

NOVEMBER
2021

TECHNOLOGY AND TELECOMMUNICATIONS
SECTOR REPORT 2021

LRS Labour
Research
Service

**FRIEDRICH
EBERT
STIFTUNG**
TRADE UNION COMPETENCE CENTRE
DR SALOMÉ TEUTEBERG
AND IFEDOTUN AINA

Contents

Introduction	2
The Sector	2
Financials.....	3
Revenue	3
Profit before Tax	6
Directors' Remuneration: a ten year retrospective.....	8
CEO Remuneration 2020.....	9

Table of Figures

Figure 1 Technology and Telecommunications Sector Revenue 2020.....	4
Figure 2 Technology and Telecommunications Sector Revenue Pie Chart 2020	5
Figure 3 Technology and Telecommunications Sector 2014 to 2020	5
Figure 4 Technology and Telecommunications Sector Average Revenue 2012 to 2020	6
Figure 5 Technology and Telecommunications sector Profit before Tax 2020	7
Figure 6 Technology and Telecommunications sector Profit before Tax 2014 to 2020.....	7
Figure 7 Technology and Telecommunications sector Average PBT 2014 to 2020	8
Figure 8 Technology and Telecommunications sector CEO Remuneration 2011 to 2020.....	9
Figure 9 Technology and Telecommunications sector CEO Remuneration 2020	10
Figure 10 Technology and Telecommunications sector Executive Director Remuneration 2012 to 2020	11
Figure 11 Technology and Telecommunications sector NED Average Total Annual Remuneration 2011 to 2020.....	11

Introduction

The Johannesburg Stock Exchange lists six companies in the Telecommunications sector. Our sample includes three companies from the list. These companies are:

MTN Group

Telkom

Vodacom Group Limited

The Technology and Telecommunications sector in South Africa is one of the fastest-growing sectors in the country. This makes it a key industry for the LRS to monitor. Firstly, this report looks at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the last seven years. We also analyse the the remuneration packages received by directors in this sector.

The Sector

The most significant impact of the pandemic on the telecommunications sector within South Africa has been the lockdown measures that were enforced. Covid-19 lockdown conditions have resulted in more people working and schooling from home and has raised the demand for connectivity. Some operators have reported almost 50% growth in mobile data traffic and more than 200% traffic in fixed data traffic over the period¹. This unprecedented reliance on connectivity for digital services and customer interactions during a period of personal income uncertainty has raised further concerns on the affordability of data in South Africa.

¹ <https://www2.deloitte.com/content/dam/Deloitte/za/Documents/technology-media-telecommunications/za-Telcos-V4.pdf>

The sector generates its income from two main services: telecommunications (which includes the provision of fixed, mobile and internet services) and broadcasting. The three companies in our sample employed about 35,000 people in the 2020 financial period, out of which 55% are employees of MTN. According to Brand Finance's 2021 annual report on the most valuable and strongest brands in South Africa, MTN was elected as the country's most valuable brand for a tenth consecutive year. MTN's direct competitor, Vodacom, was named the second most valuable brand in the country. Vodacom trails behind MTN based on geographic reach because of the latter's market share. Both companies together control over 70% of the South African mobile market in terms of subscribers.²

Telkom business units were impacted in different ways by the Covid-19 pandemic in 2020. Like other telecommunication companies, the business benefitted greatly from the increased demand from people working from home and online schooling. Mobile data which contributes approximately 70% of the mobile business was the main driver of growth and it was driven by substantial increase in mobile traffic. The mobile business continued to gain market share from its peers both from a customer and revenue perspective to become the third-largest mobile telecom in South Africa within ten years of establishment.³

Financials

Revenue

From the *Figure 1* chart below, it is clear that MTN remains the biggest company in the Technology and Telecommunications sector, with Vodacom following. While Telkom recorded 0.3% increase in revenue in 2019 when compared to the previous year, in 2020 the revenue increased by 3.04%. *Figure 2* shows a pie chart of the companies in our sample by revenue. This

² <https://www.news24.com/fin24/companies/battle-of-the-brands-latest-report-highlights-which-sa-companies-ruled-the-roost-in-2020-20210525>

³ <https://businesstech.co.za/news/mobile/434575/telkom-talks-up-mobile-growth/>

chart shows the size of the sample market that each company has by revenue. Telkom remains a small competitor when compared to other MTN and Vodacom.

Figure 3 shows that Vodacom and Telkom have reported a steady increase in revenue since the 2014 financial year. In 2017, MTN reported a sharp decrease in revenue. By 2020, MTN reported its highest revenue since 2014.

On average, the three companies reported an 11.89% increase in revenue in what could be termed the worst year of the Covid-19 pandemic. This is compared to a 6.84% increase in average revenue for the same companies in 2019. From the graph below (see Figure 4), we see a steady upward trend in revenue since 2017. This is expected to continue given the increasing dependency on mobile network and data in the country.

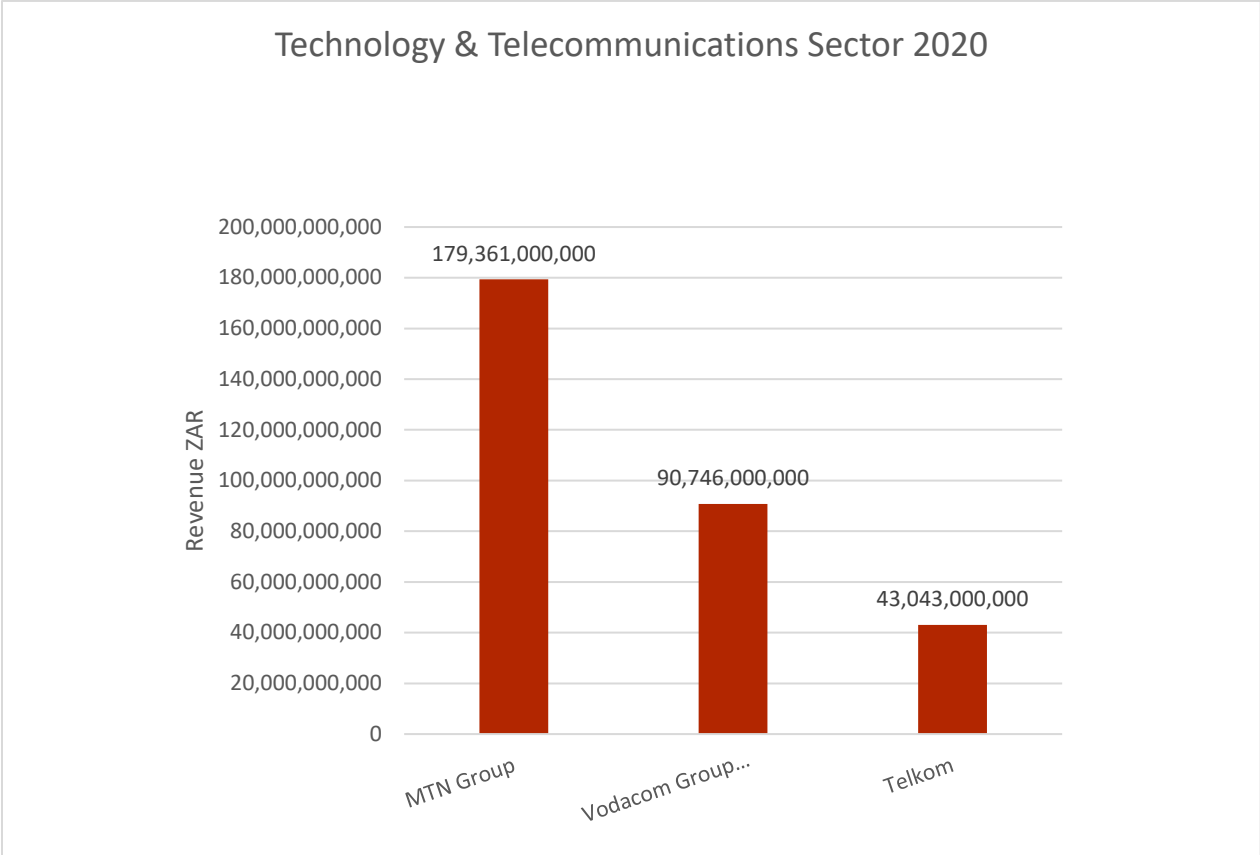


Figure 1 Technology and Telecommunications Sector Revenue 2020

Technology & Telecommunications Sector 2020

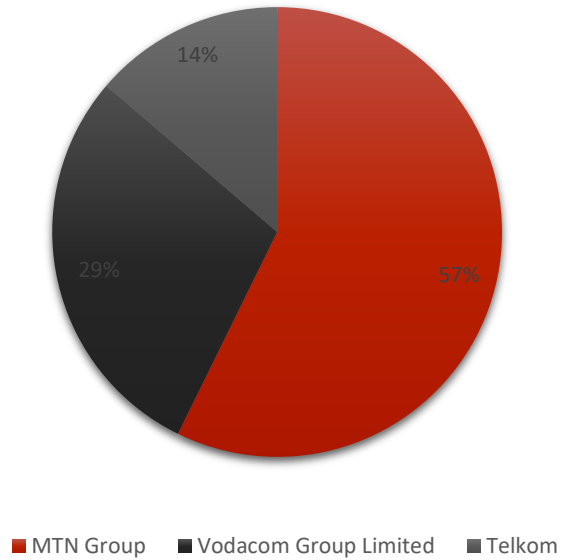


Figure 2 Technology and Telecommunications Sector Revenue Pie Chart 2020

Technology & Communications Sector Revenue 2014 - 2020

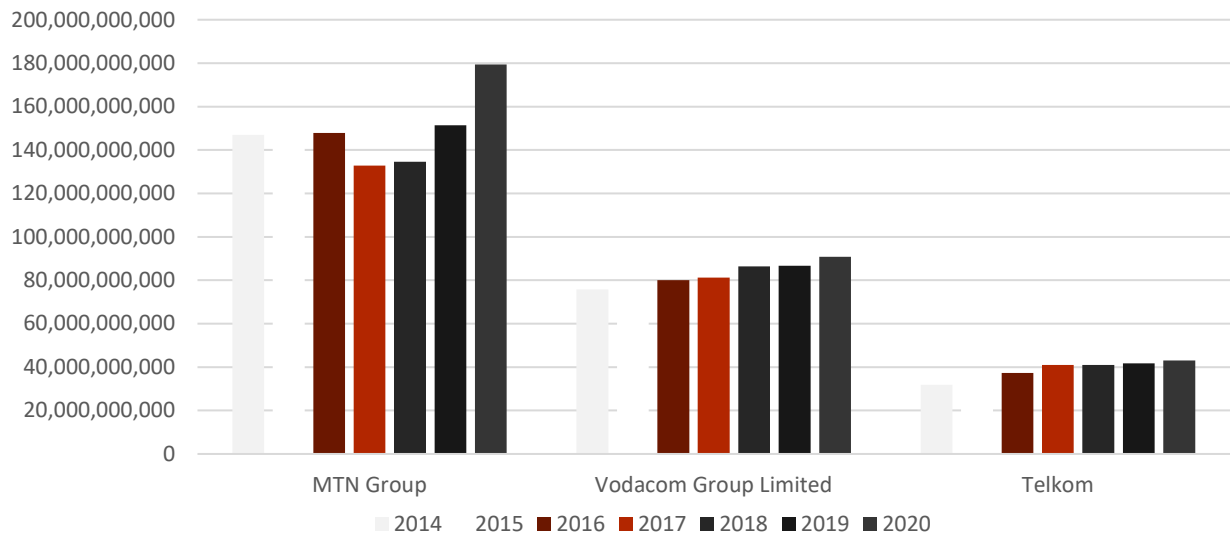


Figure 3 Technology and Telecommunications Sector 2014 to 2020

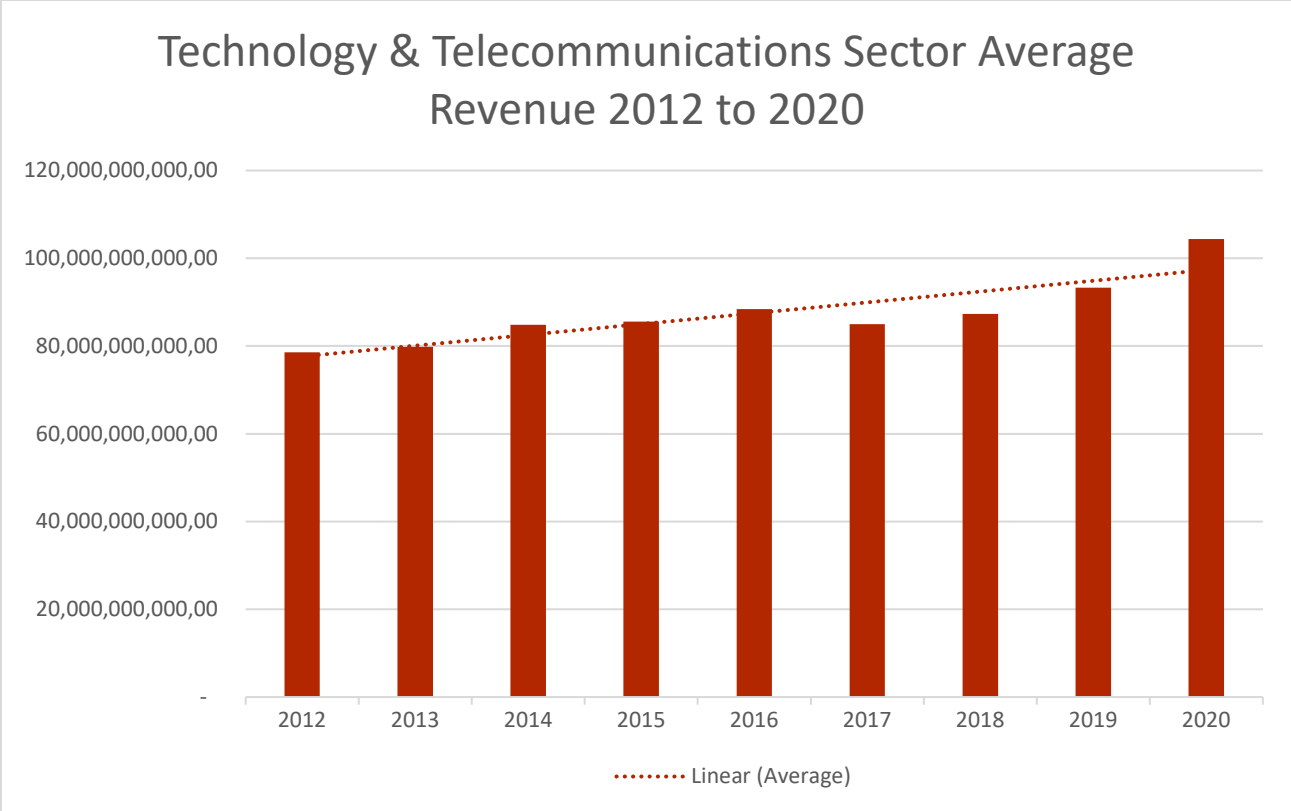


Figure 4 Technology and Telecommunications Sector Average Revenue 2012 to 2020

Profit before Tax

MTN remains the biggest earner in the sample. Compared to the previous year, the 2020 Profit before Tax for Telkom took a big hit and went down by over 75%. In the same year, MTN reported a PBT of ZAR 29 billion (a 65% increase compared to 2019). Telkom reported the lowest profit in our sample, the companies reported ZAR 974 million PBT for the 2020 financial year. On average, the 2020 PBT for the three companies went up by 21.56%, compared to the 2019 value. From the graph below (see *Figure 8*), we see a steady upward trend in PBT since 2016.

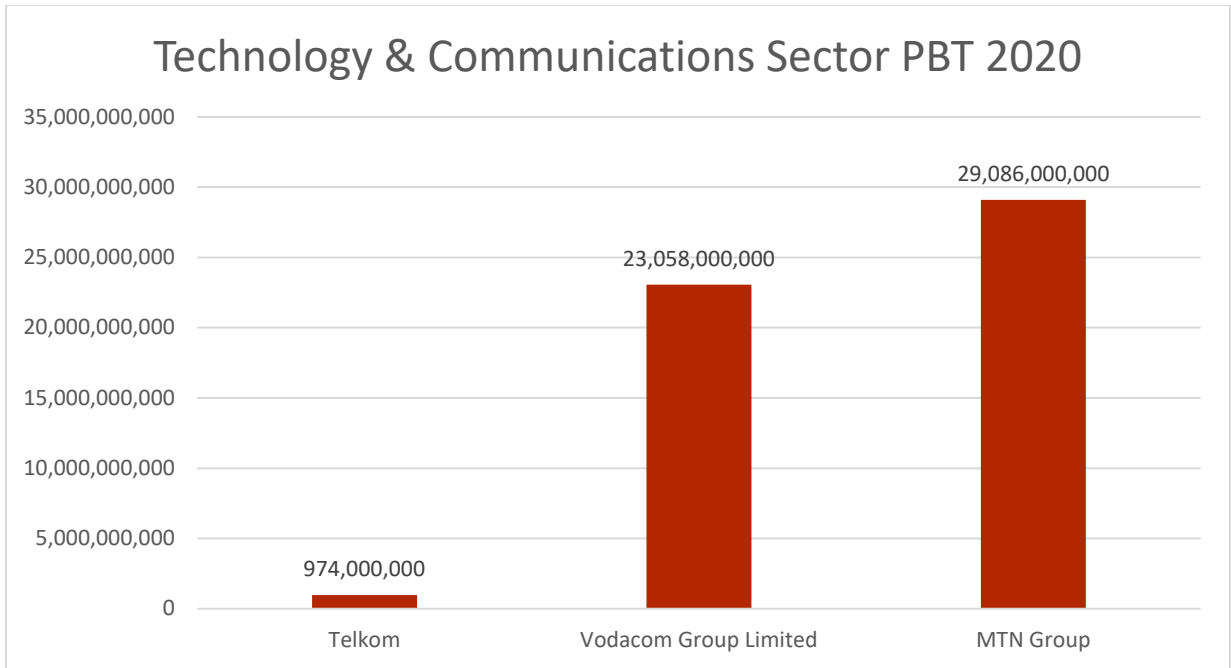


Figure 5 Technology and Telecommunications sector Profit before Tax 2020

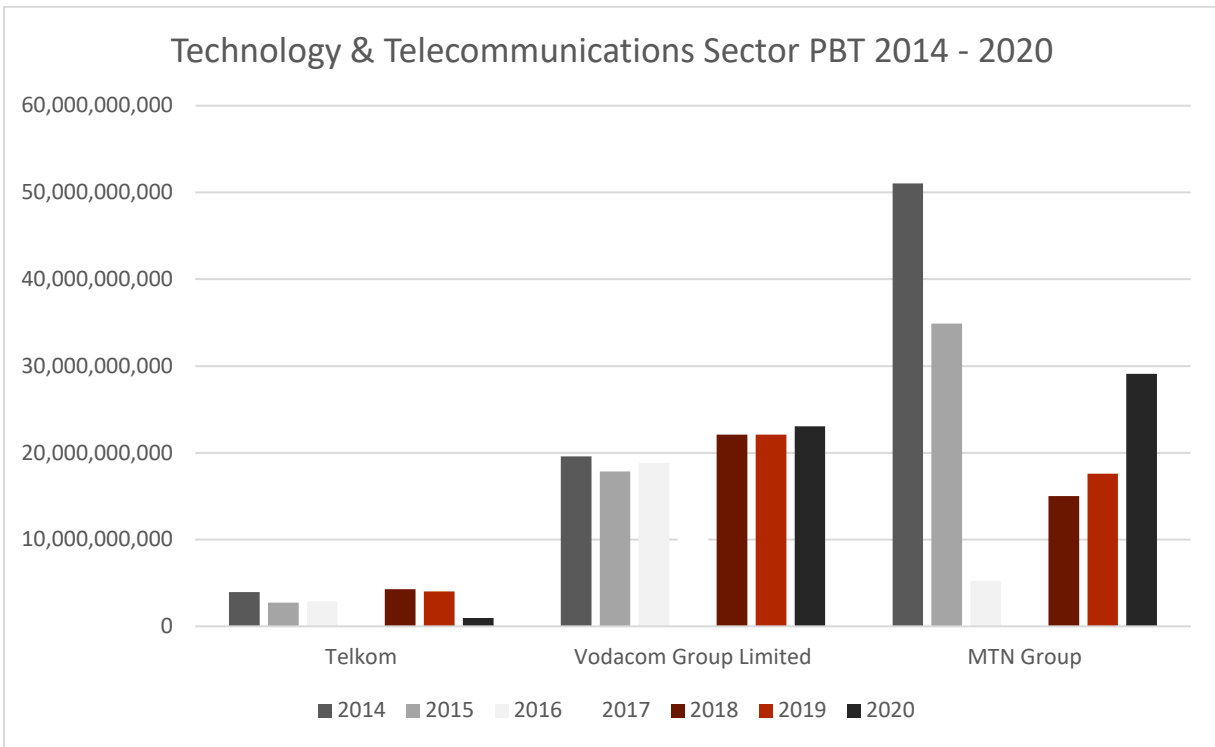


Figure 6 Technology and Telecommunications sector Profit before Tax 2014 to 2020

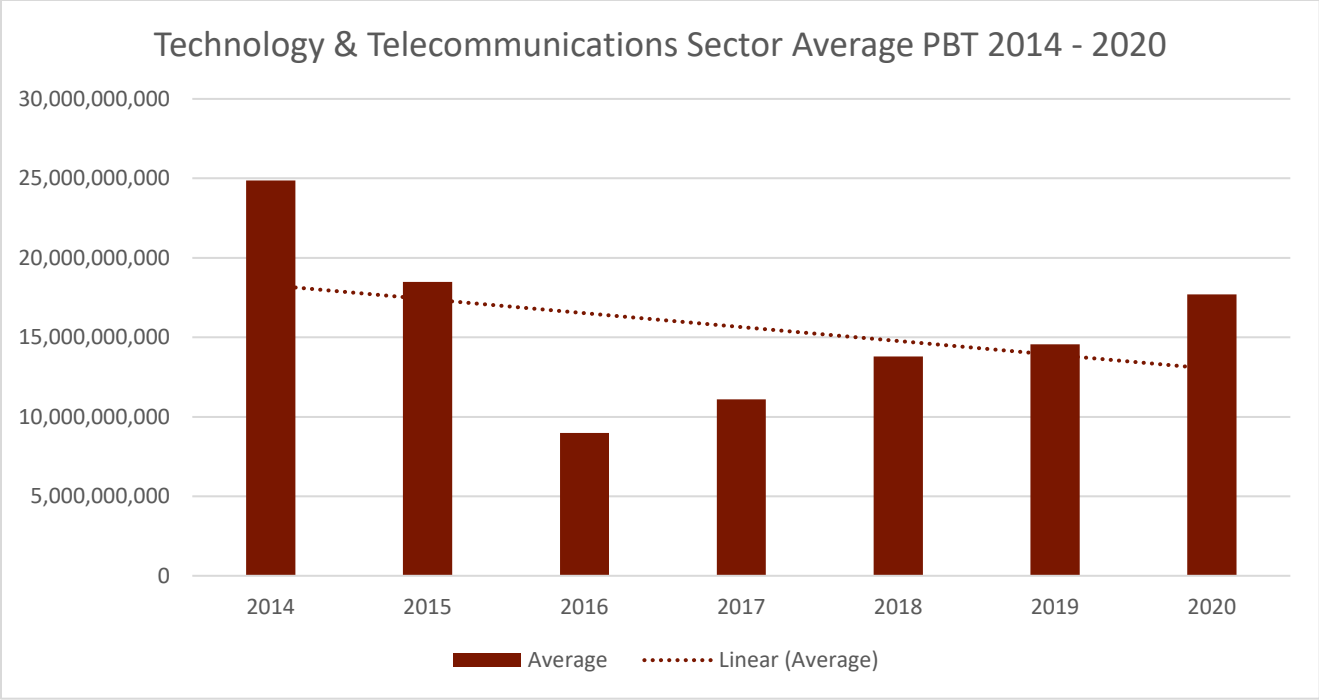


Figure 7 Technology and Telecommunications sector Average PBT 2014 to 2020

Directors’ Remuneration: a ten year retrospective

The LRS MNC database allows us to look at CEO remuneration over the last ten years. For the three companies in our sample, we see the trend between 2011 and 2015 being downwards, with a large spike in 2016 when the then MTN CEO retired and was paid a significant salary and bonus (see *Figure 9*).

When looking at *Figure 9*, we see that in 2017, 2018, 2019 and 2020 there was a gap between the average total remuneration without LTI and average total remuneration including LTI. This shows that large LTIs were paid in these four years. So far, 2020 has the highest values for both the average of total without LTI and with LTI.

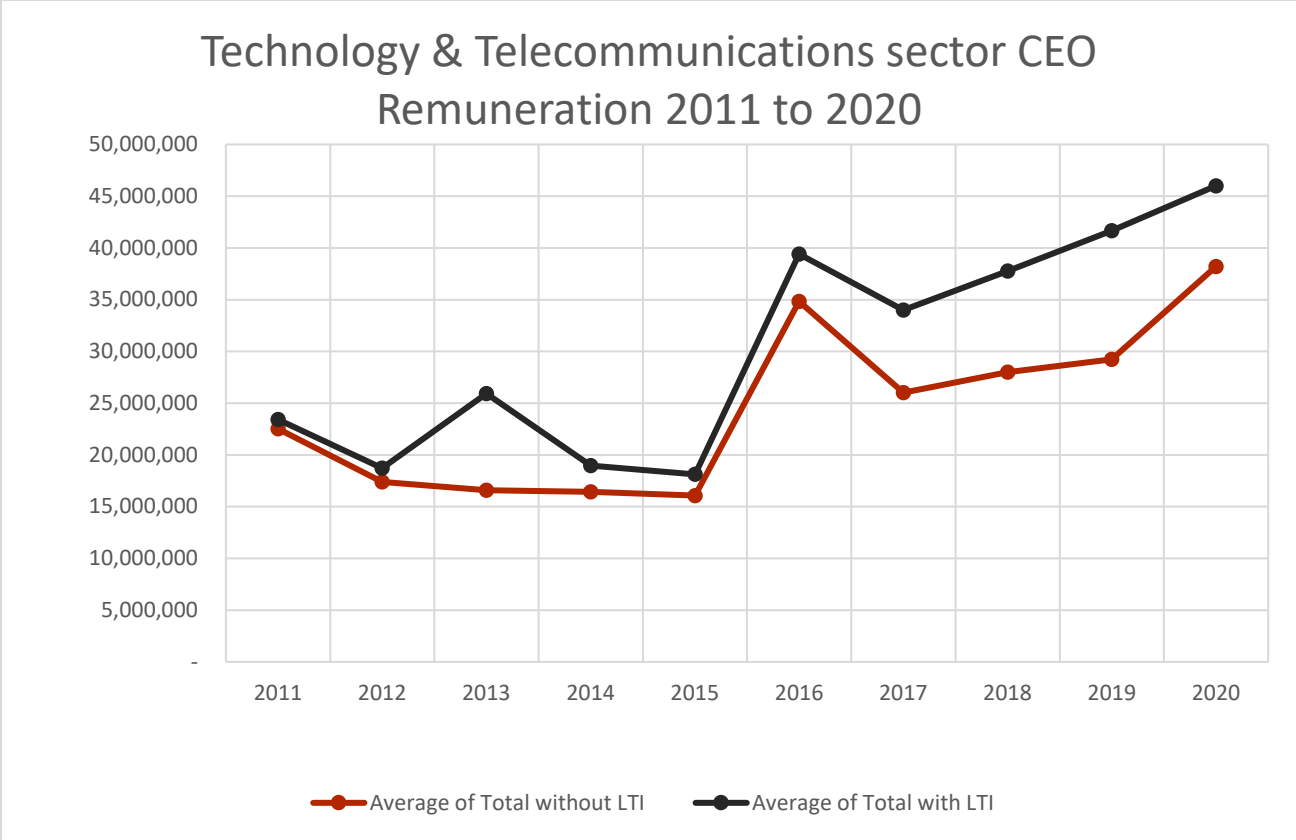


Figure 8 Technology and Telecommunications sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

From 2019 to 2020, average total remuneration for CEOs in this sample went up by 10.4%. The CEO of MTN, RA Shuter, resigned on 31 August 2020 and received a total remuneration of ZAR 73.7 million, including an LTI payment of ZAR 5.7 million and a cash bonus of ZAR 30.1 million. This makes him the highest earner in the sample for the 2020 year. RT Mupita ceased to be Group Chief Financial Officer (GCFO) of MTN on 31 August 2020 and was appointed as the Group President and CEO on 1 September 2020.

Despite low performance in 2020, Telkom CEO SN Maseko received an LTI of ZAR 10.5 million and a total remuneration of ZAR 21.8 million in 2020. Out of the three companies, Vodacom CEO Aziz Joosub received the highest LTI of ZAR 17.6 million and a total remuneration of ZAR 42.4 million.

From 2019 to 2020, the average total executive director remuneration went up by 4.2%. In the same period, average non-executive remuneration went up by 8.3%.

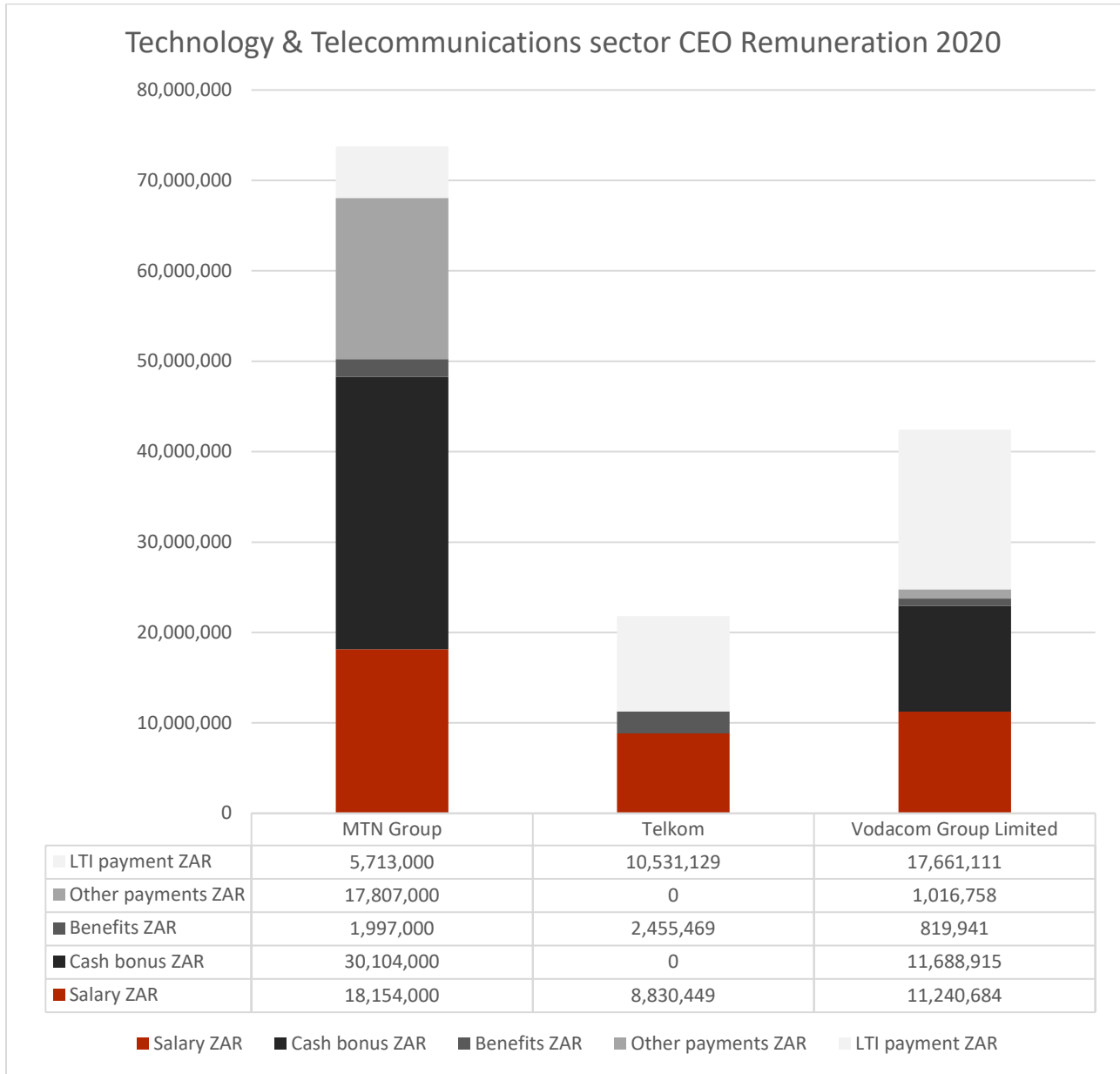


Figure 9 Technology and Telecommunications sector CEO Remuneration 2020

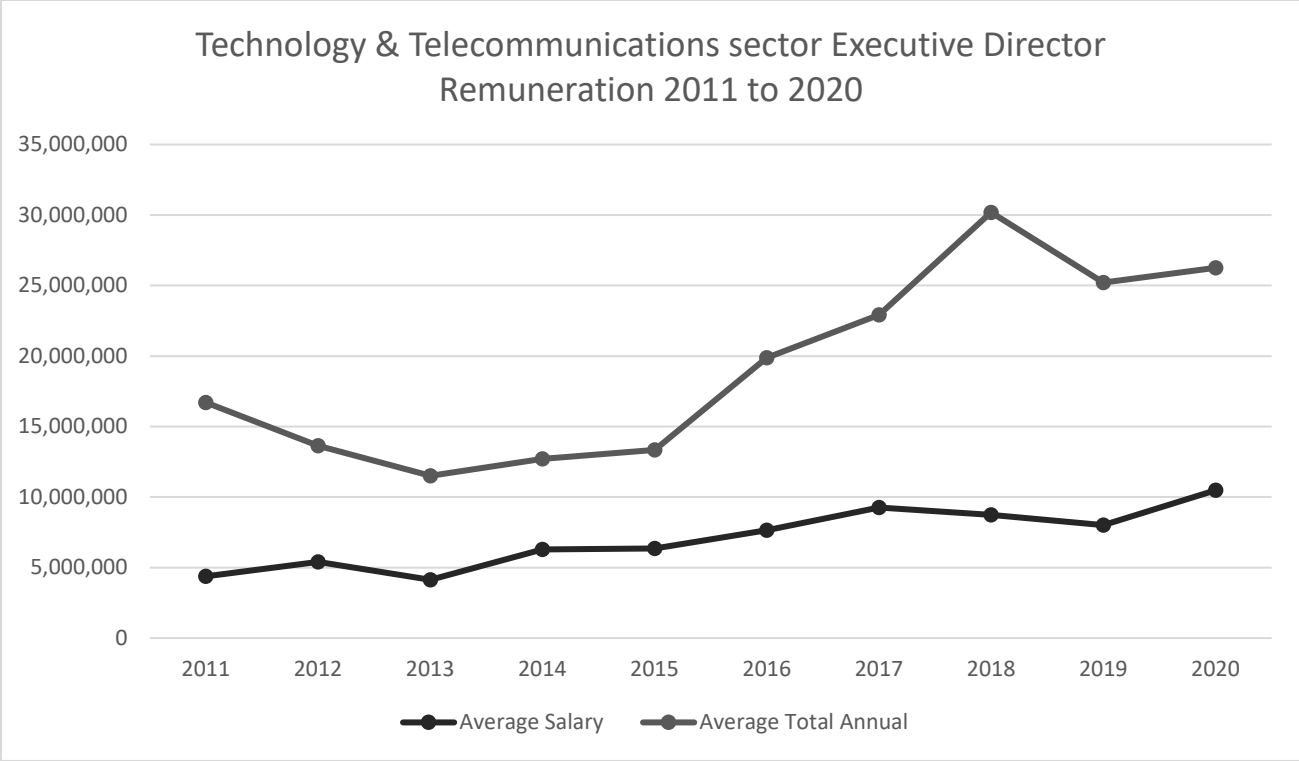


Figure 10 Technology and Telecommunications sector Executive Director Remuneration 2012 to 2020

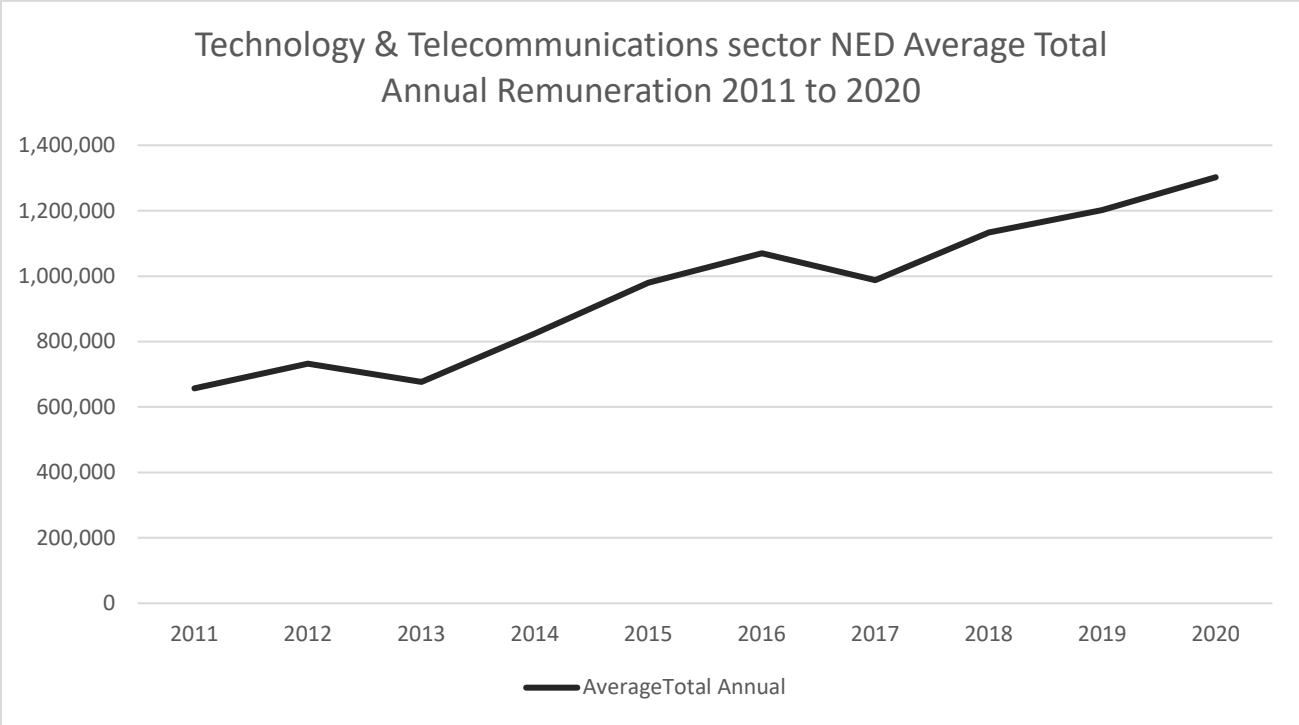


Figure 11 Technology and Telecommunications sector NED Average Total Annual Remuneration 2011 to 2020