

# Construction Sector Report 2022

---

**LRS** Labour  
Research  
Service

**FRIEDRICH  
EBERT  
STIFTUNG**  
TRADE UNION COMPETENCE CENTRE  
SUB-SAHARAN AFRICA



## Contents

Introduction .....	2
The Sector .....	2
Financials.....	3
Revenue .....	3
Profit before Tax .....	6
Directors' Remuneration .....	9
CEO Remuneration 2021.....	10

## List of Figures

Figure 1 Construction Sector Revenue 2021 .....	4
Figure 2 Construction Sector Revenue 2012 to 2021 .....	5
Figure 3 Construction Sector Average Revenue 2012 to 2021.....	6
Figure 4 Construction Sector PBT 2021 .....	7
Figure 5 Construction Sector PBT 2014 - 2021 .....	8
Figure 6 Construction Sector Average PBT 2014 - 2021.....	9
Figure 7 Construction Sector CEO Remuneration 2011 to 2021 .....	10
Figure 8 Construction Sector CEO Remuneration 2021 .....	11
Figure 9 Construction Sector Average Executive Director Remuneration 2017 - 2021 .....	12
Figure 10 Construction Sector NED Average Total Annual Remuneration 2017 - 2021 .....	12

## Introduction

The JSE lists 16 companies in the Construction & Materials sector. There are four construction companies included in this report. This sample constituted 25% of the JSE listed companies under construction.

---

**WBHO**

---

**Aveng**

---

**Murray & Roberts**

---

**PPC**

---

The rich data extracted from the LRS's [MNC Database](#) 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

The construction sector in South Africa plays a significant role in the country's economy. It is a major contributor to South Africa's gross domestic product (GDP) and provides employment for a significant portion of the country's population. The sector is diverse, with a range of activities including building and civil engineering, infrastructure development, and specialised construction services.

According to Aon South Africa's Construction & Engineering Broking Centre, Government is the biggest spender on infrastructure in SA's construction industry. The centre reports that along with national lockdowns in South Africa, 'government diverted infrastructure spending to alleviate the economic and social crisis facing the country, cutting traditional expenditure by 80%. This brought a large portion of the country's economy, including the construction industry, to a grinding halt. At the same time, restrictions on construction activity under lockdown regulations added further pain. Projects were left standing, deadlines were missed – the consequences of which are enormous.' The sector was hit very hard by the Covid-19 pandemic with over 250,000

jobs by the end of the third financial quarter of 2020.<sup>1</sup> In 2021, the sector employed over 1.2 million people.

The same report lists some worrying trends in the construction industry, including issues with supply which results in issues with pricing; the Rand's declining value against USD; and skills shortages<sup>2</sup>. This was echoed by PPC's MD, Njombo Lekula, who said that skills retention and transfer are two of the many problems the industry is hoping to resolve.

However, some research studies<sup>3</sup> estimate growth in the next few years for the industry, partially due to government's plans to spend significantly on infrastructure development over the course of the next few years.<sup>4</sup> The construction industry is expected to rebound over the course of 2022, with forecast growth of 9.1%.<sup>5</sup> Between 2023 and 2025, South Africa's construction industry 'is expected to experience an average yearly growth of 3.4%, as the government increases its focus on infrastructure and energy sector investment initiatives.'<sup>6</sup> The sector remains an important contributor to the country's economic development and is expected to continue to play a vital role in the future.

## Financials

### Revenue

On average, this list of companies reported a 0.2% decrease in revenue. Some of the worst economic effects of the pandemic are still evident in 2021 financial information.

WBHO reported an 11% drop in revenue, and Pretoria Portland cement reported a 12,7% decrease. Aveng and Murray & Robert reported a 23% and 5% increase in revenue respectively.

---

<sup>1</sup> <https://www.globenewswire.com/en/news-release/2022/08/02/2490138/28124/en/South-Africa-Construction-Industry-Report-2022.html>

<sup>2</sup> <https://www.news24.com/fin24/companies/ppc-warns-of-looming-skills-shortage-in-sa-construction-industry-20210729>

<sup>3</sup> <https://www.businesswire.com/news/home/20210423005326/en/South-Africa-Construction-Market-2021-2025-Key-Trends-and-Opportunities-Post-COVID-19---ResearchAndMarkets.com>

<sup>4</sup> <https://iclg.com/alb/17074-south-africa-set-for-construction-sector-revival>

<sup>5</sup> <https://www.khplant.co.za/blog/2022-outlook-south-african-construction-industry/>

<sup>6</sup> <https://iclg.com/alb/17074-south-africa-set-for-construction-sector-revival>

Aveng recovered from a low revenue in 2020 but is still reporting similar levels to 2019, which are much lower than the previous five years. However, Aveng has announced some changes in 2022 that will positively affect its balance sheet, including the sale of part of the business and some profitable new contracts.

Murray & Roberts has similarly announced changes to its business in the form of selling off part of its business. Murray & Roberts has made some inroads in the renewables sector with a new contract awarded – this is useful for the company as it has been struggling with ongoing delays in project approvals and a generally low level of investment in South African infrastructure.<sup>7</sup>

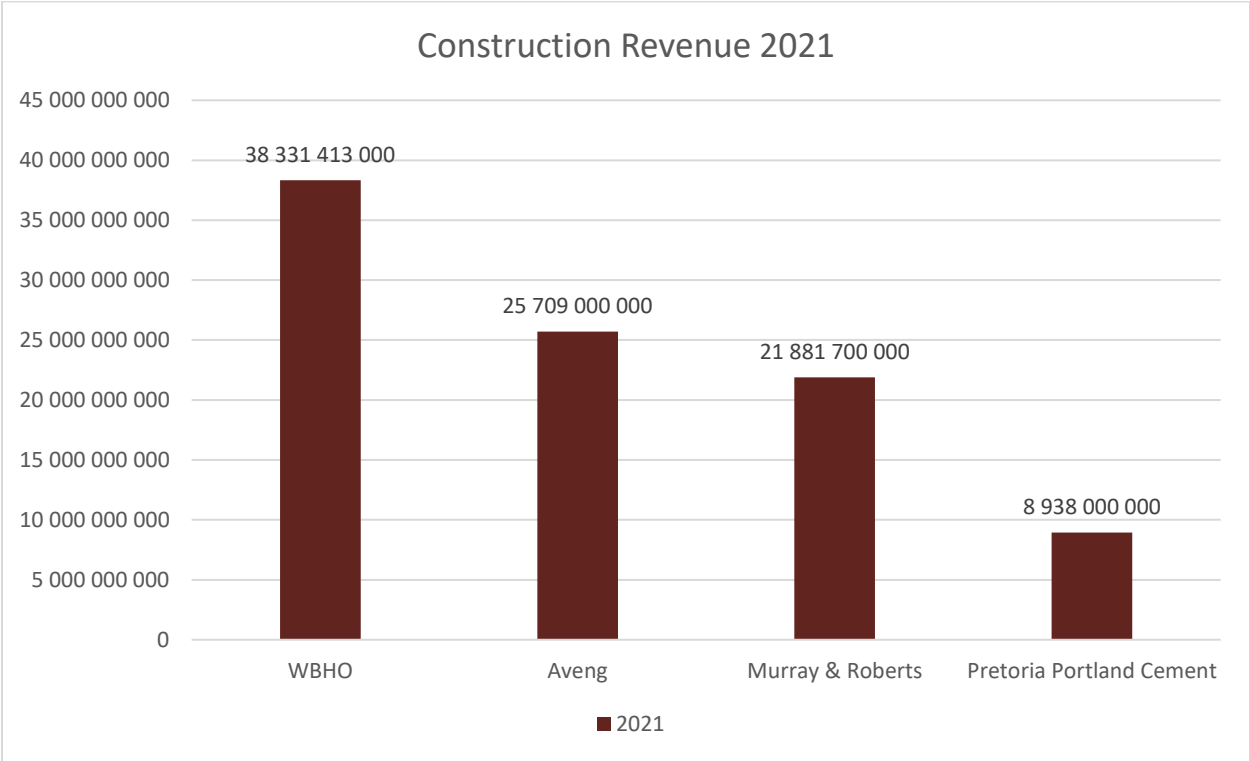


Figure 1 Construction Sector Revenue 2021

<sup>7</sup> <https://www.ghostmail.co.za/ghost-bites-eoh-murray-roberts-richemont-the-foschini-group/>

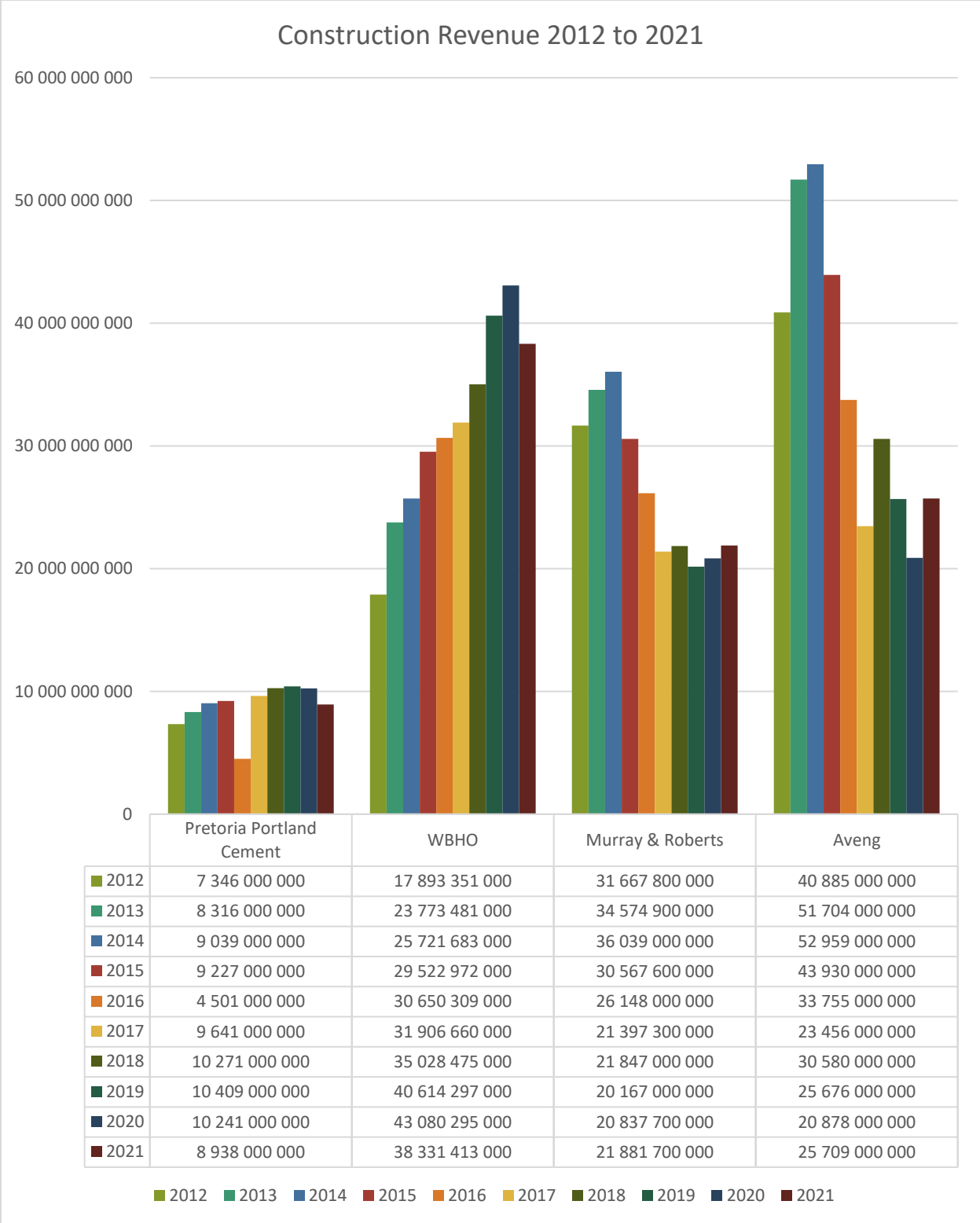


Figure 2 Construction Sector Revenue 2012 to 2021



Figure 3 Construction Sector Average Revenue 2012 to 2021

### Profit before Tax

When reporting Profit before Tax, all four companies in the sample reported a turnaround from large losses in the previous financial year. Aveng reported a profit before tax (ZAR 1 billion) for the first time since 2016. Pretoria Portland Cement reported its biggest profit before tax in years, while Murray & Roberts are still struggling to reach profit levels since before 2014. WBHO reported PBT of ZAR 600 million, still far below profit levels of 2014 to 2018.

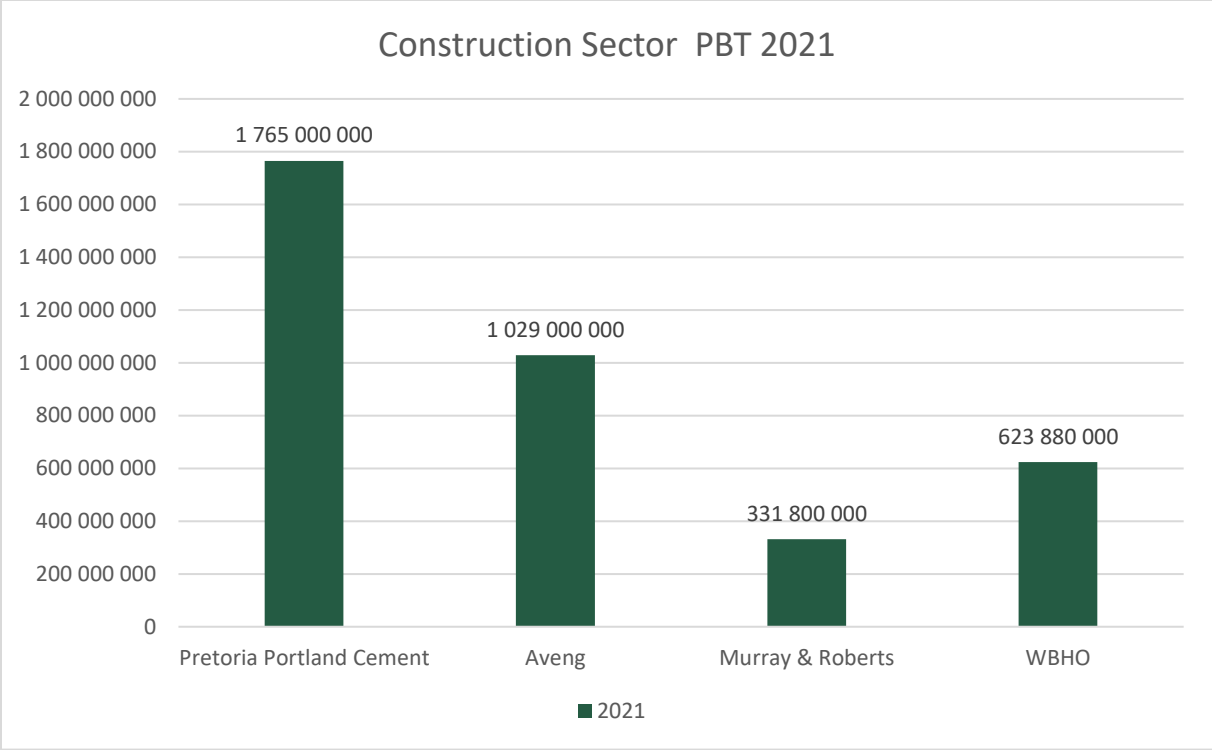


Figure 4 Construction Sector PBT 2021





Figure 5 Construction Sector PBT 2014 - 2021

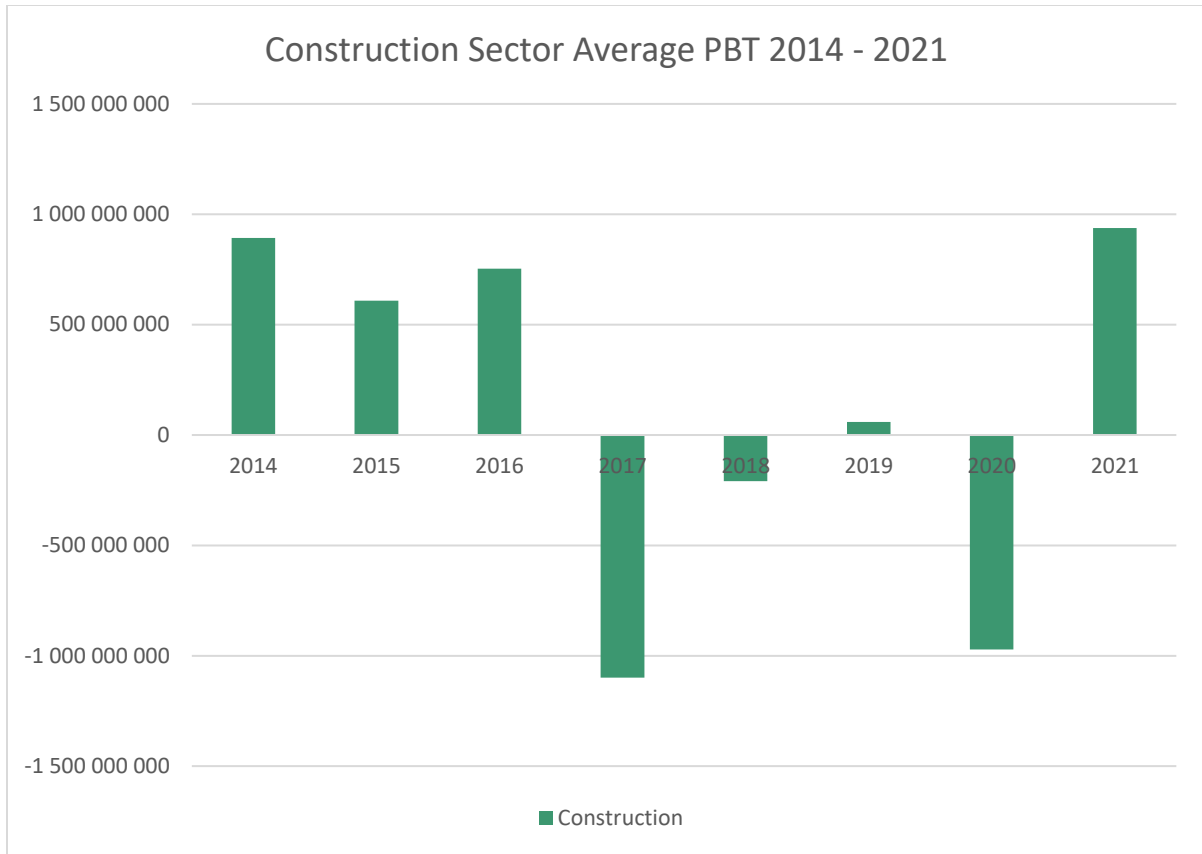


Figure 6 Construction Sector Average PBT 2014 - 2021

## Directors' Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last ten years. In the construction sector, and our sample specifically, we see an erratic trend with relatively low LTIs. This partially reflects the tumultuous nature of the sector over the course of the last 10 years. From 2020 to 2021, average CEO remuneration went up by over 40%.

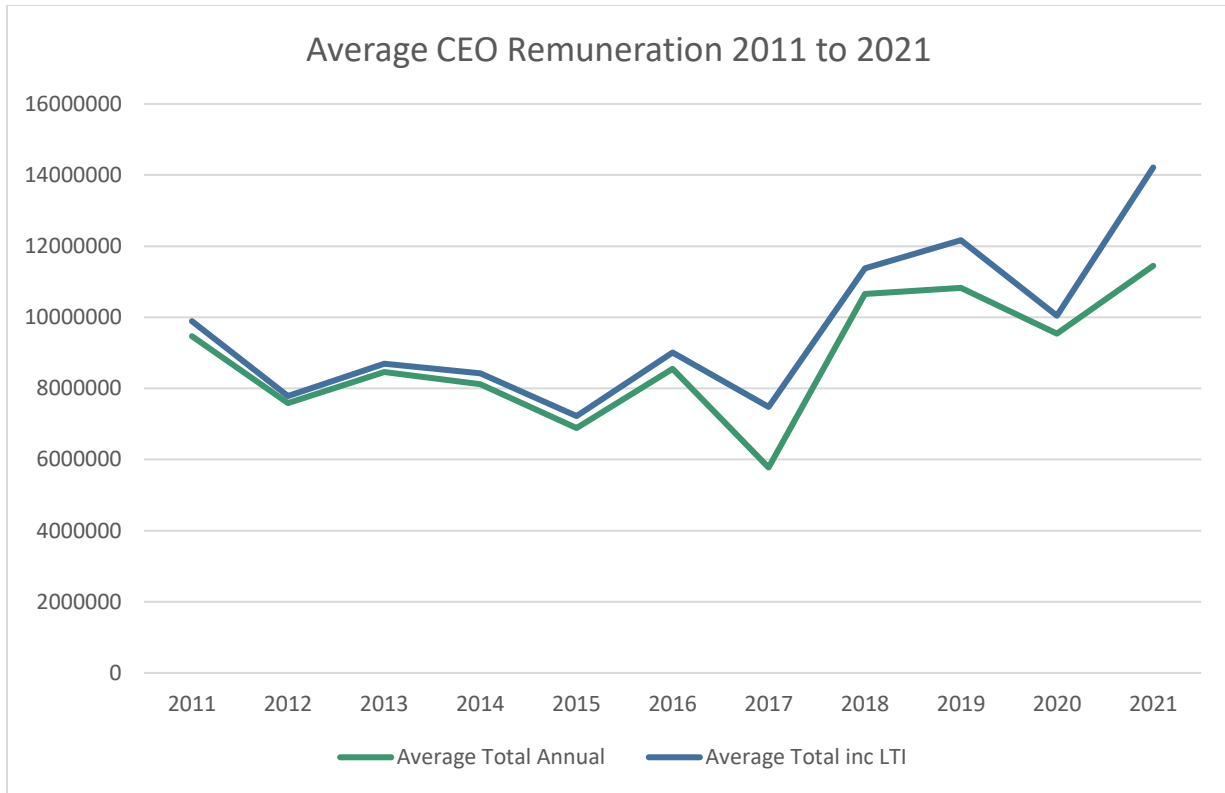


Figure 7 Construction Sector CEO Remuneration 2011 to 2021

## CEO Remuneration 2021

In our sample of the construction sector, Aveng CEO Flanagan received the highest total remuneration which included a cash bonus of ZAR 8 million and an LTI of ZAR 3,6 million.

On average, executive director remuneration in the sample went down by 40% from 2020 to 2021. Non-executive director remuneration went up by 5,5% in the same period.

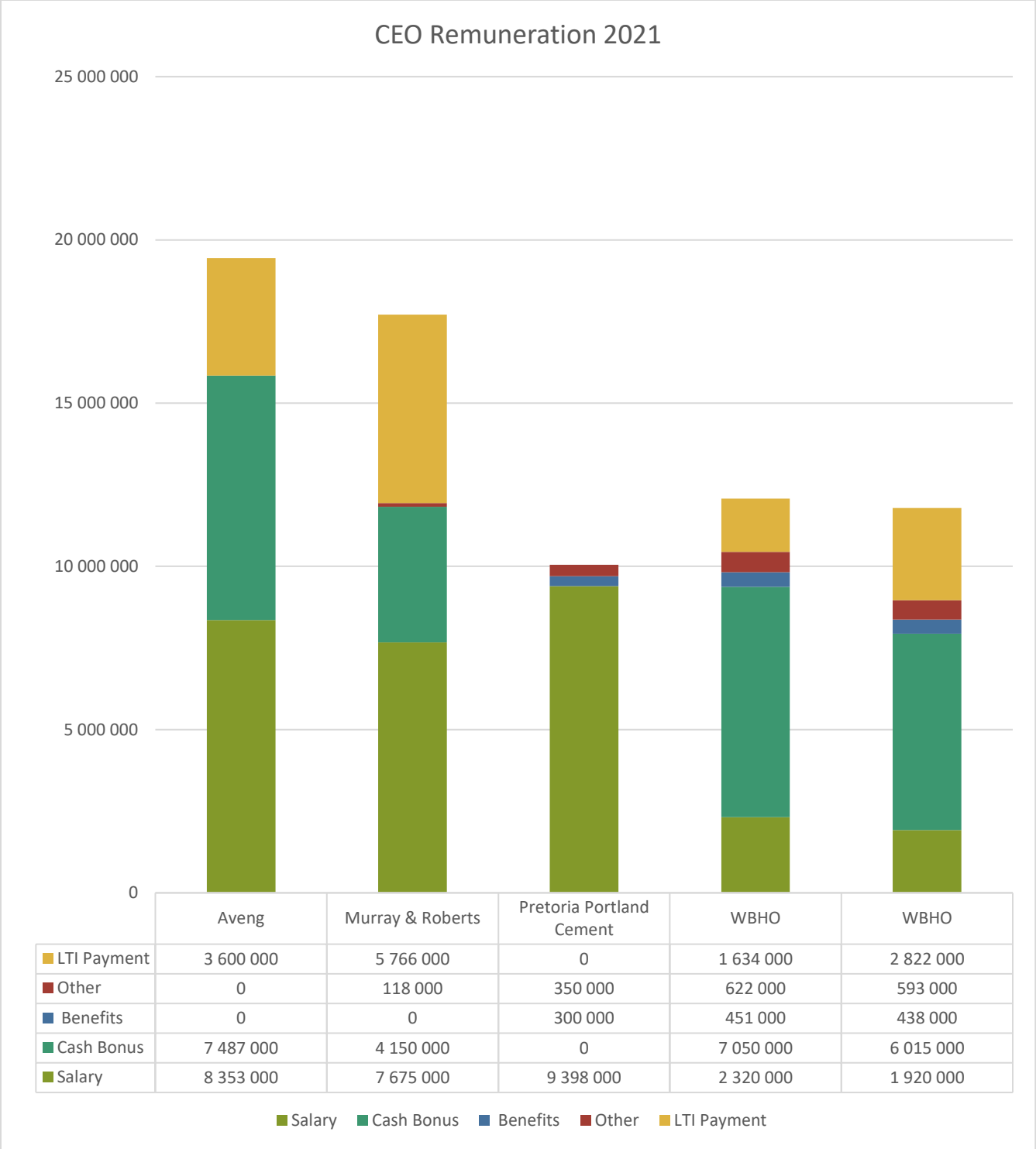


Figure 8 Construction Sector CEO Remuneration 2021

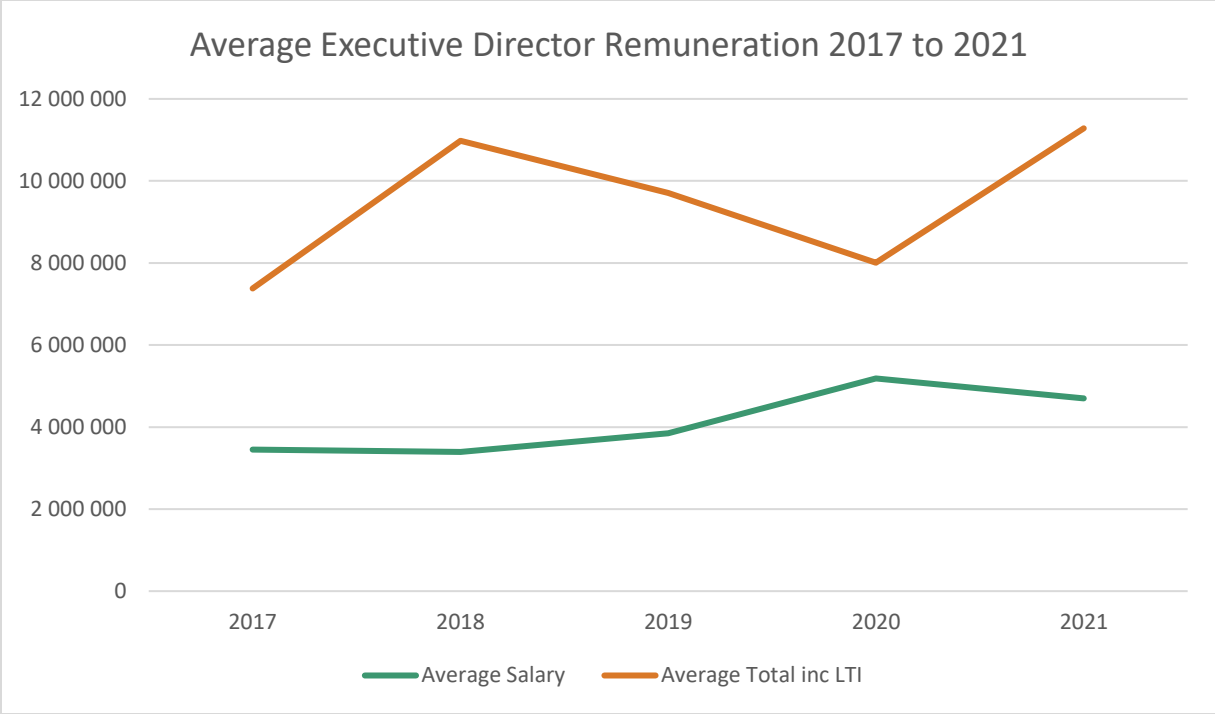


Figure 9 Construction Sector Average Executive Director Remuneration 2017 - 2021

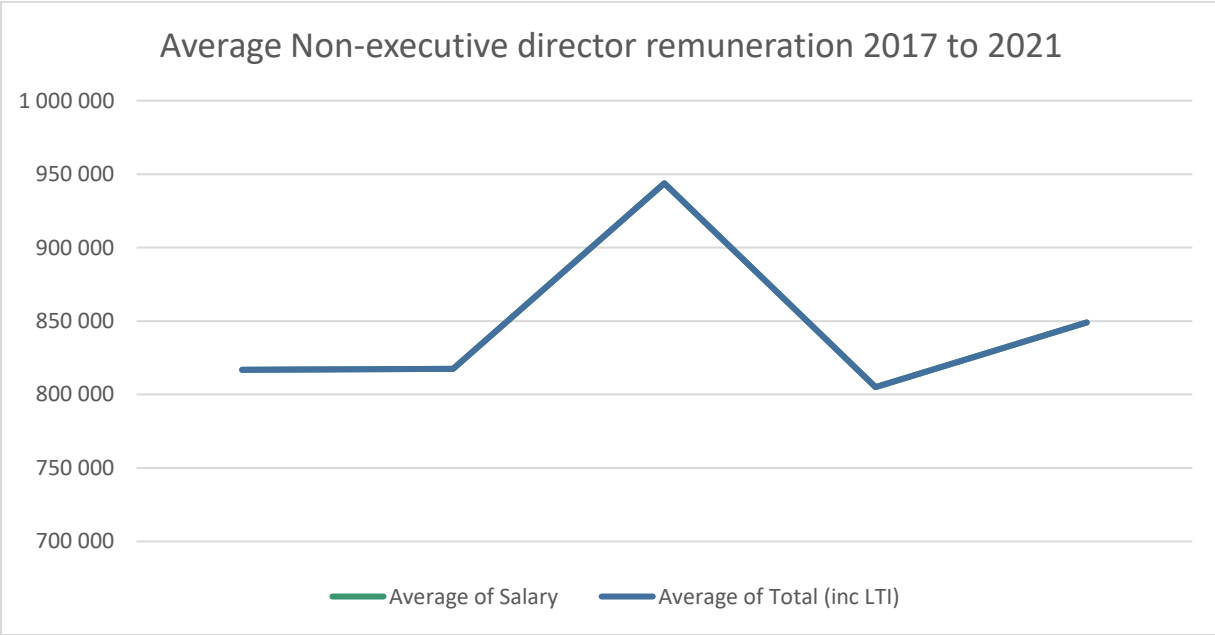


Figure 10 Construction Sector NED Average Total Annual Remuneration 2017 - 2021