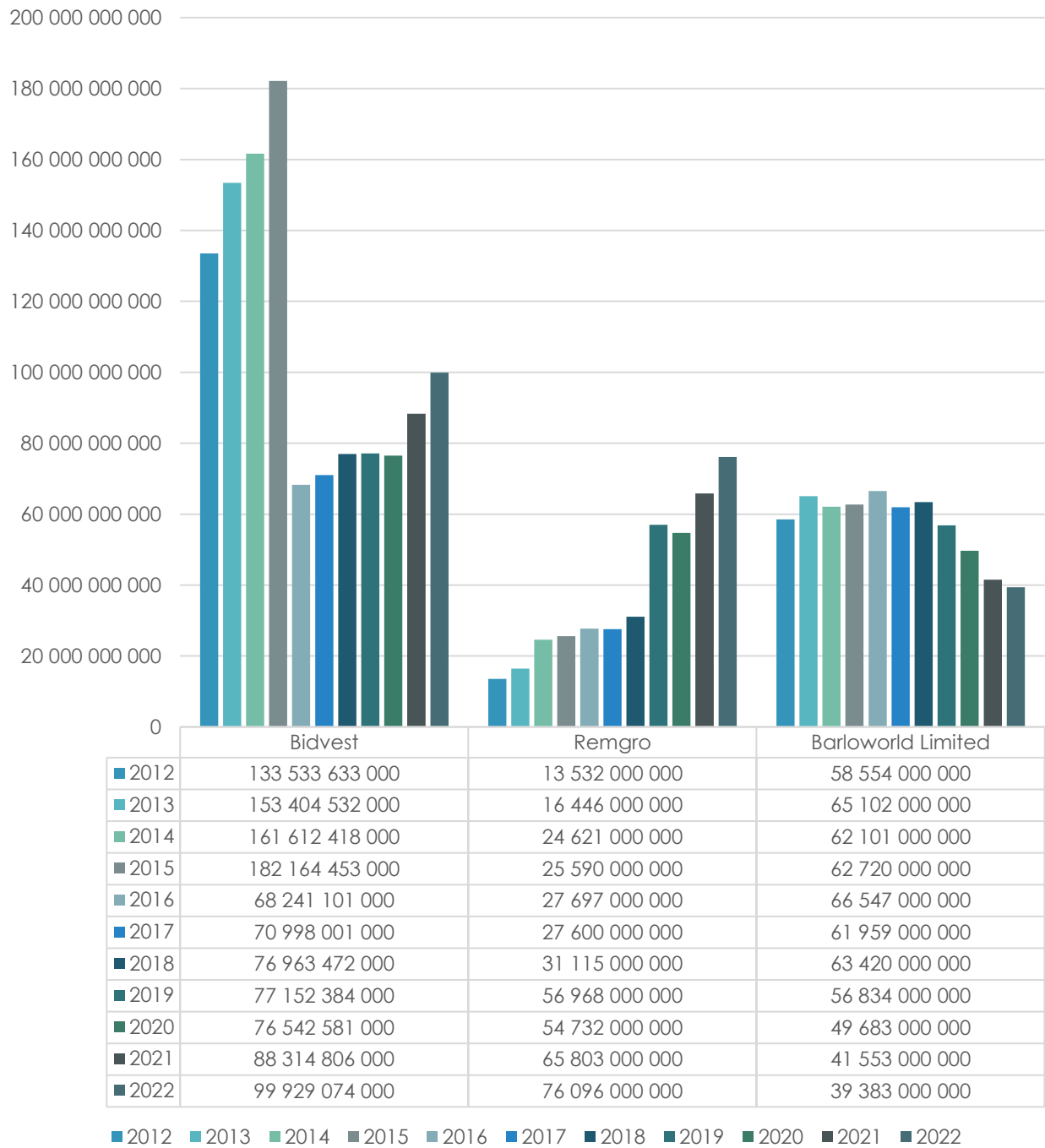


Figure 2 Diversified Holdings Sector Revenue 2012 to 2022

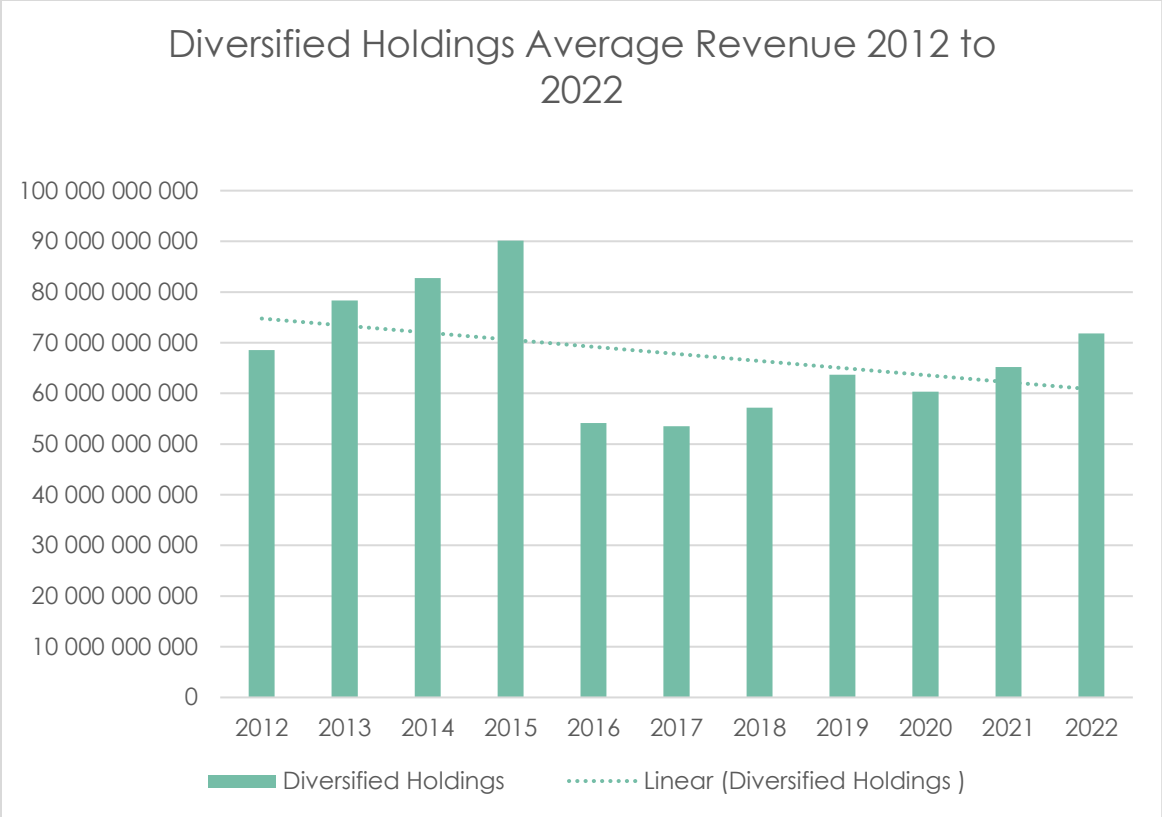


Figure 3 Diversified Holdings Sector Average Revenue 2012 to 2022

Profit before Tax

On average, the reported Profit Before Tax (PBT) for our sample companies increased by 9.37% from 2021 to 2022. Bidvest and Remgro reported increases in PBT of ZAR 7,9 billion and ZAR 5,6 billion, up from ZAR 5,8 billion and ZAR 4,5 billion in 2021, respectively.

In the same time period, Barloworld reported a PBT of ZAR 1,8 billion, a significant decline from ZAR 3,5 billion in 2021.

Remgro's business operations exhibited a mix of profits and losses during our sample period. In 2016, the company reported a loss of ZAR 800 million, and in 2019, it again reported a loss, this time of ZAR 4 billion. However, following the Covid-19 pandemic, the company has returned to profitability. Between 2021 to 2022, the PBT increased by 22.51%.



Figure 4 Diversified Holdings Sector Profit before Tax 2022

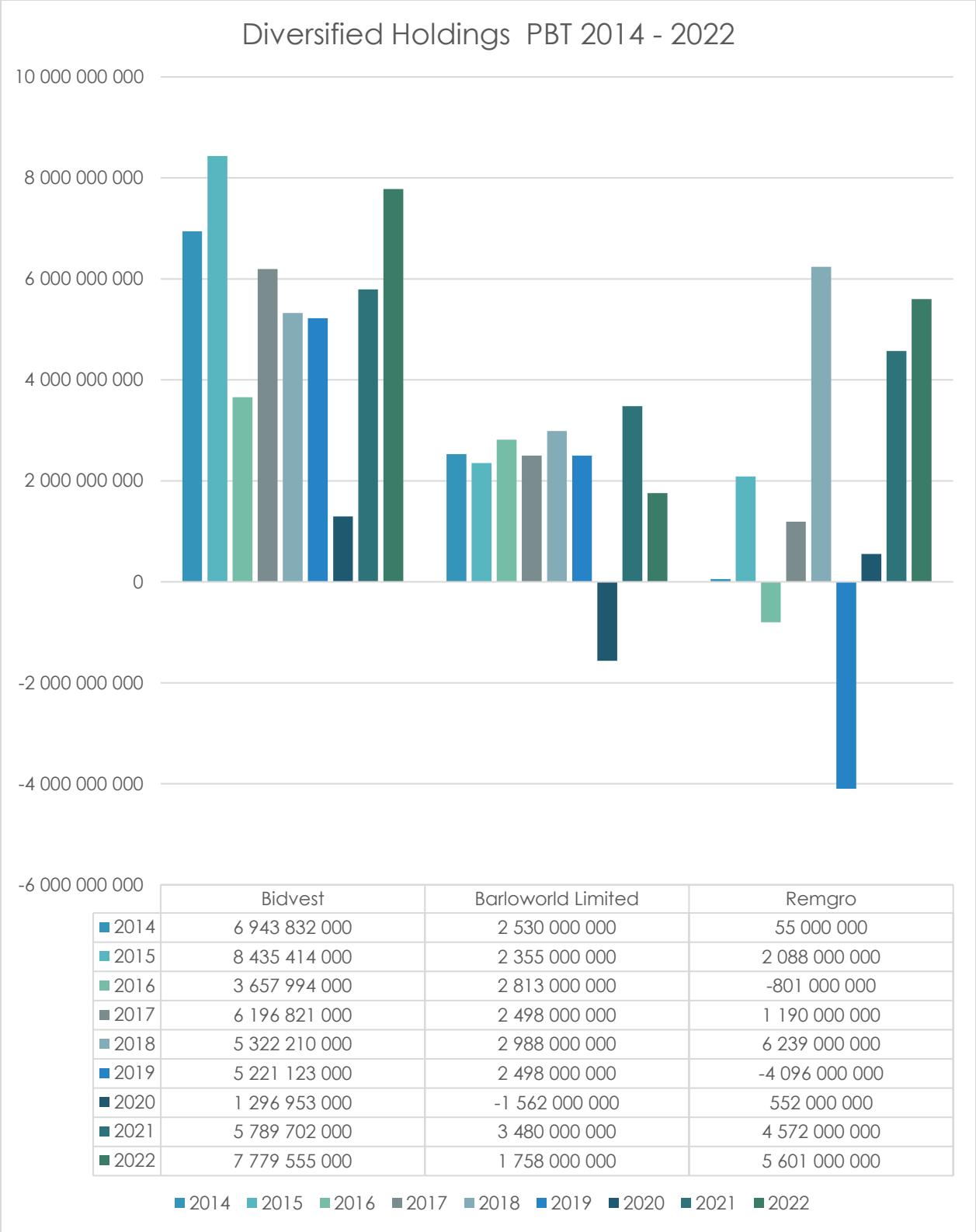


Figure 5 Diversified Holdings Sector Profit before Tax 2014 to 2022

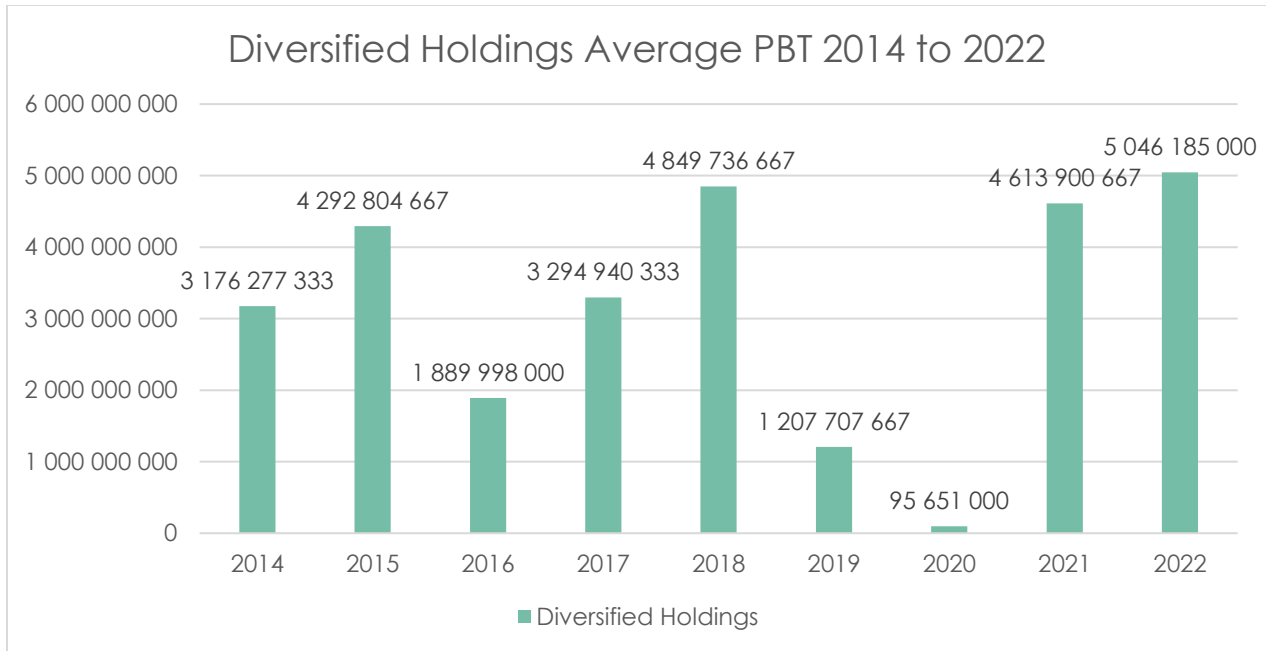


Figure 6 Diversified Holdings Sector Average PBT 2014 - 2022

Directors' Remuneration

The LRS MNC database provides insights into CEO remuneration trends over the past eleven years. In the Diversified Holdings sector, our sample shows a rebound in both average total remuneration and average total remuneration including the LTI from 2021 to 2022, following a significant decline from 2016 to 2018. On average, the CEO remuneration increased by over 14.65% from 2021 to 2022, slightly lower than the 22.90% increase observed from 2020 to 2021.

During the period of 2014 to 2017, directors in this sector received large LTIs. In 2014 and 2015, the CEOs of Barloworld and Bidvest received LTIs of ZAR 31, 7 million and ZAR 9,3 million, and ZAR 5,5 million and ZAR 26,3 million, respectively. During this period, Bidvest reported the highest revenue in our sample, with ZAR 161 billion and 182 ZAR billion in 2014 and 2015. This revenue remains the highest in our sample period from 2011 to 2022 for Bidvest. Concurrently, Barloworld reported an average revenue of ZAR 62 billion between 2014 and 2015.

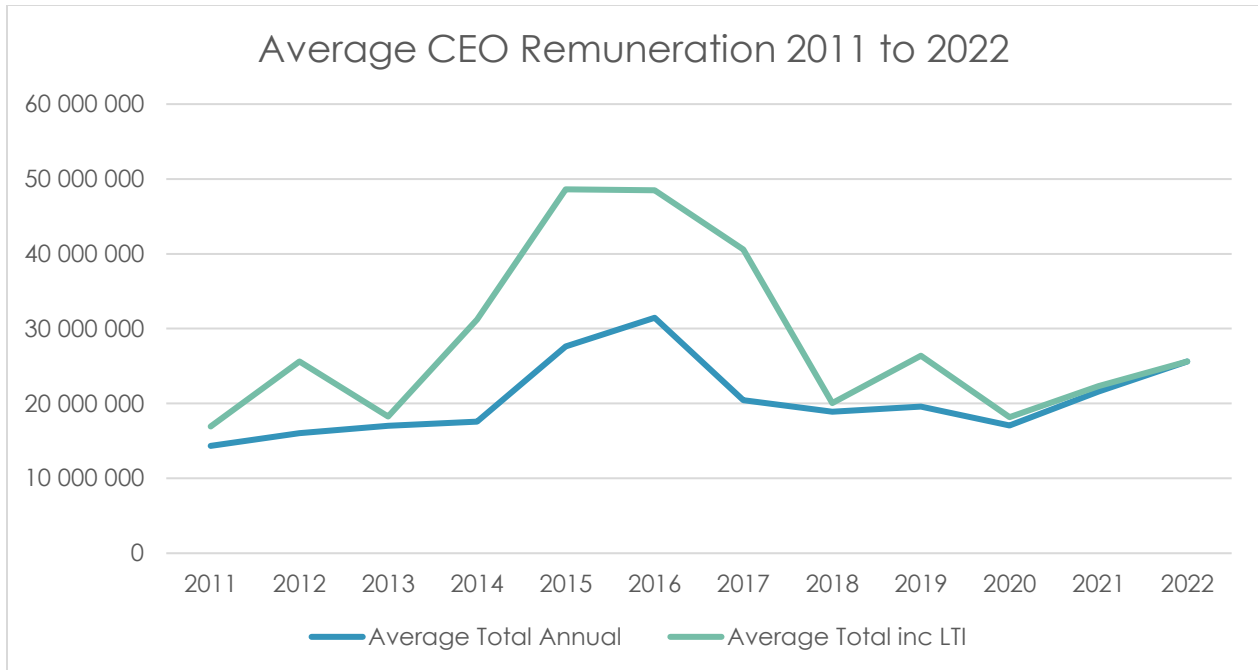


Figure 7 Diversified Sector CEO Remuneration 2011 to 2022

CEO Remuneration 2022

The Barloworld CEO average total remuneration including LTI for the between 2021 and 2022 declined by 5.85%. The Bidvest CEO, Mpumi Madisa, was the highest earner in 2022, receiving a total remuneration of ZAR 34 million, which included a ZAR 17 million cash bonus and ZAR 4 million in Long-Term Incentives (LTI). Barloworld CEO Dominic Sewela was the second-highest earner, with a total remuneration of ZAR 26 million, including a ZAR 14 million cash bonus. Remgro CEO, Jannie Durand received the lowest total remuneration among the three, at ZAR 25 million in 2022. This marked a significant increase from his ZAR 15 million remuneration in 2021, equivalent to 69.39% increase.

On average, executive director remuneration has increased by 25.08% from 2021 to 2022. In contrast, the non -executive director remuneration saw a 10.31% increase during the same period.

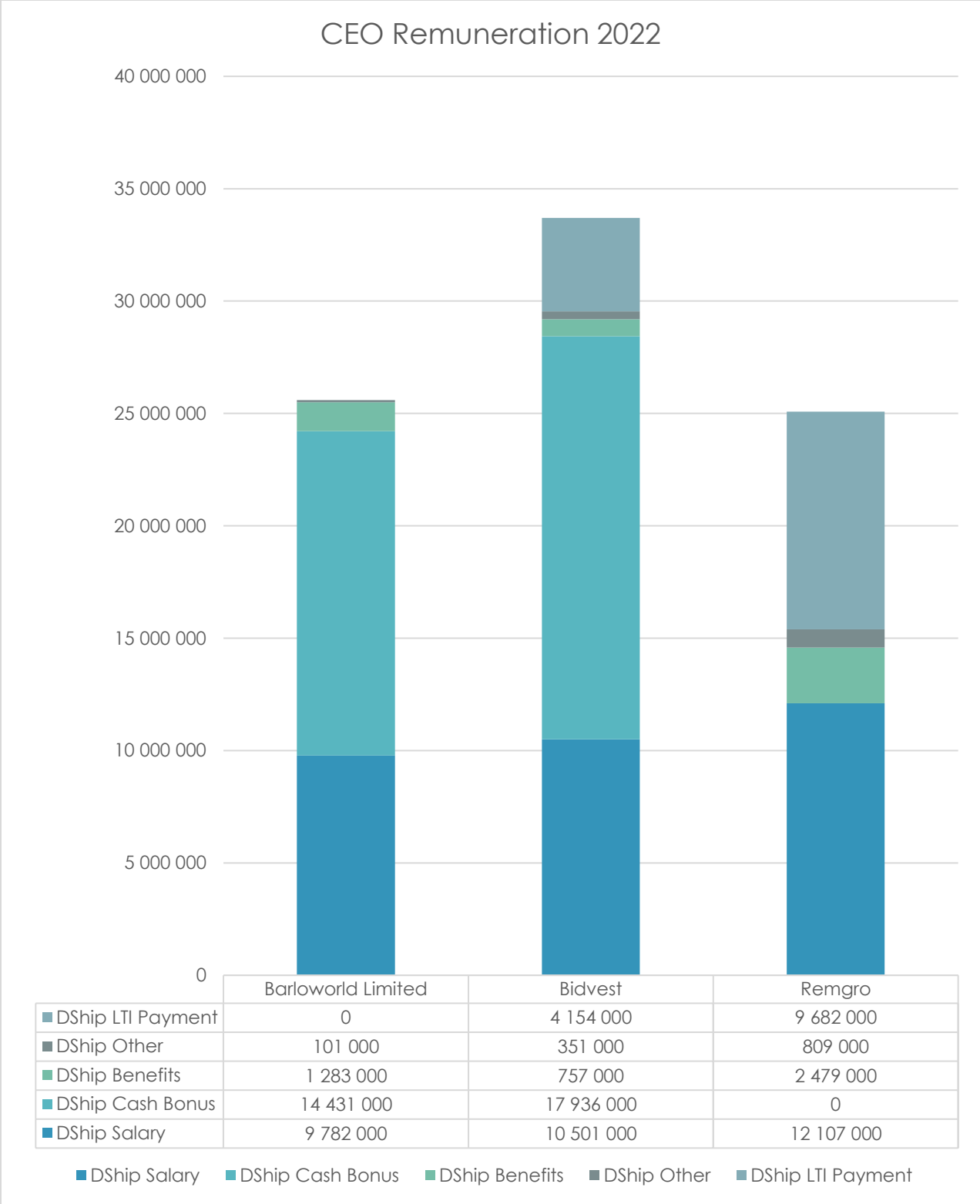


Figure 8 Diversified Holdings Sector CEO Remuneration 2022

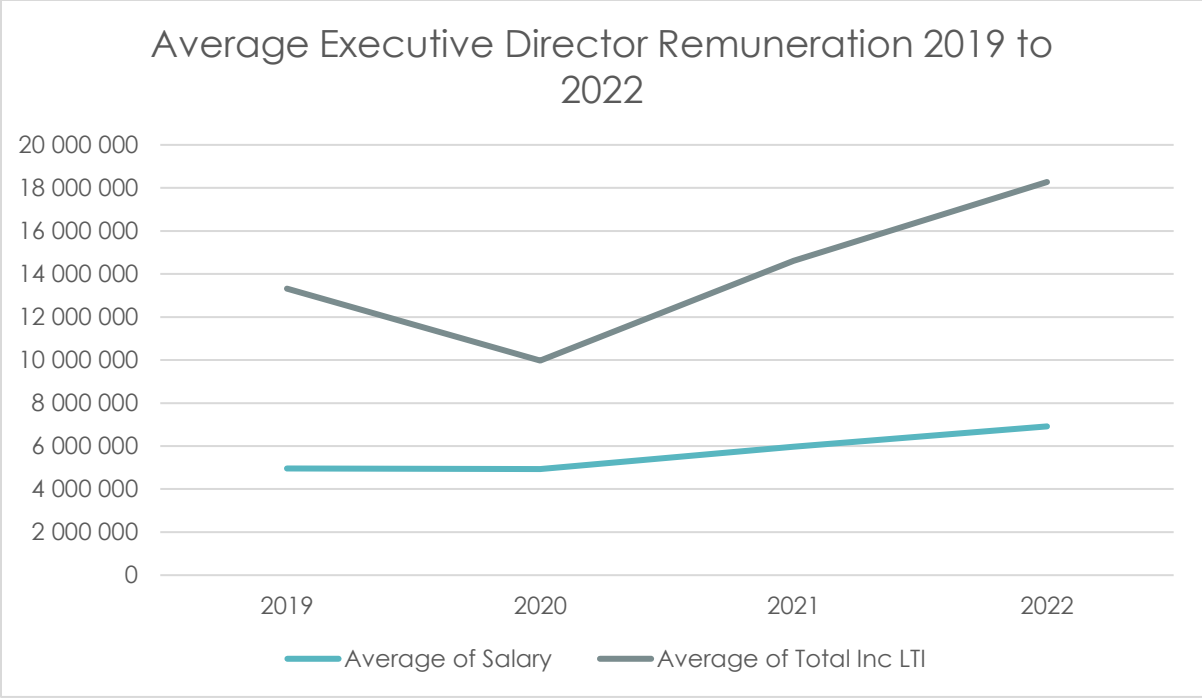


Figure 9 Diversified Holdings Sector Average Executive Director Remuneration 2019 to 2022

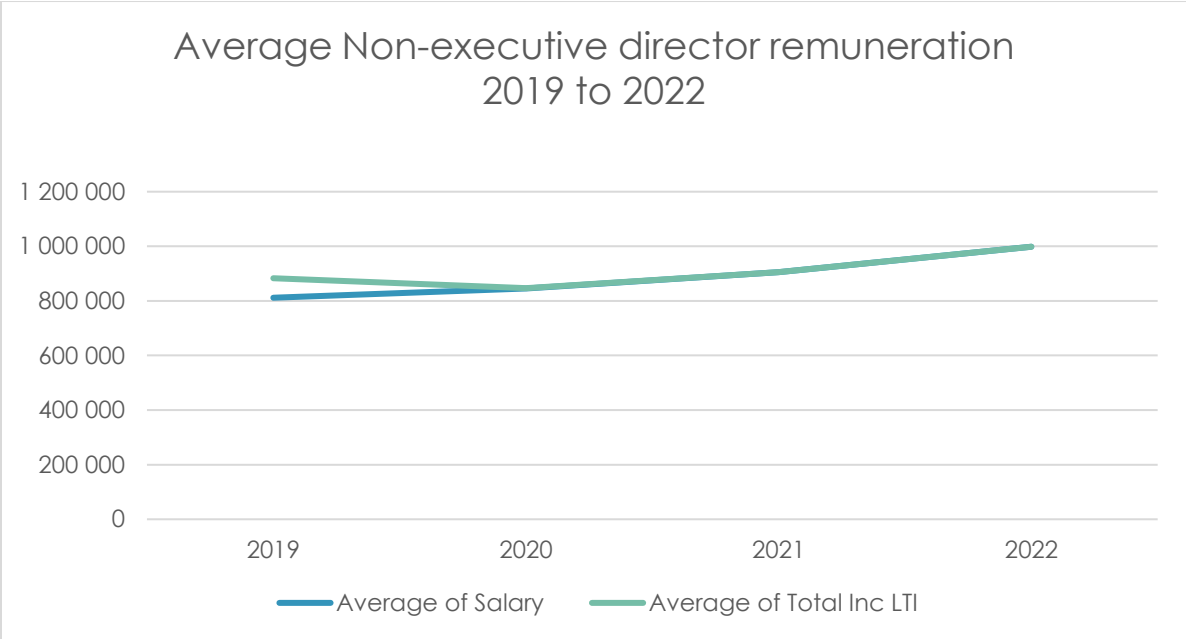


Figure 10 Diversified Holdings Sector NED Average Total Annual Remuneration 2019 to 2022