Australian Value Creators: Two Decades of Excellence

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For over 25 years, BCG has published an annual review of value creation patterns for global companies, with additional reports for specific markets and sectors.

This is our latest report on value creation in Australia, looking at Australian companies that have been listed on the Australian Stock Exchange (ASX) for 20 years to 30 June 2025 (see methodology, page 18). We have chosen this timeframe to allow us to understand trends over a period that included unprecedented regional growth and two major disruptions to the global economy: the Global Financial Crisis and COVID-19.

BCG's Value Creators series focuses on a review of the annual average total shareholder return (TSR) of sectors and companies over the period. TSR is calculated using earnings growth, change in multiple valuation and free cash flow contribution – the main levers available to management teams. In this report we've added a layer of local context from interviews with company executives, board members and asset managers with experience of the last two decades. This approach has some drawbacks, including survivorship bias, the exclusion of companies not listed locally (e.g. Atlassian) and major events outside the timeframe. However, this framing is consistent with our approach in all markets and allows us to compare TSR across regions, sectors and companies to reveal key drivers of performance.

Our Australian findings tell a story of growth and resilience across the economy – and it isn't just the traditionally strong sectors of metals and mining, and financial institutions that make up our list of top performing companies. Standout value also came from the tech, med tech and pharma, and consumer goods sectors.

Among our top individual performers, there have been different paths to outstanding value creation, but also clear patterns. The most successful companies exhibited strong, self-funded revenue growth. They often achieved this with a clear focus on differentiated products and services, a targeted approach to M&A and portfolio strategy, and above average investment in product excellence and productivity. Based on these insights, we provide some advice for the next two decades:

1. **Keep your portfolio fit for purpose:** Be willing to sell businesses that dilute value or attention
2. **Use M&A as a scalpel, not a sledgehammer:** Buy only the right businesses at the right time from motivated sellers
3. **Protect your position:** Constantly re-invest in the products, services, assets and capabilities that make you competitive
4. **Lead with value in mind:** Make sure your management and board understand, track and agree on your company's key levers of value creation

In the following sections, we explore Australia's macroeconomic context, how the market performed, what drove TSR, which sectors were the strongest, and archetypes for success among the top 20 companies.

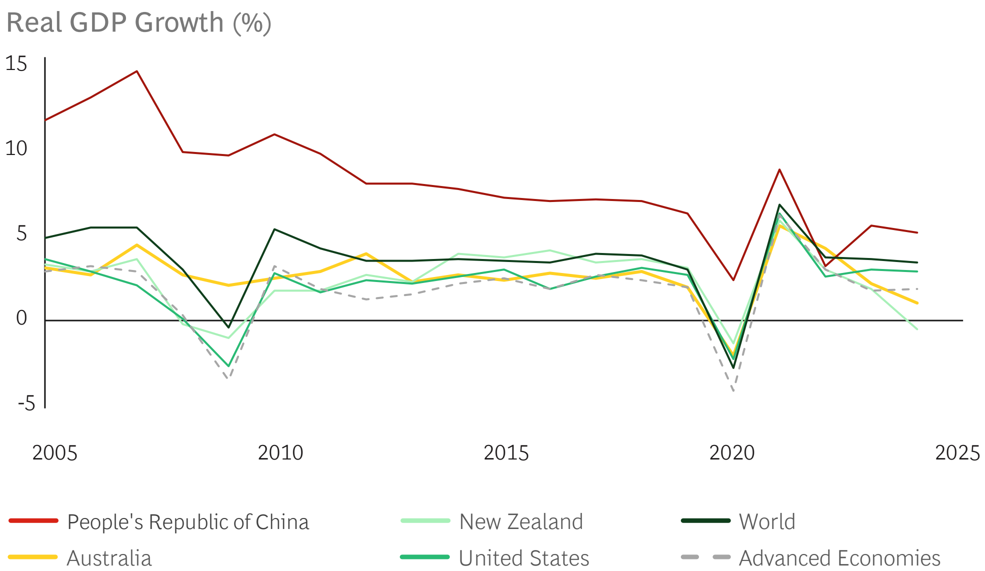
Australia’s Macroeconomic Environment

How Australia outpaced advanced economies, maybe with a little luck on its side

Over the last 20 years, Australian GDP growth has averaged 2.5%, meaningfully above the average of 1.7% for advanced economies. This is in part due to the relationship with China, Australia’s largest export destination **(see Exhibit 1)**.

EXHIBIT 1

Australian growth beats global peers – consistent, or consistently lucky?



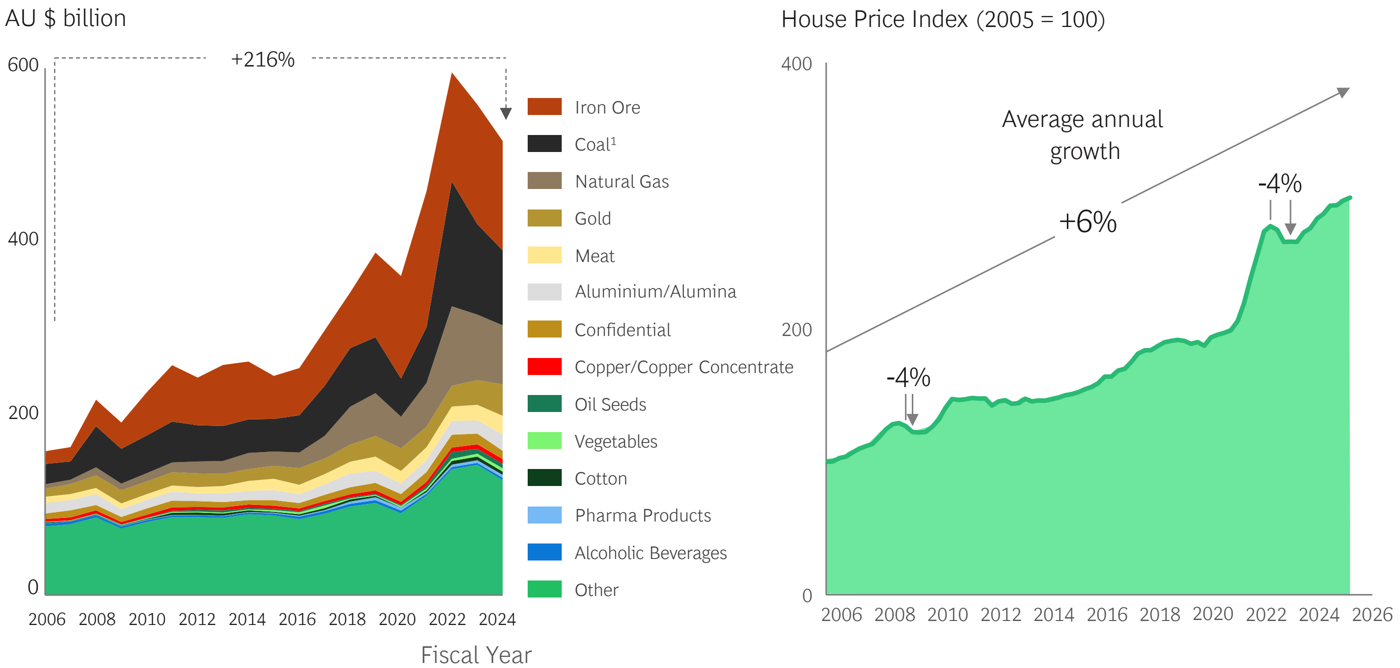
20-year growth[1]	
China	7.8%
Australia	2.5%
New Zealand	2.3%
US	2.1%
World	3.4%
Advanced Economies	1.7%

1. 2004 to 2024
Source: International Monetary Fund

Australia's economic success during this period is in part a function of two major drivers of growth: exports and the property market. Export growth has been extraordinary, reaching more than AU $500 billion per year in 2024, driven primarily by commodities, but also including service sectors like education. However, a reliance on exports can have its downsides when global growth shocks cause drops in commodity prices, as they did in the Global Financial Crisis. Luckily, drops in commodity prices from global growth shocks have reliably correlated with large drops in the value of the Australian dollar and related reductions in cash interest rates by the Reserve Bank of Australia. These are quickly passed through to lower mortgage rates, supporting Australia's second driver of growth – the domestic property market. This effect is illustrated in the growth of house prices, averaging a robust 6% over 20 years, with only small declines in nominal value. Australia's resource companies benefited from the booms, while homeowners and their lenders – the banks – were shielded from the downturns **(see Exhibit 2)**.

EXHIBIT 2

Commodities and housing: the two cylinder growth engine



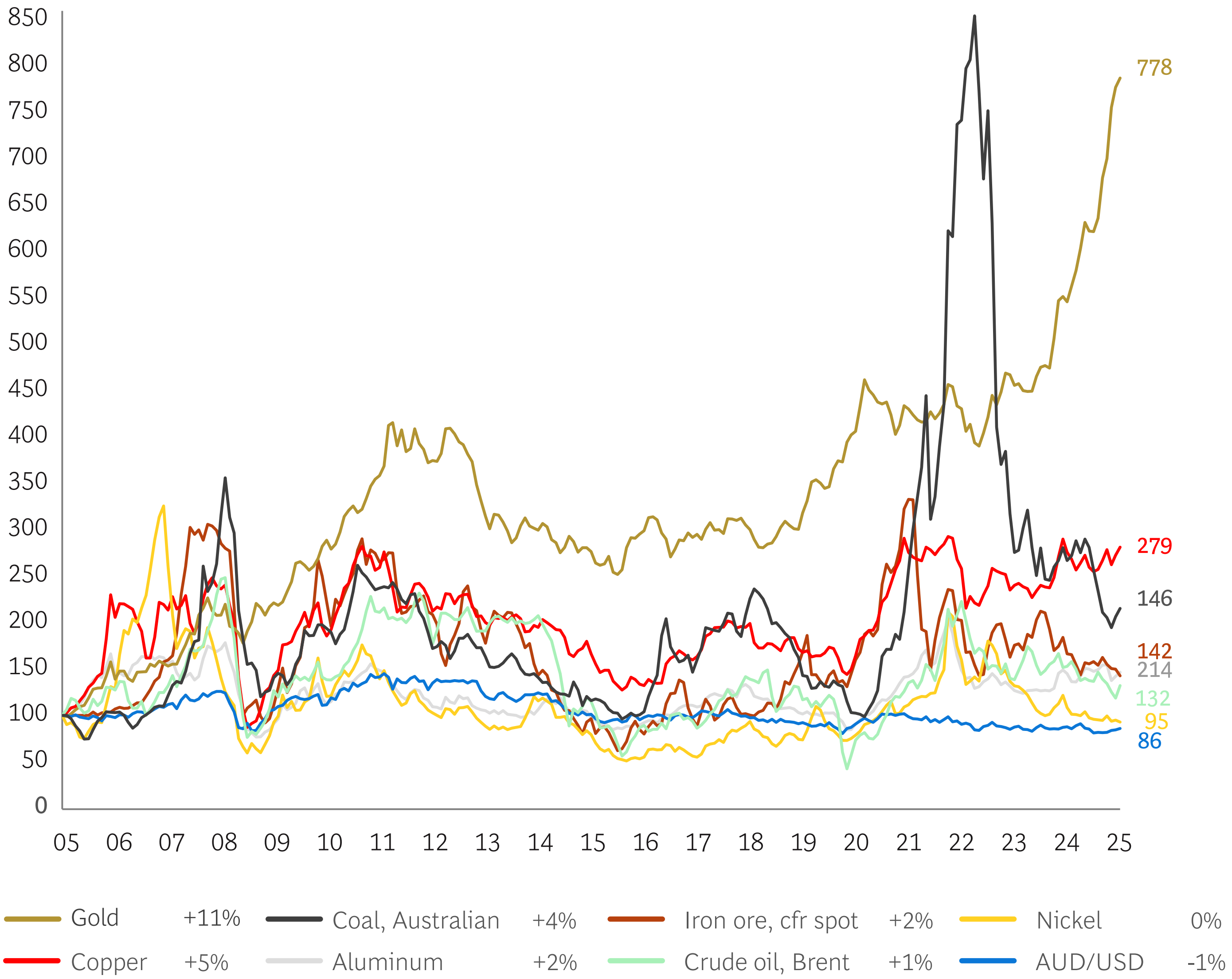
1. Includes coal for both power generation and steelmaking
Source: Australia Bureau of Statistics

Digging deeper into commodity prices reveals an interesting story. While most commodities are up on a 20-year view, gold is the standout **(see Exhibit 3)**. Iron ore prices have been cyclical with modest growth. And the oil price, which is the key driver of LNG prices in Asia, is barely positive. Since higher prices lead to higher earnings, these differences should have a strong effect on TSR for the 20-year period.

EXHIBIT 3

Most commodities are cyclical, but gold has shot the lights out

Price Index: June (2005 = 100)



Source: S&P Capital IQ; World Bank Commodity Price Data (The Pink Sheet) as of July 2025; BCG ValueScience Center

Overall Market Performance

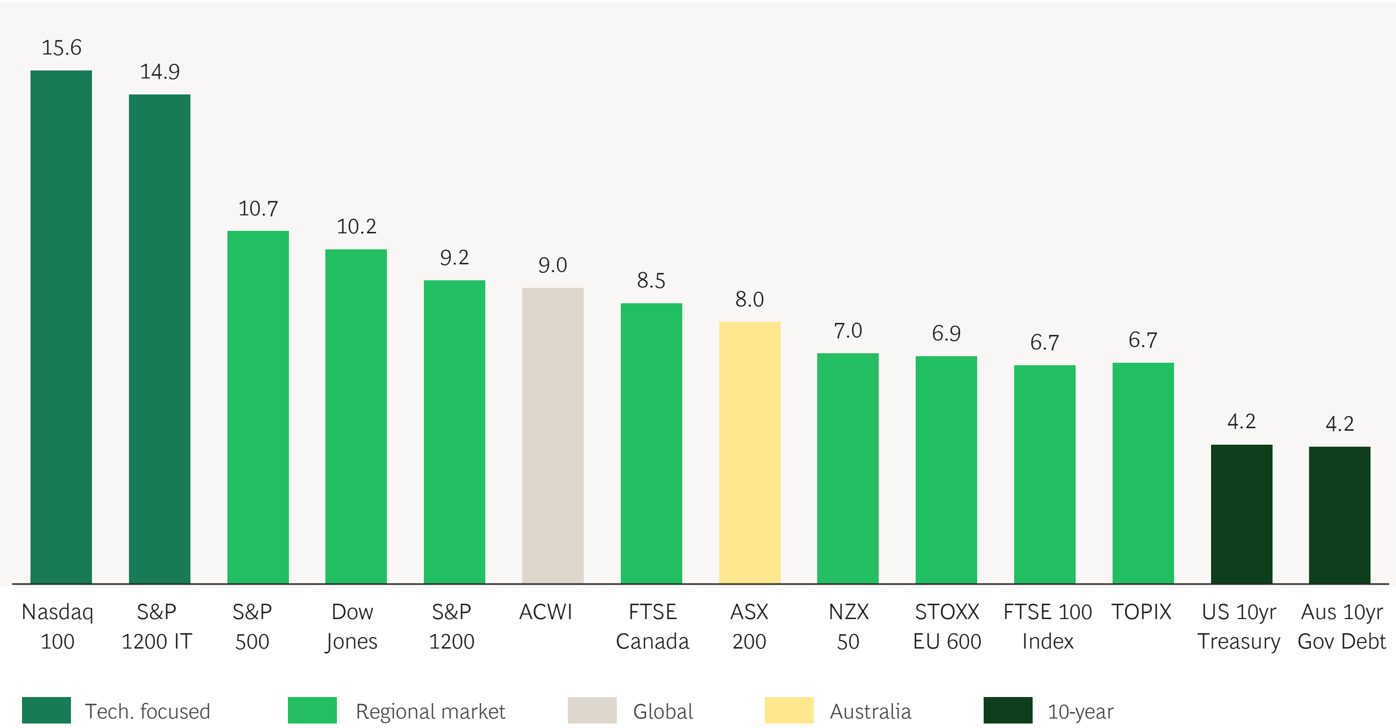
The ASX was remarkably average

From 2005 to 2025, the ASX returned an average of 8.0% – well below the 10.7% of the S&P 500 but in line with other markets when adjusting for the outsized influence of the S&P 500 tech sector, as illustrated by the 15.6% annualised return of the tech-heavy Nasdaq. It was also meaningfully above the risk-free rate of 4.2% for the period, consistent with long-term expectations for equity returns relative to bonds **(see Exhibit 4)**.

EXHIBIT 4

A globally average market

20-year annualised TSR (2005 to 2025, %)



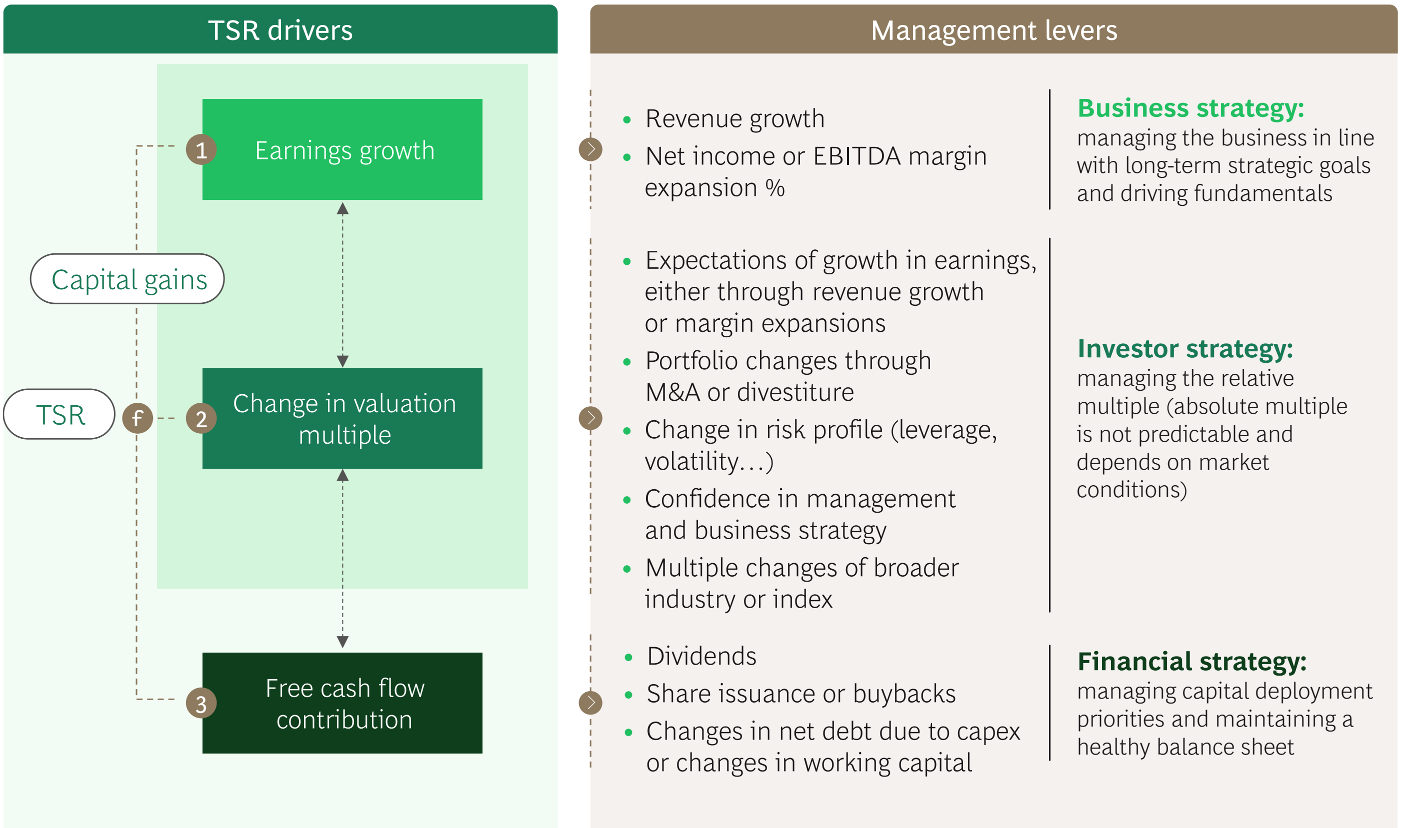
Note: TSR measured at index level. Sectoral and company analysis reflects peer set, so will vary.
Sources: S&P Capital IQ; BCG ValueScience Center

Revenue growth was the single biggest driver of TSR over the last 20 years

TSR can be disaggregated into its component parts, including earnings growth, change in multiple valuation and free cash flow contribution. These translate to the key levers available to a management team to drive returns. **(see Exhibit 5)**.

EXHIBIT 5

The theory: TSR is delivered through three related value creation drivers



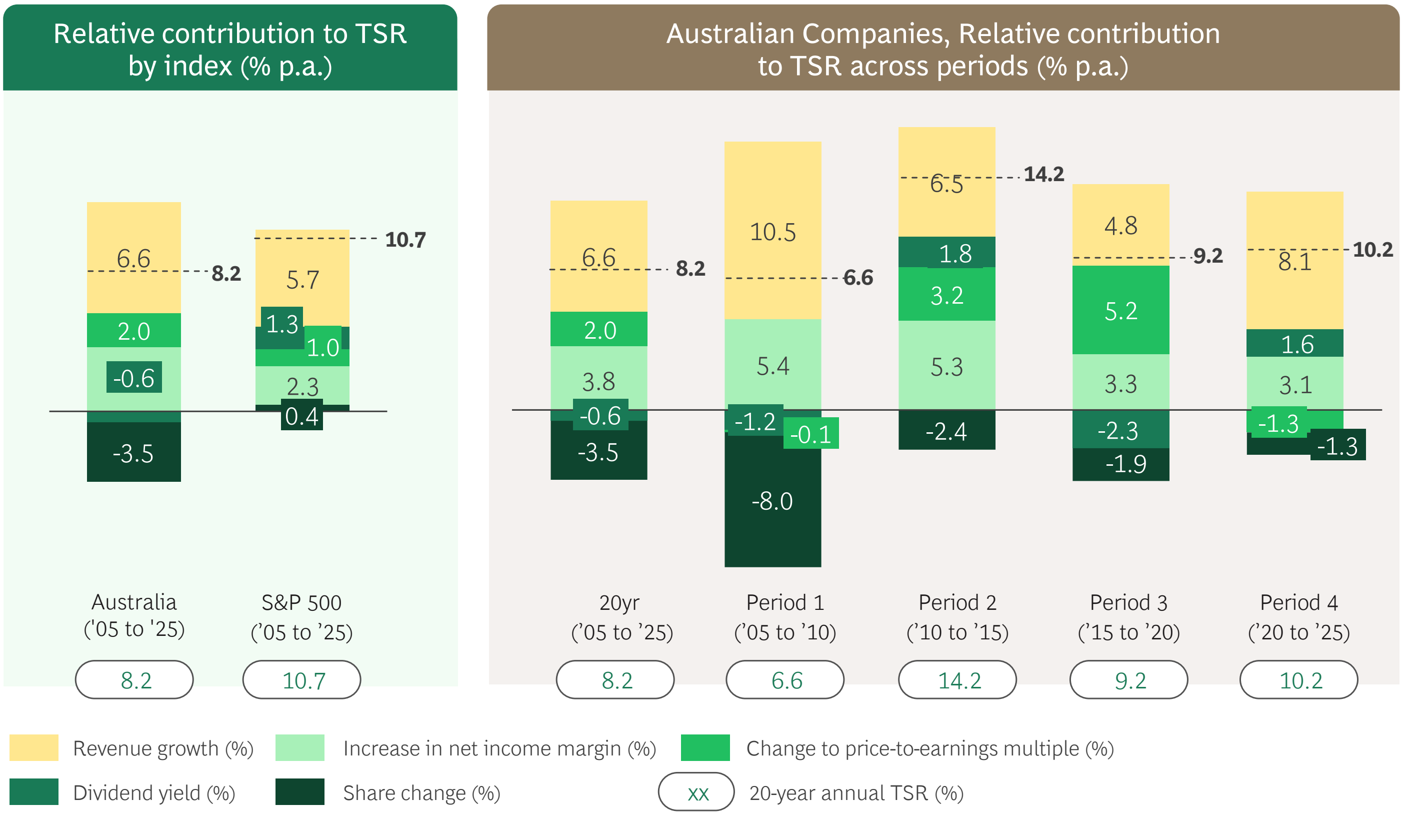
Source: BCG

For the last two decades, revenue growth has driven more than 75% of TSR in the ASX. Compared to the S&P 500, the Australian market has had higher revenue growth, higher multiple expansion and a higher dividend yield. This has been offset by a much higher issuance of shares, partially funding growth and dividends. This can be explained, at least in part, by a tax system that encourages companies to pay high levels of dividends to deliver the value of franking credits to Australian shareholders. It is also worth noting a modest negative contribution from decreases in net margin in ASX companies in a period where S&P 500 companies have improved their profitability.

When we disaggregated the last 20 years into five-year periods, we uncovered some emerging trends. Contribution from dividends and share issuance has diminished, perhaps reflecting the extraordinary influence of the Global Financial Crisis. However, revenue growth has remained dominant throughout **(see Exhibit 6)**.

EXHIBIT 6

Revenue growth accounts for more than 75% of Australian company returns



Notes: TSRs are from period ending 30 Jun of each period and use company reporting currency. Sample includes companies with primary listings on the ASX or NZX, market capitalisation of at least AU $1b at the start and end of the period, and a minimum listing history of 5 years and 20 years as of the end period of each period.
Sources: S&P Capital IQ; BCG ValueScience Center

Sector Performance

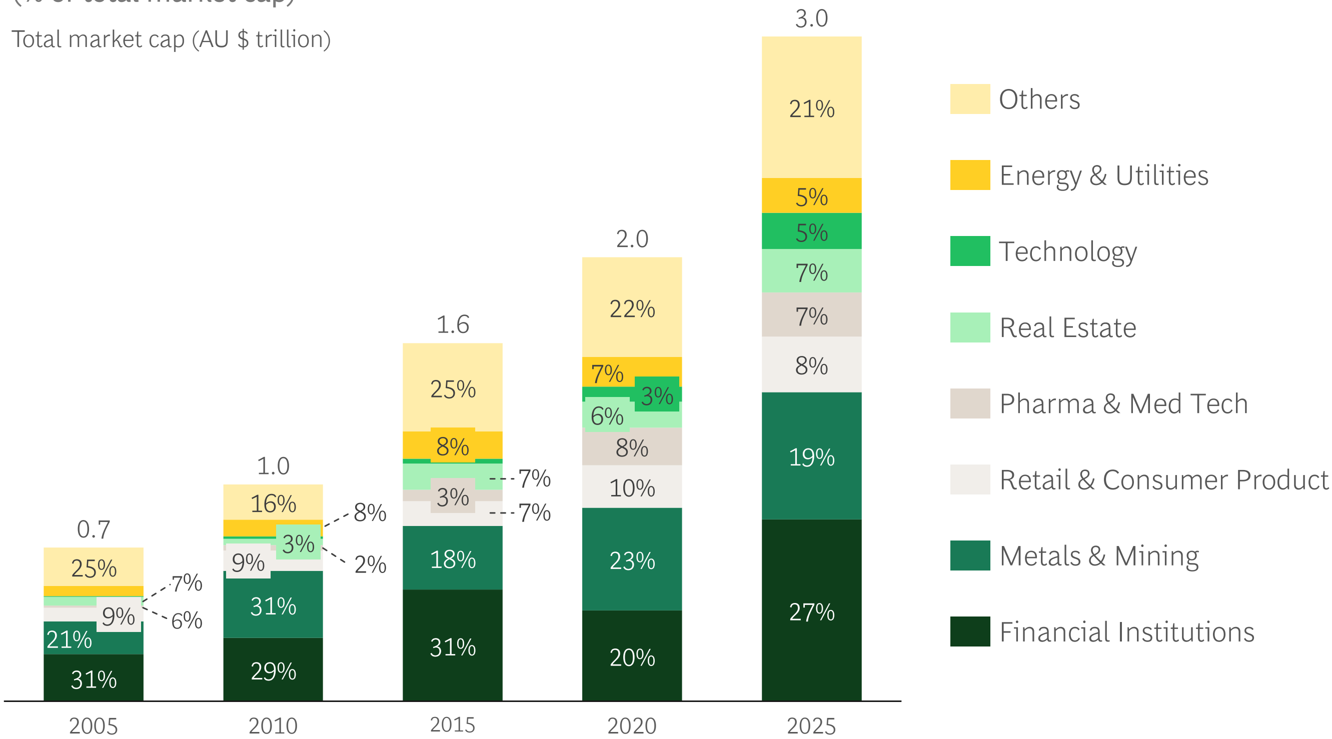
The last 20 years wasn't just the usual Australian story of Metals & Mining and Financial Institutions

The Australian market has always been dominated by two sectors: Metals & Mining and Financial Institutions. Over the last 20 years, these sectors represented roughly 50% of the market's value **(see Exhibit 7)**.

EXHIBIT 7

Metals & Mining and Financial Institutions dominate the ASX with meaningful movement in other sectors

Relative contribution of industries at each period (% of total market cap)



Notes: 1. Consists of companies with at least AU $1b market cap as of 30 June of each year 2. Others include: 1) Travel, transportation & logistics; 2) Media & Telecommunication; 3) Insurance; 4) Services; 5) Healthcare Services; 6) Industrials; and 7) Gaming
Sources: S&P Capital IQ; BCG ValueScience Center

While the Metals & Mining vs. Financial Institutions question is often the focus of asset managers and their clients, other sectors offer real opportunities for outsized company-specific value creation. Our 20-year analysis has revealed that Metals & Mining and Financial Institutions generated mid-range returns, while three other sectors generated very strong returns: Technology, Pharma & Med Tech, and Retail & Consumer Products **(see Exhibit 8)**.

EXHIBIT 8

Technology, Pharma & Med Tech, and Retail & Consumer on the podium; Metals & Mining and Financial Institutions in the peloton

20-year TSR (%), Jun 2005–Jun 2025

Notes: TSRs are from 30 June 2005 to 30 June 2025 and use company reporting currency. Sample includes 143 companies with primary listings on the ASX or NZX, market capitalisation of at least AU $1b as at 30 June 2005 and/or 30 June 2025, and a minimum listing history of 20 years as of 30 June 2025.
Sources: S&P Capital IQ; BCG ValueScience Center

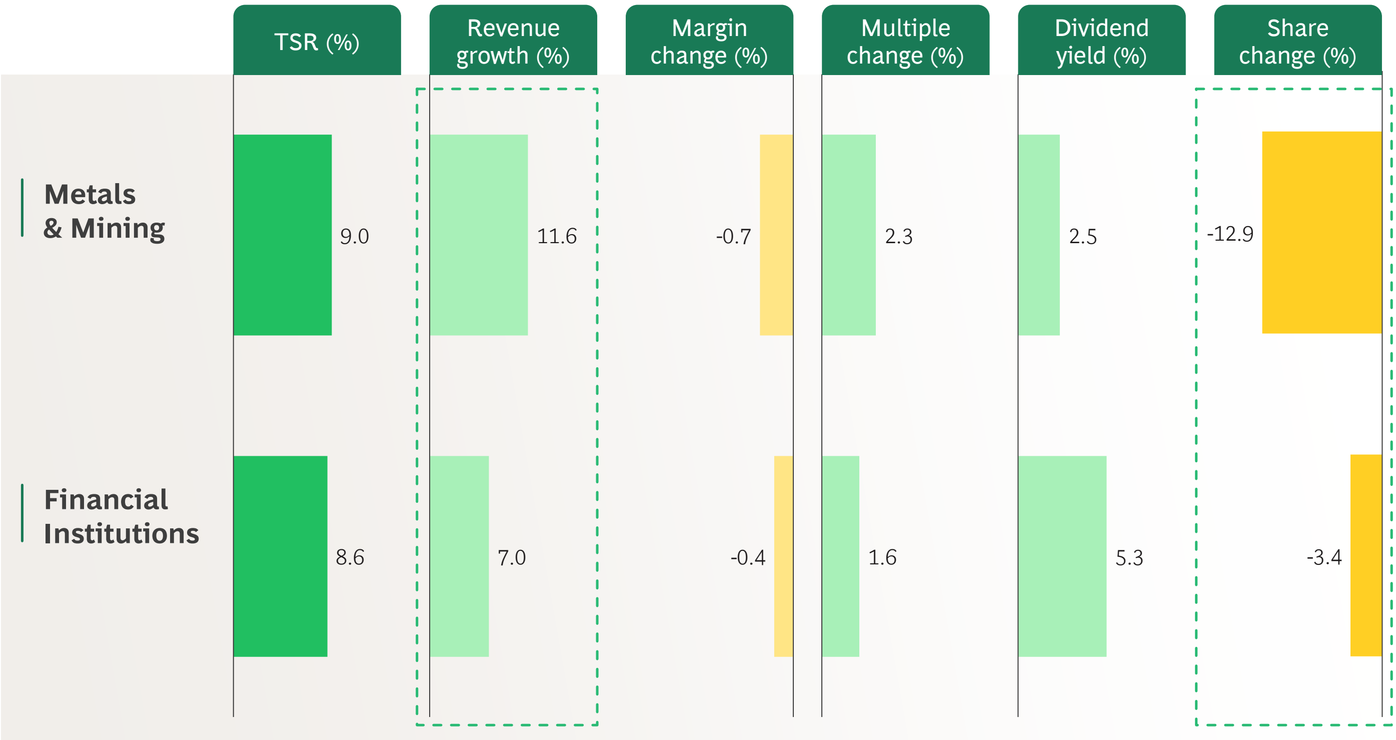
Metals & Mining and Financial Institutions took different routes, but both delivered mid-range returns

The performance of Metals & Mining and Financial Institutions is in part a function of their size in the economy and the returns of the ASX itself. These two sectors have driven 45% of the total change in market capitalisation of the entire index. However, their pathways to returns were dramatically different. Metals & Mining, on the one hand, achieved a 9% TSR with 12% revenue growth, but this was diluted by a share change of 13%. Over the last 20 years, the median Australian miner has had been an extremely active issuer of shares, both on market and through acquisitions. Financial Institutions, on the other hand, had much lower revenue growth with higher dividend yield and much less net share issuance **(see Exhibit 9)**.

EXHIBIT 9

Metals & Mining and Financial Institutions: Two recipes for mid-range returns

Metals & Mining drove higher revenue growth via share issuance vs Financial Institutions



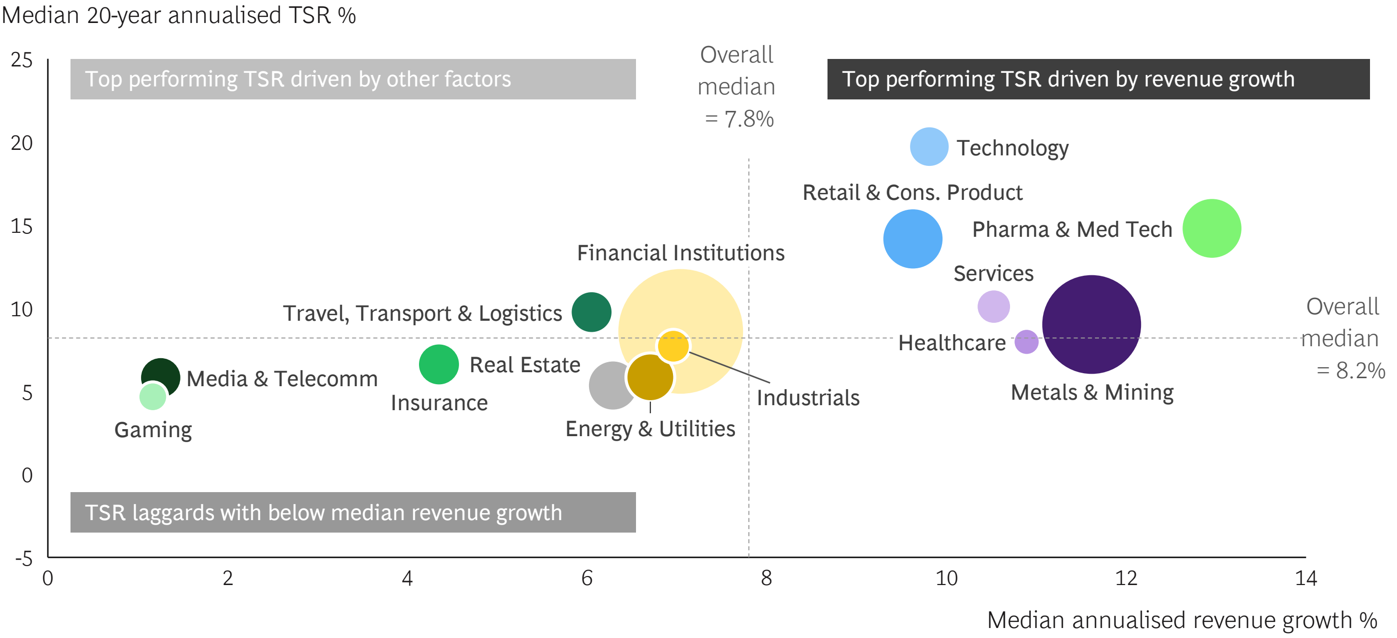
Notes: 1. Consists of companies with at least AU $1b market cap as of 30 June of each year 2. Median TSR disaggregation will not add up to total TSR
Sources: S&P Capital IQ; BCG ValueScience Center

Technology, Pharma & Med Tech, and Retail & Consumer delivered exceptional TSR with self-funded revenue growth

When we look at the top performing sectors of Technology, Pharma & Med Tech, and Retail & Consumer Products, the importance of both revenue growth and funding sources becomes very apparent. These sectors typically relied upon differentiated products or services to achieve above average revenue growth **(see Exhibit 10)**.

EXHIBIT 10

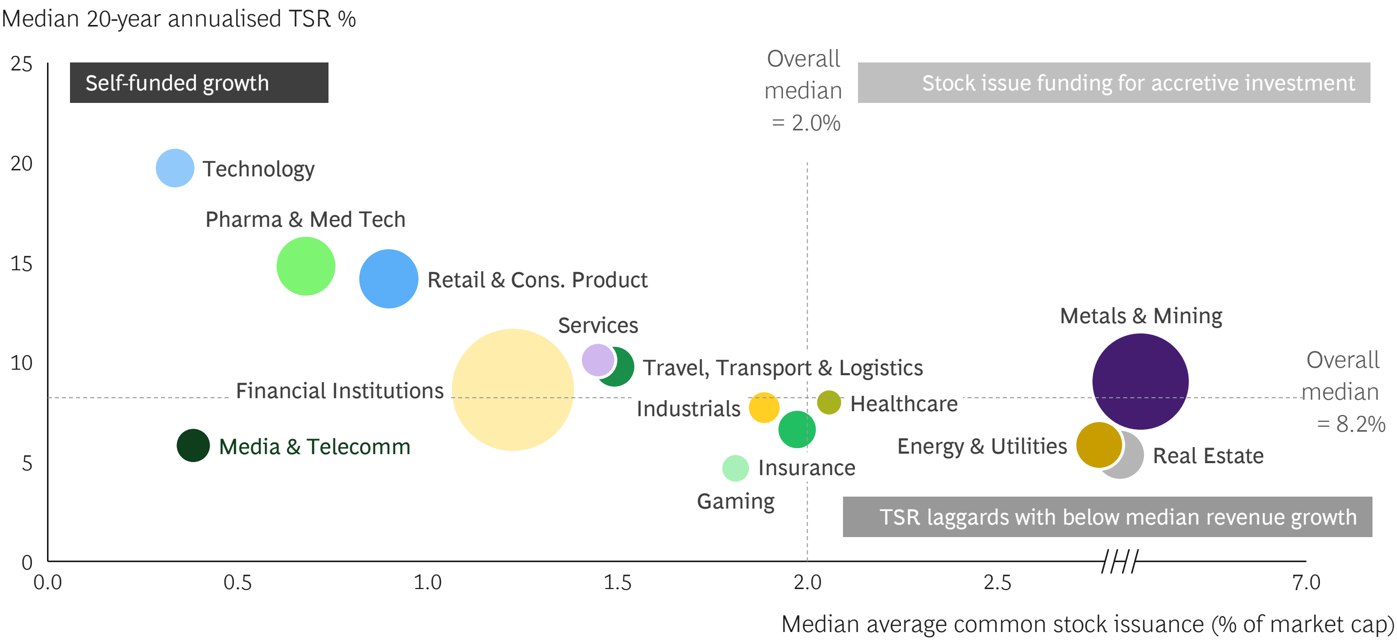
Winning sectors grew revenue the fastest…



Additionally, these sectors achieved this growth without large share issuance. This self-funded dynamic has converted revenue growth into exceptional TSR (**see Exhibit 11**).

EXHIBIT 11

…And winners funded their growth from cash flow

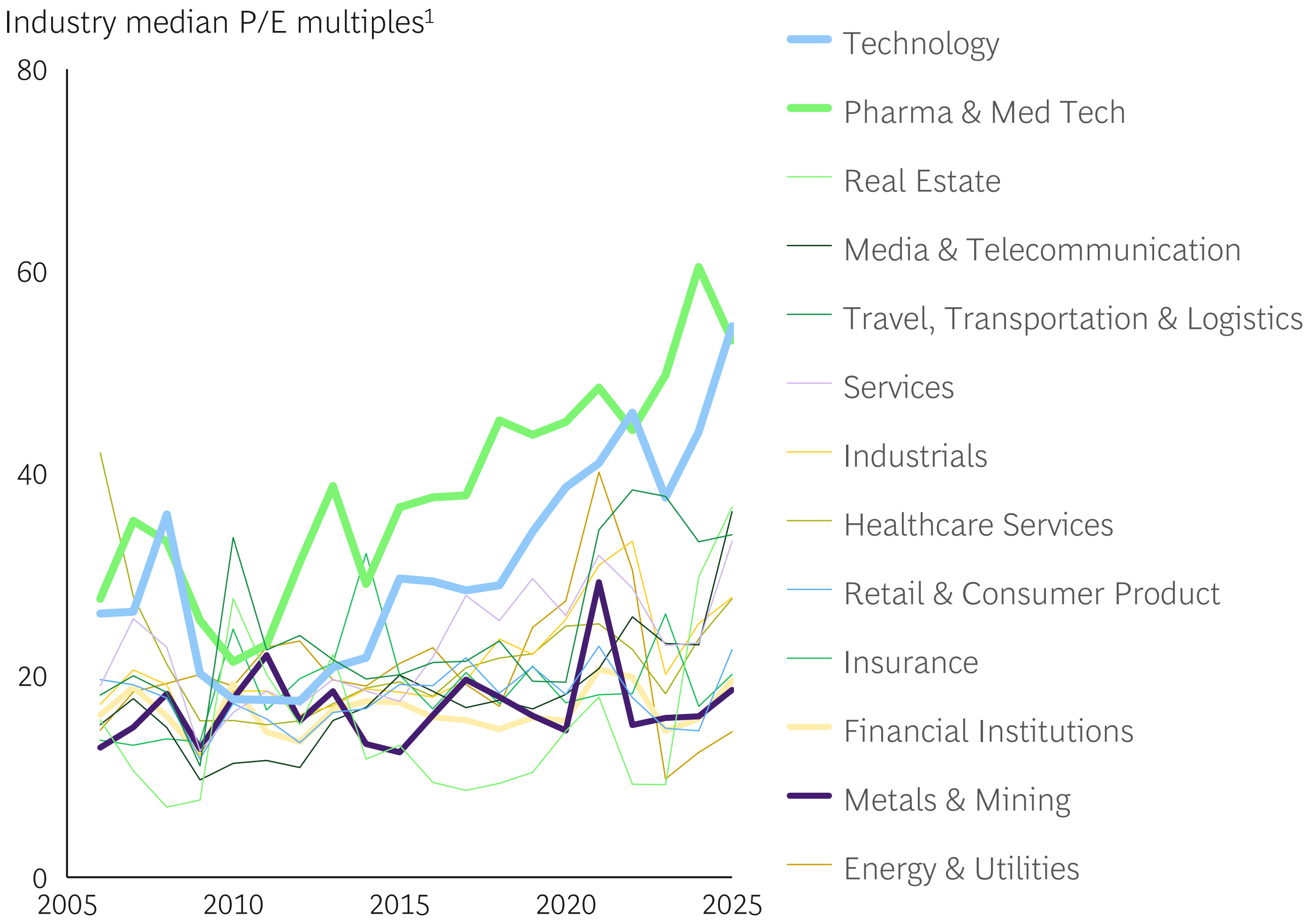


Notes: TSRs are from 30 June 2005 to 30 June 2025 and use company reporting currency. Sample includes 143 companies with primary listings on the ASX or NZX, market capitalisation of at least AU $1b as at 30 June 2005 and/or 30 June 2025, and a minimum listing history of 20 years as of 30 June 2025.
Sources: S&P Capital IQ; BCG ValueScience Center

For the Technology and Pharma & Med Tech sectors, another major factor that has driven TSR growth is the expansion of the P/E multiple. This could be due to investor expectations of sustained high-level earnings growth for these sectors, or it could be a result of the P/E multiple expansion seen by these sectors globally (**see Exhibit 12**).

EXHIBIT 12

P/E expansion has been a powerful driver for Australia's Tech and Pharma & Med Tech sectors



Notes: Sample includes 143 companies with primary listings on the ASX or NZX, market capitalisation of at least AU $1b as at 30 June 2005 and/or 30 June 2025, and a minimum listing history of 20 years as of 30 June 2025. Industry median P/E multiples are based on the average P/E ratios of individual companies within each sector for each year from (1 July to 30 June). Companies were grouped by industry and the median P/E multiple was then calculated across all companies within each industry group. Gaming industry has been excluded.
Sources: S&P Capital IQ; BCG ValueScience Center

Archetypes of Success

Five company archetypes dominated: profiling Australia's top TSR performers

So what makes an Australian company successful? Our review of the top 20 large performers over the last 20 years shows a wide range of business models and approaches to value creation. However, five company archetypes of success have emerged over this period **(see Exhibit 13)**.

EXHIBIT 13

Five archetypes of success among our top 20 performers (large caps)

Company	Industry	Mkt Cap AU $ billion	20-year TSR
Pro Medicus	Pharma & Med Tech	29.8	**36%**
Northern Star	Metals & Mining	26.5	**35%**
REA Group	Media & Telecomm	31.7	**31%**
Technology One	Technology	13.4	**28%**
Fortescue	Metals & Mining	47.0	**28%**
JB Hi-Fi	Retail and Consumer Product	12.1	**24%**
CSL	Pharma & Med Tech	116.0	**17%**
Evolution Mining	Metals & Mining	15.6	**14%**
CBA	Financial Institutions	308.9	**14%**
Cochlear	Pharma & Med Tech	18.6	**13%**
Computershare	Technology	23.1	**12%**
Macquarie	Financial Institutions	83.4	**12%**
APA	Energy & Utilities	10.7	**12%**
Aristocrat	Gaming	40.6	**11%**
W.H. Soul Pattinson	Financial Institutions	15.4	**11%**
Wesfarmers	Retail & Cons Product	96.2	**11%**
James Hardie	Industrials	17.9	**10%**
ASX	Financial Institutions	13.5	**10%**
Rio Tinto	Metals & Mining	151.0	**10%**
Transurban	Travel, Transport & Logistics	43.5	**9%**

Global Niche Champion
#1 or #2 global player in a focused category

Domestic leader
#1 player focusing on local markets

Focused Miner
Miner with well-timed and executed single commodity strategy

Best of the Bigs
Mega cap player with a constant reinvestment in product/service and productivity

Portfolio player
Active portfolio manager of businesses with disciplined capital allocation and reinvestment

Notes: TSRs are from the period ending 30 June and use company reporting currency. Sample includes companies with primary listings on the ASX or NZX, market capitalisation of at least AU $1b as of 30 June 2005 or 30 June 2025, and a minimum listing history of 20 years as 30 June 2025. Large cap cutoff was $10b as at 30 June 2025

Archetype 1

The global niche champion: big wins in focused markets

A remarkable number of our success stories fall into the global niche champion archetype. These companies are typically product-led and have succeeded in establishing a global footprint, but operate in a 'Goldilocks' niche market – niches that are big enough to allow sustainable, above-average growth but small enough to allow them sufficient share to reinvest with scale. This is true for Cochlear as a global leader in hearing implants, for CSL in plasma derived therapies, for Aristocrat in gaming machines, and so on.

Bruce Henderson, the founder of BCG, hypothesised a 'rule of 3 and 4', which states any competitor with less than one quarter the share of the largest competitor cannot be an effective competitor. Australia's global niche champions are clearly #1 or, at worst, #2, in their global niche.

Archetype 2

The domestic leader: a heavy investor in local markets

The second most common archetype in Australia's top performers is the domestic leader. These companies have their niche, but their success comes from one, or only a few, local markets. They have strong competitive positions and constantly reinvest to keep growing. For example, REA Group's success is largely in the domestic Australian market, which represents more than 90% of its revenue. It is not fighting in the United States with Zillow, the clear leader in that market. Transurban does have a global presence, but it has committed most of its capital and focus to add new roads that complement its networks in Victoria, New South Wales and Queensland.

Archetype 3

The focused miner: great timing and great execution

Mining companies that topped the list generally had two main features. They experienced strong tailwinds in commodity demand and price, and they had the operational and project success to capitalise on these strong prices. Gold companies are a great example. Yes, they benefitted from outstanding commodity-only returns, but many gold companies still failed due to operational or strategic missteps. The two gold companies in the top 20, Northern Star and Evolution, exhibited operational excellence and focused on cash flow generation. This differs from many of their large global peers who followed a large asset, 'ounces first' approach.

Archetype 4

The best of the bigs: when scale doesn't get in the way of growth

Size creates its own challenges to generating TSR; it's always harder to grow off a very large base. Our successful 'big' names, Rio Tinto and the Commonwealth Bank of Australia (CBA), have focused on improving internal operations, spending significant effort and capital to improve productivity. For example, Rio Tinto has been a global leader in bringing automation to its mining and rail fleet in its Pilbara operations. And CBA's investments on core systems modernisation and integrated channels over the past two decades have allowed it to invest in new products and services ahead of its peers.

Archetype 5

The portfolio player: continuous upgrading of portfolio value

The final archetype includes companies that manage a portfolio of multiple businesses. While the portfolios include some themes, such as domestic retail for Wesfarmers, this archetype often invests in a variety of different sectors and business models. Their key defining features are a skilled management team with a constant focus on returns and active use of buy and sell-side M&A to upgrade the portfolio. These players treat M&A as more than a periodic event – it's a capability that they develop with intentional practice.

Lessons for the Next 20 Years

What will the great value creators do next?

Here's our advice for the next 20 years.

1. Keep your portfolio fit for purpose

Today's business leaders typically oversee a portfolio of assets and businesses that span different industries, regions and products. The best companies establish capital allocation processes that focus on value creation, capital recycling and divestiture or closure of underperforming assets.

A discipline of putting capital where it will have the best risk-adjusted return has several advantages. It creates a compounding effect, with returns reinvested above marginal cost of capital, accelerating earnings growth. It can improve shareholder trust in management, returning excess capital to shareholders via dividends or buybacks so they can reallocate it in a tax-effective manner. Finally, it allows management attention, potentially the scarcest of resources, to be focused on great businesses, rather than the perpetual problem units.

This discipline has played out over and over again in the history of the world's best businesses. An icon in this space is Warren Buffet. Without his strong approach to capital recycling, Berkshire Hathaway might just be a long-closed New England textile company.

2. Use M&A as a scalpel, not a sledgehammer

Our top value creators have typically relied on targeted, rather than transformational, M&A, introducing the idea that 'less is more' in corporate activity. In a few instances, companies established key positions with small, well-timed, strategic acquisitions from motivated sellers.

The cases of successful M&A have four key features:

- **Strategically aligned:** complementing existing capabilities or market positions
- **Value enhancing:** not just EPS accretive; an acquisition that raises earnings but reduces ROE can make bankers happy, but shareholders will pay the price
- **Well timed:** the best businesses were often acquired from motivated sellers, either due to economic cycles or their own strategic shifts
- **Well executed:** typically after comprehensive pre-deal due diligence, substantial investment planning pre-completion, and a commitment to integrate the acquired businesses into core systems and processes.

3. Protect your position

Many of our top value creators have strong competitive positions, either in their local market or their product. Importantly, they focus their investments on strengthening that position. For customer-facing companies, this means outsized investments in improving products and customer experience. For the producers, especially in commodity markets, investments are focused on reducing the ongoing cash costs of operations.

The first choice companies have is how they choose to leverage their competitive advantage. For example, companies with a larger market share than their competitors have a scale-driven margin advantage. Choosing to focus that advantage on products and services will widen their gap over their competitors. However, choosing to harvest that advantage into higher short-term profits will open them to attack.

The second choice is how a company uses reinvestment. One of Australia's largest investors told us that they are "concerned that companies are increasingly spending too much on themselves and too little on their products and services." We agree. It's important to regularly reassess the best use of corporate expenses to free up resources for products and services.

4. Lead with value in mind

The best companies have management teams that understand the benefits of strategic capital allocation – both financial and human. They have a strong grasp of the long-term value of their business, not just its earnings trajectory. These companies also have boards that drive the discussion on value creation by regularly challenging management on capital decisions and portfolio priorities, while providing strategic clarity, generational and functional diversity, and capital literacy.

The importance of focus: know how you win and double down on it

The past two decades have provided extraordinary opportunities and challenges for Australian companies. The great value creators have established a genuine competitive advantage and maintained a focus on their edge by only stepping into new markets or products in a targeted way. But that alone is not sufficient. The great value creators have also reinvested in their products and services and driven continuous productivity improvement to extend their advantage over their competitors.

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Methodology

These rankings reflect our analysis of total shareholder return (TSR) for Australian companies from 1 July 2005 to 30 June 2025.

TSR

TSR combines capital gains with free-cash-flow contributions (dividend yield and changes in shares outstanding) to measure a company's stock performance over time. We use TSR as the most comprehensive metric of shareholder value creation.

We disaggregated TSR into four equally weighted drivers:

- Revenue growth
- Increase in net-income margin
- Change in price-to-earnings
- Free-cash flow contribution

All financials are based on Last Twelve Months (LTM) reported data as of 30 June 2025. Our analysis includes 20-year average annual TSR disaggregation over 2005–2025 and 5-year average annual TSR disaggregation over 2005–2010, 2010–2015, 2015–2020 and 2020–2025.

Company selection

We analysed 143 companies primarily listed on the ASX or NZX, given significant cross-listings. To arrive at this sample, we began with data provided by S&P Capital IQ that covers approximately 320 companies. We then refined the list using the following criteria:

- **Market capitalisation:** Companies with a market cap above AU $1 billion as of 30 June 2005 and/or 30 June 2025
- **Listing history:** Continuous listing over the full 20-year period to enable long-term TSR assessment

This ensures sufficient history for meaningful comparisons.

Our-large cap rankings comprise 36 companies with market caps above AU $10 billion as of 30 June 2025. This covers approximately 85% of the total market capitalisation in our sample size. To focus on Australian companies, we excluded two New Zealand firms (Fisher & Paykel and Auckland International Airport) from the large-cap group.

We categorised companies into 14 sectors: Technology; Pharma & Med Tech; Retail & Consumer Products; Services; Travel, Transport & Logistics; Metals & Mining; Financial Institutions; Healthcare Services; Industrials; Insurance; Energy & Utilities; Media & Telecom; Real Estate; and Gaming. Each sector includes at least three companies.

Key limitations

As with any historical study, this methodology has limitations:

- **Survivorship bias:** Companies that were delisted during the period have been excluded.
- **Period sensitivity:** Large share price moves outside the 2005–2025 window are not captured.
- **Size neutrality:** TSR results are not market-cap weighted. Median performance does not reflect company size.

Nonetheless, this approach highlights company-specific factors and enables clearer identification of themes and recommendations.

Sources

We used the following sources in our analysis: S&P Capital IQ; BCG ValueScience® Center; Australian Bureau of Statistics; World Bank Commodity Price Data.

Note: Market capitalisation is shown as of 30 June 2025. Dividend yield includes cash and special dividends, spinoff proceeds, extraordinary payouts and adjustments for share splits or bonus shares. TSR disaggregation is multiplicative but presented as additive, with remainders allocated to margin and multiple change. TSRs use company reporting currency. Figures may not sum due to rounding. Share change refers to changes in outstanding shares, not price. Net debt change reflects movements in market capitalisation versus enterprise value, including debt and cash.

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BCG relied on publicly available data, which it has not independently verified, and based analyses on information that was current at the time of publication. The model used is cross-industry and not a substitute for company- or sector-specific analysis, which may affect result accuracy.


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