



Health Sector Report 2023

LRS Labour
Research
Service

**FRIEDRICH
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Contents

Introduction	2
The Sector	3
Financials	3
Revenue	3
Profit before Tax.....	6
Directors' Remuneration	9
CEO Remuneration 2022	10

Table of Figures

Figure 1 Health Sector Revenue 2022	4
Figure 2 Health Sector Revenue 2014 to 2022.....	5
Figure 3 Health Sector Average Revenue 2012 to 2022	6
Figure 4 Health Sector Profit before Tax 2022.....	7
Figure 5 Health Sector Profit before Tax 2014 to 2022	8
Figure 6 Health Sector Average PBT 2014 to 2022	9
Figure 7 Health Sector CEO Remuneration 2011 to 2022.....	10
Figure 8 Health Sector CEO Remuneration 2022	12
Figure 9 Health Sector Average Executive Director Remuneration 2017 to 2022	13
Figure 10 Health Sector NED Average Total Annual Remuneration 2017 to 2022	13

Introduction

There are six companies in the Health Sector that are represented in the following report. The companies are:

Adcock Ingram

AfroCentric Investments Corporation

Aspen Holdings

Life Healthcare Group

Mediclinic

Network Healthcare Holdings

Adcock Ingram is a South African pharmaceutical manufacturer that manufactures and markets healthcare products to both the private and public sector. Afrocentric Investments Corporation is a black-owned, diversified investment holding company that is substantially invested in healthcare services and products¹. Aspen Holdings is a multinational pharmaceutical company that has a presence in both emerging and developed markets². Life Healthcare Group is an international, diversified healthcare provider. Finally, both Mediclinic and Network Healthcare Holdings (Netcare) are diversified international private healthcare services providers with Netcare being the largest private healthcare provider in both South Africa and the United Kingdom³.

The data from the [MNC Database](#) of the LRS provides rich information that has allowed a thorough review of the company financial performances over the

¹ <http://www.afrocentric.za.com/>

² <https://www.aspenpharma.com/about-aspen/>

³ <https://inforelated.com/za/about-network-healthcare-holdings-limited/>

years. Following this, the data allows for an examination of the remuneration packages received by executive and non-executive directors in the sector.

The Sector

The South African healthcare system is beset with many challenges, some of which are related to the inability of the sector to deliver primary care to outlying communities. The South African private health sector caters to roughly 16% of the South African population. These challenges were further amplified by the COVID-19 pandemic and the significant pressure it placed on the healthcare system and its budgets. However, although the Healthcare sector experienced hardships during the pandemic, as restrictions were raised the sector normalised and reported gradual recovery and improvements in the revenue and profit in the sector.

Financials

Revenue

As shown in *Figure 1* below, Mediclinic is the biggest company in our Health sector sample in 2022. It has reported an 18% increase in revenue from ZAR 53 billion in 2021, to ZAR 63 billion in 2022. Mediclinic is followed by Aspen Holdings, which reported a revenue increase of 2% from ZAR 37,7 billion in 2021, to ZAR 38,6 billion in 2022. Following that is Life Healthcare Group with a revenue of ZAR 28 billion, Network Healthcare Holdings with a revenue of ZAR 21 billion, Afrocentric Investments Corporation with a revenue of ZAR 8,72 billion, and finally, Adcock Ingram with a revenue of ZAR 8,7 billion.

All six companies reported increases in revenue from the 2021 financial year to the 2022 financial year. On average, the companies reported a 9% increase in revenue during the 2022 financial year.

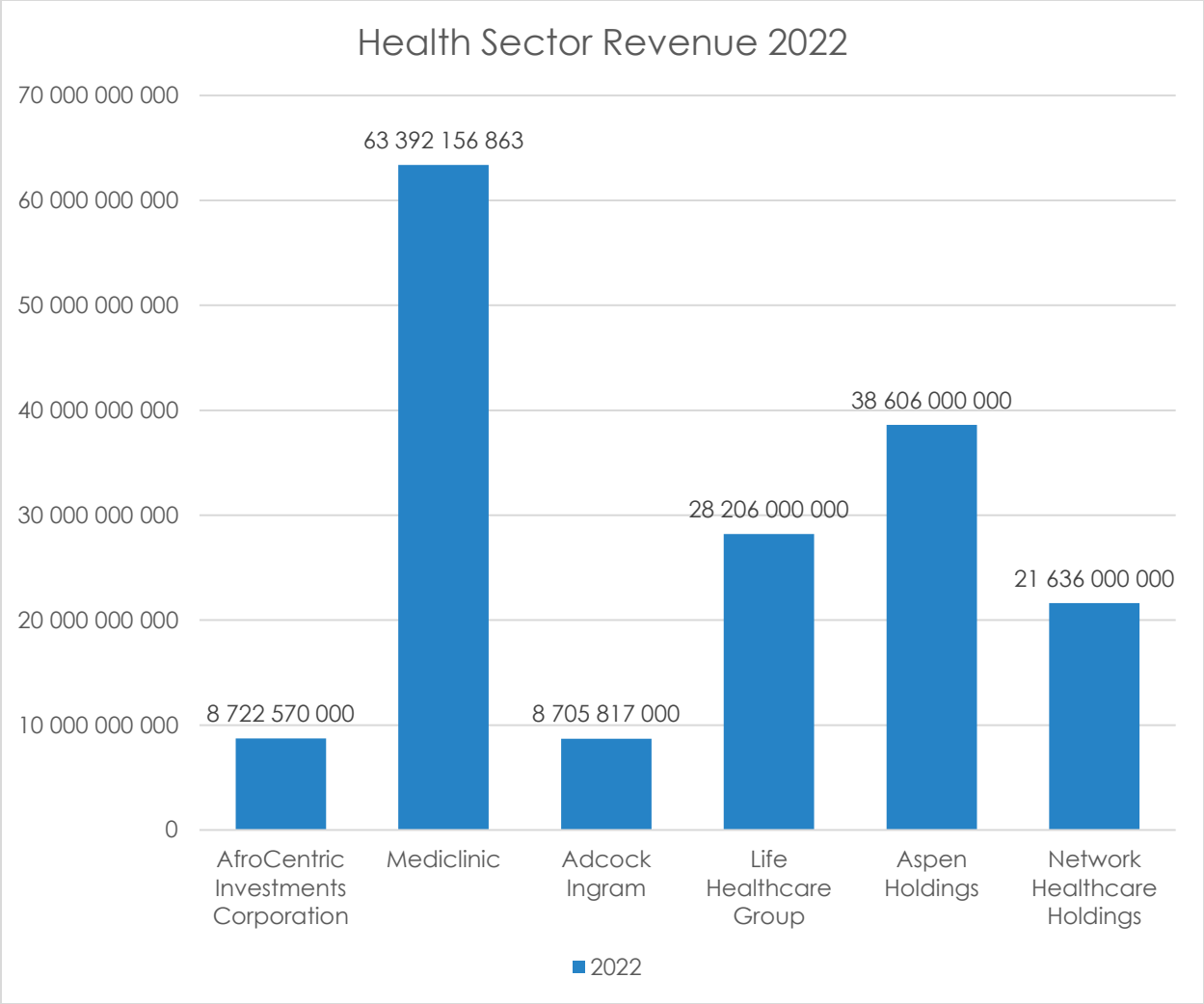


Figure 1 Health Sector Revenue 2022

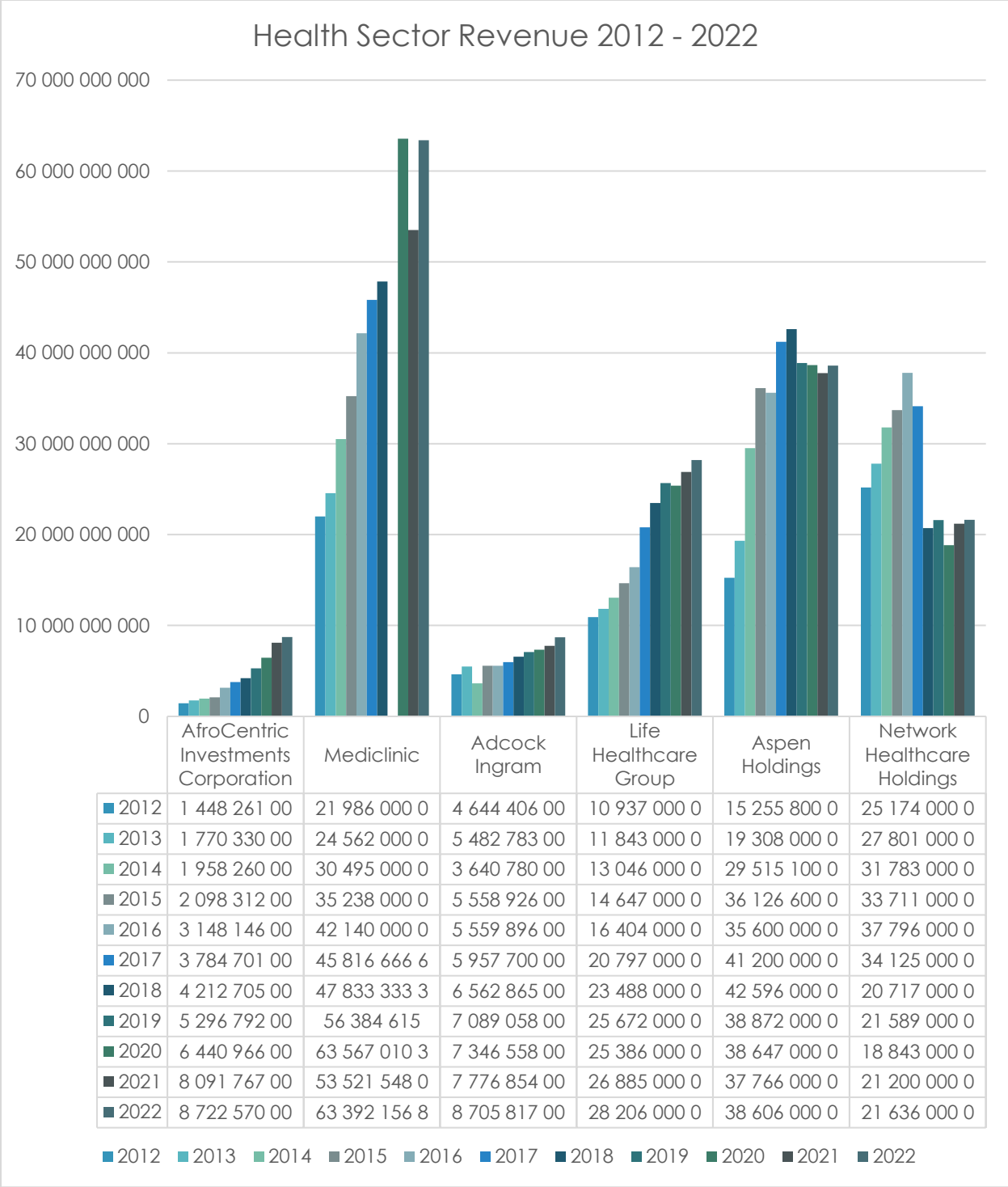


Figure 2 Health Sector Revenue 2014 to 2022

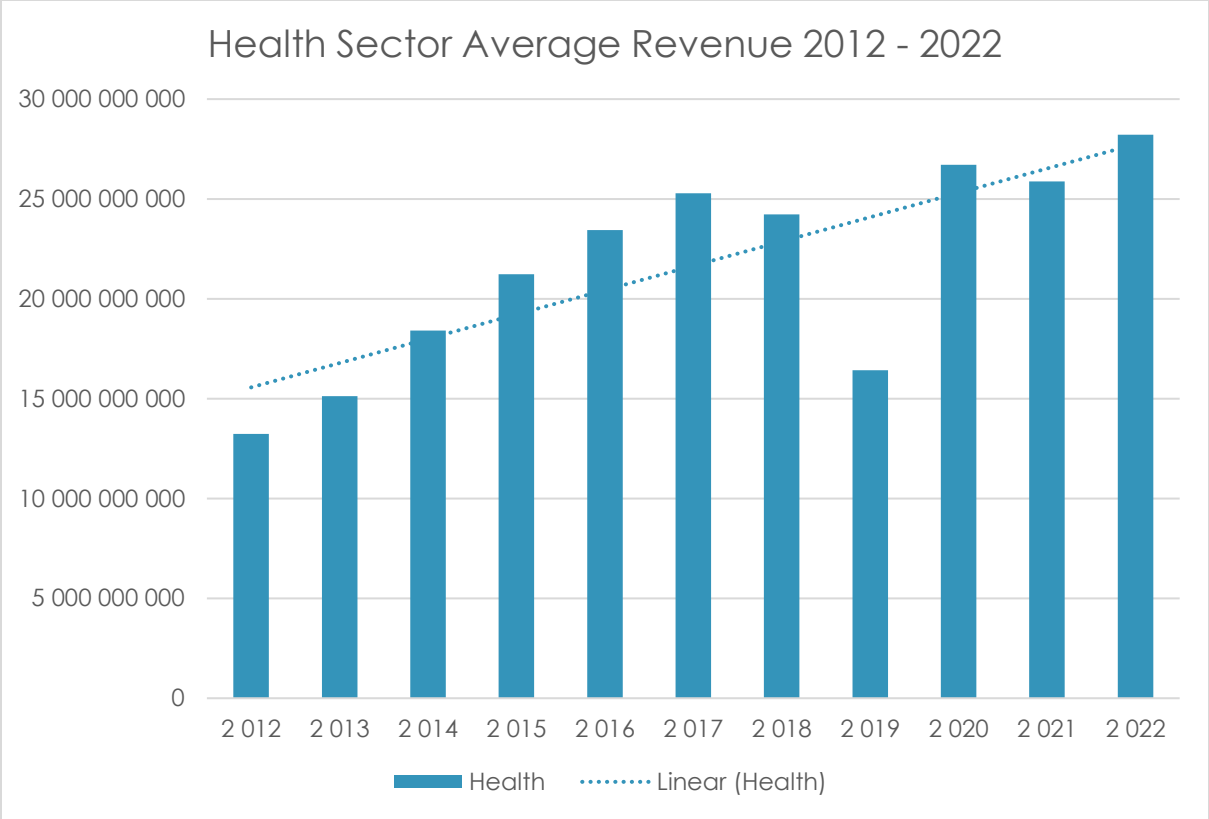


Figure 3 Health Sector Average Revenue 2012 to 2022

Profit before Tax

From 2019 to 2020, average PBT in the sector fell drastically. However, the companies have been on their way to recovery. As seen in Figure 4 below, Aspen Holdings reported the largest PBT in 2022. It reported a 35% increase in PBT from a PBT of ZAR 5,9 billion in 2021, to and PBT of ZAR 8,1 billion in 2022. Mediclinic reported PBT of ZAR 4,1 billion, an increase of over 100% in PBT between 2021 and 2022. Following these are Life Healthcare Group with a PBT of ZAR 2,4 billion, Network Healthcare Holdings with a PBT of ZAR 1,5 billion, Adcock Ingram with a PBT of ZAR 1,1 billion, and finally, Afrocentric Investments Corporation with a PBT of ZAR 675 million (the only company to report a decrease in PBT in 2022).

On average, PBT has increased by 38.5% in 2022.

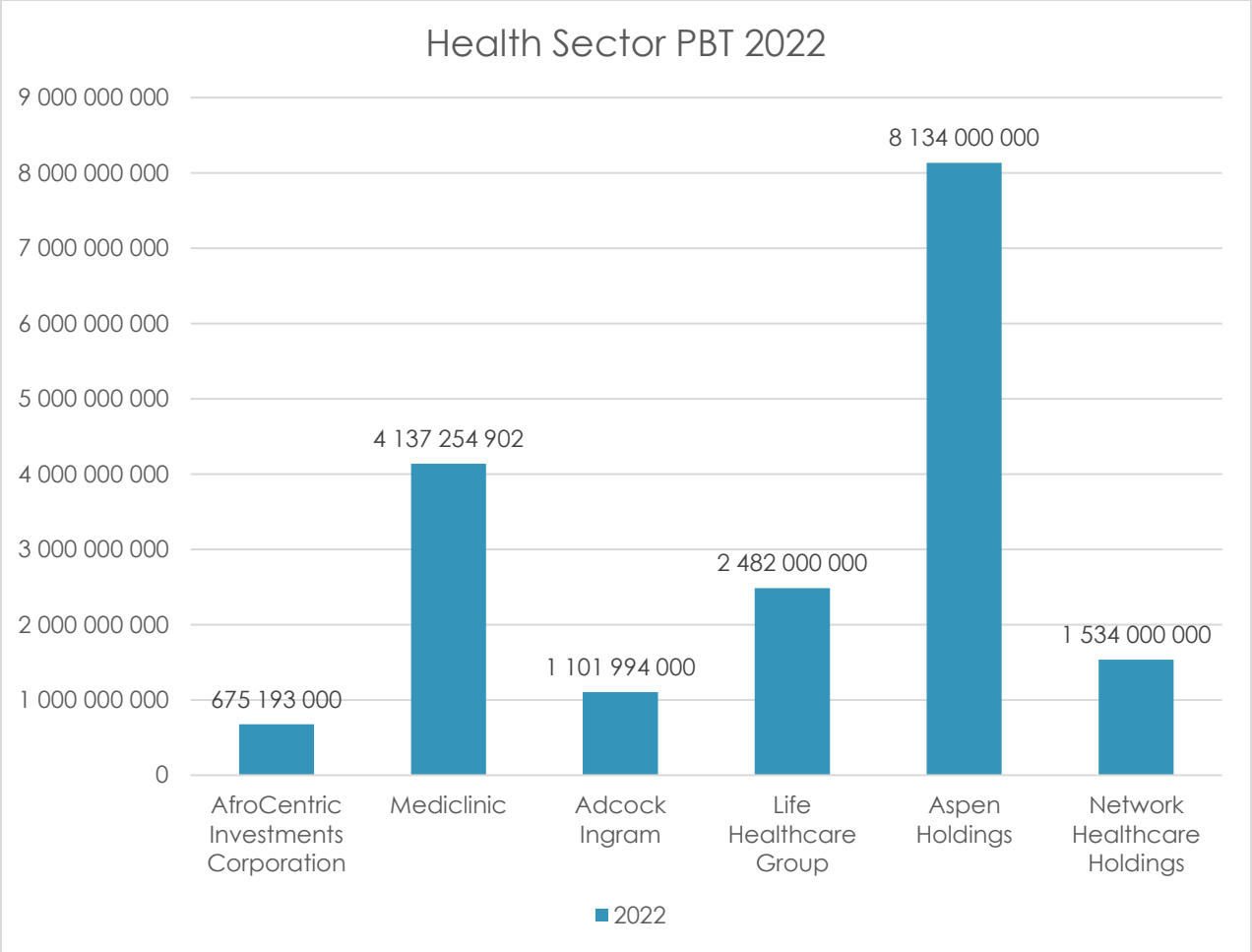


Figure 4 Health Sector Profit before Tax 2022

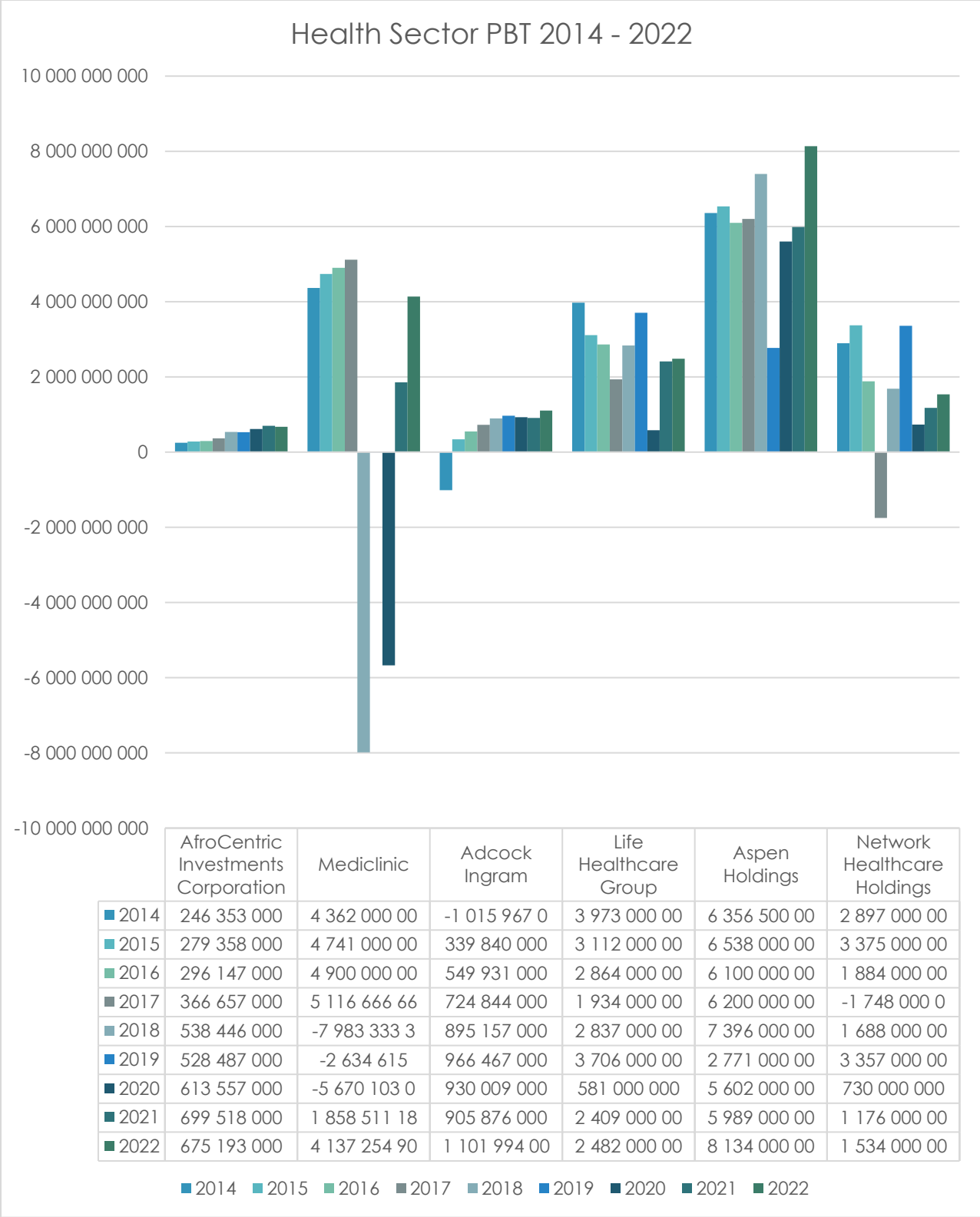


Figure 5 Health Sector Profit before Tax 2014 to 2022

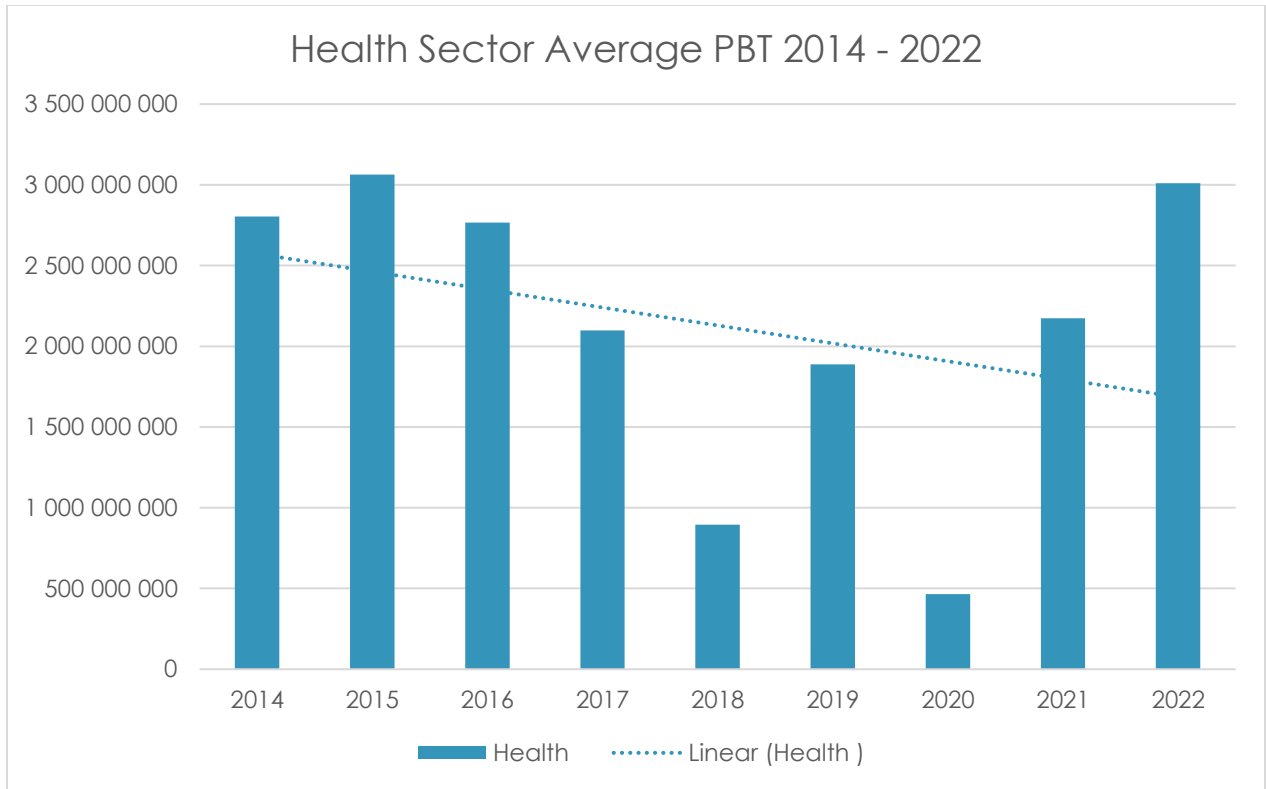


Figure 6 Health Sector Average PBT 2014 to 2022

Directors' Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last twelve years. Although the companies listed in our sample reported a significant decrease in CEO remuneration in 2019, *Figure 7* below shows how CEO remuneration is increasing again

From 2021 to 2022, average total salary for CEOs in our sample decreased from ZAR 16,9 million to ZAR 16 million (5% decrease). However, average total salary including long-term incentives (LTI) increased from ZAR 17 million to ZAR 21 million (21% increase). This highlights the importance of considering total remuneration and not only salary when assessing executive remuneration.

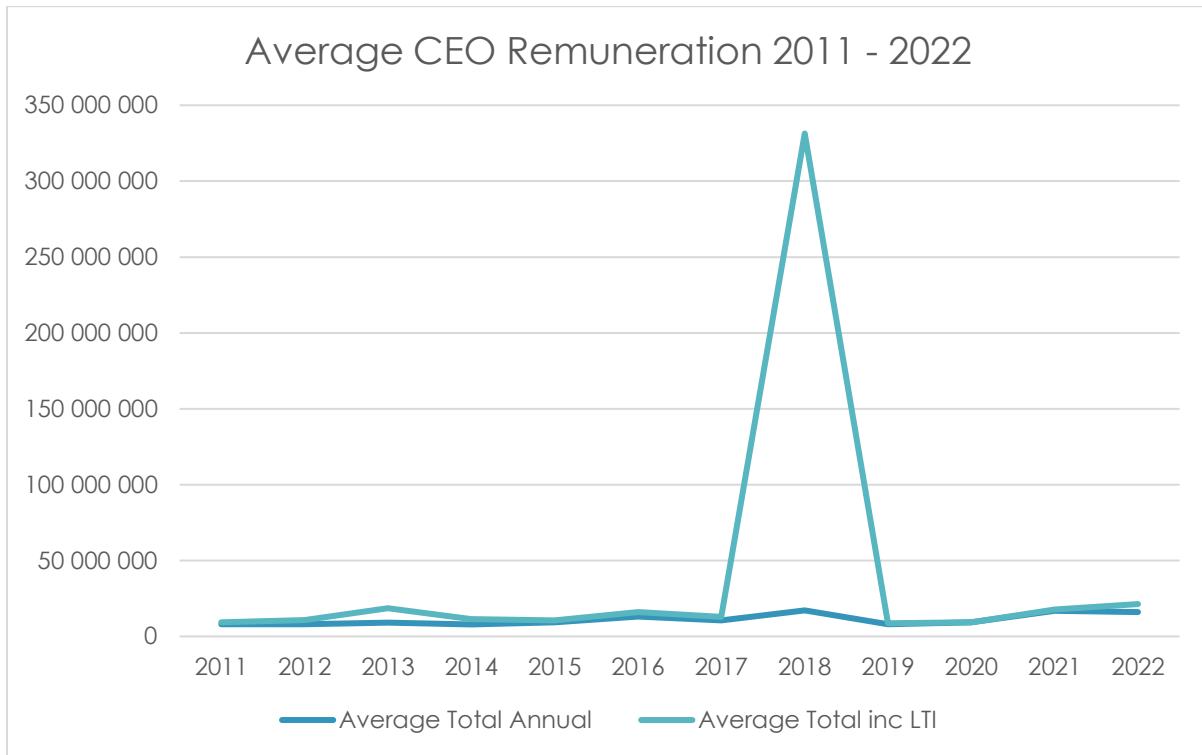


Figure 7 Health Sector CEO Remuneration 2011 to 2022

CEO Remuneration 2020

In 2022, Richard Friedland, the CEO of Network Healthcare Holdings, received the highest remuneration package in the sample. His total remuneration package includes a salary of ZAR 10 million and LTI of ZAR 29 million. Following Friedland is the CEO of Mediclinic, Ronnie van der Merwe. His total remuneration package included a salary of ZAR 11 million, an LTI payment of ZAR 2 million, and ZAR 15 million in other income consisting mostly of short-term investments (STI).

Stephen Saad, the CEO of Aspen Holdings, received the third largest remuneration package in the sample. His remuneration package includes a salary of ZAR 8 million, a cash bonus of ZAR 9 million, and other income of ZAR 4 million. Following him is the CEO of Life Healthcare Group, Peter Wharton-Hood.

His remuneration package includes a salary of ZAR 8 million and ZAR 8 million in cash bonuses consisting of short-term incentive cash earned in the financial year.

Finally, the lowest paid CEOs in the sample are the CEO of Adcock Ingram, Andy Hall, with the total remuneration package of ZAR 15 million, and the CEO of Afrocentric Investments Corporation, Ahmed Banderker, with a total remuneration package of ZAR 7 million.

On average, the total executive directors' remuneration decreased by 10% from 2021 to 2022. In the same period, the average non-executive directors' remuneration decreased by 3%.

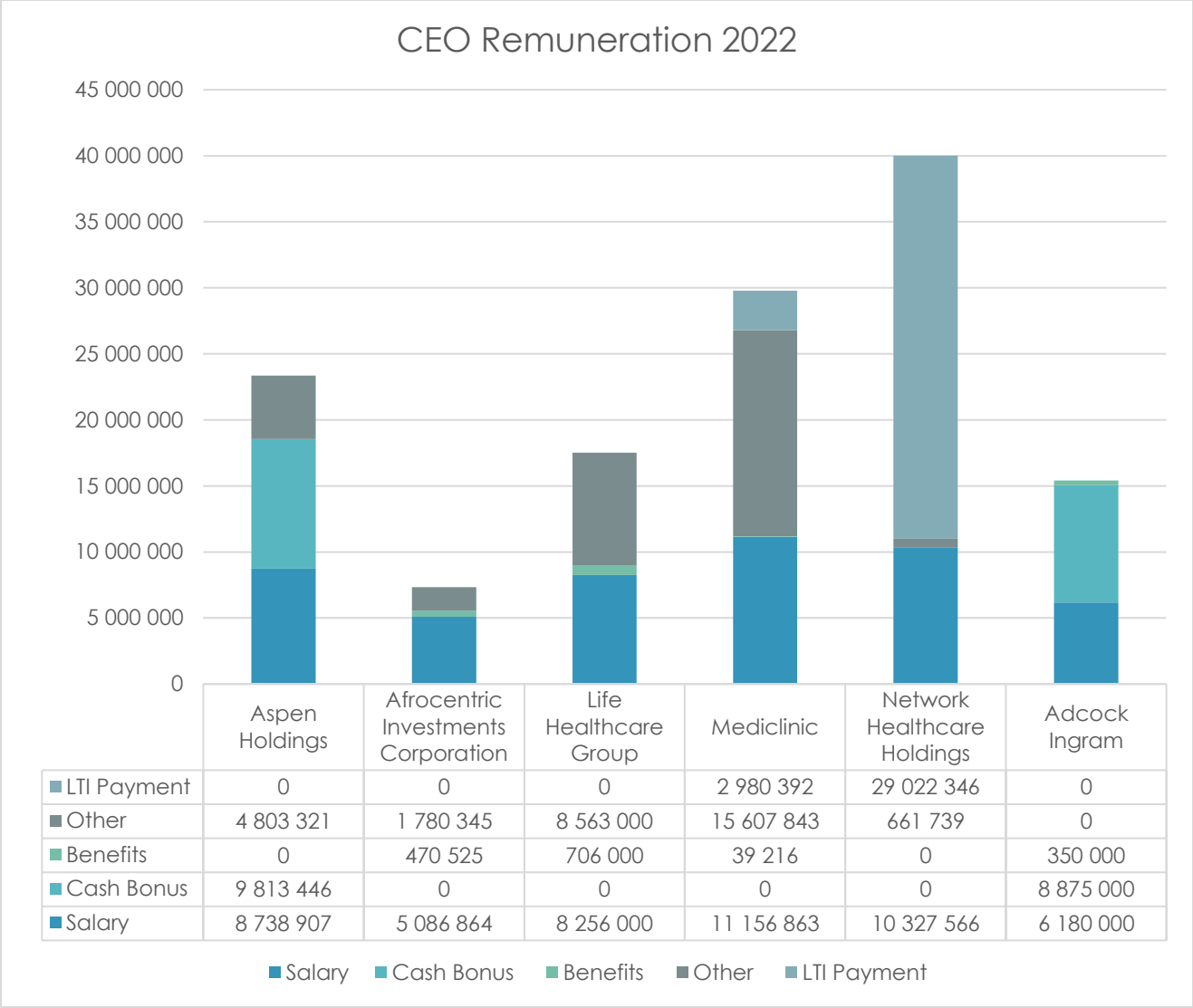


Figure 8 Health Sector CEO Remuneration 2022

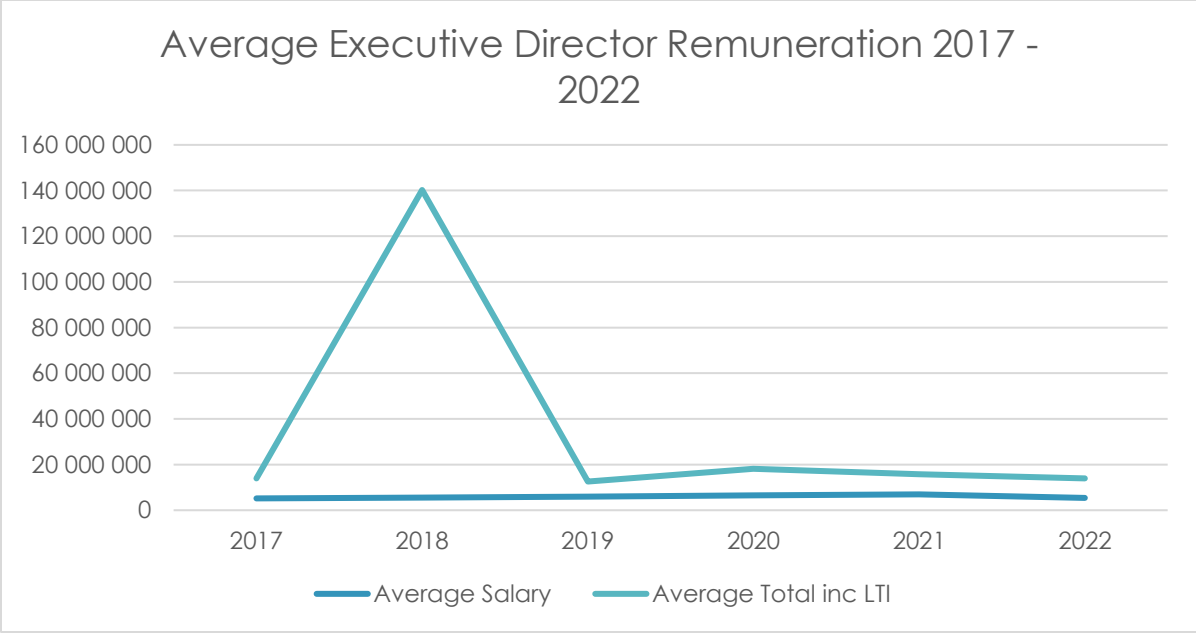


Figure 9 Health Sector Average Executive Director Remuneration 2017 to 2022

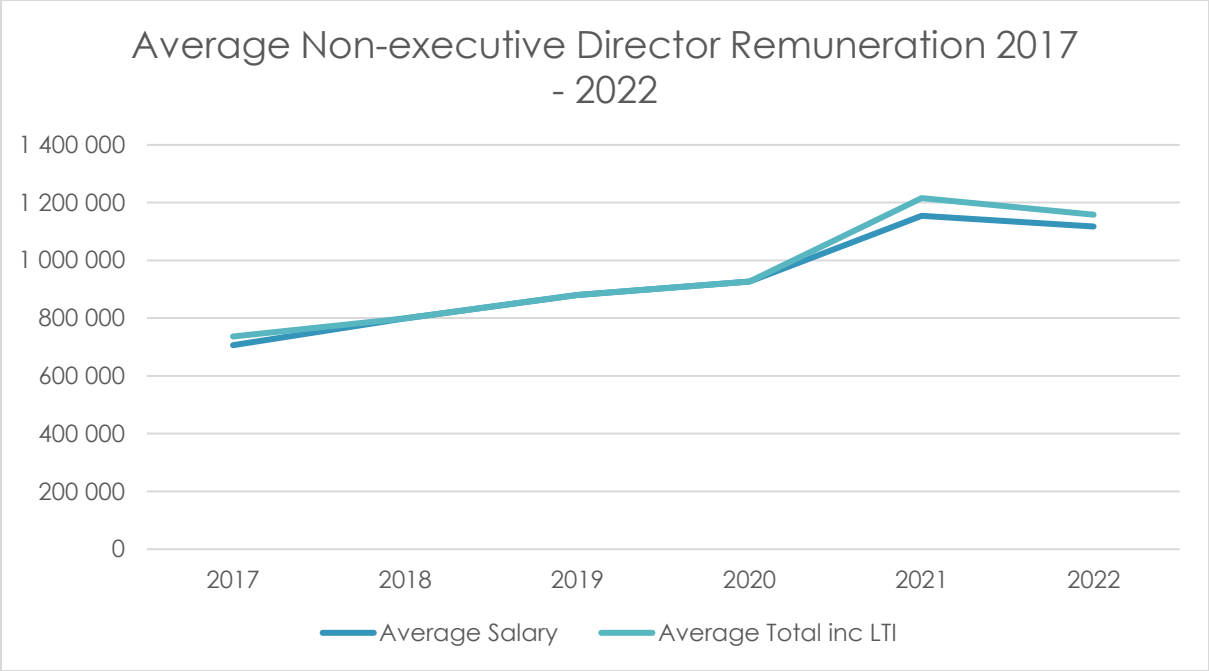


Figure 10 Health Sector NED Average Total Annual Remuneration 2017 to 2022