

# Health Sector Report 2022

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# Introduction

This report analyses six companies in the Health Sector: Afrocentric Investments Corporations, Life Healthcare Group, Mediclinic and Network Healthcare Holdings (Netcare) which comprise half of the JSE Health Care Equipment and Services sector. Adcock Ingram and Aspen Holdings are included on the Johannesburg Stock Exchange' Pharmaceuticals and Biotechnology listing. Afrocentric Investments Corporations is an investment holding company and is included in this sample because it is substantially invested in healthcare providing services and products to that sector.

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**Adcock Ingram**

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**AfroCentric Investments Corporation**

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**Aspen Holdings**

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**Life Healthcare Group**

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**Mediclinic**

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**Network Healthcare Holdings**

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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

South Africa's healthcare system is beset with challenges: an inability to deliver primary care to outlying communities, failures in governance and management and a severe shortage of skilled healthcare workers. These challenges are further amplified by the Covid-19 pandemic, along with South Africa's high incidence of HIV, diabetes, high blood pressure and Tuberculosis.

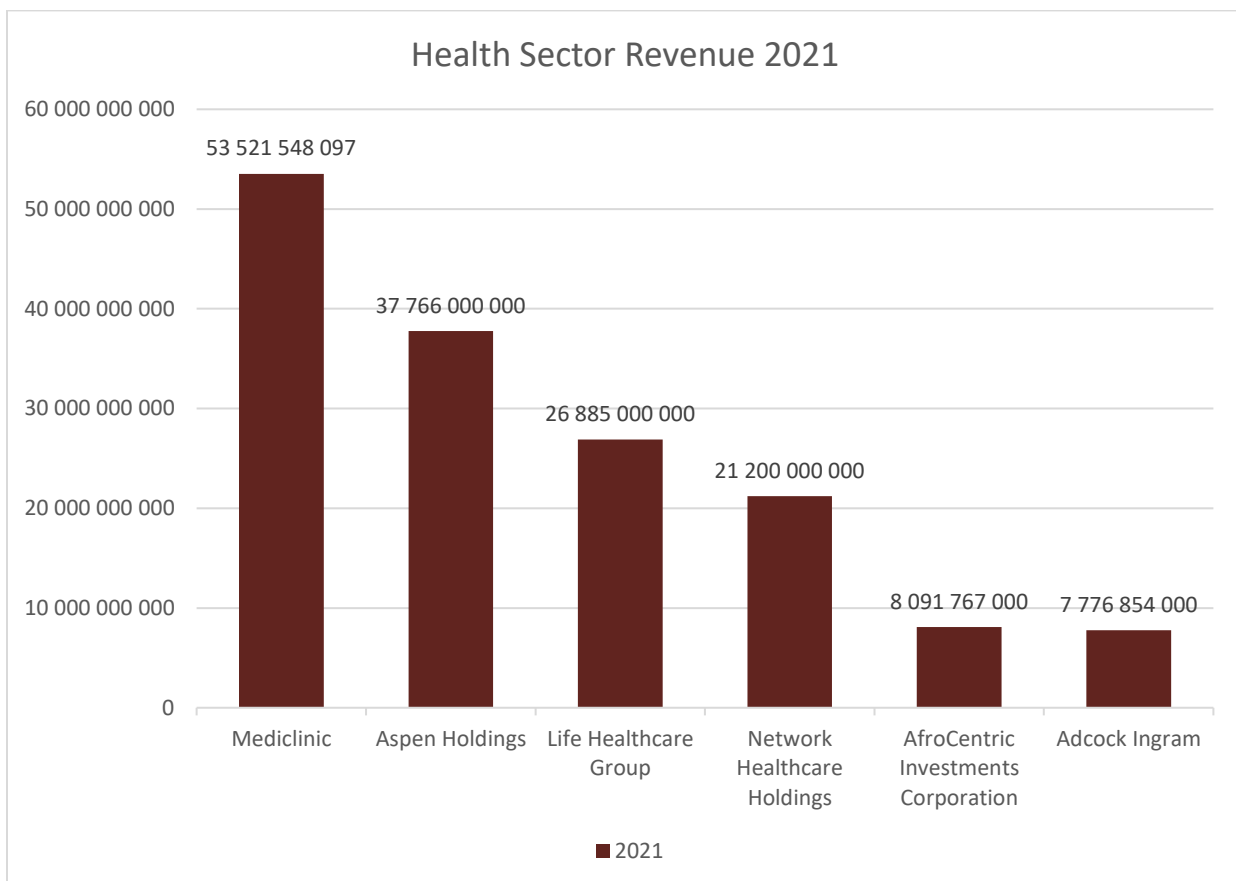
The sector was very hard hit by the pandemic as elective procedures were cancelled. However, as the healthcare sector has normalised, so has the revenue and profit in the sector.

# Financials

## Revenue

In 2021, Mediclinic is the biggest company in the health sector with reported revenue of ZAR 53 billion, as shown in *Figure 1* below (down by about 15% from 2020). This is followed by Aspen Holdings with revenue of ZAR 37,7 billion for the 2021 financial year (down by just over 2% from 2020). Life Healthcare Group (5,9%); Network Healthcare (12,5%), Afrocentric Investments (25%) and Adcock Ingram (n5,8%) all reported an increase in revenue for the financial year.

*Figure 2* shows a pie chart of the companies in our sample by revenue. This chart clearly shows the size of the sample market that each company has by revenue.



*Figure 1 Health Sector Revenue 2021*

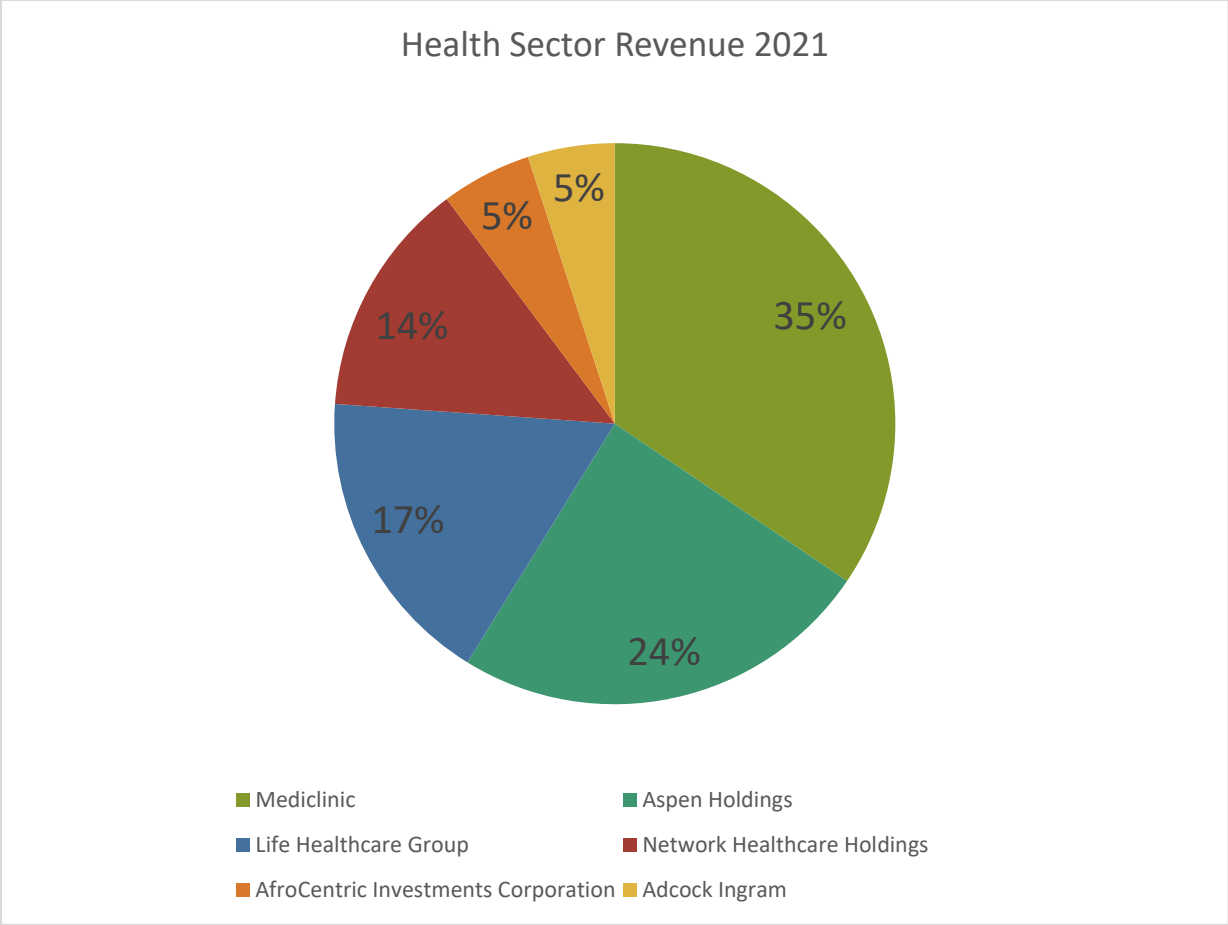


Figure 2 Health Sector Revenue Pie Chart 2021

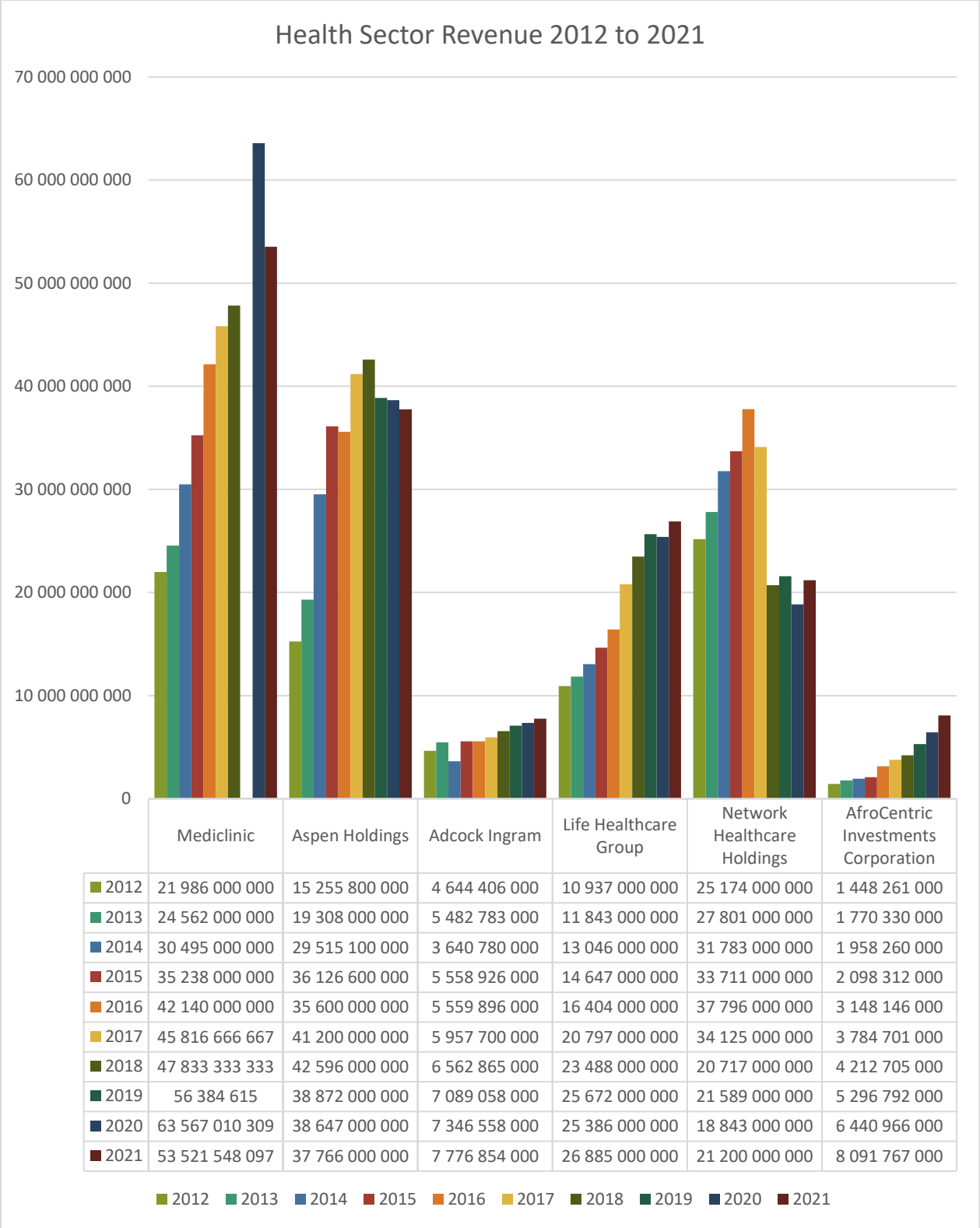


Figure 3 Health Sector Revenue 2014 to 2021

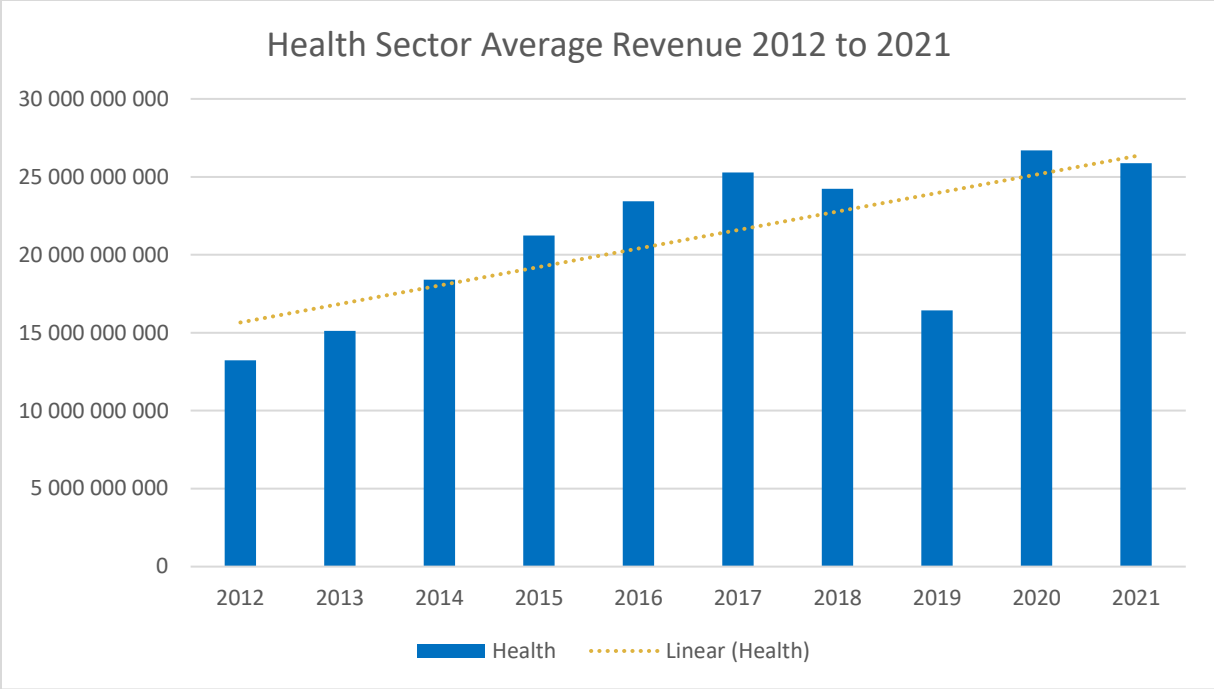


Figure 4 Health Sector Average Revenue 2012 to 2020

### Profit before Tax

From 2019 to 2020, average PBT in this sector fell dramatically. However, the companies seem to be recovering well: average reported PBT for the sample went up by over 300% (from a very low base in 2020).

Mediclinic, the largest company in the sample, reported a profit for the first time since 2017. Life Healthcare group also reported a healthy turnaround from 2020, however reported profits are still below pre-pandemic levels. Network Healthcare holding reported PBT of ZAR 1,1 billion – a 60% increase on 2020. Adcock Ingram is the only company in the sample to report a decrease in PBT (of around 2,6%).

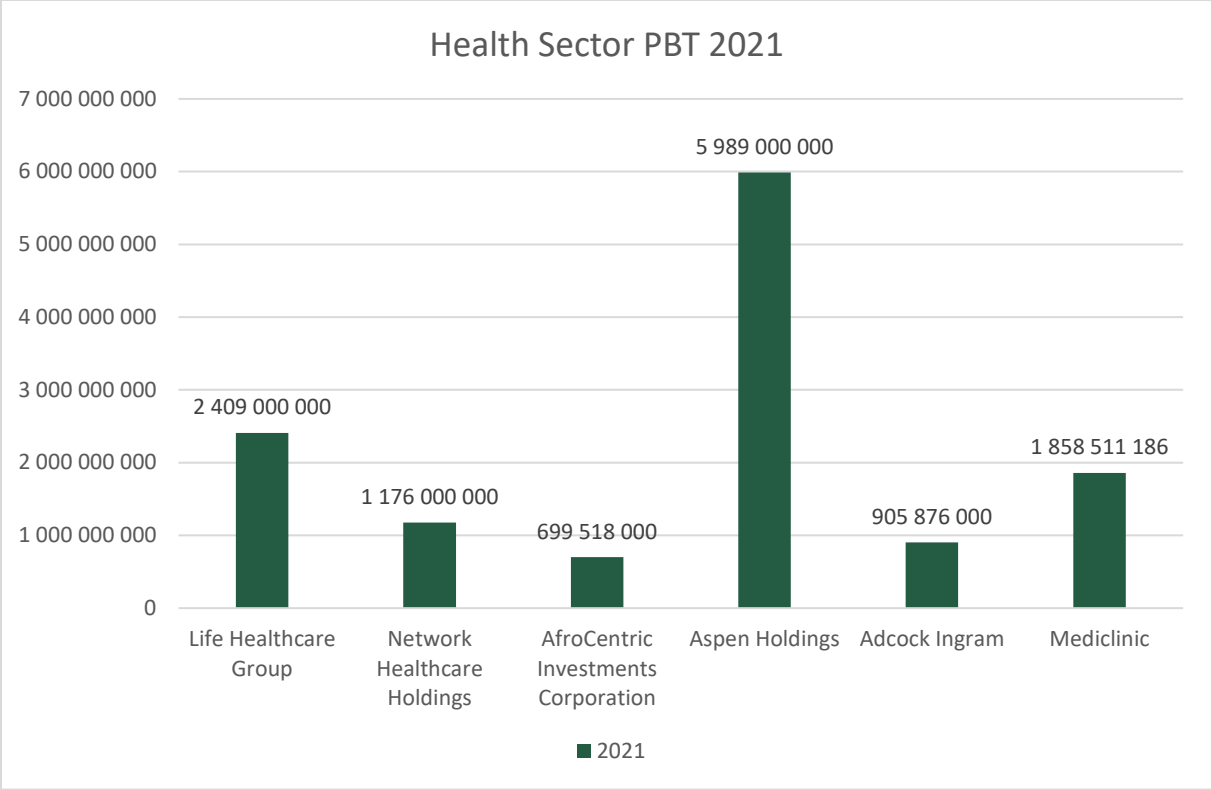


Figure 5 Health Sector Profit before Tax 2021





Figure 6 Health Sector Profit before Tax 2014 to 2021

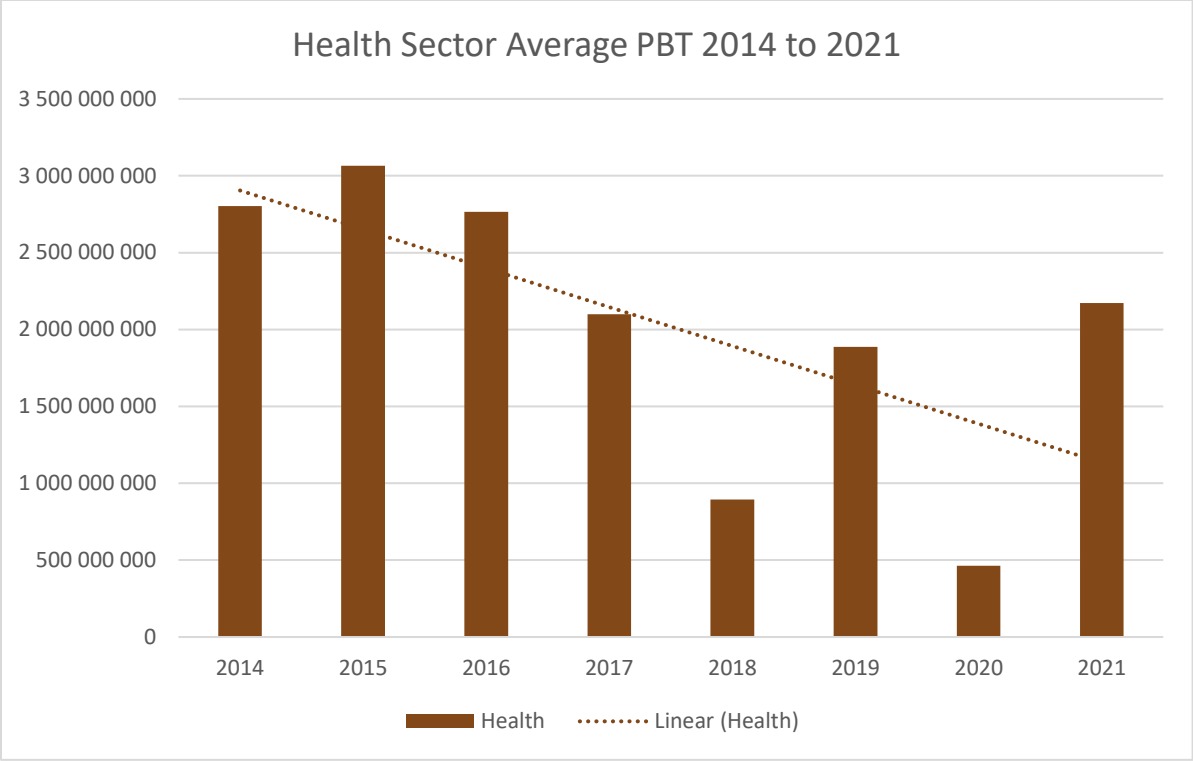


Figure 7 Health Sector Average PBT 2014 to 2020

## Directors’ Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last eleven years. In the health sector, and our sample specifically, we see that in 2019, the CEO remuneration figure dropped drastically. This is attributed to the executive officers of Network Healthcare Limited, Friedland and Gibson, who exercised stock options in 2018 from which the gain was reported as ZAR1 879 268 000 and ZAR753 356 000, respectively, in the company’s Integrated Report. However, we suspect this may be a rounding error in reporting. From 2020 to 2021, CEO remuneration on average, increased from ZAR 9 million to ZAR 17,6 million.

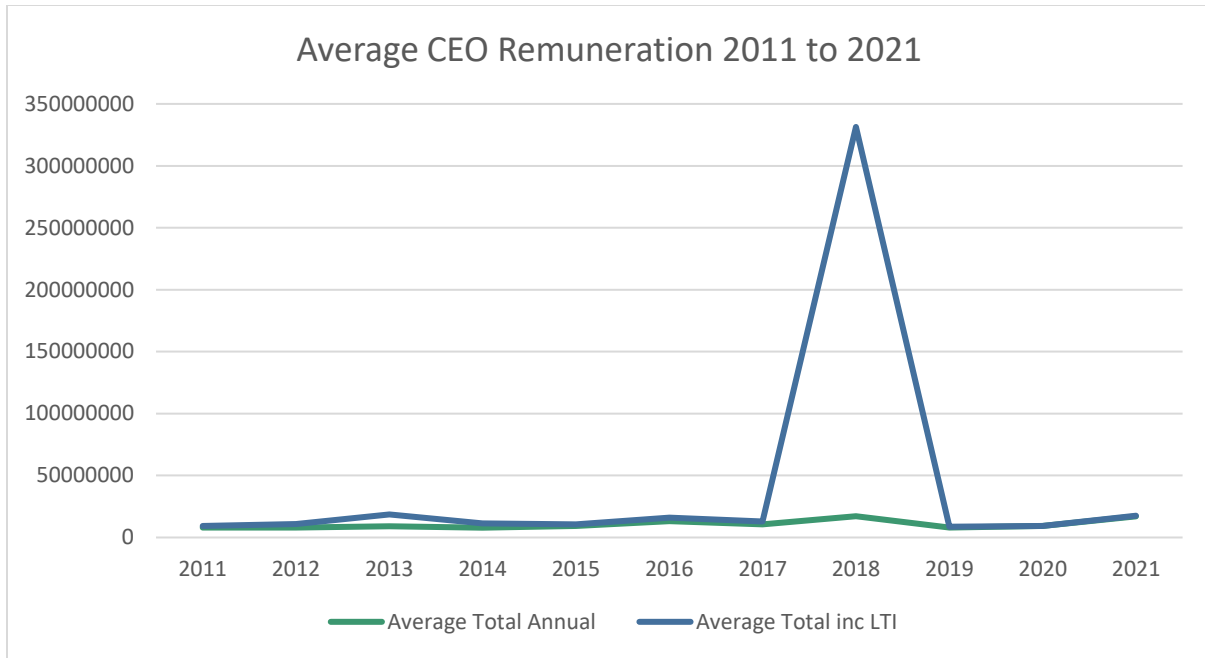


Figure 8 Health Sector CEO Remuneration 2011 to 2020

## CEO Remuneration 2020

In 2021, the CEO of Mediclinic Ronnie van der Merwe received total remuneration of ZAR 26,7 million, more than double his remuneration in 2020 (ZAR 12 million). This is inclusive of a ZAR 15 million cash bonus. The CEO of Aspen Holdings, Stephen Saad, received total remuneration of ZAR 24 million, an 18% increase on the previous year.

From 2020 to 2021, the average total executive director's remuneration went down by 13%. In the same period, average non-executive remuneration went up by 31%.

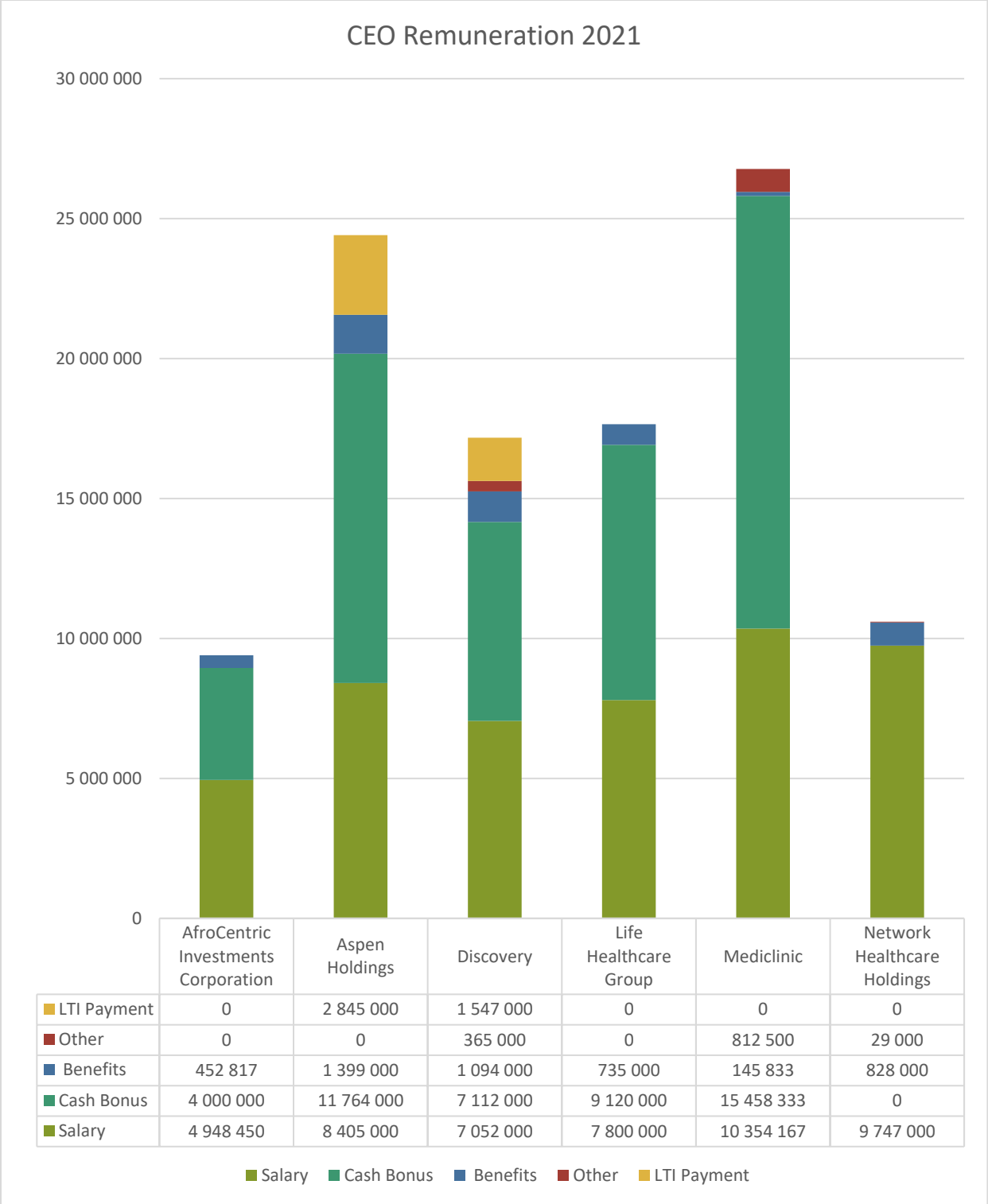


Figure 9 Health Sector CEO Remuneration 2021

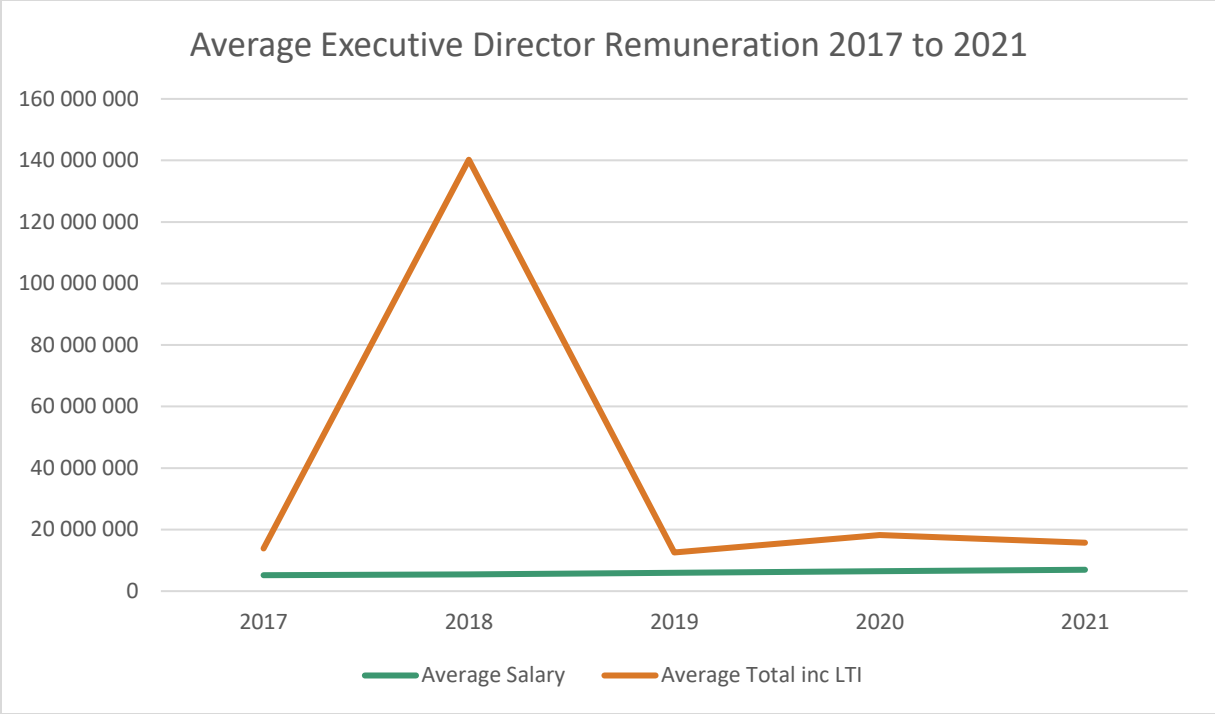


Figure 10 Health Sector Average Executive Director Remuneration 2017 to 2021

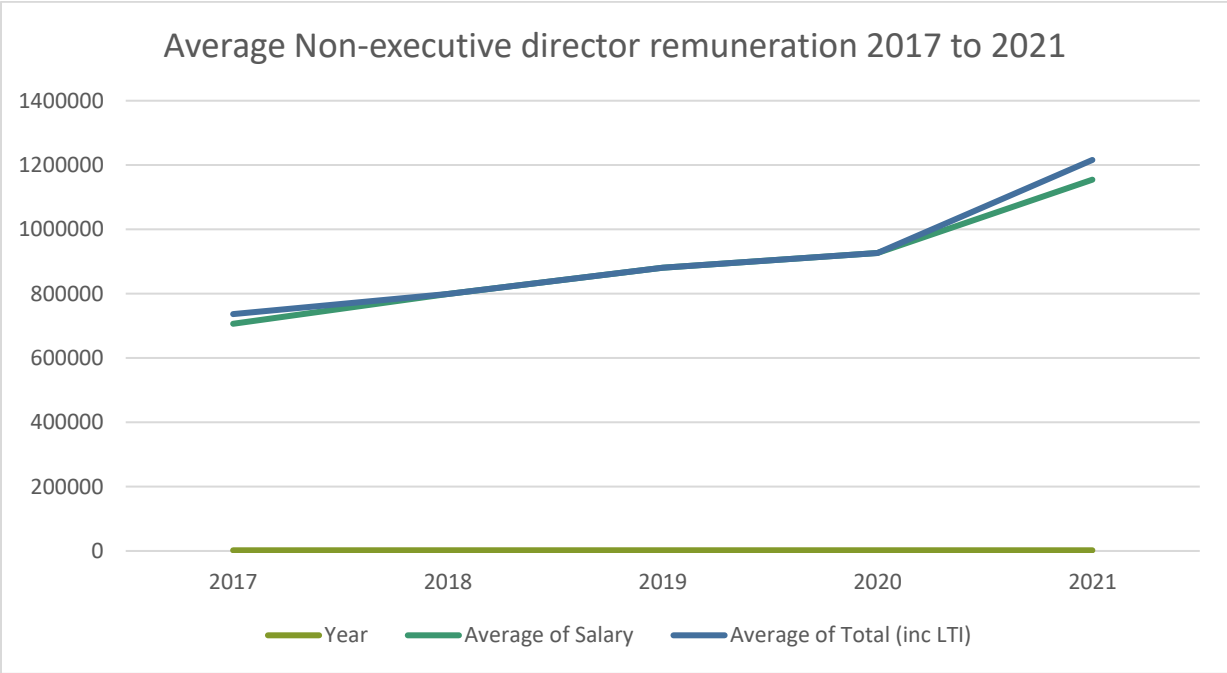


Figure 11 Health Sector NED Average Total Annual Remuneration 2017 to 2021