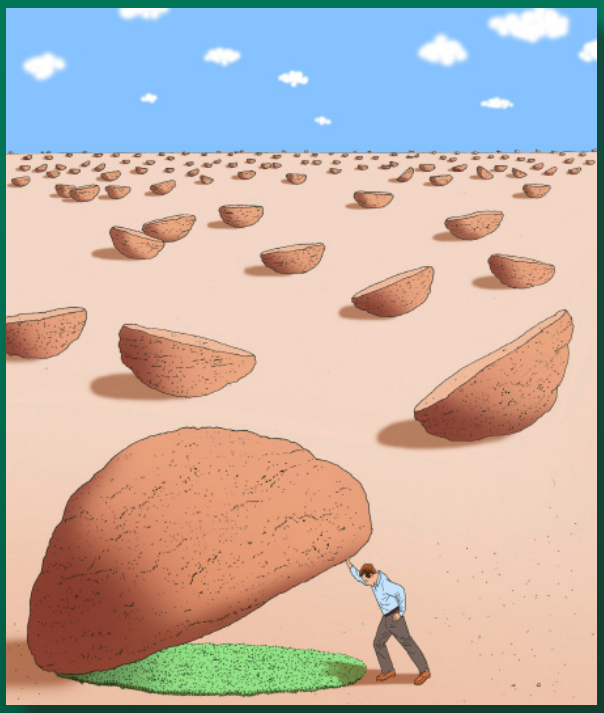
The 2014 Australian Value Creators Report

The Challenge of Growth

OUR PERSPECTIVE ON THE GROWTH VERSUS DIVIDENDS DEBATE



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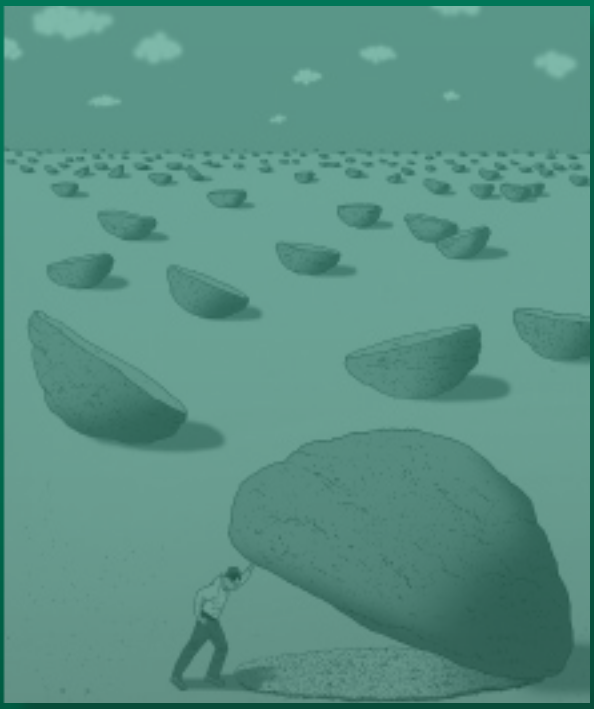

THE CHALLENGE OF GROWTH

OUR PERSPECTIVE ON THE GROWTH VERSUS DIVIDENDS DEBATE

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October 2014 | The Boston Consulting Group

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EXECUTIVE SUMMARY

FY2014 SAW A REMARKABLE return of investor confidence and optimistic market expectations both globally and here in Australia. High liquidity and low market interest rates have helped push global equity indices to new highs. In the US, the S&P 500 bettered pre-GFC highs and broke through its landmark 2,000 points barrier. Although the ASX 200 is still well below its 2007 peak of 6,873, it has gained ground. In terms of Total Shareholder Return (TSR), the ASX 200 delivered a respectable annual TSR of 20 percent in FY2013–FY2014, not far behind the US S&P 500 at 23 percent.

Most Australian sectors have fared well in the post-GFC recovery with the main exception being the Mining/Materials and Energy industries. The Australian economy continues to motor along at a healthy clip, although there is uneven growth across the various sectors. GDP growth (3.1 percent June 2013 – June 2014 seasonally adjusted) remains solid despite a creeping unemployment rate—up from 5.6 percent last year to 6.1 percent in August 2014. The "disconnect" we identified in last year's report—between Australian economy's robust growth and Australian equities' pessimism—has since narrowed.

Five years on from the GFC, many Australian companies are rethinking their strategies, shifting from restructuring and consolidation to growth. Improvements in asset productivity, aggressive cost reduction and smarter sourcing have helped companies improve their profits to pre-crisis levels, providing them with excess cash. As such, capital management is once again top of mind for executives, as they contemplate the right balance of reinvesting the company's capital for growth, returning cash to the shareholders and paying down debt.

BCG analysis consistently shows that revenue growth disproportionately drives shareholder returns over time. Thus, in the pursuit of delivering superior TSRs, no CEO or senior manager can escape the growth imperative. Choosing the right type of growth though that fits with the company's competitive position and its industry environment, and aligns to investor demands and financial strategy, is critical.

The Governor of the Reserve Bank of Australia (RBA) recently expressed frustration at Australian companies' low level of investment, citing a lack of "animal spirits" as the main barrier to growth. Glenn Stevens suggested that executives are not investing enough of the company's capital into growth but rather returning it to investors. In this report, we set out a two part response.

First, CEOs and senior managers have to take investors' preferences into account when deciding the trade-off between growth and dividends. In this era of low interest rates, investors are seeking higher dividend yields from equities and rewarding management with higher valuations for doing so than they did pre-GFC when interest rates were higher. Thus, it is the investors, and the Boards on their behalf, who need a more fiery risk appetite. For management, the solution here is not linear, but rather based on simultaneous optimisation of profitable growth (organic and through acquisitions), dividend yields (by understanding investors' preferences), and capital structure.

Second, with some exceptions such as in the Healthcare and IT-related industries, finding profitable growth opportunities in the current economic environment is a lot more difficult today than it was a few years ago, due to Australia's low productivity and high labour and energy costs. CEOs and their teams have to be more creative in turning over stones to identify profitable growth opportunities domestically and abroad—otherwise, the equities market will recalibrate the company's share price.

In this report, we analyse whether investing in growth increases shareholder value and which growth strategy is on average rewarded with higher returns. To do this, we study the TSR performance of the ASX 200 companies over the last ten years based on their growth strategies. We categorise the companies into four distinct groups based on their level of M&A activity: organic growers, mixed growers, moderately inorganic growers and highly acquisitive growers. Contrary to the popular belief that most acquisitions destroy value, our analysis finds that highly acquisitive growers over the past decade achieved the highest median annual TSR of 17 percent. This is considerably higher than the other type of growers which have a median annual TSR of around 10 percent.

We also examine how companies have grown successfully, either organically and inorganically, and the decisions that senior executives of successful Australian growth companies have made to unearth and harness value-creating growth opportunities. Specifically, we provide case studies that illustrate the key success factors of each path.

In summary, thanks to the solid stock market performance over the last two years and the relatively healthy Australian economy, CEOs and senior managers have excess cash with which to satisfy investors' high expectations. The exact combination of reinvestment and dividends should be determined through the optimisation of growth strategies, dividends based on investors' preferences, and capital structure. Further, managers need to rethink if they too can pursue growth through acquisitions like some exemplars discussed in this report.

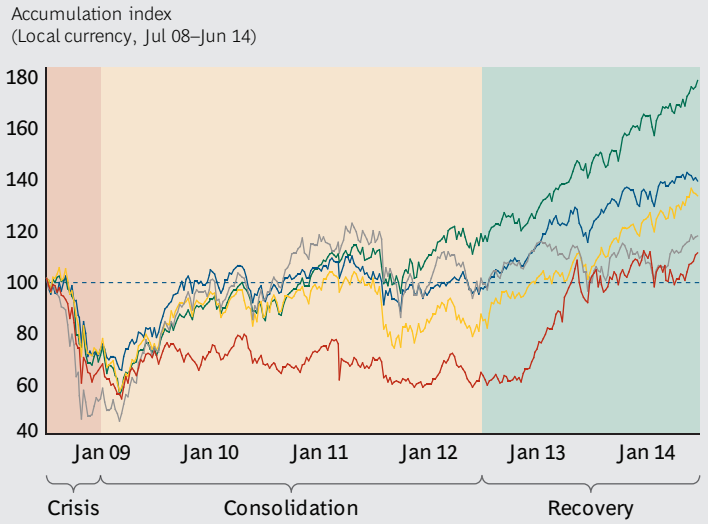
THE RETURN OF POSITIVE MARKET EXPECTATIONS

After years of high liquidity and low interest rates, FY2014 marked a return of investor confidence and optimistic stock market expectations both globally and in Australia. In the US, the S&P 500 bettered pre-global financial crisis (GFC) highs and broke through the landmark 2,000 points barrier. Although the ASX 200 is still well below its 2007 peak of 6,873, it has gained ground.

Australian equities delivered healthy returns in FY2013–2014

On most measures, the Australian economy has fared well in the post-GFC landscape. GDP growth remained solid at 3.1 percent last quarter, while the unemployment rate has increased, but only slightly, up from 5.6 percent last year to 6.1 percent in August 2014. The "great disconnect" we identified in last year's report—between the Australian economy's robust growth and Australian

EXHIBIT 1 | TSR Performance by Country
Global markets continue to grow

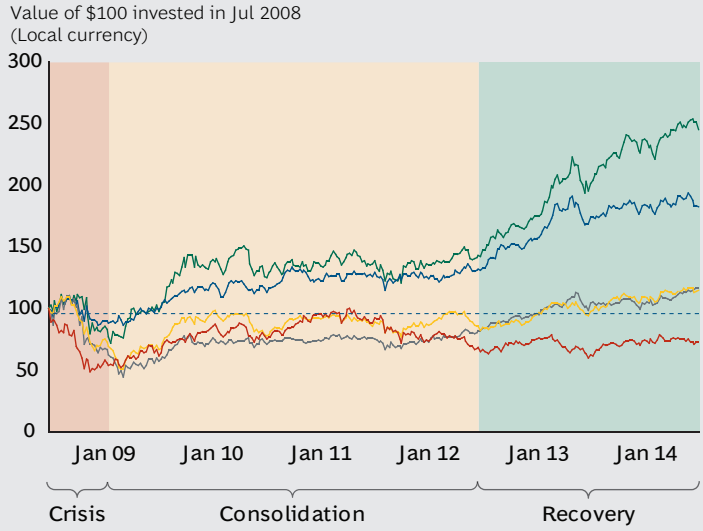


	% Six–year[2] TSR (FY09–14)	% Two–year[3] TSR (FY13/14)
US (S&P 500)	10	23
Australia (S&P ASX 200)	6	20
Europe (S&P EUR)	5	24
Emerging markets[1]	3	9
Japan (TOPIX)	1	31

Source: Thomson Reuters Datastream; BCG analysis.
[1]MSCI Emerging Markets Index [2]01/07/2008 to 30/06/2014 [3]2/07/2012 to 30/06/2014.

EXHIBIT 2 | TSR Performance for the Largest Five Industries in Australia

Banks and Consumer Staples continue to outperform while growth remains flat for Mining/Materials



	Market value[1] (AUD$b)	% Six–year[2] TSR (FY09–14)	% Two–year[3] TSR (FY13/14)
Banks	413	16	29
Consumer Staples	109	11	17
Real Estate	97	3	18
Industrials	102	2	16
Mining/ Materials	392	–5	4
ASX 200	1,551	6	20

Source: Thomson Financial Datastream; S&P Capital IQ; BCG analysis.
Note: Industries classified by GICS Sector groups, where the Financials Sector has been further broken into its Industry Group components. Consumer Staples includes Food & Drug Retailing and Food, Beverage & Tobacco; Market capitalisation figures reflect the full value of the ASX 200 companies, inclusive of dual-listed companies where the primary listing is in Australia.
[1]As at 30/06/2014 [2]01/07/2008 to 30/06/2014 [3]03/07/2012 to 30/06/2014.

equities' pessimism—has since narrowed. In FY2013–2014 the ASX 200 delivered a respectable TSR of 20 percent, not far behind the US S&P 500 at 23 percent. Europe and Japan have also recovered well with the S&P EUR and TOPIX posting TSRs of 24 percent and 31 percent respectively (see Exhibit 1).

In terms of fundamentals, Australian companies delivered an average earnings per share growth of 7 percent in FY2014, a significant improvement on the negative 2 percent for FY2013 and a factor that helped bring the Australian equities market back on par with its global peers. To further understand the drivers of Australian TSR performance, we need to look deeper at the industry level.

Unlike other developed markets such as the US or Europe, the ASX 200 is overrepresented by two sectors—Banks and Mining/Materials. Together, they account for just over half the value of the index (see Appendix 1). As Exhibit 2 shows, Banks have been the star performers while Mining/Materials companies have not been able to recover since the GFC. This gap in performance between the two industries has increased in the past two years, with Banks returning a strong TSR of 29 percent, whereas Mining/Materials returned a lacklustre 4 percent, only slightly above GDP growth.

Most other industries performed well to make up for the slow recovery in Mining/Materials. The continued housing boom and the duopolistic groceries market helped Real Estate and Consumer Staples to post solid TSRs of 18 percent and 17 percent respectively. Other smaller sectors such as Diversified Financials surprised with two-year TSRs of 44 percent, while IT and Healthcare achieved reasonable returns of 31 percent and 28 percent respectively.

Investor optimism and positive market expectations return

To better understand market expectations and investor sentiment, BCG uses a proprietary valuation methodology which determines the fundamental value of a company. The fundamental value is calculated by forecasting financial performance with the assumption that growth rates and profitability will fade back to an industry average over time. We then compare our calculated fundamental value to the market value as mea-

sured by market capitalisation. If the market value is greater than fundamental value, this suggests a positive expectation premium built into the market valuation. In the same way, a market value less than the fundamental value indicates a negative expectation premium within the current market valuation.

Positive expectation premiums are welcome signs of prosperity but senior executives also need to view them with caution as they need to deliver against those expectations and have the challenging task of satisfying investors while also creating shareholder value.

Exhibit 3 shows the ratio between market value and fundamental value for the ASX 200. A ratio above one signals the presence of positive market expectations. In FY2014, investor expectations were increasingly positive compared to the previous two financial years. This suggests that investors are building up the expectation that the ASX 200 will outperform relative to a set of competitive and macroeconomic factors.

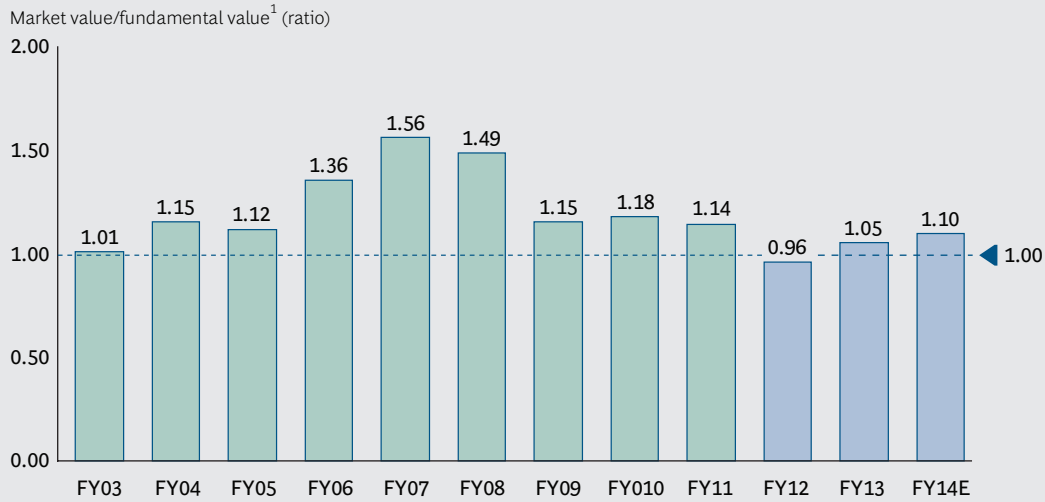
The return of positive expectation premiums is even more prominent when we look closely at specific industries. As Exhibits 4 shows, expectation premiums for Banks were positive for the first time since the GFC. The banks have experienced solid returns thanks to a highly concentrated market with minimal exposures to sub-prime mortgages that severely crippled US and European peers. It is now up to The Big Four banks to satisfy increasing investor expectations. This is becoming increasingly challenging for a number of reasons: lifting dividends above the ~$20 billion to be paid out this year would likely constrain the balance sheet; further domestic growth opportunities are difficult to find; and international expansion is often perceived as too risky, especially post-GFC.

Positive expectation premiums are welcome signs of prosperity.

Therefore, it is incumbent on all CEOs and senior managers to understand the key drivers of value creation and the interaction between them in order to meet the investors' optimistic expectations.

EXHIBIT 3 | Market Values Versus Fundamental Values over Time

Market expectations continue to increase, PE ratio above 15x for the first time since GFC

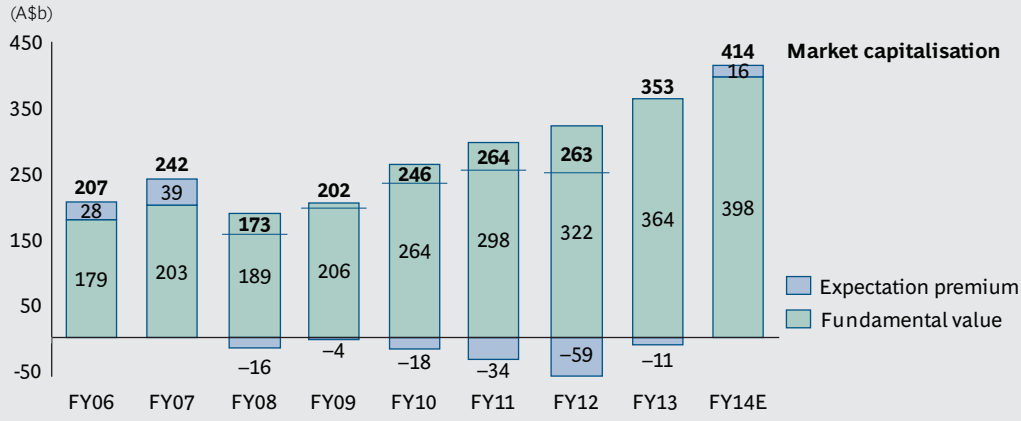


	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY010	FY11	FY12	FY13	FY14E
PE ratio (30 June)[2]	13.8x	14.2x	13.9x	14.1x	16.4x	12.7x	14.3x	11.7x	12.2x	11.2x	13.6x	15.1x
Market capitalisation (A$b, 30 June)	576	697	927	1,246	1,501	1,392	1,122	1,290	1,441	1,241	1,356	1,551

Source: S&P Capital IQ, BCG Australian Market Database 2014.
Note: PE Ratio and Market capitalisation taken on last trading day of financial year.
[1]Includes ASX 200 excluding Real Estate companies and companies with incomplete data [2]NTM Forward PE (bottom-up) from S&P Capital IQ.

Exhibit 4 | Return of Positive Expectation Premiums in Australian Banks

Decomposition of Australian banks market capitalisation: Fundamental value and expectation premium (2006–2014)



	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14E
Expectation premium (% of market cap)	13	16	–9	–2	–7	–13	–22	–3	4
Fundamental value (% of market cap)	87	84	109	102	107	113	122	103	96

Source: Thomson Reuters Datastream; S&P Capital IQ; BCG Australian Market Database 2014.
Note: All values are in nominal terms. Market capitalisation shown is for financial year end. FY14 actuals available for CBA and Bendigo and Adelaide Bank, FY14 consensus estimates used for ANZ, Westpac, NAB, Bank of Queensland.

GROWTH IS THE KEY CONTRIBUTOR TO TOTAL SHAREHOLDER RETURN

BCG HAS DEVELOPED A TSR decomposition model that determines the contribution and relative importance of each driver for TSR. The model divides TSR into four key drivers of shareholder value:

- Revenue growth.
- Change in margins (measured as Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as percentage of revenue).
- Change in multiple (as measured by the Enterprise Value to EBITDA).
- Free cash flow yield to equity holders: measured as change in dividend yield, shares outstanding, and net debt.

Top-line growth is a double-edged sword.

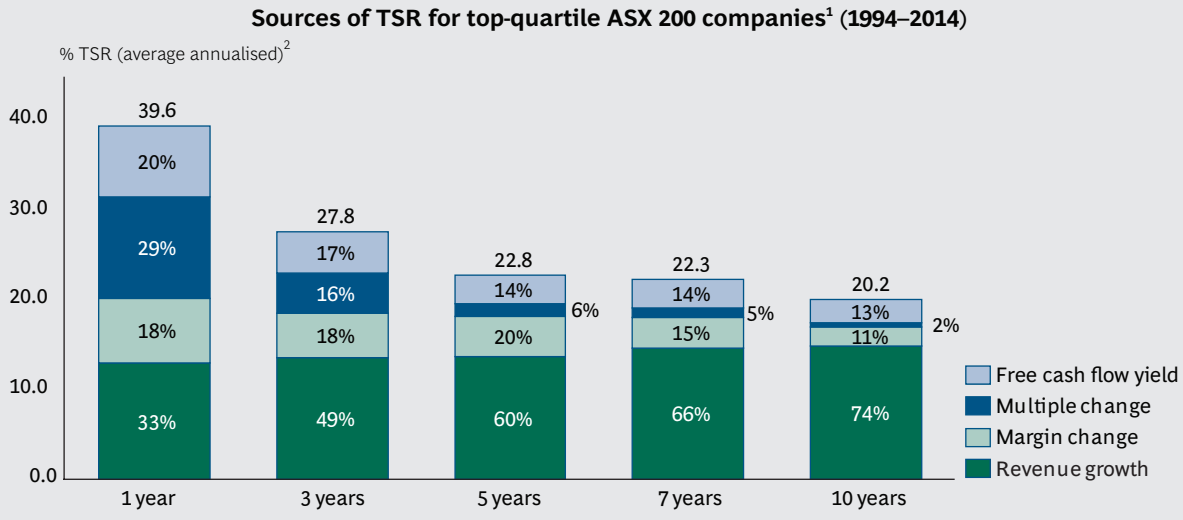
We used BCG's TSR decomposition model to analyse the performance of the top-quartile companies in the ASX 200 over rolling periods of one, three, five, seven and ten years across two decades, from 1994 to 2014 (see Exhibit 5). The results show that although other factors such as multiple change and cash flow contribution are important in the short term, top-line growth is an increasingly dominant source of TSR, especially in the long term. Over a ten year horizon, revenue growth accounts for more than 70 percent of average TSR. We ran the same analysis for companies with an average TSR and found that revenue growth is again the single most important and sustainable contributor to TSR over the long term.

Over time, a company's ability to improve margins, valuation multiples and free cash flow yield inevitably diminishes. As a result, without sufficient sustainable revenue growth, it is difficult for a company to deliver superior TSR.

Top-line growth is a double-edged sword though: Companies can just as easily destroy value as create it through growth. As most managers know, the challenge is finding value accretive growth, where the investment consistently earns more than the cost of capital in the long run.

Furthermore, choosing the right type of growth that fits with the company's competitive position and its industry environment, and aligning the growth agenda to the investor demands and financial strategy is critical if it wants to benefit from its growth strategy.

EXHIBIT 5 | Growth is Biggest Contributor to Top-quartile TSR Performance over the Long Term



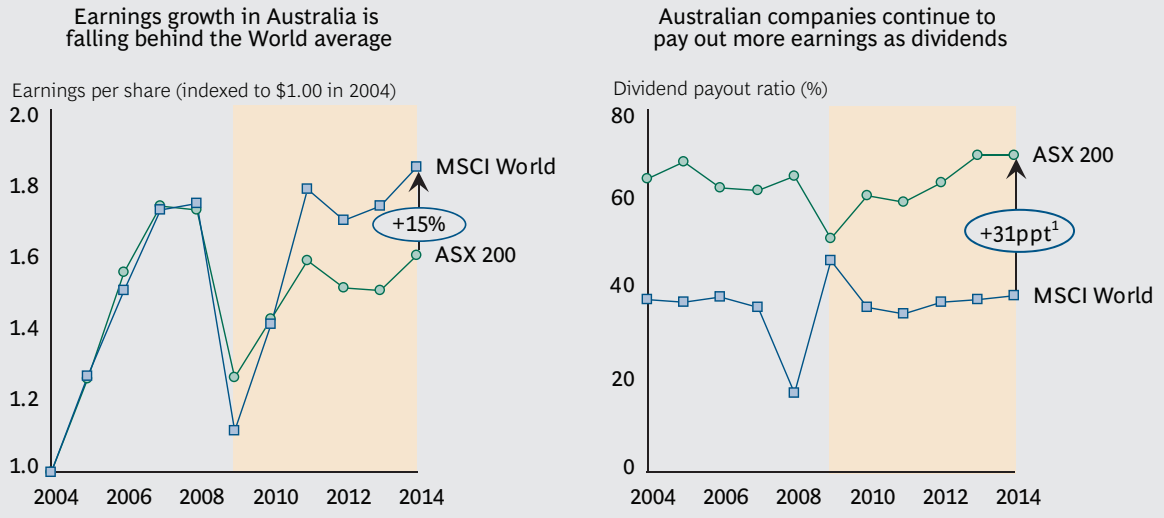
Source: S&P Capital IQ; BCG ValueScience Center; BCG analysis.
Note: Rolling periods were analysed, for example 11 rolling periods of 10 years were used for 1994–2014.
[1]Excludes financial companies (GICS sector 40) [2]Calculated in financial years 1 July–30 June.

VALUE ACCRETIVE GROWTH OPPORTUNITIES HARDER TO FIND

THE AUSTRALIAN MARKET HAS had an amazing run over the past two decades, thanks to the two major engines, the Mining/Materials and Banking sectors. Furthermore, cheap debt was widely available in Australia, which basically handed growth "on a plate".

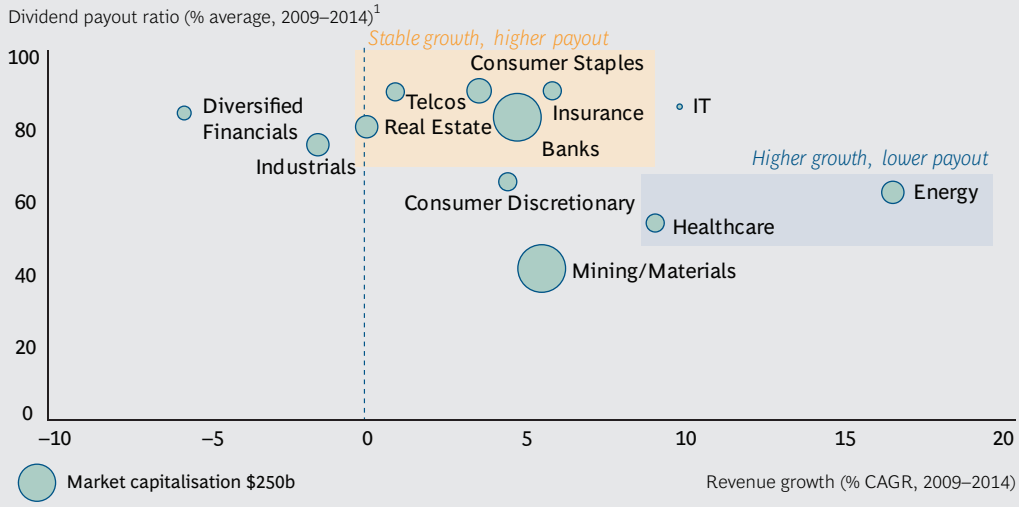
Recently, concerns have been raised that Australian companies do not invest enough into growth. Reserve Bank of Australia (RBA) Governor Glenn Stevens voiced his frustrations, saying "our society is becoming too risk averse" and the key barrier to growth is a lack of "animal spirits" *(Glenn Stevens Testimony on 20 August 2014, House of Representatives Standing Committee on Economics).* Stevens is convinced that the government has done its part in holding interest rates at all time lows, saying: "I have allowed the horse to come to the water of cheap funding, I cannot make it

EXHIBIT 6 | EPS Growth in Australia has Fallen Behind Global Peers, while Dividend Payout Ratio remains High



Source: Thomson Reuters Datastream; BCG analysis.
Note: 12 months trailing DPS and 12 months trailing EPS used to calculate earnings growth and dividend payout.
[1]Percentage points.

Exhibit 7 | Clear Divergence on Dividend Payout Between Stable and High Growth Industries in Australia



Source: S&P Capital IQ; BCG analysis.
Note: Outliers and companies with negative payout ratios have been removed from this analysis (176 companies remain in sample, 24 companies excluded); Consensus estimates used for FY2014 where actual figures have not yet been reported; Total Revenue before provision for loan losses are used for banks in calculating revenue growth; Market capitalisation weighted averages are calculated for each industry sector using its constituent data. Utitlies are excluded in above chart as dividend payout ratio exceeds 100 percent.
[1]Average of DPS/EPS over start of FY2010 to end of FY2014 (excluding outliers defined as payout ratio below –200% or above 200%).

drink". To understand why that is, it is worth examining what has been happening to dividend payout ratios and the interplay between growth and dividends.

High costs locally have been a major barrier for Australian companies wanting to grow domestically.

As shown in Exhibit 6, empirical evidence shows that Australian companies have payout ratios that are 20 to 30 percentage points higher than the worldwide average. This is mainly attributable to differences in the tax treatment of dividend income. Before the tax reforms in 1987, dividends in Australia were taxed twice and capital gains were treated much more favourably, with assets held for more than one year untaxed. At that time, the dividend payout ratios were much lower (around 40 percent in the early 1980s) and in line with the US. Since Australia introduced dividend imputation in 1987, it has maintained significantly higher dividend payout ratios as compared to the rest of the world.

The high payout ratio has led to higher dividend yields which have been able to satisfy investor appetite for return. However, this raises the question of whether Australian companies are too focused on satisfying investors' demand for yield and missing value accretive growth opportunities.

That is not an easy question to answer, as growth is a prerequisite for sustainable dividend yields. Taking a look at the market in more detail (see Exhibit 7), we have identified two distinct industry clusters:

- Stable revenue growth and higher dividend payout (mainly Telcos, Banks, and Consumer Staples).
- Higher revenue growth and lower dividend payout (Healthcare and Energy).

It is clear that the first cluster accounts for a much bigger portion of the market. If we were to put ourselves into the shoes of senior executives leading companies in the stable revenue growth and higher dividend payout cluster, could we really blame them for increasing their dividend payout ratio and satisfying investor appetite?

CEOs and senior managers have to take investors' preferences into account when deciding the trade-off between growth and dividends. In this era of low interest rates, investors are seeking higher dividend yields from equities and rewarding management with higher valuations for doing so than they did pre-GFC when interest rates were higher. Thus, it is the investors, and the Boards on-their behalf, who need a more fiery risk appetite. For management, the solution is not linear, but rather based on a simultaneous optimisation of profitable growth (organic and through acquisitions), dividend yields (by understanding investors' preferences), and capital structure.

Further challenges to find value accretive growth opportunities

The current Australian market is very different from a decade ago. Growth has become increasingly challenging as the market lost some of its competitive prowess. While the resources boom routed hundreds of billions of dollars into mining, energy and infrastructure projects that created thousands of high-paying jobs, at the same time, the manufacturing sector quietly languished.

In a recent BCG benchmarking study *(The shifting economics of global manufacturing: how cost competitiveness is changing worldwide)*, Australia was found to be the worst-performing of the 25 economies in the BCG Global manufacturing cost-competitiveness Index—losing ground in all cost categories: wages, productivity, energy and exchange rates.

High costs locally have been a major barrier for Australian companies wanting to grow domestically. As an example, Incitec Pivot CEO James Fazzino recently slammed Australia's energy costs, stating that Australia is not an attractive place for investment *(Incitec's James Fazzion criticises 'train wreck' Australia, The Australian Financial Review, 8 September 2014)*. Fertiliser production is a highly energy-intensive process. As Australia's largest fertiliser producer, Incitec Pivot has decided to build its $US850 million ammonia plant in the US rather than Australia.

ALTERNATIVE GROWTH PATHS

ORGANIC VERSUS INORGANIC

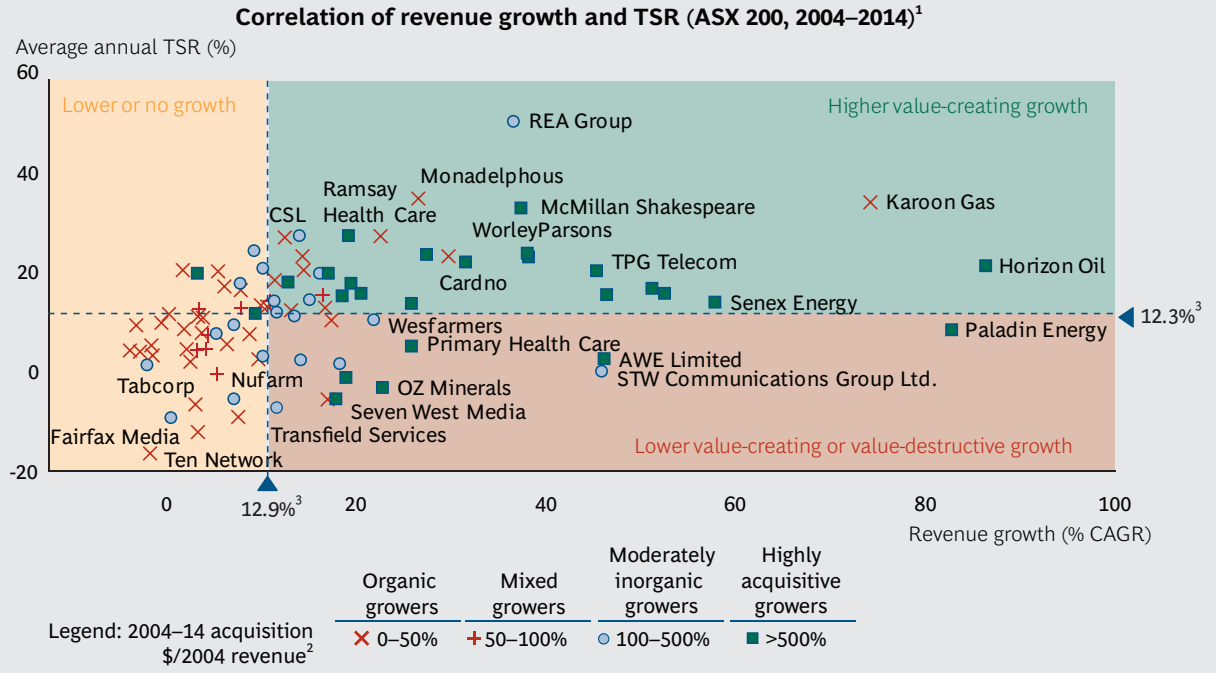
When it comes to growth, local organic growth opportunities are difficult to find in many sectors due to the relatively small size of the Australian economy, and international organic growth opportunities are often perceived as risky by investors, especially after the GFC.

As such, inorganic growth once again seems like an attractive path to value creation. Global M&A deal volumes increased considerably in the first half of 2014 and as the next M&A wave starts to ripple, it is time for Australian executives to revisit their inorganic growth strategies, especially in light of the insights we were able to draw from comparing organic and inorganic value creation.

Our analysis examined the stock market performance of the current start ASX 200 constituents for the ten-year period from 2004 to 2014. We used each company's ten-year TSR as the benchmark performance measure and compared this to revenue growth during the same period. We then looked at the analysis through an organic versus inorganic growth lens to examine how companies have performed along alternative paths to growth. The results are shown in Exhibit 8 along the following dimensions:

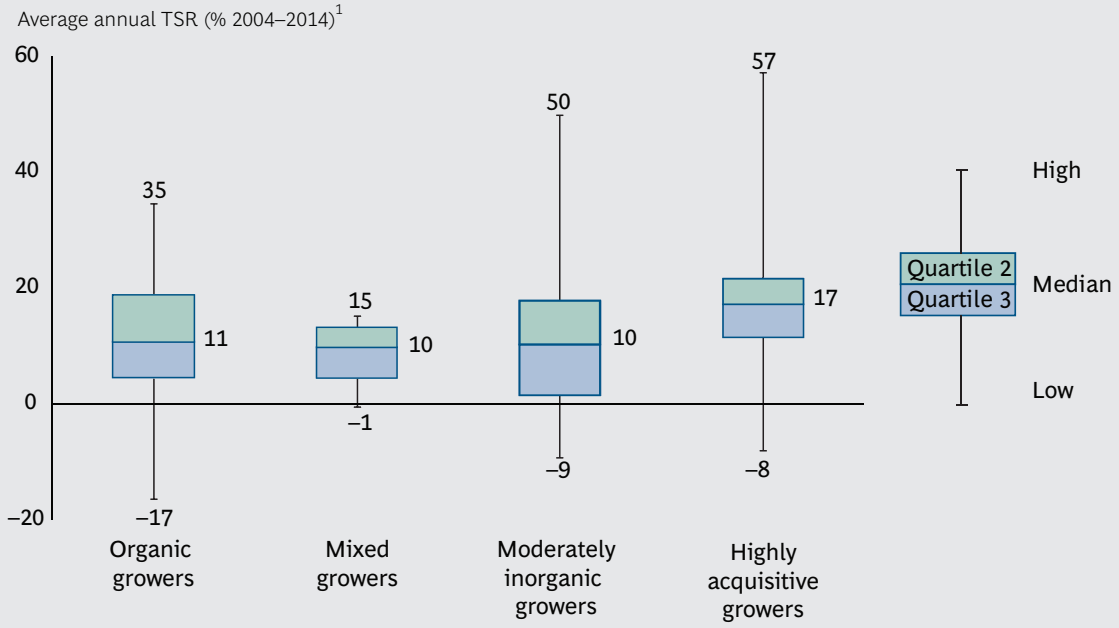
- The three regions on this chart indicate the success of their growth:
  - Higher value-creating growth: The top right companies that have been successful in converting high revenue growth into high TSR
  - Lower value-creating or value destroying growth: The bottom right companies that have been unable to convert high revenue growth into high TSR
  - Lower or no growth: The left side companies that have not grown their revenues above the sample median.
- The symbols categorise companies into alternative "paths to grow" based on their level of M&A activity, as measured by the amount of money spent on acquisitions in the ten years from 2004 to 2014 relative to the company's revenue in 2004:
  - Organic growers: The crosses represent companies that have either engaged in no or minimal M&A activity
  - Mixed growers: The plusses represent companies that have engaged in small amounts of M&A activity
  - Moderately inorganic growers: The circles represent companies that have engaged in moderate amounts of M&A activity

EXHIBIT 8 | Highly Acquisitive Growers are More Likely to Achieve Higher Value-creating Growth



Source: S&P Capital IQ; BCG ValueScience Center; BCG analysis.
[1]Excludes financial companies (GICS sector 40) and companies that are currently in the ASX200 but were not in ASX200 as at 01/07/2014, companies with revenue growth greater than 100 percent and less than –5 percent are not shown in the chart above [2]Completed deals between 01/07/2004 to 30/06/2014 (10 financial years) divided by FY2004 revenue [3]Median of sample.

EXHIBIT 9 | Highly Acquisitive Growers Delivered the Highest TSRs



Source: S&P Capital IQ; BCG ValueScience Center; BCG analysis.
Note: Excludes financial companies (GICS sector 40) and companies that are currently in the ASX200 but were not in ASX200 as at 1 July 2004.
[1]01/07/2004 to 30/06/2014.

– Highly acquisitive growers: The squares represent companies that have engaged in large amounts of M&A activity.

The results show that highly acquisitive growers have the greatest likelihood of achieving higher value-creating growth. This is shown by the fact that in the top right "higher value-creating growth" region, the number of highly acquisitive growers (represented by the squares) far exceeds any other type of growers. This highlights that using acquisitions as a tool to grow gives companies a good chance at delivering superior TSR.

This result is even more pronounced when we look at the TSR performance for the four types of growth paths from a statistical perspective. Exhibit 9 shows that highly acquisitive growers have achieved the highest median annual TSR, 17 percent over the past decade. This is considerably higher than the other type of growers which have a median annual TSR of around 10 percent. There is also wide variation in the TSRs within each category of growers. Highly acquisitive growers had the highest potential upside while mixed growers had the lowest downside risk, in line with their diversified nature.

While our analysis demonstrates that growth by acquisitions results in higher TSRs compared to other growth strategies, the wide minimum-maximum ranges also highlight the potential downside to acquisitive growth. In order to better understand the qualities of both successful organic growers and serial acquirers, the next section will examine case studies of two standout performers.

Ramsay Health Care: Using acquisitive growth to build market leadership in two regions

Ramsay Health Care has been a stand-out performer in TSR performance over the past ten years. The company was established in Sydney in 1964 and is now the largest owner of private hospitals in Australia, with over 100 facilities. It also owns about 150 facilities outside of Australia, particularly in France, the United Kingdom, Indonesia and Malaysia. Ramsay recently became the market leader in France by acquiring a majority stake in Générale de Santé. The company has over 30,000 employees, and treats more than 1.4 million patients annually, with its main areas of treatment being surgery, rehabilitation and psychiatric care.

Highly acquisitive growers have the greatest likelihood of achieving higher value-creating growth.

Ramsay Health Care has grown its revenues at an average of 20 percent per annum over the last decade, from $770 million to $4.9 billion in FY2014. This growth, combined with a multiple change of 6 percent per annum within the same timeframe, has allowed Ramsay to deliver a 27 percent annual TSR from the start of FY2005 to the end of FY2014. The chart on the left side of Exhibit 10 further emphasises that the company delivered a 12-fold increase in dividend adjusted share price, significantly outperforming the overall market and its peers over the last decade.

In Ramsay Health Care's case, TSR has been mainly driven by revenue growth. The company's growth story started in 2001, when the company owned and managed less than 20 private hospitals within Australia. From 2001 to 2004 alone, Ramsay Health Care doubled its number of hospitals by acquiring Alpha Healthcare and its eight hospitals in 2001 and Benchmark Healthcare with ten hospitals in 2004. Then, in 2005, Ramsay embarked on its largest acquisition in the local market, purchasing Affinity Health, which made it the largest private hospital group in Australia with 74 hospitals and more than 8,000 beds. Since then, it has continued to make selective acquisitions within Australia, while primarily adding capacity to its existing asset base. Today, the company's market share in Australia is around 30 percent.

Ramsay Health Care also looked beyond the local market for acquisitions. In 2007, it acquired Capio UK, the fourth largest operator

of private hospitals in the UK. In 2010, another acquisition helped the company to establish a presence in France. Ramsay Health Care then acquired Medipsy in 2013 and then added a controlling stake in Générale de Santé in June 2014. The addition of Générale de Santé's facilities brings Ramsay's total portfolio in France to 115 facilities. Over a timeframe of only six years, Ramsay has successfully expanded abroad, becoming the market leader in France and enjoying a strong holding in the UK.

There are three main factors that make serial acquirers like Ramsay Health Care so successful.

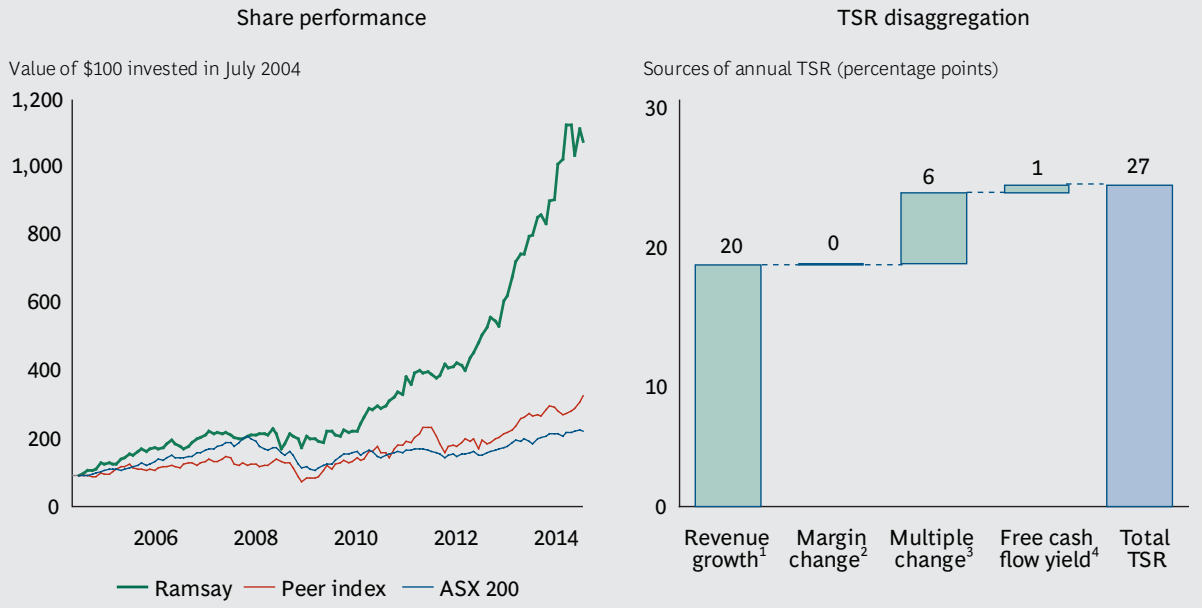
Ramsay Health Care has also built a presence in South East Asia, where the company recently formed a joint venture with the Malaysian conglomerate Sime Darby Berhad, combining Sime Darby's assets in Malaysia with Ramsey Health Care in Indonesia.

As our recent research *(Unlocking acquisitive growth: lessons from successful serial acquirers)* has indicated, there are three main factors that make serial acquirers like Ramsay Health Care so successful.

Firstly, serial acquirers develop a detailed understanding of the strategic significance and role of M&A in achieving their overall growth strategy, long before bidding on any particular deal. Ramsay Health Care, for example, has a well defined and transparent growth strategy, creating shareholder value by combining organic growth, brownfield capacity expansion and a prudent approach to acquisitions.

Secondly, successful serial acquirers have a rigorous discipline around M&A activities with a compelling investment thesis and a proprietary view on how they can create val-

EXHIBIT 10 | Ramsay Health Care Delivered 27 Percent Annualised TSR over Past Decade Mainly Driven by Revenue Growth



Source: S&P Capital IQ; Thomson Reuters Datastream; BCG analysis.
Note: In the chart on the left, the peer index includes IHH Healthcare Berhad, Universal Health Services Inc, Mediclinic International Limited, Primary Health Care, Healthscope Limited. In the chart on the right, the contribution of each source to TSR is shown in percentage points of ten-year average annual TSR.
[1]10 year revenue CAGR [2]10 year CAGR in Revenue/EBITDA margin [3]10 year CAGR in Enterprise Value/EBITDA multiple [4]Dividend yield of 3.5 percent, Leverage effect of 1.4 percent (change in Market Value/Enterprise Value), Number of Shares Outstanding 10 year CAGR of 4.3 percent (increase in number of shares outstanding decreases TSR).

ue through an acquisition. This tactical view helps them to focus on value-creating growth and avoid off-strategy transactions. In Ramsey Health Care's case, the company has a very clear and consistent strategic view of acquisitions. It only targets private hospitals, and then, only makes the acquisition if its rigorous financial and strategic criteria are met and their internal investment requirements are satisfied.

Thirdly, successful acquirers pay at least as much attention to the details of post merger integration (PMI) as they do to the deal itself, striking a balance between speed and thoroughness in the PMI process. Ramsay allows sufficient time for the PMI of its acquisition targets, exporting its proven management approach and systems to the companies it acquires but also combining this approach with local expertise.

CSL: Relentless organic growth and selective international acquisitions

CSL is a prime example of relentless organic growth combined with selective international acquisitions to deliver sustained superior TSR performance. As a leading global biopharmaceutical company, CSL specialises in developing and manufacturing vaccines and plasma protein biotherapies to help treat and prevent a wide range of medical conditions. Established in 1916 as Commonwealth Serum Laboratories, CSL grew from its core business of vaccine manufacturing into plasma products. The company debuted on the ASX in 1994 at under $1 per share, and now trades above $70 per share.

Divesting assets at the right time allowed CSL to focus on its core plasma business.

CSL has delivered a stellar 27 percent annualised TSR over the past decade as shown in Exhibit 11. Revenue growth contributed to around half of that TSR performance. The company currently trades at a price to earnings (PE) ratio in excess of 20 times which is a sound reflection of high market expectations for the company. With a global presence in 27 countries, CSL has continued to increase its cash flow return on investment (CFROI) above its cost of capital. In absolute terms, CFROI has almost doubled from 13 percent in 2004 to 24 percent in 2014. This has been a critical driver of superior performance relative to its peers.

CSL has opted for a more organic approach to growth, focusing on three critical levers:

- Reinvesting earnings for continuous innovation.
- Optimising portfolio to focus on high return assets.
- Diversifying product range to increase revenue streams.

Biotherapy is a fast growing industry and supported by the global demographic trend of an ageing population. A key success factor of companies operating in this space is the ability to maintain leadership positions in terms of technology and proprietary systems. Companies must continuously innovate and present new ideas to gain new sources of advantage. CSL has achieved this by establishing licensing agreements with other companies to rapidly develop products that fill its ever evolving pipeline. Furthermore, CSL continuously invests in Research and Development (R&D) in an effort to expand into profitable adjacencies and new areas. CSL's R&D operations employ over 1,000 scientists and have an annual budget close to $0.5 billion, ~10 percent of revenue.

CSL constantly reviews its portfolio of technologies to ensure a balanced pipeline of high quality and high potential projects across various stages of development to reduce exposure to concentration risk. Furthermore, executives at CSL are not afraid to exit businesses with lower returns that divert too much attention from its core.

Over the past decade, CSL has divested assets such as its animal health division by selling it

to Pfizer and its cell culture reagent business, which it sold to Sigma-Aldrich. Portfolio optimisation is done regularly to determine the most important assets for long-term value creation. As BCG showed in its recent report *(Don't miss the exit: creating shareholder value through divestitures)*, companies that undertake continuous portfolio reviews and develop the right exit strategy can create significant shareholder value through the divestiture of assets or business units that no longer fit with their corporate strategy.

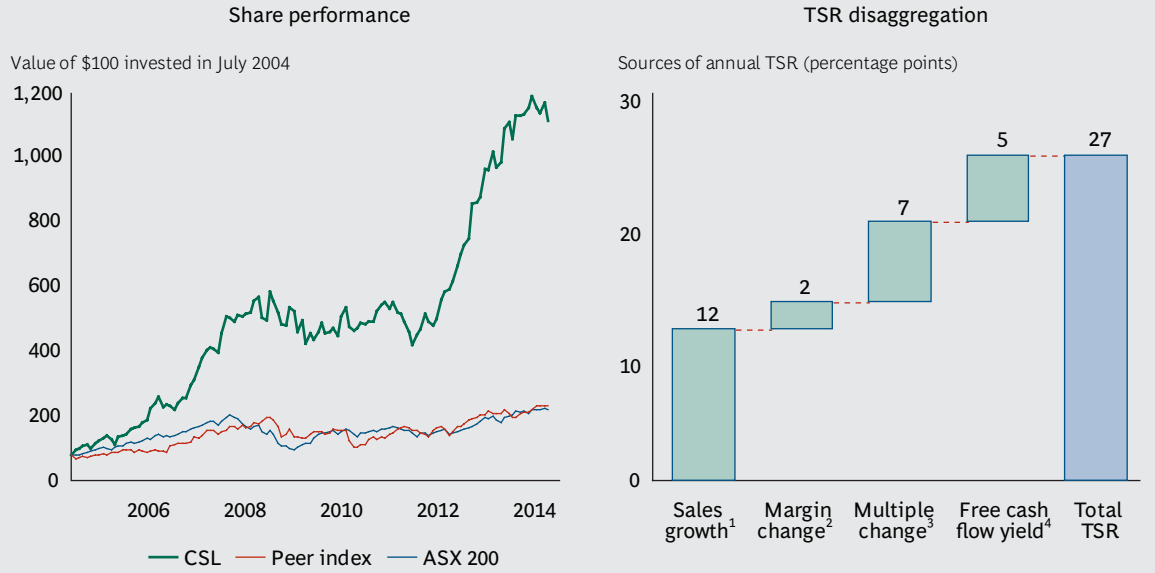
Divesting assets at the right time has allowed CSL to focus on its core plasma business. Funds raised from divestments also helped with acquisitions of Aventis Behring and Zenyth Therapeutics, bolstering its expertise in plasma and gaining access to key foreign markets, including Asia. To supplement its focus on organic growth, CSL has used acquisitions to rapidly access foreign markets and gain expertise in complementary technologies.

Recently, CSL reorganised its reporting into three segments: CSL Behring (plasma businesses), bioCSL (biotherapeautic products) and CSL Intellectual Property (licensing of Intellectual Property). This clear segmentation has increased transparency to shareholders, helping them to chart CSL's course to maximising value.

CSL has expanded service offerings into different geographies, with Australia now only accounting for around 10 percent of group revenue. The latest FY2014 results highlight the benefit of having diversified revenue streams. For example, lower European demand for haemophilia treatment products were more than offset by strong demand, especially in China, for Albumin and Immunoglobulins.

CSL has demonstrated the advantages of pursuing organic growth opportunities especially in foreign markets. Its focus on portfolio optimisation demonstrates the importance of being selective about growth opportunities. CSL's transparency with its investors and its selective use of acquisitions and divestments has ensured support from shareholders in its journey to generate superior value.

EXHIBIT 11 | CSL's Ongoing Reinvestment for Innovation and Portfolio Optimisation has Delivered Superior TSR



Source: S&P Capital IQ; Thomson Reuters Datastream; BCG analysis.
Note: In the chart on the left, the peer index includes Baxter International Inc, Grifols SA, and Mesoblast Limited.
[1]10 year revenue CAGR. [2]10 year CAGR in Revenue/EBITDA margin. [3]10 year CAGR in Enterprise Value/EBITDA multiple [4]Dividend yield of 2.3 percent, Leverage effect of 1.4 percent (change in Market Value/Enterprise Value), Number of Shares Outstanding 10 year CAGR of –2.2 percent (increase in number of shares outstanding decreases TSR).

CREATING VALUE THROUGH ACQUISITIVE GROWTH

As the previous case studies of serial acquirers have demonstrated, acquisitive growth only makes sense when executives have a well thought out strategy to create sustainable competitive advantage. The same is true for companies in niche market segments that have shown that, despite the increasing headwinds and changing external environment within Australia, there are still opportunities for value accretive growth. The following two case studies examine two ways how companies can create competitive advantage through acquisitive growth.

Acquiring new or necessary capabilities

Companies can use acquisitions to expand their product and service offering. This path is suitable for companies that need to acquire new capabilities quickly, as developing them in-house would take too long and opportunities in the market would decrease in value over time. In the telecommunications sector for instance, M2 Group has been very active in acquiring new or necessary capabilities to create shareholder value.

Since becoming public in October 2004, the company has made over a dozen strategic acquisitions totalling over $0.5 billion. This has helped the company's share price to rise around 25 times since IPO, or approximately 45 times in dividend adjusted terms.

Three months after going public, M2 made its first major acquisition, taking over Protel in February 2005. Protel represented an ideal strategic fit for M2, due to its specialised capability in delivering telecommunication services to small and medium sized enterprises. M2 aspired to target this market segment, but lacked certain key competencies before the acquisition. The company executives took 12 months to complete the PMI, paying close attention to customer service, provisioning and billing operations.

M2 aspired to be Australia's largest reseller telecommunications company and acquired publicly-listed Commander Communications in 2008 to complete its Wholesale product suite. Commander provided a full range of fixed line services, which complemented M2's mobile service offerings. In the same financial year, M2 also acquired Orion Telecommunications, mainly to access its customer call centre in Tasmania, which helped M2 to better serve its retail customers. M2 understood the value of having an Australian-based call centre and proceeded to "on-shore" subsequently acquired foreign-based customer support operations. The company then acquired customers of Austar Mobile and Edirect to further bolster its presence in the residential retail market. M2 furthered its advance into the retail market by subsequently taking over Primus, Dodo and Eftel. Through Dodo Power and Gas and Dodo Insurance, M2 gained ad-

ditional cross-selling opportunities and expanded its product offerings to include energy and insurance.

Acquisitive growth is at the core of M2's strategy. Its CEO, Geoff Horth, has stated that the company is preparing to spend more than $100 million in 2014 on new acquisition targets to position the company for its next stage of growth *(M2 banks on telco buying strategy, The Australian, 7 April 2014)*. M2 sees M&A as a vital part of its future growth strategy, and has developed a core competency in extracting value from complementary businesses and assets.

Gaining cost advantage through economies of scale

Cost synergies arising from economies of scale is one of the most widely cited reasons for M&A. Although this can be perceived as hard to achieve in many established Australian industries such as Banks and Telcos due to lack of fragmentation, there are still examples of companies that were able to achieve significant cost savings via M&A.

IOOF holdings is a financial services company that engages in both wholesale and retail funds management. The company was adversely affected by the GFC and saw the urgent need to boost scale and cut costs. It did so by merging with Australian Wealth Management and acquiring Skandia in early 2009. IOOF managed to achieve more than $20 million in post-tax synergies within the next financial year.

The company used the merger to trigger a simplification program that reduced its platform administration systems, property footprint and corporate service functions. IOOF continued to acquire other smaller businesses that fit neatly into existing operations and provided scope for significant cost synergies. Recently, IOOF acquired Shadforth for $670 million. Once again, Shadforth was a natural fit with IOOF's existing capabilities and significant cost synergies were identified and realised. The enhanced scale positioned IOOF as Australia's third largest advice business as ranked by Funds Under Administration, with a network of more than 1,000 advisers.

The increased scale through acquisitions is reflected in IOOF more than quadrupling its revenue from ~$200 million in FY2004 to more than $800 million in FY2014. IOOF's success in gaining cost advantage through careful acquisition target selection and effective PMI saw the company increase EBITDA margin from 20 percent to 23 percent during the same period. This has helped the company grow its market capitalisation more than six fold from ~$300 million to ~$2,000 million.

Ready, set, grow

In summary, thanks to the terrific stock market performance over the last two years and the relatively healthy Australian economy, CEOs and senior managers have excess cash with which to satisfy the investors' appetite for yield. The exact combination of reinvestment and dividends should be determined through the optimisation of growth strategies, with dividends based on investors' preferences and capital structure. If these strategic considerations are in balance, companies can generate superior value.

With rising investor expectations and a higher appetite for risk, now more than ever, executives and Boards need to reassure investors that they can respond to their demands. Management need to rethink their growth strategies and ensure alignment with investor expectations. Ultimately, the winners in the growth race will be executives who understand the alternative paths to growth that are available to them and have the ability to gain investor support, and the skills to navigate obstacles along the way.

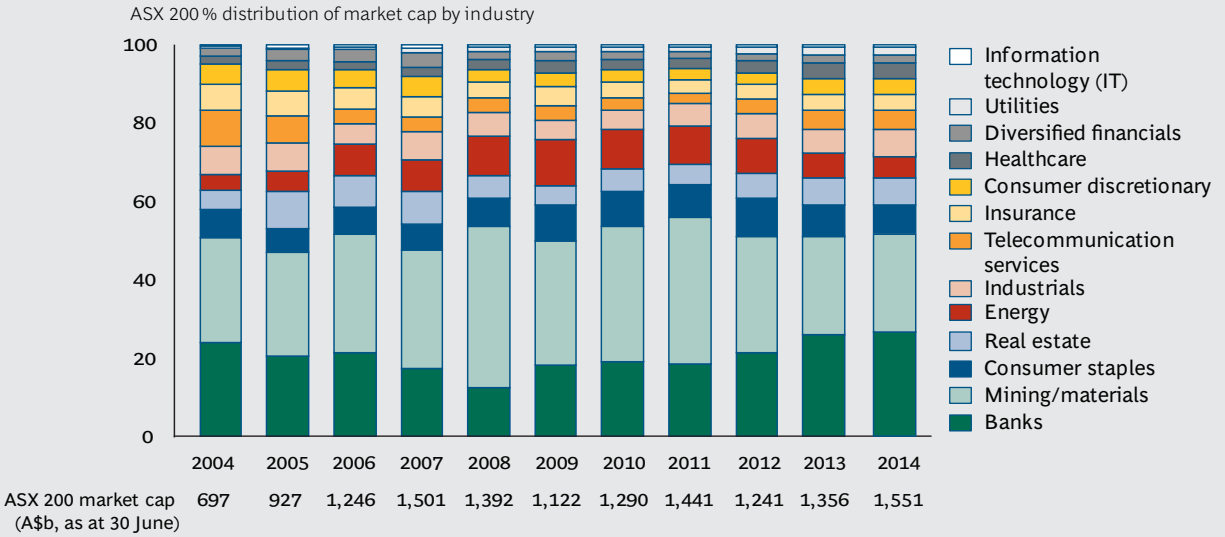
As we again enter into a phase of high M&A activity, mainly led by US and European companies, managers in Australia need to consider if they too can pursue growth through acquisitions. As we have shown in this report, inorganic growth that is strategically and tactically well executed might be the key to superior value creation.

APPENDIX 1

ASX 200 MARKET CAPITALISATION BY INDUSTRY

Exhibit 12 shows the distribution of the ASX 200 market capitalisation by industry since 2004. While the split between Banks/Materials and the other groups has remained relatively stable over time, the mix between these groups has changed considerably in many industries. The largest shifts have occurred in Banks, which grew in market value, and Mining/Materials, which declined in market value.

EXHIBIT 12 | ASX 200 Market Capitalisation by Industry
Banks have become the largest industry by market capitalisation



Source: S&P Capital IQ; BCG analysis.
Note: Market capitalisation figures reflect the full value of the ASX 200 companies, inclusive of dual-listed companies where the primary listing is in Australia. Industries designated by GICS Sector, with the Financials Sector further broken down into its component Industry Groups.

APPENDIX 2

TSR PERFORMANCE BY INDUSTRY SECTOR

Exhibit 13 shows the market value, six-year and two-year TSR performance, current and historical forward PE ratios and market value to book value for industry sectors on the ASX 200.

EXHIBIT 13 | TSR Performance for Australian Industry Sectors

	MV[1] (A$b) (30/6/14)	Six–year[2] TSR 2008–14 (%)	Two–year[3] TSR 2012–14 (%)	PE ratio[4] (30/6/12)	PE ratio[4] (28/6/14)	MV/BV[5] (30/6/14)
Banks	413	16	29	10.3	13.3	2.1
Mining/Materials	392	–5	4	9.1	12.6	2.1
Consumer staples	109	11	17	14.3	17.8	2.4
Industrials	102	2	16	13.2	22.1	2.0
Real estate	97	3	18	11.5	14.6	1.1
Energy	97	–2	13	15.7	16.0	1.7
Telecommunication services	71	12	27	12.5	11.1	4.7
Consumer discretionary	68	6	25	11.4	17.3	2.1
Healthcare	62	12	28	17.8	19.9	4.4
Insurance	62	4	18	10.6	13.6	1.5
Diversified financials	41	9	44	10.5	14.6	2.1
Utilities	25	8	17	14.6	16.5	1.5
IT	11	11	31	14.6	19.6	6.1
Total	**1,551**	**6**	**20**	**11.2**	**15.1**	**2.0**

Source: S&P Capital IQ; Thomson Reuters Datastream; BCG analysis.
Note: Industries classified by GICS Sector groups, where the Financials Sector has been further broken down into its Industry Group components.
[1]Market Capitalisation on ASX (includes dual listed companies where the primary listing is in Australia) [2]01/7/2008 to 30/6/2014 [3]01/7/2012 to 30/6/2014 [4]Forward PE ratio (NTM) [5]Market value to book value ratio.

APPENDIX 3

ASX 200 TOP-QUARTILE PERFORMERS

Exhibit 14 below lists the TSR performance (1 July 2012 to 20 June 2014) of all companies in the top quartile of performers in the ASX 200. Consumer Discretionary companies have recently taken on a more prominent role while only a handful of Mining/Materials companies remain. These two industries account for almost half of the top quartile, with the remaining half fairly balanced among other industries.

EXHIBIT 14 | ASX 200 Top-Quartile Performers as at 30 June 2014

Rank	Company Name	Industry	Market Cap as at 30 Jun 2013 (A$m)	Two-year TSR 2011–13 (%p.a.)
1	Sirius Resources NL	Mining/Materials	1,078	697.1
2	Magellan Financial Group	Diversified Financials	1,736	130.3
3	G8 Education Limited	Consumer Discretionary	1,522	128.0
4	Kathmandu Holdings Limited	Consumer Discretionary	596	81.4
5	TPG Telecom Limited	Telecommunication Services	4,374	81.2
6	Bega Cheese Limited	Consumer Staples	741	79.3
7	REA Group Limited	Consumer Discretionary	5,626	79.2
8	Tassal Group Limited	Consumer Staples	566	77.9
9	Henderson Group plc	Diversified Financials	4,740	74.5
10	BlueScope Steel Limited	Mining/Materials	3,023	73.5
11	Slater & Gordon Limited	Consumer Discretionary	1,052	70.8
12	Sirtex Medical Limited	Healthcare	947	68.1
13	Village Roadshow Limited	Consumer Discretionary	1,174	64.9
14	CSR Limited	Mining/Materials	1,766	62.7
15	SEEK Limited	Industrials	5,390	61.4
16	Macquarie Group Limited	Diversified Financials	19,176	60.4
17	iiNet Ltd.	Telecommunication Services	1,179	59.3
18	Flight Centre Travel Group Limited	Consumer Discretionary	4,470	58.8
19	Challenger Limited	Diversified Financials	3,825	58.6
20	Ardent Leisure Group	Consumer Discretionary	1,098	57.9
21	Domino's Pizza Enterprises Limited	Consumer Discretionary	1,844	54.6
22	Macquarie Atlas Roads Group	Industrials	1,593	51.3
23	JB Hi -Fi Limited	Consumer Discretionary	1,811	50.9
24	Perpetual Limited	Diversified Financials	2,076	48.4
25	Charter Hall Group	Real Estate	1,482	45.0

Source: S&P Capital IQ; BCG analysis.

Exhibit 14 | ASX 200 Top-Quartile Performers as at 30 June 2014

Rank	Company Name	Industry	Market Cap as at 30 Jun 2014 (A$m)	Two-year TSR 2012–14 (%p.a.)
26	Ramsay Health Care Limited	Healthcare	9,092	44.8
27	Bank of Queensland Limited	Banks	4,413	44.8
28	Sundance Energy Australia Limited	Energy	634	43.6
29	Aristocrat Leisure Limited	Consumer Discretionary	2,900	42.9
30	DuluxGroup Limited	Mining/Materials	2,126	42.4
31	Sky Network Television Limited	Consumer Discretionary	2,482	42.0
32	Premier Investments Limited	Consumer Discretionary	1,324	41.9
33	Breville Group Limited	Consumer Discretionary	1,055	41.2
34	Lend Lease Group	Real Estate	7,176	41.0
35	James Hardie Industries plc	Mining/Materials	6,157	39.8
36	Fletcher Building Limited	Mining/Materials	5,601	39.3
37	Retail Food Group Limited	Consumer Discretionary	658	37.9
38	Suncorp Group Limited	Insurance	17,421	37.9
39	carsales.com Limited	Information Technology	2,519	37.5
40	Crown Resorts Limited	Consumer Discretionary	11,012	37.4
41	Insurance Australia Group Limited	Insurance	13,596	37.3
42	Beach Energy Limited	Energy	2,171	36.7
43	M2 Group Limited	Telecommunication Services	1,043	36.7
44	Boral Limited	Mining/Materials	4,109	36.6
45	Bendigo and Adelaide Bank Limited	Banks	5,462	36.3
46	Ainsworth Game Technology Limited	Consumer Discretionary	1,205	35.6
47	ResMed Incorporated	Healthcare	7,534	35.2
48	Westpac Banking Corporation	Banks	104,763	34.3
49	Computershare Limited	Information Technology	6,941	33.6
50	Amcor Limited	Mining/Materials	12,585	33.5

Source: S&P Capital IQ; BCG analysis.

APPENDIX 4

METHODOLOGY AND SAMPLE

What is meant by fundamentals?

The two basic drivers of value creation are profitability and growth. Profitability is measured by the difference between cash flow return on investment (CFROI) and the weighted average cost of capital (WACC); this is often referred to as the economic spread. Growth is measured in terms of total gross investment.

These two drivers of value come together in the form of cash value added (CVA), a type of economic profit. The change in CVA is a measure of internal value creation—over the long term, it is more highly correlated to TSR than other accounting-based measures such as earnings per share growth.

What is "fundamental value"?

BCG calculates the fundamental value of a company based on its current performance and a sustainable growth rate. The calculation is a capitalisation of the estimated future economic profits, similar to a discounted cash flow (DCF) analysis, except that BCG's method does not rely on a terminal value.

Instead, BCG uses a "double fade" methodology that is founded on the notion that, over time, the profitability and growth rates of companies fade towards long-run industry averages. The concept of fade is empirically supported and is consistent with the workings of an efficient competitive market in which outperformance is competed away by rivals and underperformance is forced up by capital market pressures.

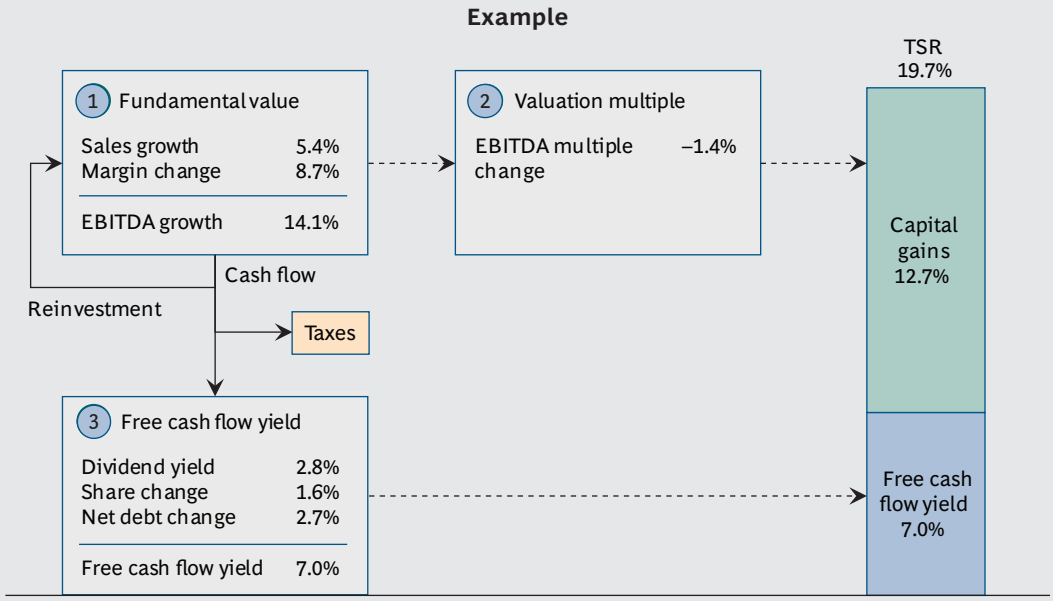
What is the "expectation premium"?

The expectation premium is the difference between market capitalisation and fundamental value. It gets its name from the fact that a difference between these two values implies the market has a different expectation regarding profitability and/or growth fade rates compared to the estimated base case intrinsic value.

What is the "outside-in" approach?

In the 2004 edition of the Global Value Creators Report, BCG introduced an "outside-in" or market-based framework to help understand the dynamics of shareholder value creation. This framework is shown in Exhibit 15. This TSR decomposition framework recognises that, in addition to measures of internal value creation such as CVA, it is important to understand how the market is valuing what a company is doing.

EXHIBIT 15 | BCG's Decomposition Model Allows a Company to Identify the Sources of its TSR



Source: Thomson Financial Datastream; Thomson Financial Worldscope; Bloomberg; BCG analysis.
Note: Actual company example; contribution of each factor shown in percentage points of annual TSR; apparent discrepancies due to rounding.

How are financial services companies dealt with in the analysis?

Due to the unique accounting framework used for financial services companies (that is, from the Banks and Insurers sectors), we treat financial services companies slightly differently to non-financial services companies.

For financial services companies we make the following adjustments:

- Common book equity (that is, book equity excluding preference equity and other outside equity interests) and cash flow return on equity are used instead of gross investment and CFROI.

- EBITDA is not a useful measure for financial services companies. Therefore, in our outside-in TSR decomposition framework, revenue growth is income growth, margin change is the change in the net profit after tax (NPAT) to total income ratio and the change in the multiple is the change in the equity value to NPAT multiple (that is, the PE multiple). Furthermore, enterprise value equals equity value, and therefore there is no net debt change factor for financial services companies.

What sample was used in the analysis?

Our analysis is based on companies in the ASX 200 as at 30 June 2014 for which relatively complete financial data is available such as consensus estimates for FY2014. For the purposes of fundamental analysis and TSR decomposition, we have again excluded real estate and infrastructure companies, consistent with last year's edition. Companies with incomplete financials were also excluded among other industries.

APPENDIX 5

TOP TEN SERIAL ACQUIRERS

Exhibit 16 shows the top ten serial acquirers in the current ASX 200 as ranked by ten-year TSR from 1 July 2004 to 30 June 2014. To be selected, the company needs to qualify as a moderately inorganic grower or highly acquisitive grower with at least three acquisitions over the past decade. Only major completed transactions between 1 July 2004 and 30 June 2014 with disclosed deal values are shown in the following tables.

EXHIBIT 16 | Top Ten Serial Acquirers and their Acquisition History

1. REA Group		TSR: 49.8%	6. WorleyParsons		TSR: 23.5%
Year	**Target acquired**	**Size ($m)**	**Year**	**Target acquired**	**Size ($m)**
2014	iProperty Group	100	2013	Bergen Group Rosenberg	196
2007	Casa.it S.r.l.	12	2013	TWP Holdings	102
2005	Asserta Holdings	25	2010	CNEC Engenharia	99
2004	Property.com.au	7	2009	Evans & Peck	81
			2008	INTEC Engineering	118
			2007	Colt Engineering	883
			2004	Parsons E&C Corp	255
2. McMillan Shakespeare		**TSR: 32.6%**	**7. Beach Energy**		**TSR: 22.7%**
Year	**Target acquired**	**Size ($m)**	**Year**	**Target acquired**	**Size ($m)**
2013	CLM Fleet Management	14	2011	Adelaide Energy Limited	77
2010	Interleasing Limited	192	2011	Cooper Basin Assets	121
2004	Remuneration Services	8	2008	Tri-Ocean Energy	110
			2006	Delhi Petroleum	440
3. Northern Star Resources		**TSR: 30.0%**	**8. Cardno**		**TSR: 21.7%**
Year	**Target acquired**	**Size ($m)**	**Year**	**Target acquired**	**Size ($m)**
2014	Kanowna Belle And Kundana Mine Operations	77	2014	PPT Technology Services	145
2014	Jundee Underground Gold Mine	66	2013	Geotech Materials Testing	28
2014	Plutonic Gold Mine	22	2012	ChemRisk	33
2012	Venturex Resources	6	2012	ATC Group Services	106
2010	Paulsens Gold Mine (WA)	34	2011	TEC Inc	50
			2011	BEC Engineering	48
			2008	TBE Group	40
4. Ramsay Health Care		**TSR: 27.1%**	**9. TPG Telecom**		**TSR: 20.1%**
Year	**Target acquired**	**Size ($m)**	**Year**	**Target acquired**	**Size ($m)**
2013	Medipsy	206	2014	Telecom New Zealand	409
2013	Peel Health Campus	68	2010	PIPE Networks	366
2010	Group Proclif SAS	127	2008	TPG Holdings	218
2007	Capio Health	391	2006	B Digital	61
2005	Affinity Health	1,618	2004	NBN Television Group	105
2004	Benchmark Healthcare	87			
5. ALS Limited		**TSR: 27.0%**	**10. Sydney Airport**		**TSR: 19.6%**
Year	**Target acquired**	**Size ($m)**	**Year**	**Target acquired**	**Size ($m)**
2014	BMP Enterprises	11	2010	Grupo Aeroportuario del Sureste	118
2013	ALS Oil & Gas	470	2007	Southern Cross Airports	531
2011	Stewart Holdings	234	2007	Sydney Airport Corporation	525
2010	Ammtec	135	2006	Bristol International Airport	209
2009	PearlStreet	94	2005	Københavns Lufthavne A/S	949
2008	ALS DataChem Laboratories	11	2004	Brussels International Airport Company	951

Source: S&P Capital IQ; BCG analysis.

FOR FURTHER READING

BCG's **Winning with Growth** initiative brings together leading experts on corporate strategy, innovation, globalisation, M&A, business model innovation, marketing and sales, and organisation to help clients chart their unique paths to value-creating growth. Some of our most popular reports in this area that focus on corporate development and M&A include:

Unlocking Acquisitive Growth
Lessons from successful serial acquirers, September 2014

Don't Miss the Exit
Creating shareholder value through divestitures, September 2014

The 2014 Value Creators Report
Turnaround: transforming value creation, July 2014

Incubators, Accelerators, Venturing, and More
How leading companies search for their next big thing, June 2014

Invest Wisely, Divest Strategically
Tapping the power of diversity to raise valuations, April 2014

Divide and Conquer
How successful M&A deals split the synergies, March 2013

BRICs versus Mortar
Winning at M&A in emerging markets, August 2013

Plant and Prune
How M&A can grow portfolio value, September 2012

Riding the Next Wave in M&A
Where are the opportunities to create value, June 2011

Does Practice Make Perfect?
How the top serial acquirers create value, April 2011

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NOTE TO THE READER

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About this Report

Since its founding in 1963, The Boston Consulting Group (BCG) has focused on helping clients achieve competitive advantage. This has involved analysing drivers of value creation for clients across all industries. Our Global Value Creators Report series analyses the world's top-performing companies each year in order to build an understanding of what drives the out-performance of leading players across all industries. This local report analyses the performance of large Australian companies and canvasses the particular issues facing Australian managers.

About BCG's Corporate Development Practice Area

BCG's Corporate Development Practice Area combines BCG's traditional expertise in corporate strategy with extensive experience in mergers and acquisitions and post-merger integration, a proprietary value management methodology and new analytic approaches for understanding and responding to the ways that capital markets value a company. We work closely with BCG's industry experts to help clients design and execute their corporate strategies, reengineer their portfolios, screen potential acquisition targets and integrate them after the deal is signed. We also make sure that corporate processes are aligned with the goals of a company's value creation strategy.

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