

Top500 research reveals who are the movers and shakers for 2016

Issued by [Topco Media](#)

11 Nov 2016

What is happening in the economy, who are the export giants - and where they are exporting to...

In its quest to uncover South Africa's top 500 best managed companies, Topco Media's research department has uncovered some interesting facts about the South African economy:



Top500: South Africa's best managed companies is a prestigious annual B2B publication wherein companies that are top of their game, and sector, are given the chance to feature and increase their exposure among peers, competitors and potential business partners.

The 8th edition of *Top500* seeks to document the excellence evident in South African businesses. Companies in one hundred sectors are ranked against each other through rigorous research at Topco Media until five stand out from the pack to represent the top of their sector.

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Five movers and shakers

We noted a 17% change in the number one position for the period under review:

Taking top honours for the first time in the past five years, snatching the top position from Shoprite Holdings Limited in the food retailers sector is Woolworths. Despite having the lowest turnover for the period under review, Woolworths wins with an impressive turnover growth of 45.4%, along with the highest rand growth.

The VKB Group is number one in the agricultural sector with the highest turnover, along with the highest rand growth with the highest in turnover per employee, the mark of a well-managed company in our rankings.

Servest Hygiene (hygiene sector) climbed the ranks from fifth to first spot with the highest turnover.

Liberty Holdings Limited has moved up from being ranked fourth last year to top place this year in the insurance (life) sector.

At the top of the information technology group sector, having climbed from fourth last year, is EOH Holdings. The company has the greatest turnover, along with the highest growth in turnover of 34.8%.

Fastest growing company

Capitec Bank Holdings: Fiver years' revenue growth: 43.6%.

Capitec Bank recorded the highest annual client growth in the bank's history in terms of active banking client numbers. The bank also increased its active client numbers by 1.03 million, to a total of 7.3 million for the year, and boosted headline earnings to R3.2 billion for the financial year ending February 2016, up 26% on the previous year. By offering accessible

and affordable banking services to low-income South Africans, Capitec expanded to a size - and is a close contender to - the likes of FirstRand and Nedbank.

The bank's brand acceptance continued to grow significantly in the market and showed a 26% growth in total retail deposits to R37.8 billion.

To date the bank has opened 720 branches and continue to expand their distribution footprint in key urban areas, having increased their number of ATMs by 287 to 3,705 for the year. Investing in improved mobile and internet banking platforms will help to maintain the steep growth line, placing the bank in prime position to take advantage of the constricted economic conditions and the bank's value-for-money-offer.

What is happening in the economy: GDP

South Africa is responsible for nearly a quarter of the continent's GDP.

While the country's economy was traditionally rooted in the primary sectors recent economic growth has been driven mainly by the tertiary and secondary sectors. South Africa is rapidly moving towards becoming a knowledge-based economy, with a greater focus on technology, e-commerce and financial and other services.

The key sectors contributing to GDP and keeping the economic engine running are trade, finance, personal services, government, manufacturing and construction.

Q1 2016

Secondary sector - 0.2% growth

Manufacturing - 0.6%

Construction - 0.5%

Tertiary sector - 0.8% growth

Trade - 1.3% growth

Government - 1.1% growth

Finance - 1.9% growth

Personal Services - 1.1% growth

Our biggest export destination - the African continent

From a continental perspective, 29.1% of South African exports by value are delivered to other African countries while 28.9% are sold to Asian importers. South Africa ships another 23.3% to Europe with just 8.3% delivered to destinations in North America.

Sectors contributing to export are diversified chemicals, telecommunications, furniture, cable, industrials conglomerates and pharmaceuticals. Major export companies in South Africa are Sasol, MTN, Steinhoff International, Naspers, Bidvest Group, Aspen Pharmaceuticals and Remgro.

South Africa's total Gross Domestic Product amounted to \$724 billion in 2015. Therefore, exports accounted for about 11.3% of total South African economic output.

For exporting mining companies such as AngloGold Ashanti, and firms with extensive overseas revenue, such as media group Naspers, the weaker currency appears to be an unequivocal positive, boosting profits when overseas earnings are brought home.

Technology

The South African information and communication technologies (ICT) sector is the largest and most advanced in Africa, and is characterised by technology leadership, particularly in the field of mobile software and electronic banking services.

With a network that is 99.9% digital and includes the latest in wireless and satellite communication, the country has the most developed telecoms network in Africa.

South African companies are global leaders in pre-payment, revenue management and fraud prevention systems, and in the manufacture of set-top boxes, all of which are exported successfully to the rest of the world.

The electronics industry has repeatedly demonstrated world-class innovation and production. Investment opportunities lie in the development of access control systems and security equipment, automotive electronic subsystems, systems and software development in the banking and financial services sector, silicon processing for fibre optics, integrated circuits and solar cells. There are also significant opportunities for the export of hardware and associated services, as well as software and peripherals.

Research criteria

How the winners are decided

The *Top500* research methodology has been designed in conjunction with the University of Cape Town's Development Policy Research Unit.

Top500 aims to identify the top five companies in each of the 100 business sectors monitored by Topco Research Department. In order to do so, some measure of the qualities that we consider being characteristic of top companies must be designed in order to rank companies. To be classed as one of South Africa's best companies, we expect companies to excel in three key spheres, namely financial performance, empowerment, and policy and accreditation.

The criteria within financial performance speak to the ideas of top companies being large, growing and productive institutions that are leaders by virtue of their size and dynamism. Financial performance is measured by four indicators: turnover, rate of turnover growth, rand turnover growth, and turnover per employee.

Size is both an indicator and an outcome of whether or not a company is a top company. From the perspective of financial performance, turnover is used to proxy company size and this indicator has a large weight within the measure. The dynamism of top companies is reflected in their ability to expand and grow, and so we include two indicators - one relative, one absolute - of growth in the score sheet. The former indicator is the rate of turnover growth over the year, since top companies are faster-growing, while the latter is the rand value of the turnover growth. Absolute turnover growth is included to account for the fact that top companies' growth should make a large contribution to increased total output. These two indicators have a medium weight within the scoring system. Top companies are more productive than other companies and the final performance indicator, turnover per employee, which has a medium weight, speaks to this characteristic.

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