



**Analysis of the furniture industry (including HS9404: mattress supports; articles of bedding and similar furnishing)**

**08 June 2022**

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## 1. INTRODUCTION

This report provides an analysis of the furniture (manufacturing) industry globally, in Africa and South Africa. The key analysis elements considered include the state of the industry, size, trade, competition and industry trends and strategic opportunities. The document also covers other industries related to furniture such as textiles.

## 2. GENERAL OVERVIEW<sup>1</sup>

The furniture manufacturing sector in South Africa forms part of the country's manufacturing sector and many companies are involved, including vertically integrated players like Bravo Group Manufacturing, Fair Discounters, and KAP Industrial Holdings. According to the South African Furniture Initiative (Safi), a few companies manufacture furniture on a large scale for wholesalers and retailers, but more than 90% of the companies in the furniture manufacturing sector are small to medium-sized enterprises. Furniture manufacturers range from those that use little technology and highly skilled craftsmen to highly mechanised, high-volume manufacturing operations. Companies can be part of a group or independent manufacturers, with some sub-contracting processes such as sanding or turning, while others complete the whole manufacturing process themselves.

Furniture manufactured in South Africa can be classified as:

- Office furniture including seating, desks, executive furniture, and filing and storage furniture
- Household furniture for the domestic retail market such as upholstered furniture
- Mattresses and bed bases
- Hospitality furniture
- Cinema seating
- Outdoor furniture such as patio furniture; and
- Case goods like coffee tables and entertainment centres.

Manufacturers in the industry can operate in the following ways.

- Producing more than one type of furniture.
- Specialising in one category of furniture such as office furniture.
- Producing their own designs or operating under original equipment manufacturer (OEM) agreements such as Sealy mattresses.

### 2.1 Value Chain

Suppliers to manufacturers of furniture include:

- Companies supplying inputs such as wood, particle board, fabricated metal products, textile fabrics, leather, plastic products, paint, springs and glass
- Water and electricity suppliers; and
- Suppliers of equipment, consumables and freight transport.

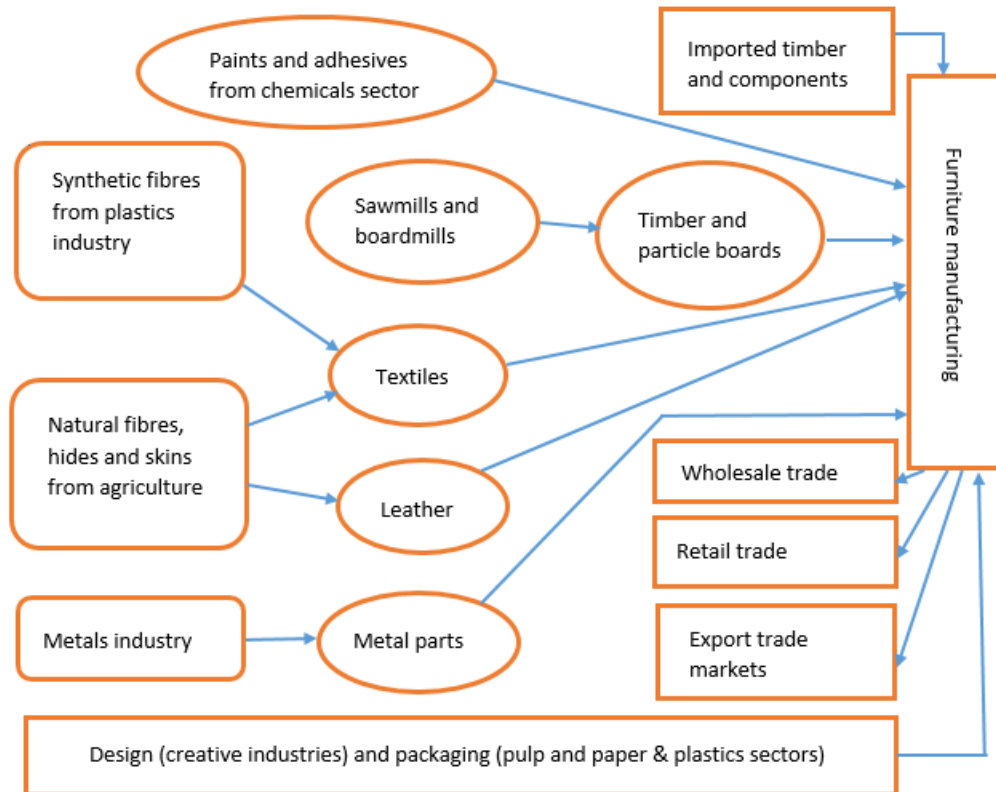
Wood is supplied by agents, importers, merchants and sawmills. The most common types of wood used are:

- South African and Oregon pine
- Oak
- African teak
- Rubber wood; and
- Mahogany.

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<sup>1</sup> WhoOwnsWhom, 2021

**FIGURE 1: THE VALUE CHAIN FOR THE MANUFACTURING SECTOR (SOUTH AFRICA)**



Source: WhoOwnsWhom, 2022

Animal hides used in furniture manufacturing are supplied by tanneries, merchants and importers, and the hides of Nguni and other cattle breeds, zebra, springbok, wildebeest, buffalo and oryx are most commonly used. Some furniture manufacturers assemble furniture from imported or locally sourced components, while others use components they produce themselves. A few of the large furniture manufacturers, for example KAP, have vertically integrated supply chains. PG Bison, a supplier of input materials such as medium-density fibreboard, is a subsidiary of KAP, while logistics and transport services are provided by Unitrans Supply Chain Solutions, another subsidiary of the company. Another large manufacturer, Bravo, owns a fleet of about 100 vehicles used for the transportation of its products.

Fair Discounters manufactures furniture that is sold exclusively by its network of retail stores. Furniture manufacturers sell their products directly to the public, corporate clients, architects, interior designers and government entities, or they supply independent or chain wholesale and retail operations. Bravo, for example, sells to major furniture retailers such as JD Group, Shoprite, Lewis Stores and independent retailers and export customers, as well as to hospitality groups such as the Hyatt, Protea, and City Lodge hotel chains. The government issues most tenders for and is the largest buyer of furniture.

### 3. ANALYSIS OF INDUSTRY – SOUTH AFRICA<sup>2</sup>

#### 3.1 State of the local industry

South Africa is experiencing tough economic conditions, with consumer spending patterns reflecting the economic downturn caused by the impact of the pandemic, as spending is focused on essential items. According to Safi, the furniture manufacturing sector has been shrinking for more than two decades, with local demand for furniture declining by 23% and exports of furniture dropping by 46% between 2002 and 2018.

South Africa's furniture manufacturing industry is negatively affected by the following factors.

- The impact of the coronavirus pandemic.
- Low levels of capital investment.
- Competition from cheap imports.
- Inadequate design expertise.
- Insufficient research and development.
- Low consumer expenditure.
- Inadequate investment in skills development.
- High input costs, particularly raw materials, transport, labour, water and electricity

According to the latest Industrial Policy Action Plan (Ipap), another challenge facing manufacturers is the fact that the large furniture retailers collectively have an 80% share of the local market. This provides them with huge bargaining power with manufacturers, which leads to lower producer prices. Small, medium and micro enterprises (SMEs) in the furniture manufacturing sector find it difficult to supply the very large quantities required by these large retailers. Other challenges faced by SMEs are limited access to information, inadequate business premises, limited access to high-tech machinery and equipment and difficult market conditions.

#### 3.2 Size of the industry

- There were 78, 546 people were employed in the manufacture of furniture in 2020.
- The furniture manufacturing sector contributed about 1.20% to manufacturing GDP in 2020
- According to Trade Map, South Africa exported furniture to the value of ZAR4.96bn in 2021.
- The latest available figures from Stats SA indicate the furniture manufacturing sector had an estimated turnover of ZAR21.84bnbn in the first quarter of 2020.<sup>3</sup>
- In each of June, July and August 2020, retail furniture sales grew by more than 10% year-on-year after furniture retailers had been closed for eight weeks due to the lockdown.
- Utilisation of production capacity for the manufacture of furniture stood at 77.8% in August 2020, Stats SA's latest Manufacturing: Utilisation of Production Capacity by Large Enterprises report shows. The 22.2% underutilisation consisted of: insufficient demand 17.3%, shortage of raw materials 2.9%, and shortage of skilled labour 2.0%. The utilisation level was 42.5% in May 2020, while the average for 2019 was 82.4%.
- The volume of furniture produced decreased by 8.6% between November 2019 and November 2020, while the sales value of these products at current prices declined by 10% over the same period, according to the latest Stats SA Manufacturing: Production and Sales report. For November 2020, the seasonally adjusted index of these products' production volumes had a value of 74.9 (2015=100). The seasonally adjusted sales value at current prices of these products was R1.2bn in November 2020, unchanged from the previous month.
- Most of Safi's 2,200 members are small to medium-sized companies.

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<sup>2</sup> WhoOwnsWhom, 2021

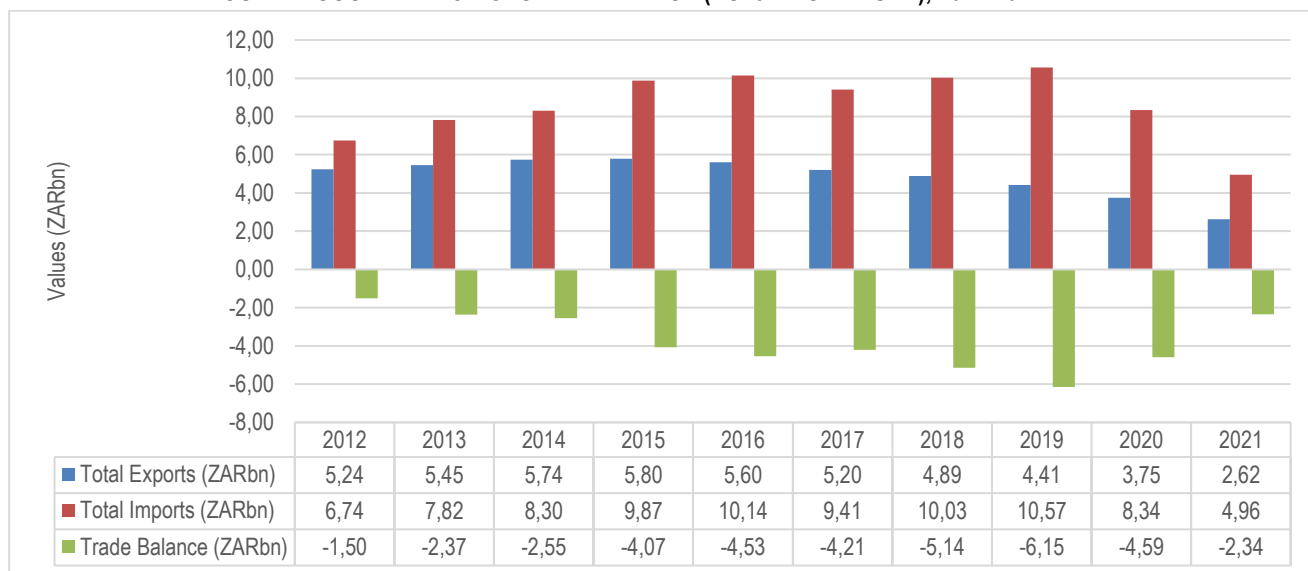
<sup>3</sup> NOTE: Seasonally adjusted manufacturing sales at current prices

### 3.3 Trade

South Africa's global trade of furniture for the period 2012 to 2021 is shown below.

In 2021, South Africa's furniture export receipts stood at ZAR2.62bn, a decline of 30.13% from the 2020 figure of ZAR3.75bn. In a similar manner, associated import costs decreased by 40.53% in 2021 (to a value of ZAR4.96bn) from the 2020 value of ZAR8.34bn.

**FIGURE 2: SOUTH AFRICA GLOBAL TRADE OF (HST94: FURNITURE), 2012-2021**



Source: Quantec, 2022

#### Key Trade Markets

In terms of key trade markets for South Africa's furniture, Botswana was the leading destination market at a value of ZAR545.81m in 2021. While China took the number one position as the top source market for the country's furniture imports at a value of ZAR3265.56m.

**TABLE 1: SOUTH AFRICA - TOP TRADE MARKETS (HST94: FURNITURE), 2021**

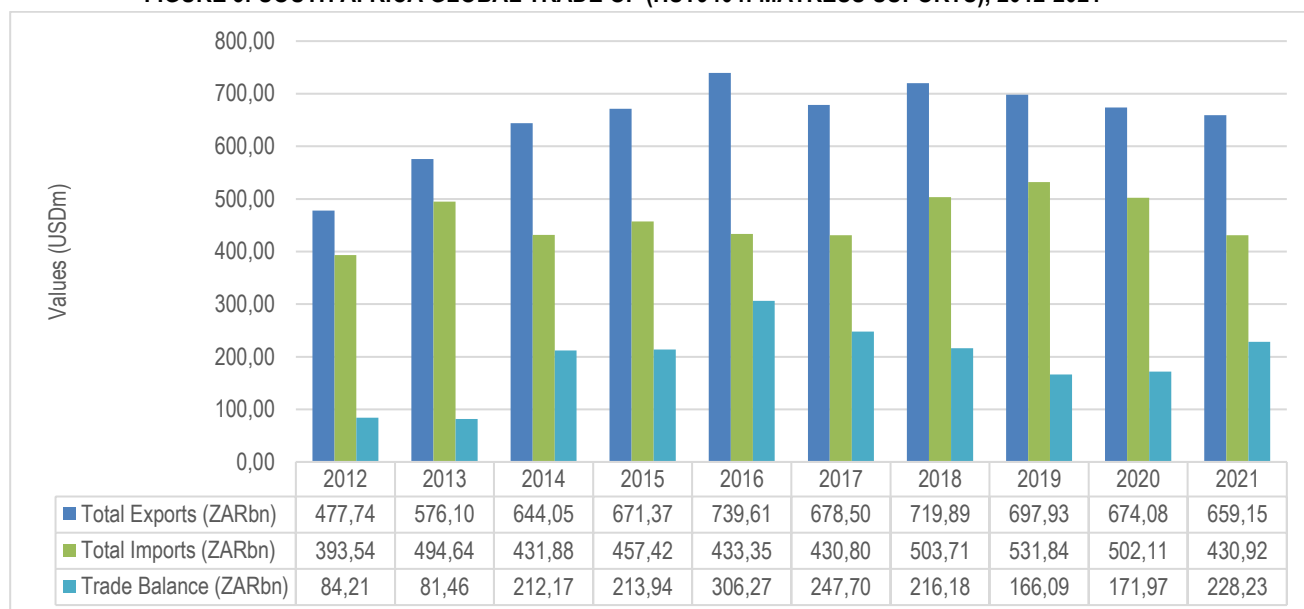
| RANK          | DESTINATION MARKETS              | VALUE 2021 (ZARm) | RANK          | SOURCE MARKETS | VALUE 2021 (ZARm) |
|---------------|----------------------------------|-------------------|---------------|----------------|-------------------|
| 1             | Botswana                         | 545,81            | 1             | China          | 3265,56           |
| 2             | Namibia                          | 454,40            | 2             | Germany        | 227,06            |
| 3             | Zambia                           | 220,23            | 3             | Italy          | 194,47            |
| 4             | Mozambique                       | 164,34            | 4             | Spain          | 169,29            |
| 5             | Lesotho                          | 162,50            | 5             | United States  | 145,84            |
| 6             | Swaziland                        | 146,31            | 6             | India          | 76,43             |
| 7             | United States                    | 134,34            | 7             | United Kingdom | 74,10             |
| 8             | Zimbabwe                         | 128,00            | 8             | Poland         | 65,05             |
| 9             | Democratic Republic of the Congo | 91,08             | 9             | Turkey         | 57,96             |
| 10            | DE: Germany                      | 53,20             | 10            | Indonesia      | 57,60             |
| TOTAL EXPORTS |                                  | 2619,54           | TOTAL IMPORTS |                | 4960,68           |

Source: Quantec, 2022

While South Africa is a net importer of furniture, it is a net exporter of mattress supports as shown in figure 3 below. **HST9404: mattress supports; articles of bedding and similar furnishing** is a sub-category of furniture manufacturing. In terms of total furniture exports, the category represents 25% of total furniture exports.

In 2021, South Africa exported mattress supports to the value of ZAR659.15m, declining by 2.21% from the 2020 figure of ZAR674.08. The associated import costs decreased by 14.18% in 2021 to a value of ZAR430.92m, from ZAR502.1 in 2020.

**FIGURE 3: SOUTH AFRICA GLOBAL TRADE OF (HST9404: MATTRESS SUPORTS), 2012-2021**



Source: Quantec, 2022

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## Key Trade Markets

Similar to the furniture exports, Botswana was also the leading destination market for South Africa's exports of mattress supports in 2021, exporting to the value of ZAR230.99m. The same for China, also taking the number one position as the top source market for South Africa's imports of mattress supports at a value of ZAR295.99m.

**TABLE 2: SOUTH AFRICA - TOP TRADE MARKETS (HST9404: MATTRESS SUPORTS), 2021**

| RANK          | DESTINATION MARKETS | VALUE 2021 (ZARm) | RANK          | SOURCE MARKETS | VALUE 2021 (ZARm) |
|---------------|---------------------|-------------------|---------------|----------------|-------------------|
| 1             | Botswana            | 230,99            | 1             | China          | 295,99            |
| 2             | Namibia             | 133,68            | 2             | Pakistan       | 51,22             |
| 3             | Lesotho             | 76,35             | 3             | India          | 20,50             |
| 4             | Zambia              | 44,50             | 4             | Denmark        | 17,56             |
| 5             | Swaziland           | 38,27             | 5             | Germany        | 11,73             |
| 6             | Mozambique          | 34,29             | 6             | Italy          | 4,76              |
| 7             | Zimbabwe            | 24,47             | 7             | United Kingdom | 4,36              |
| 8             | United States       | 15,01             | 8             | Netherlands    | 3,31              |
| 9             | Malawi              | 14,71             | 9             | United States  | 2,70              |
| 10            | Kenya               | 5,82              | 10            | Turkey         | 1,62              |
| TOTAL EXPORTS |                     | 659,15            | TOTAL IMPORTS |                | 430,92            |

Source: Quantec, 2022

Table 3 below shows South Africa's export of various categories of HST9404: mattress supports in 2021. HST940490<sup>4</sup> was the largest category of mattress supports, representing a share of 35.43% of exports in the year.

**TABLE 3: SOUTH AFRICA EXPORTS OF VARIOUS CATEGORIES OF HS9404, 2021**

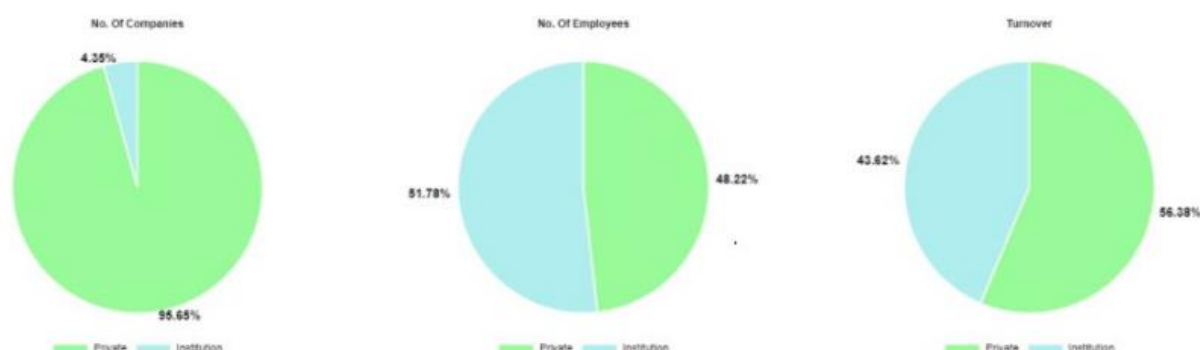
| RANK                                                                                                                                                       | HS CODE                                                              | EXPORTED VALUE 2021 (ZARm) | % SHARE, 2021  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------|----------------|
| 1                                                                                                                                                          | HST940490: - Other                                                   | 233,53                     | 35,43%         |
| 2                                                                                                                                                          | HST940429: -- Of other materials                                     | 202,18                     | 30,67%         |
| 3                                                                                                                                                          | HST940410: - Mattress supports                                       | 201,10                     | 30,51%         |
| 4                                                                                                                                                          | HST940421: -- Of cellular rubber or plastics, whether or not covered | 16,06                      | 2,44%          |
| 5                                                                                                                                                          | HST940430: - Sleeping bags                                           | 6,29                       | 0,95%          |
| <b>HST9404: Mattress supports; articles of bedding and similar furnishing (for example, mattresses, quilts, eiderdowns, cushions, pouffes and pillows)</b> |                                                                      | <b>659,15</b>              | <b>100,00%</b> |

Source: Quantec, 2022

### 3.4 Competitive analysis<sup>5</sup>

Large furniture retailers collectively have a significant share of the local market (as shown in figure 4 below), giving them huge bargaining power with manufacturers, which leads to lower producer prices, making it difficult for SMEs to compete. South African manufacturers compete with each other for business in a shrinking local market and also compete against international companies in the local and export markets. There are a high level of imports and competition from China in regional export markets.

**FIGURE 4: OWNERSHIP ANALYSIS OF THE INDUSTRY**



Source: WhoOwnsWhom, 2022

### Major Players

- Major manufacturers of furniture include Bidvest Branded Products Holdings, Bravo, Fair Discounters and KAP.
- Bravo, Africa's largest furniture manufacturer, has seven manufacturing plants in Johannesburg, Cape Town and Durban that employ about 3,400 people. Its Bravo Lounge division produces 45,000 pieces of furniture per month.
- According to KAP's latest annual report, it produces more than 700,000 bedding units annually, making it the second-largest manufacturer of branded mattresses in southern Africa, after Bravo. The company manufactures

<sup>4</sup> HST940490 - "Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled with any material or of cellular rubber or plastics (excl. mattress supports, mattresses, sleeping bags, pneumatic or water mattresses, blankets, covers, quilts, bedspreads, eiderdowns and duvets ""comforters"")"

<sup>5</sup> WhoOwnsWhom, 2022

mattresses in Johannesburg, Cape Town, Durban and Port Elizabeth, with 90% of the components used in the production of its beds manufactured internally.

## Barriers to Entry

Barriers to entry into furniture manufacturing include:

- Difficulty sourcing raw materials such as wood, as a new entrant would have to compete with large manufacturers for a supply of raw materials.
- The shortage of higher-skilled workers.
- Access to funding needed to procure the equipment, material and facilities required to start a furniture manufacturing business is a barrier to entry for SMEs; and
- SMEs are unable to supply large furniture retailers, which collectively have an 80% share of the local market, due to the very large quantities required.

## 3.4 SWOT analysis

**FIGURE 5: SWOT ANALYSIS (FURNITURE INDUSTRY)**

| STRENGTHS                                                                                                                                                                                                                                                       | WEAKNESSES                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• The furniture manufacturing sector is well-established and able to fully supply domestic demand.</li> <li>• Raw materials used are available in South Africa.</li> <li>• Government support for the sector.</li> </ul> | <ul style="list-style-type: none"> <li>• A shortage of higher-skilled employees.</li> <li>• Declining investment in capital equipment.</li> <li>• Insufficient research and development.</li> <li>• Little design improvement or new product development.</li> <li>• Inadequate investment in skills development.</li> </ul> |
| OPPORTUNITIES                                                                                                                                                                                                                                                   | THREATS                                                                                                                                                                                                                                                                                                                      |
| <ul style="list-style-type: none"> <li>• The designation of furniture for procurement by state entities.</li> <li>• Productivity SA's Business Turnaround and Recovery programme is available to struggling companies.</li> </ul>                               | <ul style="list-style-type: none"> <li>• Depressed domestic demand due to the impact of the coronavirus pandemic and weak economic conditions.</li> <li>• Increasing cost of electricity, water, raw materials, transport and labour.</li> <li>• Competition from imports.</li> </ul>                                        |
| OUTLOOK                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                              |

Source: *WhoOwnsWhom*, 2022

## 3.6 Opportunities for SMEs<sup>6</sup>

According to the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M Seta), because furniture manufacturing is one of the most labour-intensive sectors, the development of SMEs in the sector has a considerable impact in terms of job creation. The Furniture Technology Centre Trust (Furntech) is the only centre of excellence for the furniture manufacturing sector in South Africa and focuses on business incubation and skills development. Furntech is supported by the DTIC's Small Enterprise Development Agency and operates from nine centres nationwide. The organisation offers support to SMEs by providing incubation facilities to assist them through the early stages of developing and growing their businesses. According to Furntech's website, 710 SMEs have been supported to date.

## 3.7 Outlook

It is predicted that most companies will do away with large offices as their employees continue to work from home, affecting the type and amount of office furniture that will be needed. Lori Gee, vice-president of workplace performance services at US office furniture manufacturer Herman Miller, said the company is developing furniture suited for small satellite offices. Robyn Self, owner of interior design company Plan-It Design, believes South African companies' furniture budgets are going to continue on

<sup>6</sup> *WhoOwnsWhom*, 2022

the downward trend that started a few years ago, while financial columnist Chris Gilmour forecast that demand from the hospitality sector will be lower due to a drop in local and international tourism caused by the lockdown.

Gilmour also believes demand for residential furniture will be lower as consumers cut discretionary spending when their disposable income is reduced by the effects of the lockdown. However, Yanni Vosloo, merchandise director at retailer MRP Home, and Chris Swart, head of business for retailer @Home, believe there are opportunities in the upper Living Standards Measure market for quality solid wood furniture, while melamine and board furniture will continue to be in demand in the lower market segments. Manufacturer KAP Industrial Holdings predicts the demand for beds will remain strong, as it is a necessary piece of furniture.

#### 4. ANALYSIS OF INDUSTRY – AFRICA

In 2021 the Africa continent exported mattress supports worth USD70.39m as shown in table 4 below. With a share of 63.52%, South Africa was the largest exporter of furniture from the African region for the year at a value of USD44.71m. Followed by Egypt (USD7.36m) and Tunisia (USD4.73m).

South African furniture manufacturers are involved in the following countries in the rest of Africa.

- Bravo operates assembly plants in Namibia, Tanzania and Zimbabwe.
- KAP operates a factory in Namibia.

**TABLE 4: AFRICA TOP EXPORTERS OF (HS9404: MATTRESS SUPPORTS), 2021**

| RANK                 | COUNTRY                      | EXPORTED VALUE 2021 (USDm) | % SHARE, 2021  |
|----------------------|------------------------------|----------------------------|----------------|
| 1                    | South Africa                 | 44,71                      | 63,52%         |
| 2                    | Egypt                        | 7,36                       | 10,46%         |
| 3                    | Tunisia                      | 4,73                       | 6,72%          |
| 4                    | Morocco                      | 3,71                       | 5,27%          |
| 5                    | Senegal                      | 2,91                       | 4,13%          |
| 6                    | Tanzania, United Republic of | 1,86                       | 2,64%          |
| 7                    | Togo                         | 0,87                       | 1,24%          |
| 8                    | Kenya                        | 0,76                       | 1,08%          |
| 9                    | Mauritius                    | 0,76                       | 1,08%          |
| 10                   | Ethiopia                     | 0,65                       | 0,92%          |
| <b>TOTAL EXPORTS</b> |                              | <b>70,39</b>               | <b>100,00%</b> |

Source: Trademap, 2022

The African continent imported mattress supports to the value of USD213.09m in 2021. South Africa was also the largest importer of this product in 2021, with a share of 13.74%, the country imported goods to the value of USD29.28m. It was followed by Morocco (USD18.00m) and Botswana (USD16.12m)

**TABLE 5: AFRICA TOP IMPORTERS (HS9404: MATTRESS SUPPORT), 2021**

| RANK | COUNTRY         | IMPORTED VALUE 2021 (USDm) | % SHARE, 2021 |
|------|-----------------|----------------------------|---------------|
| 1    | South Africa    | 29,28                      | 13,74%        |
| 2    | Morocco         | 18,00                      | 8,45%         |
| 3    | Botswana        | 16,12                      | 7,56%         |
| 4    | Libya, State of | 15,69                      | 7,36%         |
| 5    | Egypt           | 11,04                      | 5,18%         |

|                      |          |               |                |
|----------------------|----------|---------------|----------------|
| 6                    | Algeria  | 10,49         | 4,92%          |
| 7                    | Ghana    | 10,22         | 4,79%          |
| 8                    | Namibia  | 9,69          | 4,55%          |
| 9                    | Guinea   | 6,02          | 2,82%          |
| 10                   | Cameroon | 5,38          | 2,52%          |
| <b>TOTAL EXPORTS</b> |          | <b>213,09</b> | <b>100,00%</b> |

Source: Trademap, 2022

## 5. ANALYSIS OF INDUSTRY – GLOBALLY<sup>7</sup>

Some of the world's largest furniture manufacturers are IKEA, HNI Corporation, Steelcase, Ashley Furniture Industries, Herman Miller, Flokk Group and Okamura. According to a survey conducted in April 2020, 52% of employees in the United States (US) said they were 'always working from home to avoid catching or spreading the coronavirus', while 18% were 'sometimes working from home'. In a later survey, 50% of the respondents said they would like to work from home permanently. Steelcase, the largest office furniture manufacturer in the US, and Herman Miller, the second-largest producer, both experienced significant sales declines for the three months to end-May 2020, for the following reasons.

- Their operations were set up to supply large quantities of furniture at a time to companies, not single pieces to individual homes.
- Their products were aimed at corporate buyers, not individuals looking for small, inexpensive pieces.

These companies are adapting to the new trend by expanding their online ranges and developing more products for home offices. People buying home office desks typically want a piece that fits into a box that can be delivered by a courier service and is easy to assemble.

### Statistics

- The value of wooden furniture produced in the European Union (EU) and the United Kingdom (UK) in 2019 was EUR42.5bn, 1.4% less than in 2018. Wooden furniture worth EUR40.4bn was sold in the EU and UK in 2019, 0.6% more than in 2018, while only 13.6% of the furniture sold in 2019 had been imported.
- The global furniture market had estimated revenues of USD509.8bn in 2020.

### Trade

Mattress supports to the value of USD22.08bn were exported globally in 2021, with the largest exporters being China, Poland, India and Germany, as shown in Table 6 below.

South Africa represented only 0.20% of global mattress supports exports in 2021 at a value of USD44.71m.

**TABLE 6: TOP GLOBAL EXPORTERS OF (HS9404: MATTRESS SUPPORTS), 2021**

| RANK | COUNTRY                  | EXPORTED VALUE<br>2021 (USDm) | % SHARE, 2021 |
|------|--------------------------|-------------------------------|---------------|
| 1    | China                    | 10137,81                      | 45,92%        |
| 2    | Poland                   | 1561,05                       | 7,07%         |
| 3    | India                    | 815,87                        | 3,70%         |
| 4    | Germany                  | 773,84                        | 3,50%         |
| 5    | Mexico                   | 532,24                        | 2,41%         |
| 6    | United States of America | 508,46                        | 2,30%         |

<sup>7</sup> WhoOwnsWhom, 2021

|                      |              |                 |                |
|----------------------|--------------|-----------------|----------------|
| 7                    | Netherlands  | 481,44          | 2,18%          |
| 8                    | Belgium      | 472,03          | 2,14%          |
| 9                    | Turkey       | 459,73          | 2,08%          |
| 10                   | Spain        | 440,48          | 2,00%          |
| 41                   | South Africa | 44,71           | 0,20%          |
| <b>TOTAL EXPORTS</b> |              | <b>22078,34</b> | <b>100,00%</b> |

Source: Trademap, 2022

The United States was the largest importer of furniture in 2021, or should this read 2021 followed by Japan, Germany and France, as shown in Table 7.

South Africa represented only 0.14% of global mattress supports imports in 2021 at a value of USD29.28m.

**TABLE 7: TOP GLOBAL IMPORTERS OF (HS9404: MATTRESS SUPPORTS), 2021**

| RANK                 | COUNTRY                  | IMPORTED VALUE 2021 (USDm) | % SHARE, 2021  |
|----------------------|--------------------------|----------------------------|----------------|
| 1                    | United States of America | 6059,00                    | 28,48%         |
| 2                    | Japan                    | 1524,06                    | 7,16%          |
| 3                    | Germany                  | 1511,96                    | 7,11%          |
| 4                    | France                   | 970,66                     | 4,56%          |
| 5                    | United Kingdom           | 827,64                     | 3,89%          |
| 6                    | Netherlands              | 759,50                     | 3,57%          |
| 7                    | Canada                   | 704,49                     | 3,31%          |
| 8                    | Australia                | 569,93                     | 2,68%          |
| 9                    | Korea, Republic of       | 543,24                     | 2,55%          |
| 10                   | Spain                    | 428,22                     | 2,01%          |
| 57                   | South Africa             | 29,28                      | 0,14%          |
| <b>TOTAL EXPORTS</b> |                          | <b>21276,43</b>            | <b>100,00%</b> |

Source: Trademap, 2022

## 6. RETAIL (FURNITURE AND APPLIANCES)<sup>8</sup>

The **furniture and appliance retail** industry is one of South Africa's smallest retail sectors, contributing 4.4% of total retail sales in 2020, down from 6.7% in 2010. In 2020 and early 2021, sales in the segment recorded strong growth, growing 17.5% between January and March 2021 over the same period in 2020, as customers, many of whom were stuck at home during the lockdown, stocked up on appliances and furniture. However, following the onset of the third wave of the pandemic, unrest in July and supply constraints, sales in the sector contracted in June, July and August 2021, by an average of 7.5% over the same period in 2020. The outlook for the sector remains uncertain given the pandemic and supply challenges.

### 6.1 Description

The South African furniture and appliance retail industry comprises chain store furniture and appliance retailers, mass discount retailers, independent retailers, and online/catalogue-based retailers. Furniture is also sold in showrooms by furniture manufacturers or small furniture factories. There is also a lively second-hand trade, and the more niche antique market.

The Department of Trade, Industry and Competition (DTIC) notes in the Masterplan for the South African Furniture Industry, launched in April 2021, that the premium market is well served by a large number of corporate, independent, and niche retailers. It says the mid-level market is the largest segment, while the lower end has grown significantly over the past decade and has

<sup>8</sup> WhoOwnsWhom, 2021

seen a proliferation of independent retailers with local or regional, rather than national footprints. Informal retail sales have also risen, it says, without providing figures.

### **6.5 Size of industry**

- The furniture and appliance retail industry is one of South Africa's smallest retail sectors, contributing 4.4% (ZAR47.3bn) of total retail sales in 2020, down from 6.7% in 2010.
- Retail sales of household furniture, appliances and equipment fell 3.7% to ZAR47.3bn in 2020 from ZAR49.1bn in 2019. Total retail sales fell 4.3% to ZAR1.06tn in 2020.
- Retail sales in the furniture and appliances segment grew at about 2.2% a year between 2010 (ZAR40.9bn) and 2019. Total retail sales (at current sales) grew by an average of 9.2% a year to ZAR1.1tn in 2019 from ZAR608bn in 2010.
- Sales recovered strongly in 2021, growing 22.4% to ZAR33.3bn from January to August 2021, up from ZAR27.2bn in the same period in 2020 and 10.3% higher than the same period in 2019 (ZAR30.2bn). Growth in the segment outpaced growth in total retail sales of 12% to ZAR731.9bn from ZAR653.6bn in 2020, and 4.4% in 2021 over the same period in 2019 (ZAR701.2bn).

### **6.5 Barriers to Entry**

The following are barriers to entry.

- Competing against established players with established brands may lead to higher advertising and promotion costs for product differentiation
- The industry is a high volume, low margin industry which requires enough initial capital investment to acquire or manufacture adequate stock for customers
- Sourcing well-priced merchandise suited to the target market
- Establishing efficient and fast channels of distribution. Transport costs are high and players usually have extensive distribution networks
- New entrants have to build relationships with suppliers and customers, competing with other players who have existing supply chain relationships and an entrenched market position
- Lack of buying power of individual stores influences competitive pricing of products
- High capital investment for sufficient stock
- Difficulty acquiring a suitable site for a store
- Licensing as a second-hand trader; and
- Employing and retaining experienced and knowledgeable staff.

## 6.4 SWOT Analysis

FIGURE 6: SWOT ANALYSIS (FURNITURE INDUSTRY)

| Strengths                                                                                                                                                                                                                                                                                                                                   | Weaknesses                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>◆ Large retail chains with diversified brand portfolios.</li> <li>◆ Supply chain transformation has led to strong distribution networks and fast delivery.</li> <li>◆ Furniture manufacturing industry has government support.</li> <li>◆ Growth in the social housing market.</li> </ul>            | <ul style="list-style-type: none"> <li>◆ Capping of credit life insurance rates by the National Credit Regulator means the industry can no longer rely on this avenue for revenue.</li> <li>◆ Low profit margins and the need for low-cost products.</li> <li>◆ Heavily dependent on economic conditions.</li> <li>◆ Many large furniture manufacturers have shutdown, meaning retailers must often battle to get smaller manufacturers to supply products.</li> </ul> |
| Opportunities                                                                                                                                                                                                                                                                                                                               | Threats                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <ul style="list-style-type: none"> <li>◆ Expansion into other African countries in the region, particularly those with large, rapidly-urbanising populations.</li> <li>◆ Development of platforms for online browsing and ordering.</li> <li>◆ Smartphone and internet growth offers opportunities for online shopping, low-cost</li> </ul> | <ul style="list-style-type: none"> <li>◆ The pandemic, which has put consumer spending under pressure and led to an increase in unemployment.</li> <li>◆ Increasing cost of electricity, raw materials, transport and labour.</li> <li>◆ Furniture's share of consumer spending is declining.</li> </ul>                                                                                                                                                               |
| <ul style="list-style-type: none"> <li>◆ marketing and promotion, brand strengthening and market research and e-stores.</li> <li>◆ Appliance manufacturers are opening new factories in South Africa and might require assistance running their own appliance-branded retail stores.</li> </ul>                                             | <ul style="list-style-type: none"> <li>◆ Exchange rate depreciation leading to increase in price of goods.</li> <li>◆ Carbon tax, which will include scope 2 emissions from 1 January 2023.</li> </ul>                                                                                                                                                                                                                                                                 |

Source: WhoOwnsWhom, 2022

## 6.5 Outlook

The economic outlook for South Africa remains uncertain. Sales of furniture and home appliances have declined in recent months, affected by the third wave of the pandemic, supply constraints and the unrest in July. While the Lewis Group reported that sales surged into the new financial year since end-March as customers' credit health reached a multi-year high, but it expects trading conditions to become more challenging. The discontinuation of the COVID-19 Social Relief of Distress grant, which came to an end in April 2021, could place further pressure on lower income customers. Shoprite said furniture sales were affected by the unrest in July 2021 and the high post lockdown base in Q1 2021. HomeChoice said the acceleration of the vaccine rollout is expected to provide relief to the country and support growth in GDP, and there are early indications of improvements in South African consumer credit health (WhoOwnsWhom, 2022).

## 7. OTHER TEXTILES

The table below presents South Africa's global exports of "other made-up textiles articles" products in 2021. *Tarpaulins, awnings and sunblind's; tents; sails for boats, sailboards or land craft; camping goods* were the largest category in South Africa's export basket of other made-up textiles articles in 2021, at value of ZAR861.05m

**TABLE 8: SOUTH AFRICA EXPORTS OF (HST63: OTHER MADE-UP TEXTILES ARTICLES), 2021**

| RANK                                                                                              | HS CODE                                                                                                                                                                                                                         | EXPORTED<br>VALUE 2021<br>(ZARm) | % SHARE, 2021  |
|---------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------|
| 1                                                                                                 | HST6306: Tarpaulins, awnings and sunblinds; tents; sails for boats, sailboards or landcraft; camping goods                                                                                                                      | 861,05                           | 34,47%         |
| 2                                                                                                 | HST6305: Sacks and bags, of a kind used for the packing of goods                                                                                                                                                                | 521,29                           | 20,87%         |
| 3                                                                                                 | HST6307: Other made-up articles, including dress patterns                                                                                                                                                                       | 402,60                           | 16,12%         |
| 4                                                                                                 | HST6302: Bed linen, table linen, toilet linen and kitchen linen                                                                                                                                                                 | 290,91                           | 11,65%         |
| 5                                                                                                 | HST6301: Blankets and travelling rugs                                                                                                                                                                                           | 194,33                           | 7,78%          |
| 6                                                                                                 | HST6303: Curtains (including drapes) and interior blinds; curtain or bed valances                                                                                                                                               | 103,88                           | 4,16%          |
| 7                                                                                                 | HST6304: Other furnishing articles, excluding those of heading 94.04                                                                                                                                                            | 71,54                            | 2,86%          |
| 8                                                                                                 | HST6309: Worn clothing and other worn articles                                                                                                                                                                                  | 34,37                            | 1,38%          |
| 9                                                                                                 | HST6310: Used or new rags, scrap twine, cordage, rope and cables and worn-out articles of twine, cordage, rope or cables, of textile materials                                                                                  | 17,17                            | 0,69%          |
| 10                                                                                                | HST6308: Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs, tapestries, embroidered tablecloths or serviettes, or similar textile articles, put up in packings for retail sale | 1,04                             | 0,04%          |
| <b>HST63: Other made-up textile articles; sets; worn clothing and worn textile articles; rags</b> |                                                                                                                                                                                                                                 | <b>2498,17</b>                   | <b>100,00%</b> |

Source: Quantec, 2022

South Africa's global exports of carpets and other textiles floor coverings in 2021 are shown in the table below. *Carpets and other textile floor coverings, tufted, whether or not made up* were the largest category of South Africa's export basket of carpets and other textile floor coverings, tufted, whether or not made up in 2021, at value of ZAR249.95m.

**TABLE 9: SOUTH AFRICA EXPORTS OF (HST57: CARPETS AND OTHER TEXTILE FLOOR COVERINGS), 2021**

| RANK                                                    | HS CODE                                                                                                                                                                           | EXPORTED<br>VALUE 2021<br>(ZARm) | % SHARE, 2021  |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------|
| 1                                                       | HST5703: Carpets and other textile floor coverings, tufted, whether or not made up                                                                                                | 249,95                           | 57,13%         |
| 2                                                       | HST5702: Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs | 119,91                           | 27,41%         |
| 3                                                       | HST5705: Other carpets and other textile floor coverings, whether or not made up                                                                                                  | 31,16                            | 7,12%          |
| 4                                                       | HST5701: Carpets and other textile floor coverings, knotted, whether or not made up                                                                                               | 22,18                            | 5,07%          |
| 5                                                       | HST5704: Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up                                                                        | 14,34                            | 3,28%          |
| <b>HST57: Carpets and other textile floor coverings</b> |                                                                                                                                                                                   | <b>437,54</b>                    | <b>100,00%</b> |

Source: Quantec, 2022

## I. APPENDIX

FIGURE 7: TOP FURNITURE MANUFACTURERS IN SOUTH AFRICA

| Company                                          | Revenue               | Bed bases /<br>Mattresses | Household<br>Furniture | Office<br>Furniture | Metal<br>Furniture | Employees<br>(Est.) | Factories /<br>Production p.a.                                   | Shareholder<br>Type |
|--------------------------------------------------|-----------------------|---------------------------|------------------------|---------------------|--------------------|---------------------|------------------------------------------------------------------|---------------------|
| <b>Gauteng</b>                                   |                       |                           |                        |                     |                    |                     |                                                                  |                     |
| Angel Shack Trading and<br>Investments (Pty) Ltd |                       |                           |                        | X                   |                    | 55                  | 1                                                                | Private             |
| Barker Street Office Furniture<br>(Pty) Ltd      |                       |                           |                        | X                   |                    | 28                  | 1                                                                | Private             |
| Bidvest Branded Products<br>Holdings (Pty) Ltd   | R17,327.34m<br>(2020) |                           |                        | X                   |                    | 9,458               |                                                                  | Private             |
| Bravo Group Manufacturing<br>(Pty) Ltd           |                       | X                         | X                      |                     |                    | 2,651               | 7<br>540,000 lounge<br>pieces                                    | Private             |
| Buraaq Beds CC                                   |                       | X                         |                        |                     |                    | 65                  | 1                                                                | Private             |
| City Office (Pty) Ltd                            |                       |                           |                        | X                   | X                  | 300                 | 1<br>312,000 chairs<br>130,000 desks<br>260,000 hospital<br>beds | Private             |
| Fair Discounters (Pty) Ltd<br>t/a Fair Price     |                       |                           | X                      |                     |                    | 1,000<br>(Group)    | 1                                                                | Private             |
| Geo Cloud (Pty) Ltd                              |                       |                           |                        | X                   |                    | 88                  | 1                                                                | Private             |
| Pilot Furniture Manufacturers<br>(Pty) Ltd       |                       |                           | X                      |                     |                    | 400                 | 1                                                                | Private             |
| Quality Bedding (Pty) Ltd                        |                       | X                         |                        |                     |                    | 100                 | 1                                                                | Private             |
| Ukhuni Business Furniture<br>(Pty) Ltd           |                       |                           |                        | X                   |                    | 336                 | 1                                                                | Private             |

| Company                                                                  | Revenue                                                | Bed bases /<br>Mattresses | Household<br>Furniture | Office<br>Furniture | Metal<br>Furniture | Employees<br>(Est.) | Factories /<br>Production p.a.                                         | Shareholder<br>Type |
|--------------------------------------------------------------------------|--------------------------------------------------------|---------------------------|------------------------|---------------------|--------------------|---------------------|------------------------------------------------------------------------|---------------------|
| <b>KwaZulu-Natal</b>                                                     |                                                        |                           |                        |                     |                    |                     |                                                                        |                     |
| Kiran Sales (Pty) Ltd<br>t/a Lylax Bedding                               |                                                        | X                         |                        |                     |                    | 220                 | 1                                                                      | Private             |
| Simmons SA (Pty) Ltd                                                     | R108.0m<br>(2020)                                      | X                         |                        |                     |                    | 90                  | 1                                                                      | Private             |
| <b>Western Cape</b>                                                      |                                                        |                           |                        |                     |                    |                     |                                                                        |                     |
| Brothers Beds and Bedding CC                                             |                                                        | X                         | X                      |                     |                    | 100                 | 1                                                                      | Private             |
| Fechters Furniture<br>Manufacturers (Pty) Ltd                            |                                                        |                           |                        |                     |                    | 40                  | 1                                                                      | Private             |
| KAP Industrial Holdings Ltd                                              | R22,226.0m<br>(2020)<br>(R18,590.0m -<br>South Africa) | X                         |                        |                     |                    | 19,579<br>(Group)   | 5<br><br>Production as at<br>30 June 2020:<br>706,079 bedding<br>units | Institution         |
| OfficeScene (Pty) Ltd                                                    |                                                        |                           |                        | X                   |                    | 37                  | 1                                                                      | Private             |
| Strandfoam Group (Pty) Ltd                                               |                                                        | X                         |                        |                     |                    | 550                 | 7                                                                      | Private             |
| Sweet Sensation 210 (Pty) Ltd<br>t/a Moorgas and Sons                    |                                                        |                           | X                      |                     |                    | 100                 | 1                                                                      | Private             |
| SwissMate Manufacturing CC                                               |                                                        | X                         |                        |                     |                    | 3                   | 1                                                                      | Private             |
| Tapesry Home Brands (Pty) Ltd<br>t/a Coricraft / Volpes / Dial-A-<br>Bed |                                                        |                           | X                      |                     |                    | 2,500               | 3<br><br>48,000 sofas                                                  | Private             |
| Truform Bedding (Pty) Ltd                                                |                                                        | X                         |                        |                     |                    | 40                  | 1                                                                      | Private             |
| Upholster All (Pty) Ltd<br>t/a Wunders                                   |                                                        |                           | X                      |                     |                    | 75                  | 1                                                                      | Private             |

(WhoOwnsWhom, 2022).

**FIGURE 8: SOUTH AFRICA - MANUFACTURERS OF BLANKETS, MADE-UP FURNISHING ARTICLES AND STUFFED ARTICLES PLEASE INCLUDE THE SOURCE**

| Entity Name                                 | Entity Type            | Domiciled    | Province      | BEE Rating    |
|---------------------------------------------|------------------------|--------------|---------------|---------------|
| Ahlesa Blankets (Pty) Ltd                   | Unlisted Company       | South Africa | Western Cape  |               |
| Alplas Shutters and Louvres (Pty) Ltd       | Unlisted Company       | South Africa | Western Cape  | Not Disclosed |
| Aranda Textile Mills (Pty) Ltd              | Unlisted Company       | South Africa | Gauteng       | Non-Compliant |
| Associated Spinners (Pty) Ltd               | Unlisted Company       | South Africa | KwaZulu-Natal | Not Disclosed |
| Beier Envirotec (Pty) Ltd                   | Unlisted Company       | South Africa | KwaZulu-Natal | Level 2       |
| Brits Nonwoven (Pty) Ltd                    | Unlisted Company       | South Africa | KwaZulu-Natal | Level 3       |
| Classique Quilters CC                       | Unlisted Company       | South Africa | KwaZulu-Natal |               |
| Colibri Towelling Western Cape (Pty) Ltd    | State-Owned Enterprise | South Africa | Western Cape  | Not Rated     |
| Cotton Traders (Pty) Ltd                    | Unlisted Company       | South Africa | Western Cape  |               |
| DesleeMattex (Pty) Ltd                      | Unlisted Company       | South Africa | Western Cape  | Level 5       |
| Equus Accessories CC                        | Unlisted Company       | South Africa | KwaZulu-Natal | Not Rated     |
| Global Source Manufacturing (Pty) Ltd       | Unlisted Company       | South Africa | KwaZulu-Natal |               |
| Glodina Towelling (Pty) Ltd                 | State-Owned Enterprise | South Africa | KwaZulu-Natal |               |
| Hunter Douglas SA (Pty) Ltd                 | Unlisted Company       | South Africa | Gauteng       | Not Disclosed |
| Integrated Polypropylene Products (Pty) Ltd | Unlisted Company       | South Africa | KwaZulu-Natal | Level 3       |
| Maye Investment Trust (The)                 | Trust                  | South Africa | KwaZulu-Natal | Level 5       |
| Narrowtex (Pty) Ltd                         | Unlisted Company       | South Africa | KwaZulu-Natal | Level 5       |
| Natural Balance Global (Pty) Ltd            | Unlisted Company       | South Africa | KwaZulu-Natal | Not Finalised |
| Ninian and Lester (Pty) Ltd                 | Unlisted Company       | South Africa | KwaZulu-Natal | Not Disclosed |
| Old Nick Fabrics (Pty) Ltd                  | Unlisted Company       | South Africa | Western Cape  |               |
| Pres Les (Pty) Ltd                          | Unlisted Company       | South Africa | Western Cape  | Not Rated     |
| Republic Umbrella Manufacturers (Pty) Ltd   | Unlisted Company       | South Africa | KwaZulu-Natal | Non-Compliant |
| Resource Link Coatings (Pty) Ltd            | Unlisted Company       | South Africa | KwaZulu-Natal |               |
| Sesli Textiles (Pty) Ltd                    | Unlisted Company       | South Africa | Gauteng       |               |
| South African Polypropylene Yarns (Pty) Ltd | Unlisted Company       | South Africa | KwaZulu-Natal | Level 6       |
| Svenmill (Pty) Ltd                          | Unlisted Company       | South Africa | Western Cape  | Not Rated     |
| Wifab Trade & Invest (Pty) Ltd              | Unlisted Company       | South Africa | Western Cape  | Not Disclosed |
| Zorbatex (Pty) Ltd                          | Unlisted Company       | South Africa | KwaZulu-Natal | Not Disclosed |

(WhoOwnsWhom, 2022).

**FIGURE 9: SOUTH AFRICA - MANUFACTURERS OF OTHER TEXTILES ARTICLES (EXCEPT APPAREL) PLEASE INCLUDE THE SOURCE**

| Entity Name                                                                                                               | Entity Type      | Domiciled    | Province      | BEE Rating    |
|---------------------------------------------------------------------------------------------------------------------------|------------------|--------------|---------------|---------------|
| Cape Union Mart International (Pty) Ltd  | Unlisted Company | South Africa | Western Cape  | Not Rated     |
| Craig Millar Sails (Pty) Ltd                                                                                              | Unlisted Company | South Africa | KwaZulu-Natal |               |
| Freeform Tents CC                                                                                                         | Unlisted Company | South Africa | Western Cape  | Not Finalised |
| Ivili Loboya (Pty) Ltd                                                                                                    | Unlisted Company | South Africa | Gauteng       |               |
| K2018310542 (South Africa) (Pty) Ltd                                                                                      | Unlisted Company | South Africa | Western Cape  |               |
| National Flag (Pty) Ltd                                                                                                   | Unlisted Company | South Africa | Gauteng       | Level 4       |
| Nomadik Stretch Tents CC                                                                                                  | Unlisted Company | South Africa | Gauteng       |               |
| North Sails (Pty) Ltd                                                                                                     | Unlisted Company | South Africa | Western Cape  |               |
| P Legesse                                                                                                                 | Sole Proprietor  | South Africa | Western Cape  |               |
| Performance Brands (Pty) Ltd                                                                                              | Unlisted Company | South Africa | Western Cape  | Non-Compliant |
| Pro Medals CC                                                                                                             | Unlisted Company | South Africa | Free State    |               |
| Seagull Industries (Pty) Ltd                                                                                              | Unlisted Company | South Africa | Western Cape  | Not Finalised |

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FIGURE10: MANUFACTURERS OF CARPETS, RUGS AND MATS (SOTUH AFRICA) – PLEASE INCLUDE THE SOURCE

| Entity Name                                                                                                        | Entity Type      | Domiciled    | Province      | BEE Rating    |
|--------------------------------------------------------------------------------------------------------------------|------------------|--------------|---------------|---------------|
| <b>Belgotex Floorcoverings (Pty) Ltd</b>                                                                           | Unlisted Company | South Africa | KwaZulu-Natal | Level 2       |
| <b>Brits Nonwoven (Pty) Ltd</b>                                                                                    | Unlisted Company | South Africa | KwaZulu-Natal | Level 3       |
| <b>Laduma Ngxokolo (Pty) Ltd</b>  | Unlisted Company | South Africa | Gauteng       | Not Operating |
| <b>Monn Carpets (Pty) Ltd</b>                                                                                      | Unlisted Company | South Africa | Free State    |               |
| <b>Shugaz Fashion and Textile (Pty) Ltd</b>                                                                        | Unlisted Company | South Africa | Gauteng       |               |
| <b>Van Dyck Carpets (Pty) Ltd</b>                                                                                  | Unlisted Company | South Africa | KwaZulu-Natal |               |
| <b>Waltex (Pty) Ltd</b>                                                                                            | Unlisted Company | South Africa | Western Cape  |               |

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FIGURE 11: MANUFACTURERS OF CORDAGE, ROPE, TWINE AND NETTING (SOUTH ARICA) – PLEASE INCLUDE THE SOURCE

| <div>  = Group  = Multinational  = Listed  = Deregistered </div> <div>  = Deregistration Process  = In Liquidation  = Dormant  = Dissolved </div> <div> <b>Entity Names in Bold</b> = Full Entity Profiles </div> |                  |              |              |               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------|--------------|---------------|
| Entity Name                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Entity Type      | Domiciled    | Province     | BEE Rating    |
| <b>Alnet (Pty) Ltd</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Unlisted Company | South Africa | Western Cape | Not Disclosed |

(WhoOwnsWhom, 2022).

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