



Industrial Sector Report 2023

LRS Labour
Research
Service

**FRIEDRICH
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Contents

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

Table of Figures

Figure 1 Industrial Sector Revenue 2022	4
Figure 2 Industrial Sector Revenue 2014 to 2022.....	5
Figure 3 Industrial Sector Average Revenue 2012 to 2022.....	6
Figure 4 Industrial sector Profit before Tax 2022	7
Figure 5 Industrial sector Profit before Tax 2014 to 2022.....	8
Figure 6 Industrial Sector Average PBT 2014 to 2022	9
Figure 7 Industrial Sector CEO Remuneration 2011 to 2022.....	10
Figure 8 Industrial Sector CEO Remuneration 2022	12
Figure 9 Industrial Sector Executive Director Remuneration 2019 to 2021	13
Figure 10 Industrial sector NED Average Total Annual Remuneration 2019 to 2021	13

Introduction

This report aims to provide detailed insights into the South African Industrial sector, encompassing companies from various industry categories such as chemicals, industrial goods and services, and technology. Additionally, one state-owned company is included. In total, this report includes seven industrial companies¹.

AECI

Altron

ArcelorMittal SA

Eskom Holdings Limited

Invicta Holdings

Reunert

Sasol

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 twelve years.

The Sector

The sector has witnessed an improvement with an increase in revenue growth after the Covid-19 restrictions impacting social and economic activity. Domestic constraints have resulted in a decline of annual real GDP growth to 1.9% in 2022,

¹ (a) African Oxygen Limited ("Afrox") was delisted from the Johannesburg Stock Exchange ("JSE") in January 2021. No more published annual report.

(b) Denel have not submitted annual reports and financial statements for the 2020/21 and 2021/22 financial years.

down from 4.7% in 2021². These economic challenges were exacerbated by rising fuel and food prices, which negatively impacted the economy.

Sasol and AECl, both key players in the chemical industry, significantly contribute to the South African economy, having operations in various divisions. Together, these two companies contribute approximately 8.5% to South Africa's GDP and supply around 18% of the country's primary energy³. Reunert, another diversified business, has a portfolio spanning electrical engineering, ICT, and applied electronics. The company has experienced an increase in Group revenue in 2022, indicating an ongoing recovery in applied electronics and electrical engineering. Overall, the sector is dynamically diverse and is recovering from the impact of the Covid-19 pandemic.

Financials

Revenue

Sasol and Eskom Holdings reported the highest revenues in 2022, amounting to ZAR 275 billion and ZAR 246 billion in 2022. This represents an increase of revenue by 36.56% for Sasol and 20.65% for Eskom Holdings from 2021 to 2022. Moreover, ArcelorMittal SA and AECl reported revenues of ZAR 40 billion and ZAR 35 billion, respectively, in 2022.

Since we started monitoring AECl in 2012, 2022 is the highest reported revenue from the company. Altron reported its lowest revenue since 2012. From 2021 to 2022, Altron reported a 48% decline in revenue (from ZAR 15 billion to ZAR 7.9 billion).

² <https://www.worldbank.org/en/country/southafrica/overview>

³ <https://www.adcorpgroup.com/stories/news/the-biggest-industrial-sectors-in-south-africa-and-why-employment-within-these-sectors-keeps-them-going/>

In our sample, Altron was the only company to report a decline in revenue from 2021 to 2022. Meanwhile, AECI, Reunert, and Invicta Holdings experienced increases in revenue by 36.58%, 16.23%, and 15%, respectively in 2022.

ArcelorMittal SA reported an increase in revenue in 2022, but growth has slowed down to 2.68%, significantly lower compared to the 61% reported in 2021 (which was from a low base in 2020).

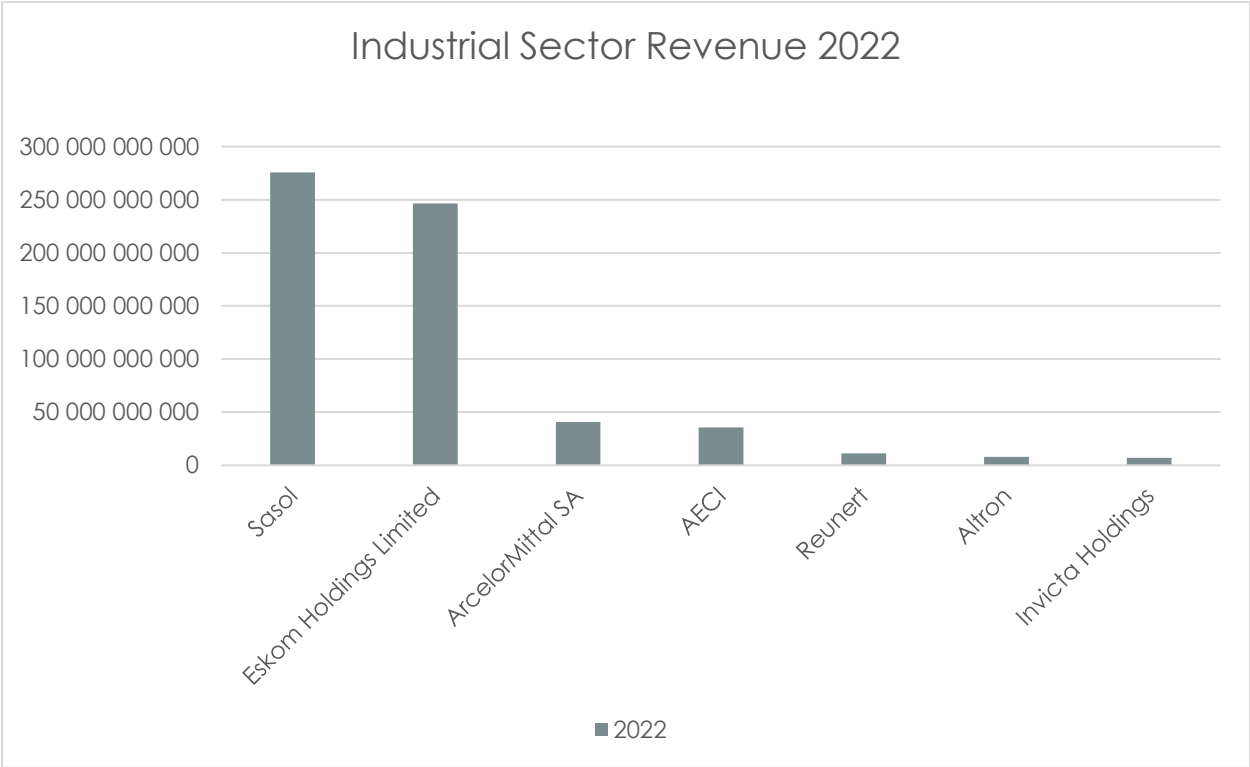


Figure 1 Industrial Sector Revenue 2022

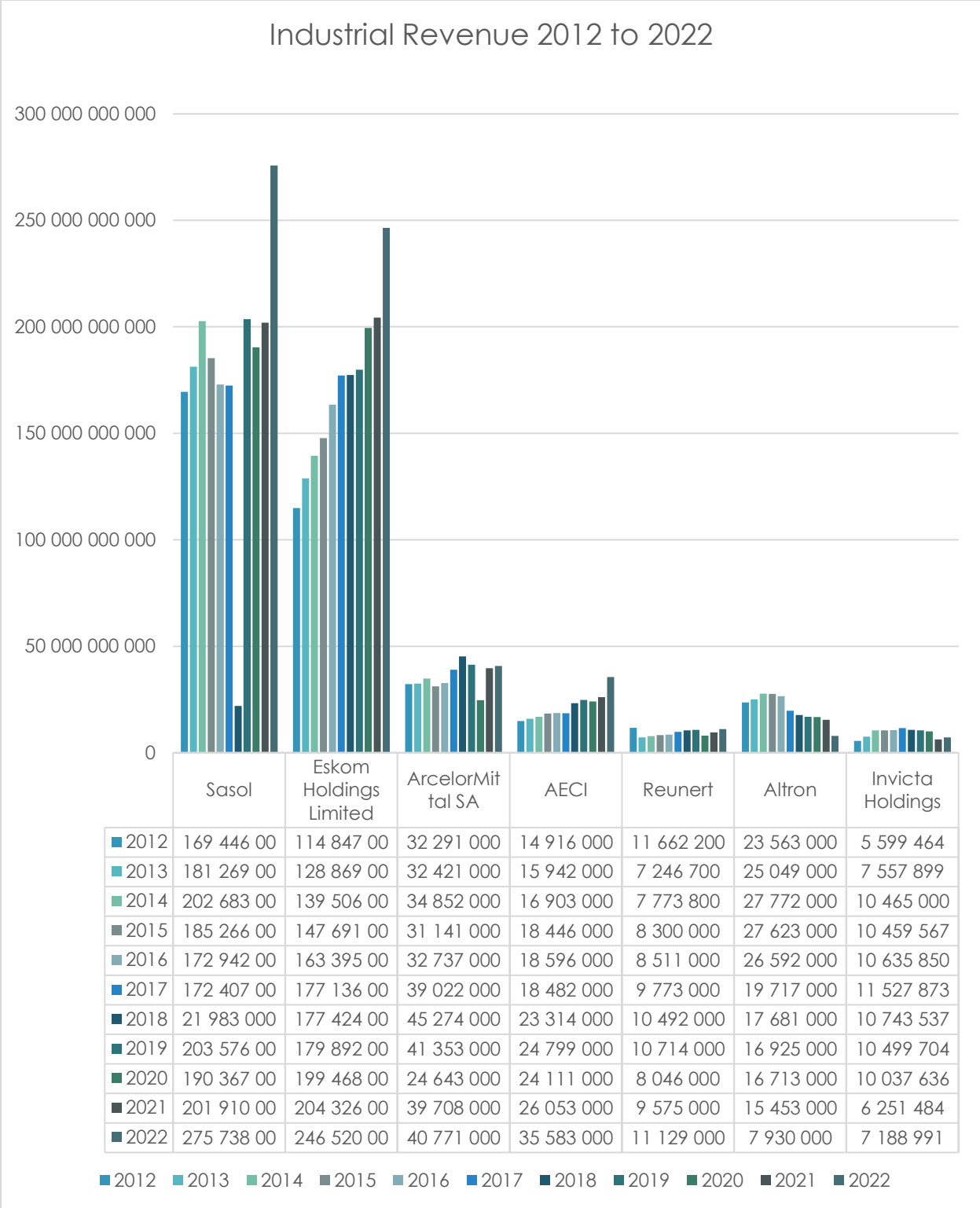


Figure 2 Industrial Sector Revenue 2012 to 2022

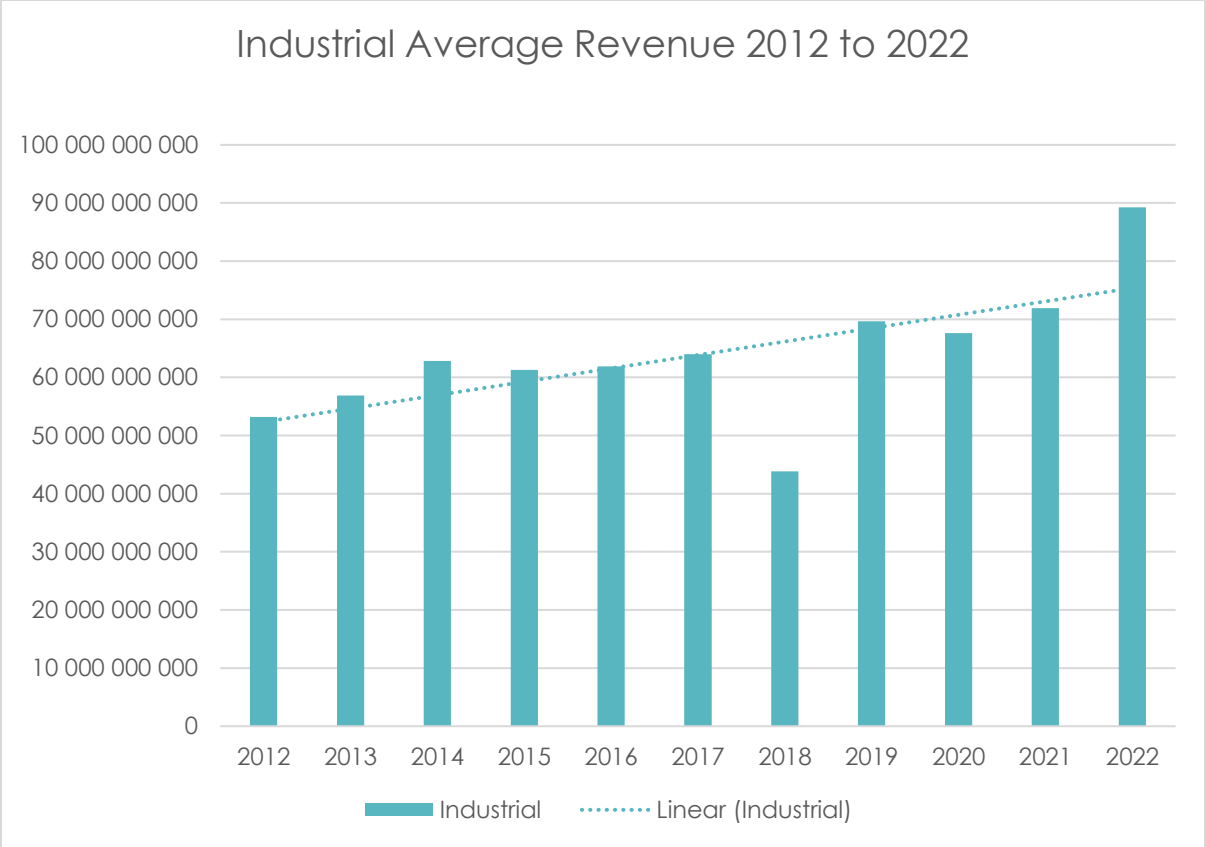


Figure 3 Industrial Sector Average Revenue 2012 to 2022

Profit before Tax

In 2022, Sasol reported the highest PBT of ZAR 55 billion, an increase of 418.25% compared to the reported PBT of ZAR 10 billion in 2021. The Sasol annual report (2022) stated that the drivers behind the significant increase in PBT were due to higher demand and prices for key products, including refined and chemical products, following the Covid-19 pandemic.

ArcelorMittal SA experienced a decline in PBT to ZAR 2.6 billion in 2022, down from ZAR 6 billion in 2021. Eskom has reported a loss since 2018, reporting a loss of ZAR 15 billion in 2022. Invicta Holdings, despite reporting a loss in 2020, managed to recover to pre-pandemic levels with a PBT of ZAR 680 million in 2022. AECI reported a slight decline in PBT of 5.02% from 2021 to 2022. However, the average

PBT aligns with the levels reported in pre-pandemic. Reunert reported a PBT of ZAR 1.8 billion in 2022, consistent with pre-pandemic levels PBT.

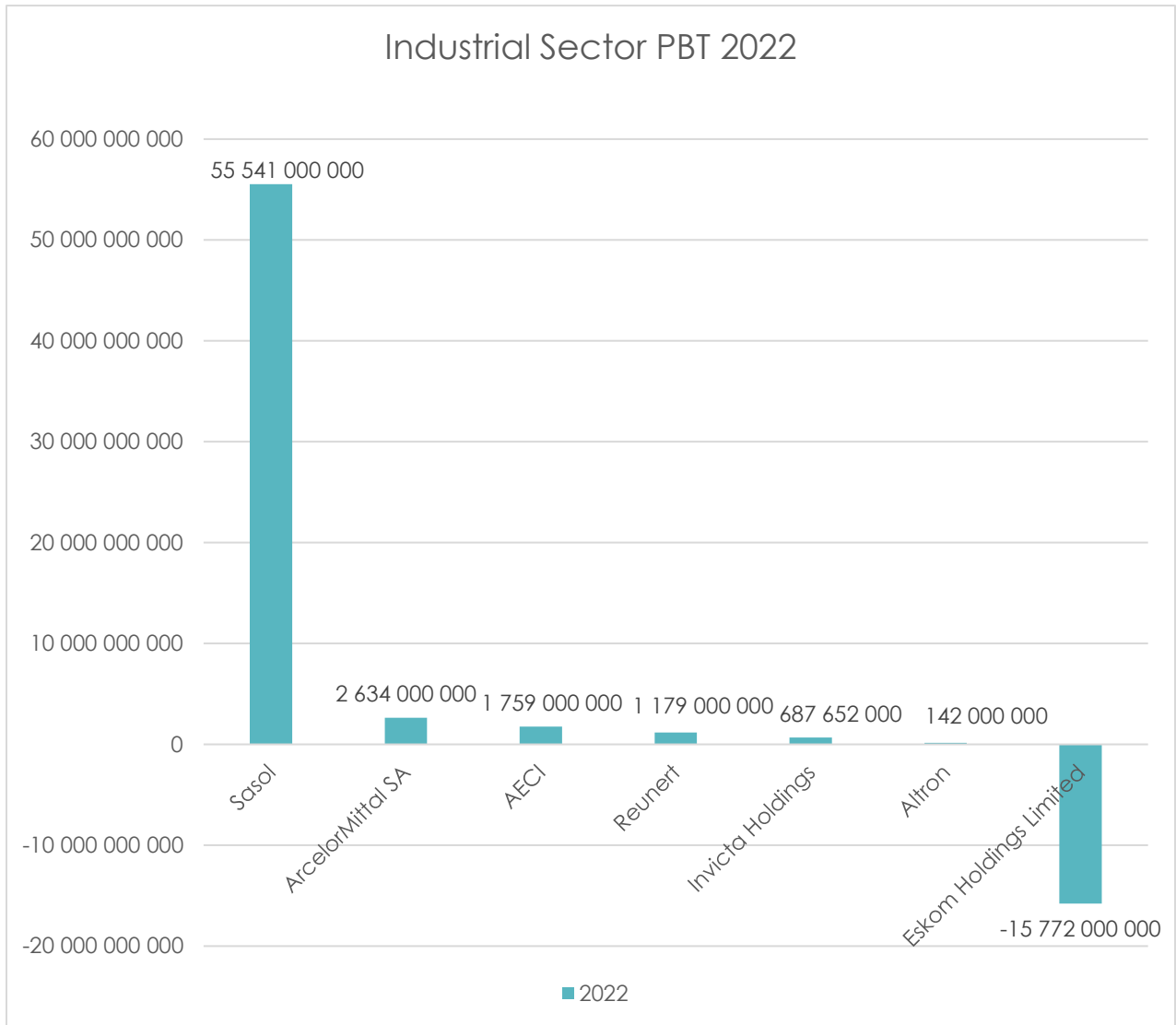


Figure 4 Industrial sector Profit before Tax 202

Industrial Sector PBT 2014 to 2022



	Sasol	ArcelorMittal SA	AECI	Reunert	Invicta Holdings	Altron	Eskom Holdings Limited
■ 2014	45 113 000 000	-618 000 000	1 477 000 000	680 200 000	851 000 000	1 101 000 000	9 163 000 000
■ 2015	45 593 000 000	-9 828 000 000	1 493 000 000	1 302 000 000	841 673 000	44 000 000	5 026 000 000
■ 2016	23 718 000 000	-4 687 000 000	1 148 000 000	1 339 000 000	614 998 000	-1 056 000 000	7 105 000 000
■ 2017	30 008 000 000	-5 126 000 000	1 412 000 000	1 542 000 000	980 964 000	-165 000 000	1 159 000 000
■ 2018	25 944 000 000	1 307 000 000	1 556 000 000	1 511 000 000	767 650 000	791 000 000	-2 603 000 000
■ 2019	9 231 000 000	-4 746 000 000	1 838 000 000	1 192 000 000	614 452 000	913 000 000	-29 148 000 000
■ 2020	-117 411 000 000	-1 911 000 000	663 000 000	166 000 000	-496 062 000	857 000 000	-26 562 000 000
■ 2021	10 717 000 000	6 625 000 000	1 852 000 000	1 008 000 000	457 525 000	12 189 000 000	-24 758 000 000
■ 2022	55 541 000 000	2 634 000 000	1 759 000 000	1 179 000 000	687 652 000	142 000 000	-15 772 000 000

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022

Figure 5 Industrial sector Profit before Tax 2014 to 2022

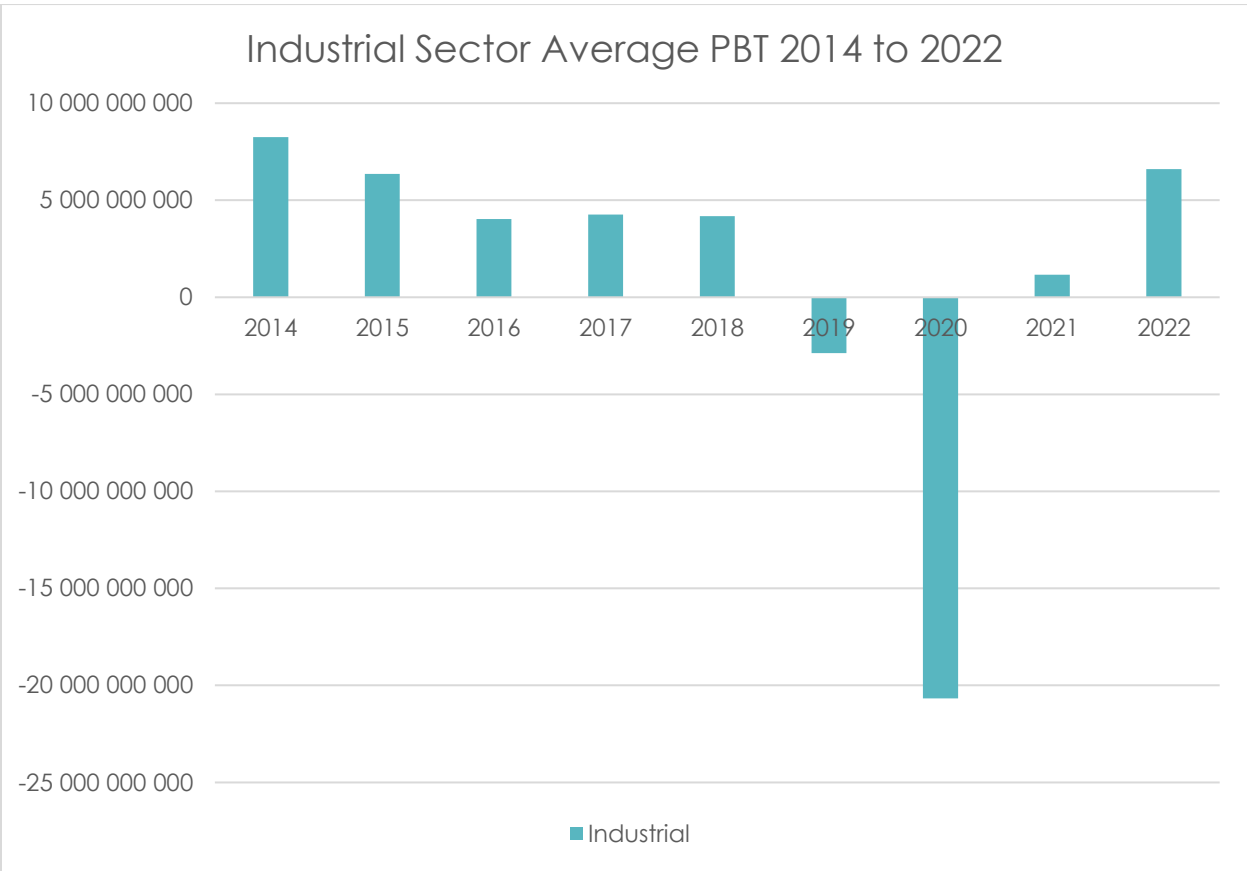


Figure 6 Industrial Sector Average PBT 2014 to 2022

Directors' Remuneration

CEO Remuneration 2022

The LRS MNC database provides insights into CEO remuneration trends over the past twelve years. In 2014, a substantial gap was observed between the average total remuneration without LTI and the average total remuneration including the LTI. Notably, both the average total remuneration without LTI and total remuneration including LTI experienced a decline in 2019. This reflects a decrease in the average total remuneration including LTI by 10.06% from 2018 to 2019. From 2021 to 2022, there was a significant increase in average remuneration including LTI. On average, the total remuneration including LTI increased by over 33.54%

from 2021 to 2022, a figure significantly higher than the 3.14% rise observed from 2020 to 2021. The substantial increase in 2022 is attributed to a significant payout in CEO's LTIs as compared to 2021.

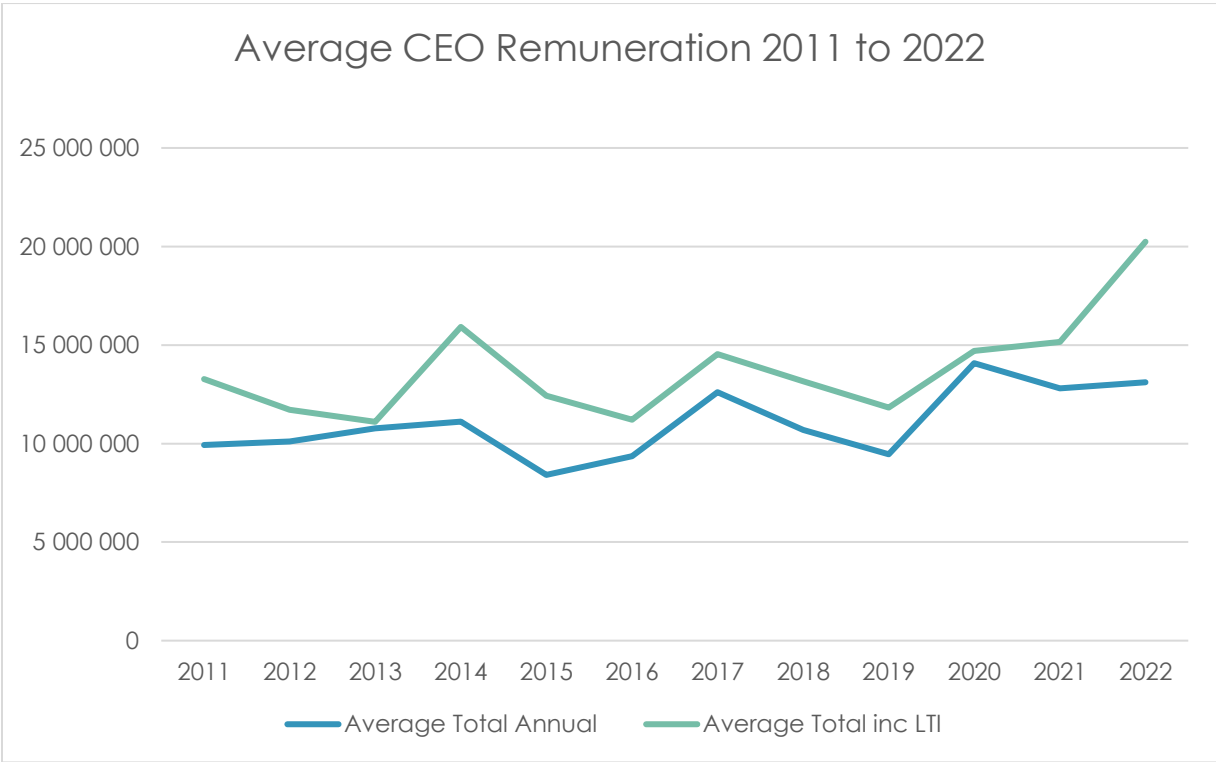


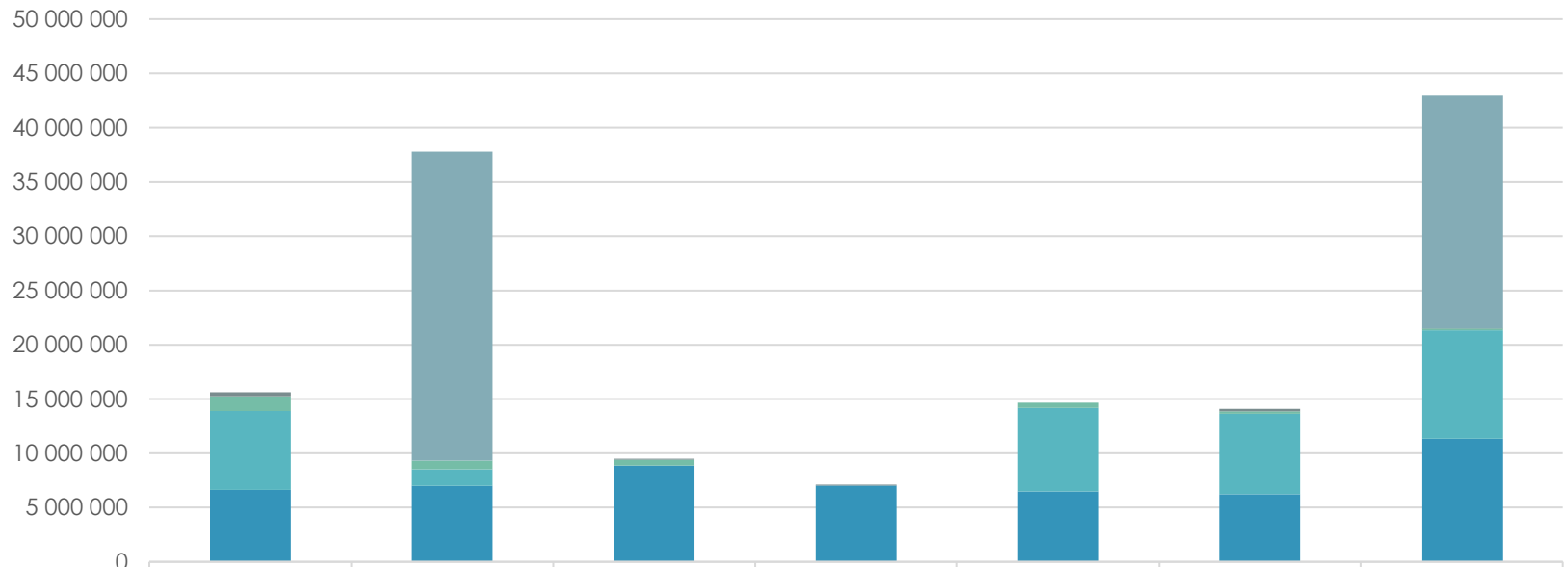
Figure 7 Industrial Sector CEO Remuneration 2011 to 2022

In our industrial sample, Sasol's CEO, Fleetwood Grobler, was the highest earner in 2022, receiving a total remuneration of ZAR 42 million, which included a ZAR 10 million cash bonus and ZAR 21 million in LTI. This marked an increase from his 2021 total remuneration of ZAR 32 million. Altron's CEO, Nyati, was the second highest earner, with a total remuneration of ZAR 38 million, consisting of a ZAR 1.5 million cash bonus and ZAR 28 million in LTI.

CEOs from Invicta Holdings and Reunert each received an average total remuneration of ZAR 14 million in the 2022 financial year. Eskom Holdings CEO, de Ruyter, received the lowest total remuneration of ZAR 7 million in 2022.

On average, executive director remuneration has increased significantly by 46.51% from 2021 to 2022. The non -executive director remuneration has increased slightly by 0.08% from 2021 to 2022.

CEO Remuneration 2022



	AECI	Altron	ArcelorMittal SA	Eskom Holdings Limited	Invicta Holdings	Reunert	Sasol
■ DShip LTI Payment	0	28 456 000	0	0	0	0	21 451 000
■ DShip Other	384 000	0	58 972	71 000	0	218 000	5 000
■ DShip Benefits	1 345 000	786 000	546 730	0	484 000	227 000	153 000
■ DShip Cash Bonus	7 263 000	1 533 000	0	0	7 697 000	7 407 000	10 008 000
■ DShip Salary	6 636 000	7 002 000	8 875 766	7 040 000	6 473 000	6 238 000	11 328 000

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

Figure 8 Industrial Sector CEO Remuneration 2022

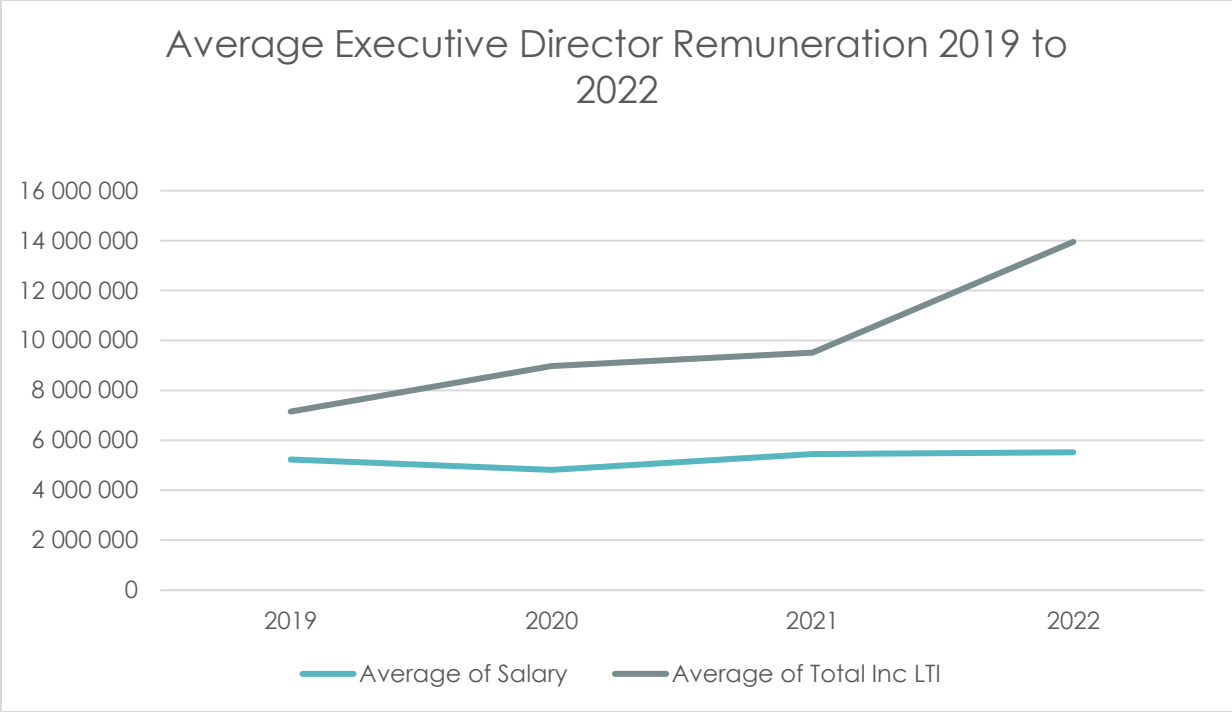


Figure 9 Industrial Sector Executive Director Remuneration 2019 to 2022

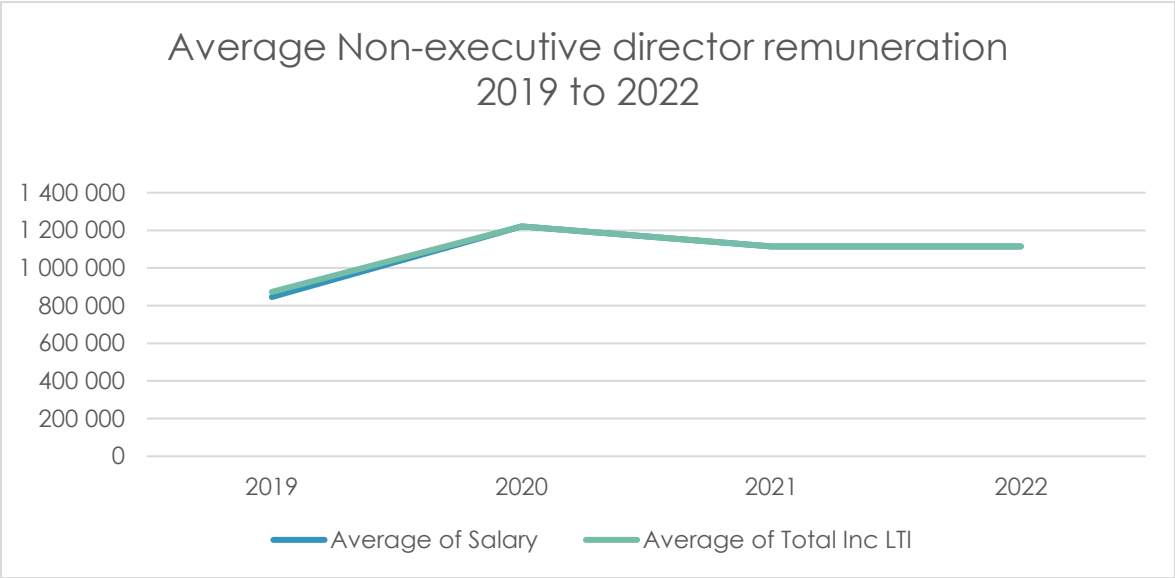


Figure 10 Industrial sector NED Average Total Annual Remuneration 2019 to 2022