

Hospitality Sector Report 2022



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Introduction

This report analyses three companies in the hospitality sector: Sun International City Lodge Hotels and Tsogo Sun Holdings. They are listed on the JSE under the travel and leisure sector.

The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the remuneration packages received by directors in this sector.

The Sector

Over the course of 2020 and 2021, COVID-19 caused a significant slowdown in world trade and disrupted global supply chains. Local and international travel was brought to a complete halt and remained limited well into 2021. In addition to these disruptions, South Africa's national lockdowns over the course of 2020 and 2021 severely impacted the hospitality sector. These effects can be seen in the 2021 financial year.

Some research studies forecast approximately 1,6 million job losses in South Africa due to Covid-19 – a significant portion of which will be in the Hospitality Industry. Prior to the Covid-19 pandemic, the sector employed more than 330,000 people.¹

According to Nedbank, despite the opening of international travel, it will take time for jobs to recover. People's travelling behaviour has been impacted indefinitely. However, Sun International CEO Anthony Leeming is optimistic about the future of the sector in South Africa. He believes that 'the worst is over' and that the sector is prepared for business to pick up again in 2022.² The latest surveys from the UN World Tourism Organisation (UNWTO) indicate 'that the improvements seen in in 2022 will carry through to 2023'.³

¹ <https://partners.24.com/TheBiggerPicture/HospitalityBeyondCovid19/index.html>

² <https://www.iol.co.za/business-report/markets/promising-future-for-the-sa-travel-and-hospitality-sector-the-worst-is-over-953b9bbf-770a-4e94-ae4e-03d337f6fe97>

³ <https://www.ghostmail.co.za/a-check-in-on-the-hotel-sector/>

Financials

Revenue

The dire situation outlined above is evident in the financials of the three big hospitality companies monitored on the MNC database. On average, revenue had been steadily increasing since 2012 when we started monitoring the companies. In 2020, the average revenue dropped to the lowest it's been since 2012. In 2021, average revenue increased by 26% but is still lower than 2012 at around ZAR 3,3 billion on average (in 2021 this number as ZAR 6,5 billion).

City Lodge Hotels reported a further drop in revenue from 2020 to ZAR 507 million (a drop of 56%). Both Sun International and Tsogo Sun reported increases in revenue (38% and 51% respectively); though these numbers are still well below 2019 figures.



Figure 1 Hospitality Sector Revenue 2020

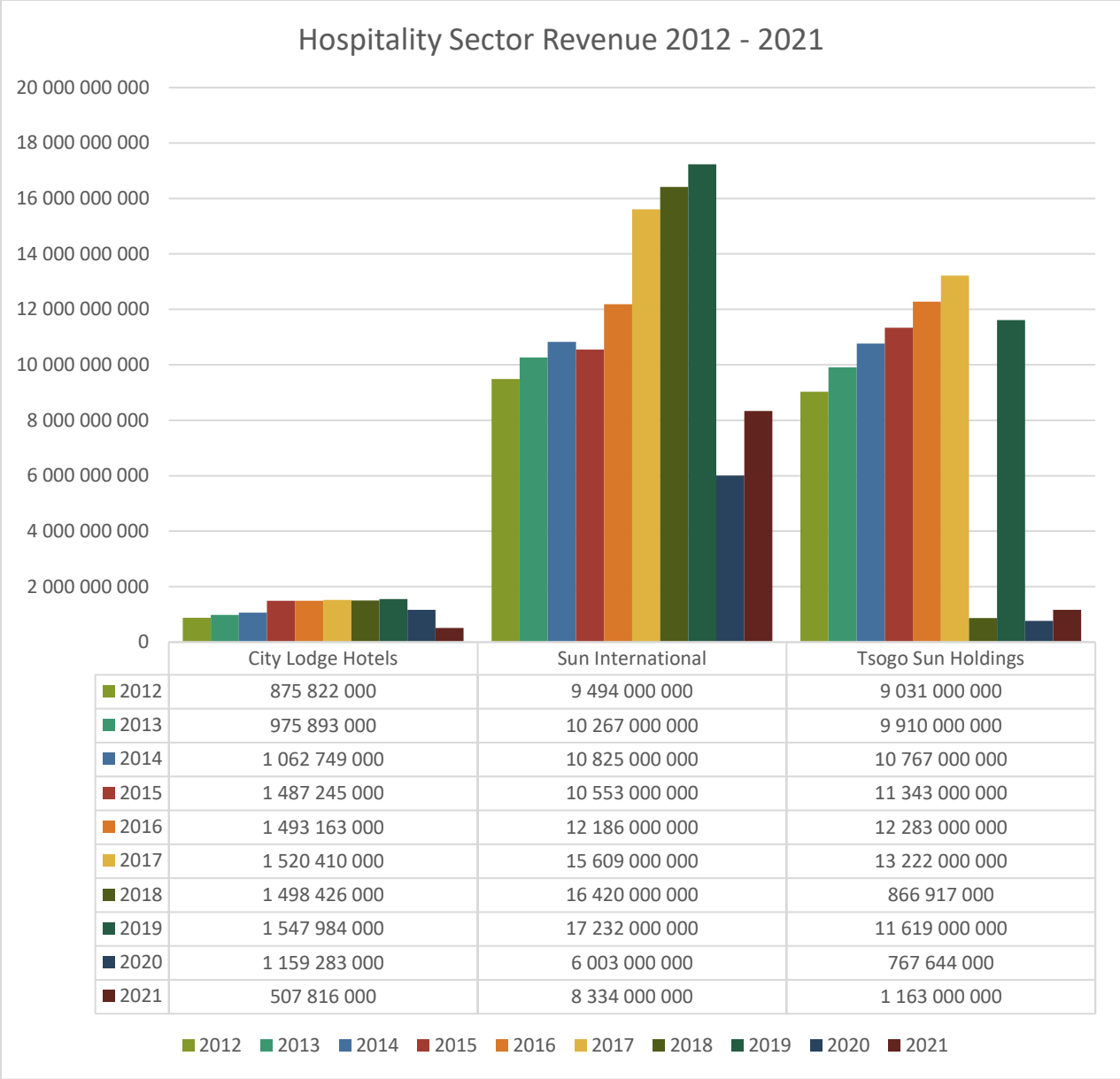


Figure 2 Hospitality Sector Revenue 2014 to 2021

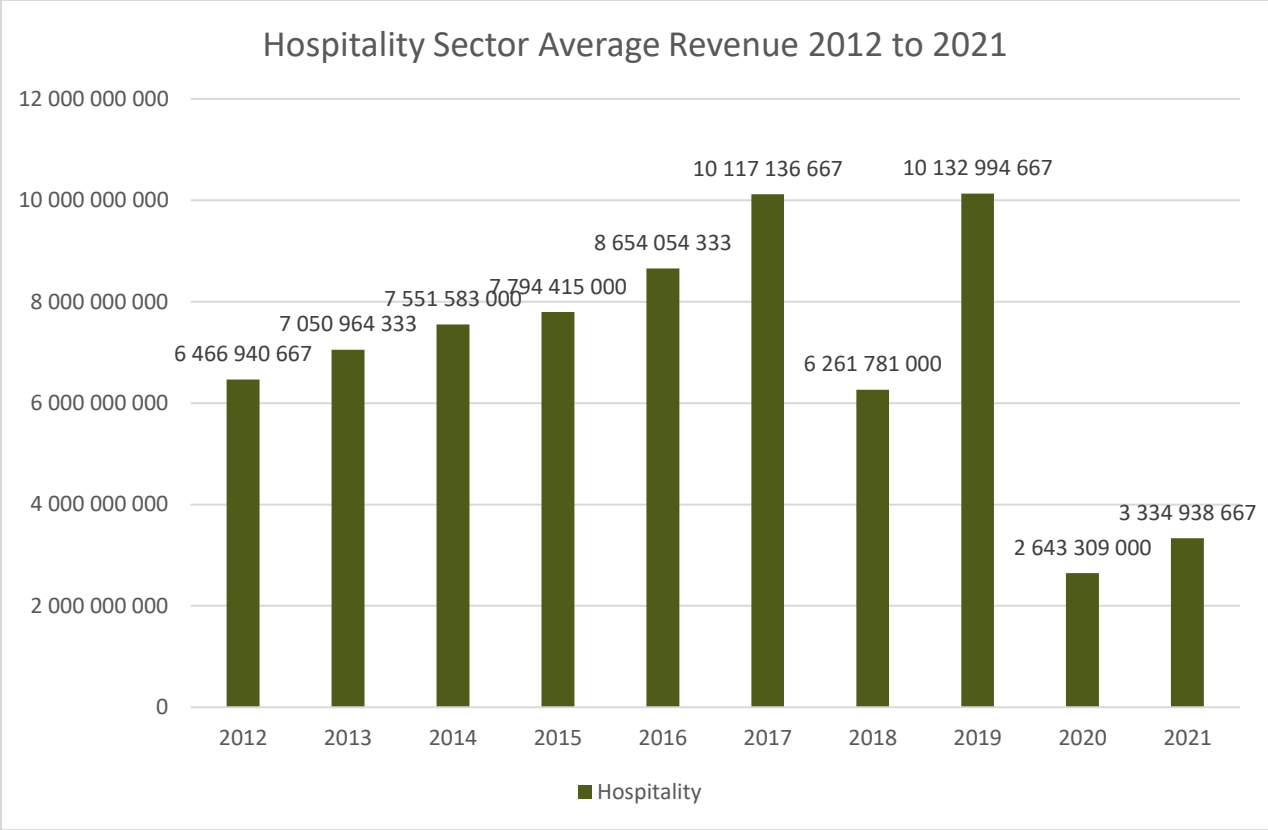


Figure 3 Hospitality Sector Average Revenue 2012 to 2020

Profit before Tax

In 2020, Tsogo Sun reported a loss of ZAR 1,2 billion, Sun International reported a loss of ZAR 1,6 million and City Lodge Hotels reported a loss of ZAR 582 million. In 2021, both Tsogo Sun and City Lodge report further losses. Sun International was the only company in the sample to report a profit before tax (ZAR 574 million).

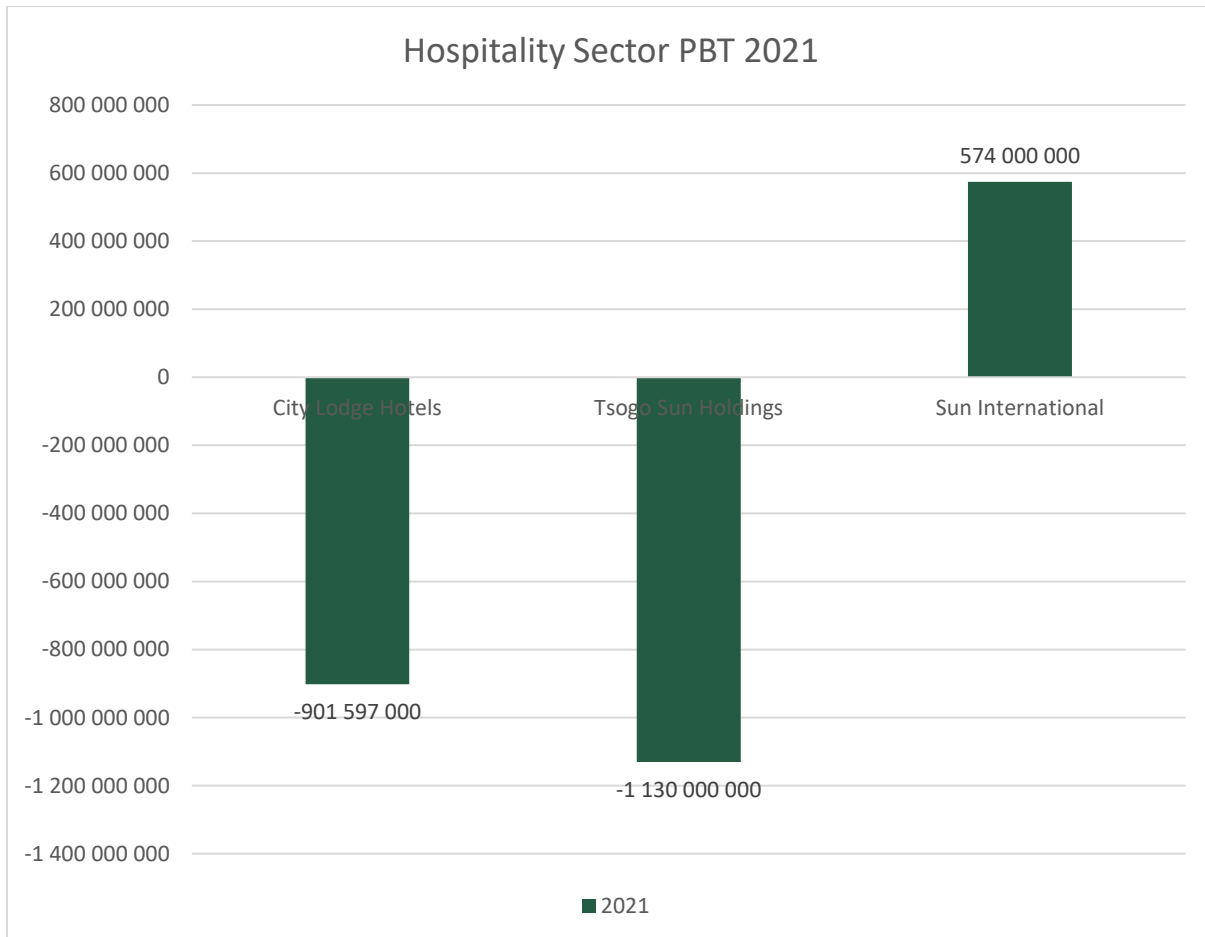


Figure 4 Hospitality Sector Profit before Tax 2021

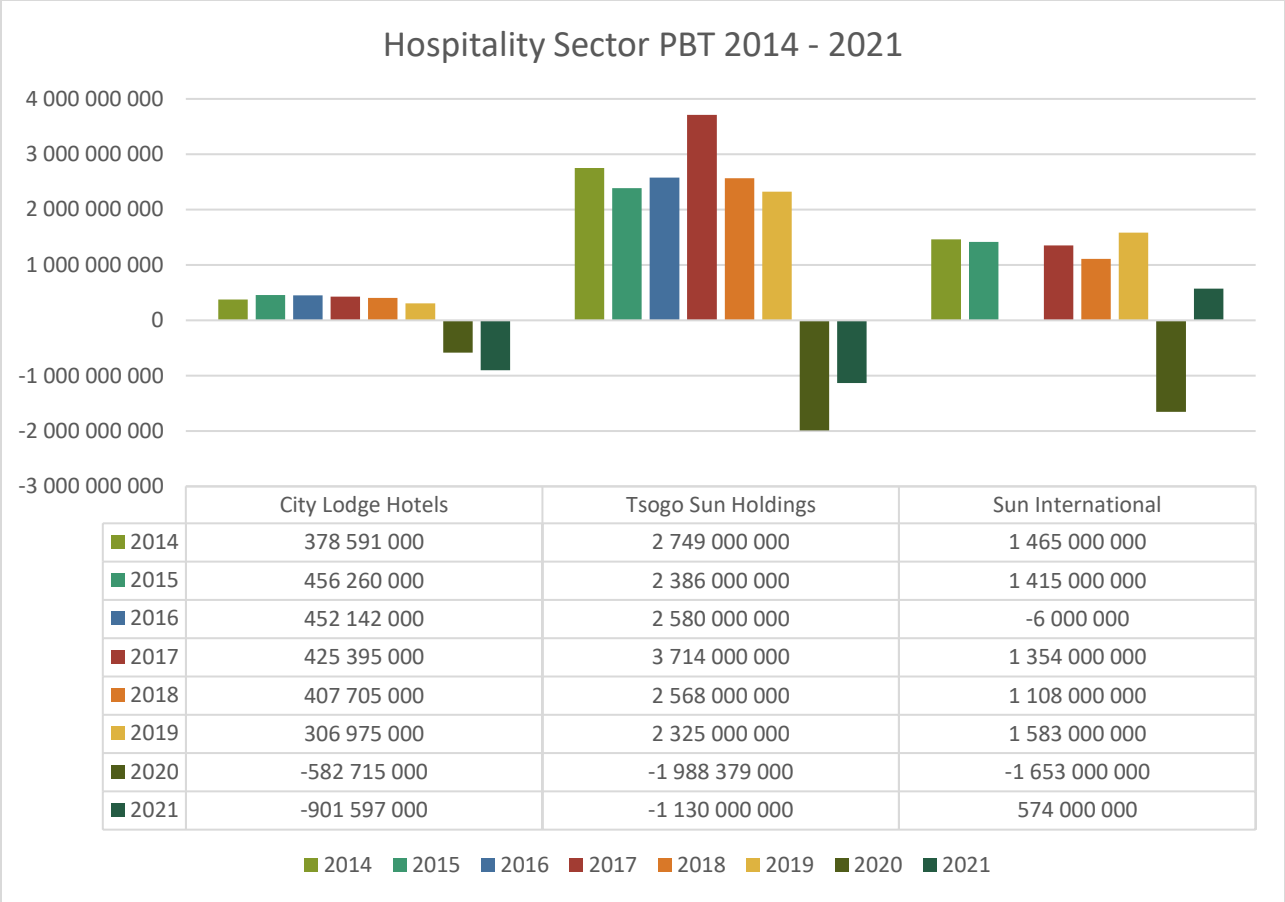


Figure 5 Hospitality Sector PBT 2014 to 2021



Figure 6 Hospitality Sector Average PBT 2014 - 2021

Directors' Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last eleven years. In the Hospitality sector, and our sample specifically, we see the general trend over time being inconsistent and downwards. In 2020, CEO remuneration went down. Given the dire situation of the sector, this is reflective of the losses the companies were facing. In 2021, average CEO remuneration went up by 2,67%.

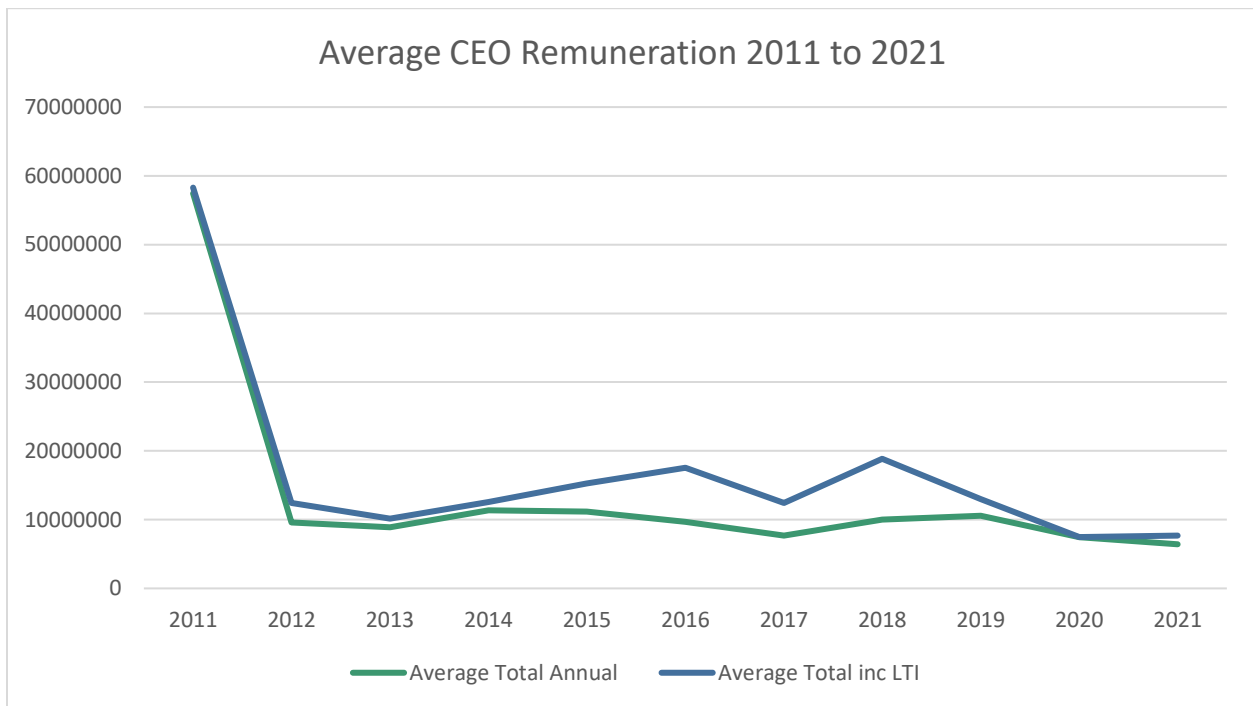


Figure 7 Hospitality Sector CEO Remuneration 2011 to 2021

CEO Remuneration 2020

In the Hospitality sector, the CEO of Sun International received total remuneration of ZAR 15 million, more than double the remuneration reported in 2020 (ZAR 6 million). City Lodge Hotels CEO received full remuneration of ZAR 5,6 million, and Tsogo Sun Holdings CEO received just over ZAR 2 million.

On average, in our sample, executive remuneration went up by 55% (mainly due to the low payments made in 2020); and non-executive director remuneration went down by 6% from 2020 to 2021.

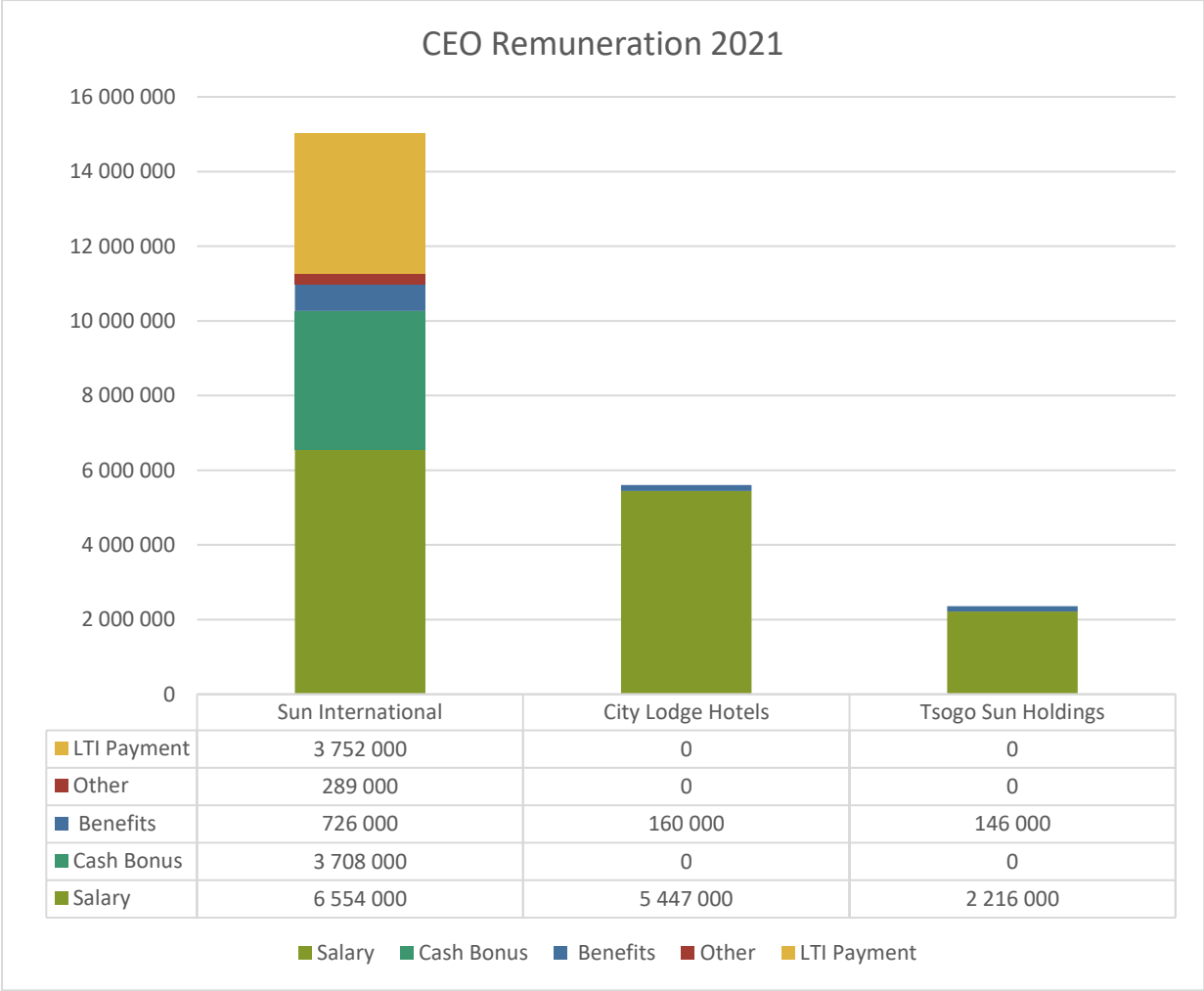


Figure 8 Hospitality Sector CEO remuneration 2021

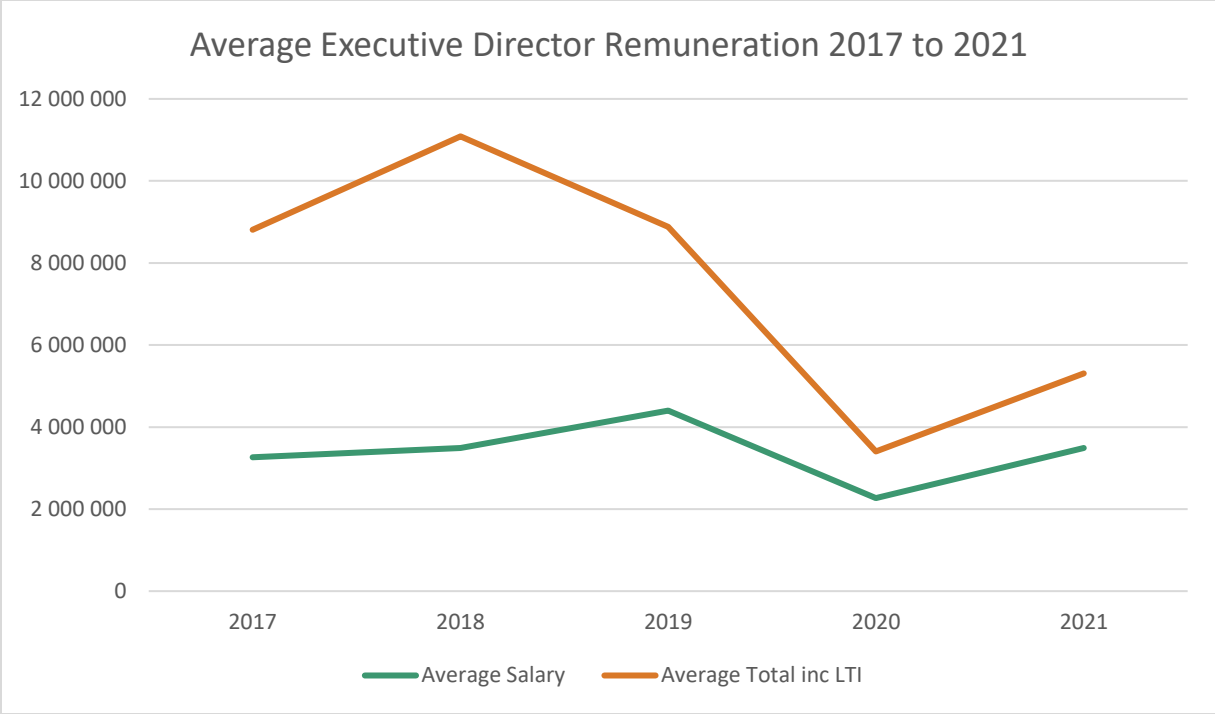


Figure 9 Hospitality ED Average Remuneration 2017 - 2021

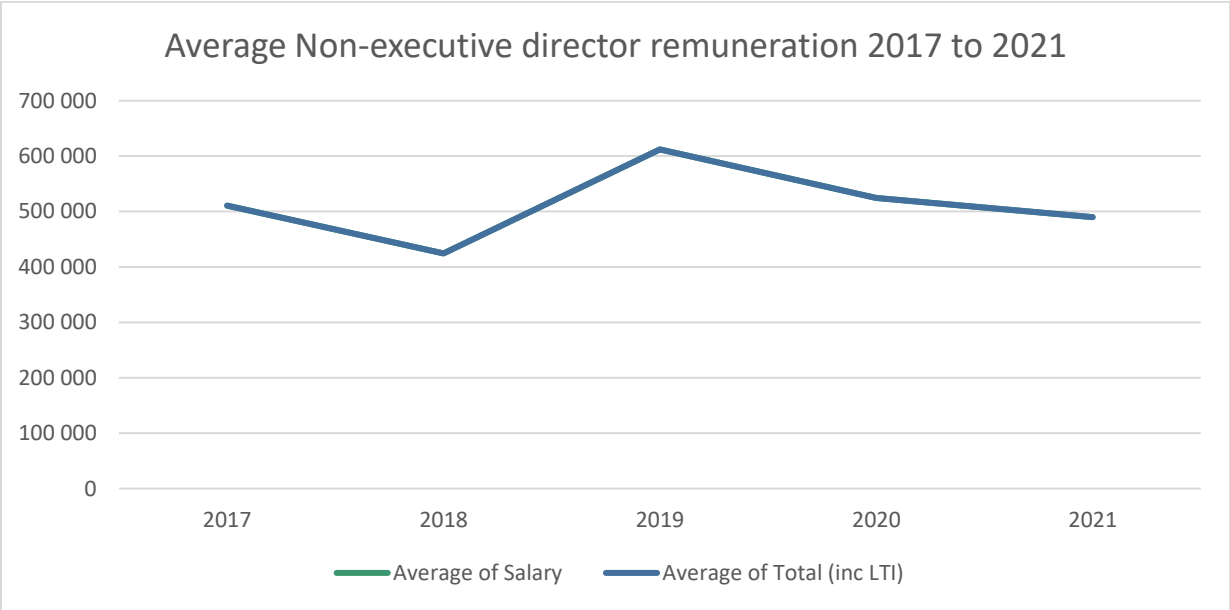


Figure 10 Hospitality NED Average Remuneration 2017 - 2021