



2020 Sector Report: Food and Beverage Sector

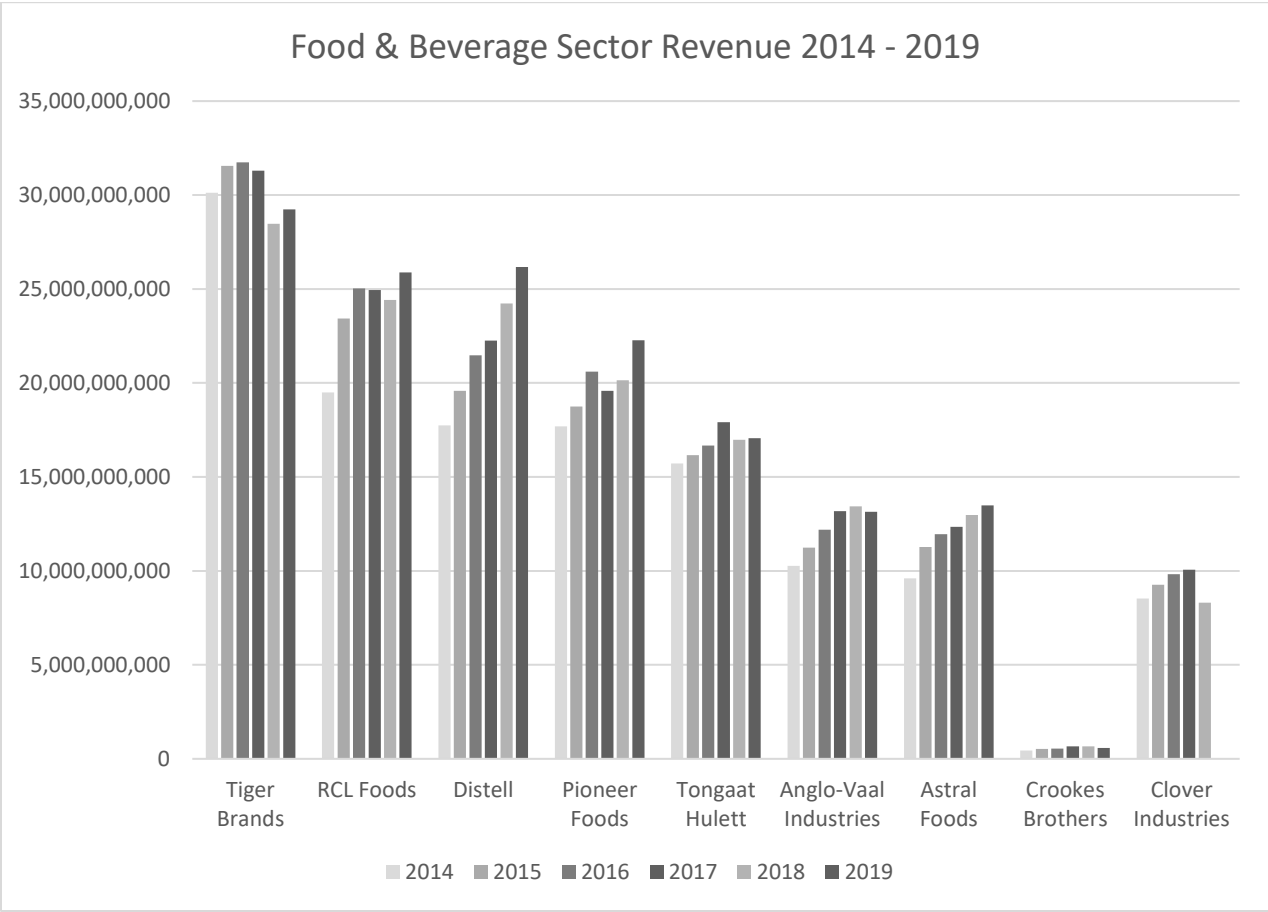
Introduction

This report analyses eight companies in the food and beverages sector: Tiger Brands, RCL Foods, Distell, Pioneer Foods, Tongaat Hulett, Anglo-Vaal Industries, Astral Foods and Crookes Brothers. Together. This report also includes 2018 figures for Clover industries, however, after the company's delisting from the Johannesburg Stock Exchange in 2019, its financial statements are no longer publicly available. Therefore, there are no 2019 amounts included for Clover and the 2018 results are included for presentation purposes only.

The report will be in three parts. The first part presents an overview of the revenue amounts of the 2019 financial year and the second part provides an analysis of the sector's profit before tax. The last part is on the directors' remuneration starting with CEO's pay, executive and non-executive directors' remuneration.

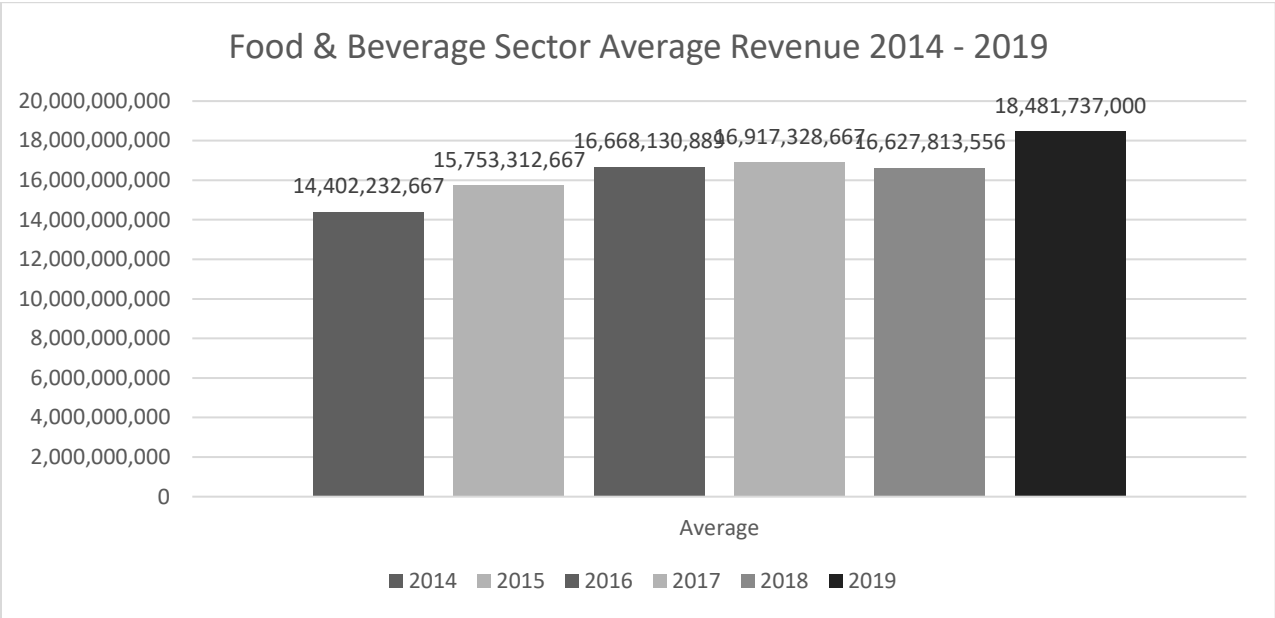
Revenue

Tiger Brands maintained its dominance in the sector in terms of generating the most sales revenue, increasing by 2% from R28,4 billion in 2018 to a revenue figure of R29,2 billion in 2019. Pioneer Foods had the highest revenue growth accruing sales of R22,2 billion up 10% from its 2018 revenue of R20,1 billion.



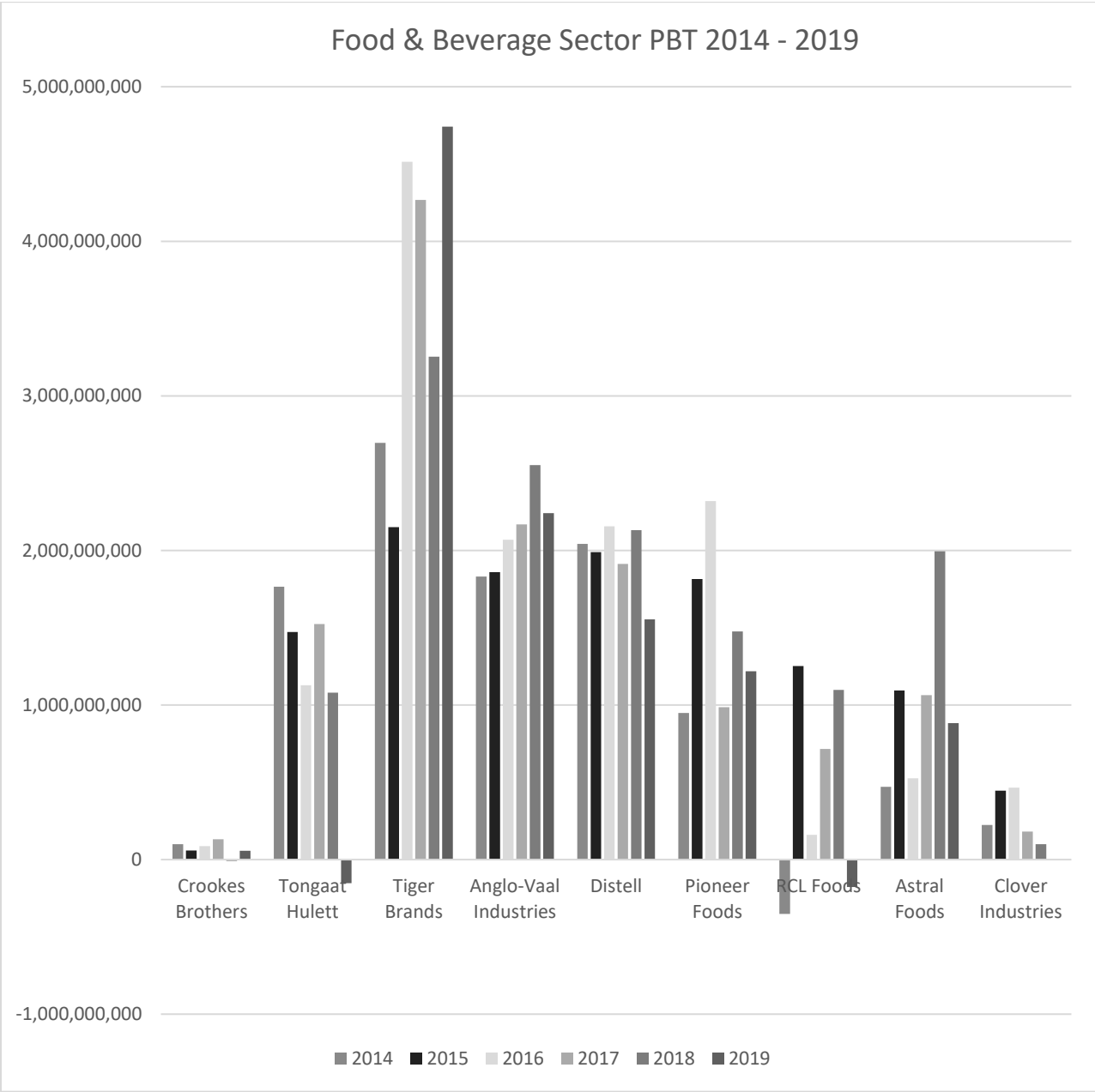
RCL Foods and Distell continue to remain close competitors with revenue amounts of R25,8 billion and R26,1 billion respectively. Similarly, Anglo-Vaal Industries and Astral Foods maintain a close competitiveness in terms of revenue with the two companies generating revenue of R13,1 billion and R13,4 billion.

The sector had an overall increase in revenue. Only two companies, Anglo-Vaal Industries and Crookes Brothers, experienced a decrease in revenue. Crookes Brothers reported the highest decline of 12% from R657 million in 2018 to R576 million in 2019 whilst Anglo-Vaal Industries only had a 2% decrease in revenue. Therefore, on average, the food and beverage sector revenue increased by 11% from R16,2 billion in 2018 to R18,4 billion in 2019. This is the highest average revenue the sector has reported in the last five years.

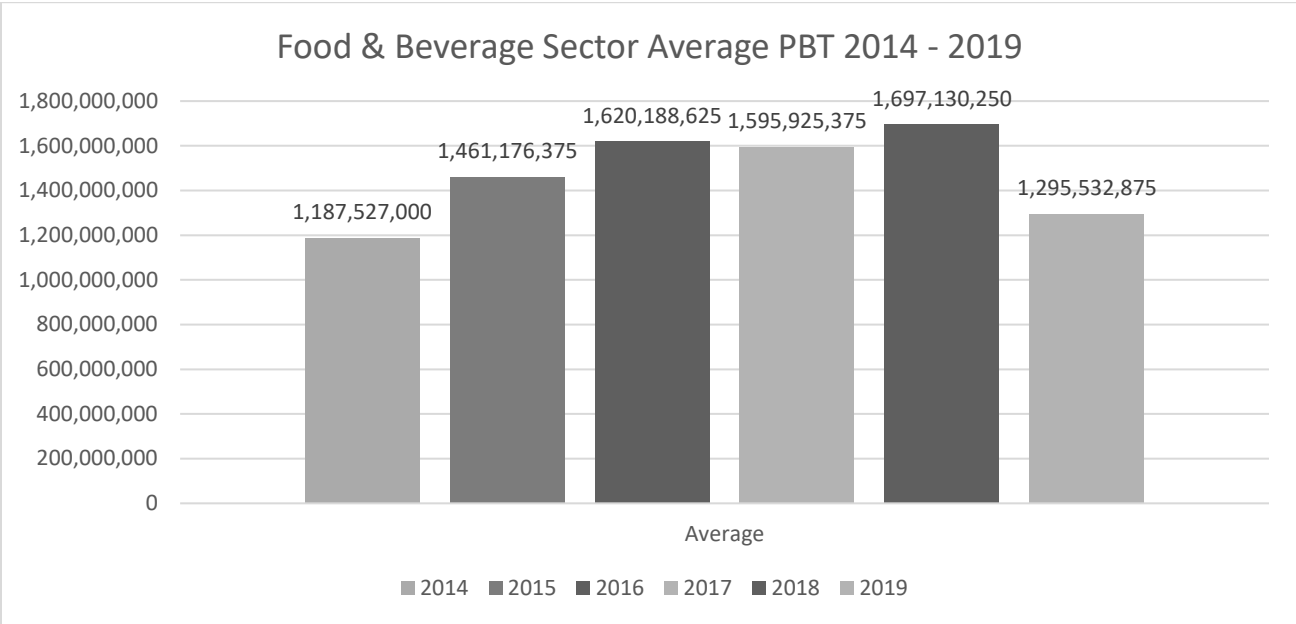


Profit before Tax

Tiger Brands remained the most profitable company in the Food and Beverages sector with a profit before tax of R4,7 billion. The company with the most improved performance was Crookes Brothers who recovered from a loss of R8,3 million in 2018 to a profit of R56,3 million in 2019, a 786% change. Significantly, Tiger Brands was the only other company in the sector which reported an increase in profit at a rate of 45% from R3,2 billion in 2018. Trailing behind was Anglo-Vaal Industries with a profit of R2,2 billion. RCL foods reported the worst performance in terms of profit after recording a loss of R178 million with Tongaat Hulett reporting a loss of R152 million. Both companies had a profit just over R1 billion in 2018.



On average, the profit of the sector decreased to its second lowest position in the last six years. Despite the recovery by Crookes Brothers, the loss incurred by Tongaat Hulett and RCL foods brought the overall performance of the sector down. Moreover, only two companies – Tiger Brands and Crookes Brothers – experienced upward changes in profit with the rest of the companies facing decreasing profit in the 2019 financial year. Therefore, the average profit decrease by 23% from R1,6 billion in 2018 to R1,2 billion in 2019.



Directors' Remuneration

Anglo-Vaal Industries' CEO Simon Crutchley had the highest total remuneration in the health sector of R38,4 million. This was largely comprised of a long-term incentive payment of R18 million and a cash bonus of R10 million.

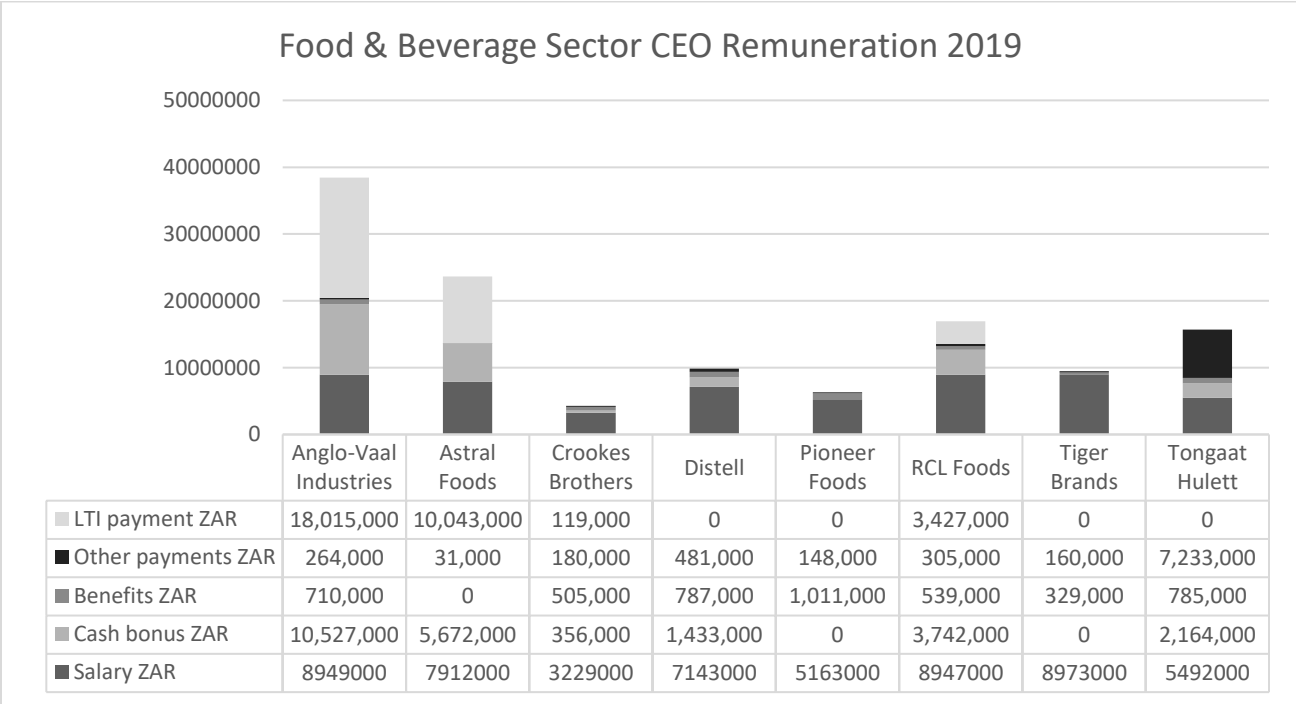
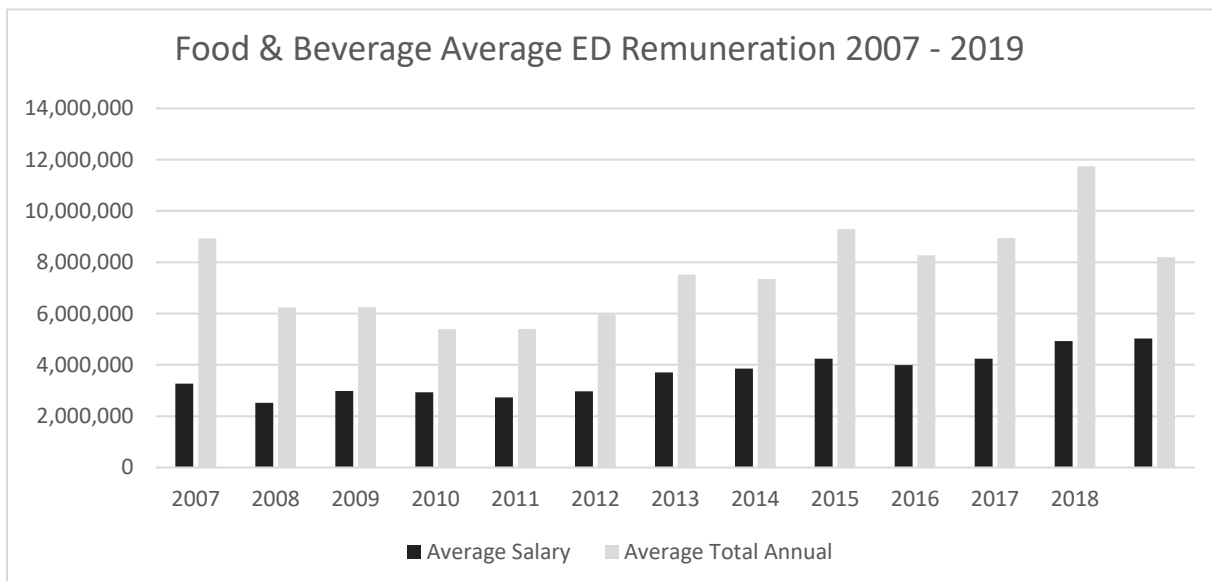
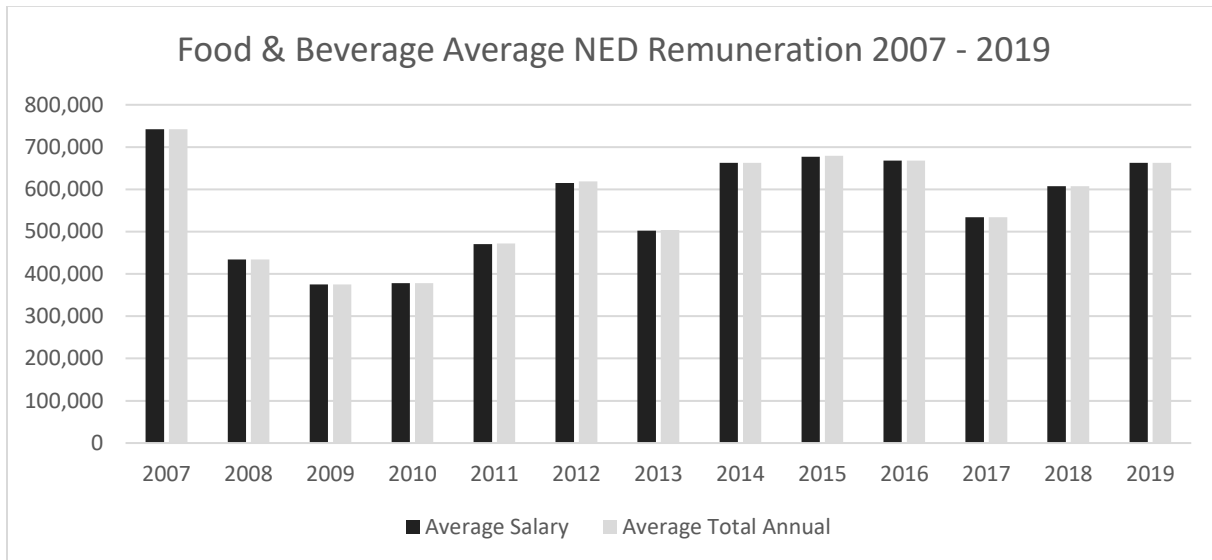


Figure 1 Food & Beverage Sector CEO Remuneration 2019

Close behind was Astral Foods CEO Chris Schutte who took home R23 million in the 2019 financial year. On average, total executive directors' remuneration for the 20 executive directors in the food and beverages sector decreased by 30% owing to decreased LTI payments. Non-executive directors average remuneration for the 76 directors increased by 9%.



Conclusion

The food and beverages sector is highly driven by consumers. Trends are moving towards packaged fast foods and takeout meals¹. Food and beverage production has almost doubled in the past 10 years² indicating a shift toward fast consumption. Established food production will likely grow with these shifting trends towards more packaged foods.

¹ <https://www.foodfocus.co.za/home/whats-hot/Latest-News/Stats-SA-Food-and-beverage-industry-records-losses-for-June-2019>

² https://www.engineeringnews.co.za/article/sa-packaged-food-consumption-on-upward-trend-sa-presents-major-international-food-tech-market-potential-says-ftd-africa-as-an-important-pillar-of-the-south-african-economy-food-and-beverage-production-has-almost-doubled-in-the-past-10-years-reaching-zar-3/rep_id:4136