Sweet for Some, Sour for Others at Tongaat-Hulett

Perspectives: January 30th, 2023

Amidst the fallout of a South African corporate scandal at Tongaat-Hulett to rival Steinhoff, the market reacted favourably to the news that Mr. Gavin Hudson became CEO in February 2019.

Fast-forward to today. Trading in Tongaat-Hulett shares were suspended in July 2022, the company entered business rescue in October 2022, and today announced Mr. Hudson's retirement effective end February 2023.

In four years as CEO, Mr. Hudson was paid R45mn in cash, of which R21mn was due to what the remuneration committee called *'turnaround incentives'*. As of the publication of the 2021 annual report, Mr. Hudson owned 161,000 Tongaat-Hulett shares priced in the market at just R644,000.

In sifting through the debris, we found this comment from page 116 of the Tongaat-Hulett 2021 integrated annual report, in response to a formal shareholder query about the lack of executive shareholding: "*We are on a **journey** to reflect best practice and by 2027 we aspire to having appropriate minimum share holding requirements*".

The word 'journey' was used 9 times in the 2021 annual report, and it appears the company had embarked on quite a number of 'journeys'. [*Perhaps their script writer is an avid giraffe watcher?*] Anyways, unfortunately the one journey that mattered most was *not* mentioned at all - the one leading to business rescue and all but guaranteed wipe-out of equity shareholders' capital.

With close on R7bn in debt, R15bn in annual sales, R10,6bn in cost of goods sold, and R3bn of operating costs, rest assured the business rescue practitioners and advisors to the debt holders are already sitting down to a commission fee feast of *epic* proportions.

There was a time, in the distant past, when Tongaat-Hulett was a respected South African and JSE listed business. To see it end up being taken apart like this is not fun or pretty, but there are important lessons to be learned and remembered.

Our work continues…

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