

METALS AND MINING INDUSTRY

Great Company, Great Stocks: Miners Must Be Both

By [Thomas Vogt](#), [Duncan Melville](#), [Peter Clearkin](#), [Adrian Rodrigues](#), and [Nikita Bannikov](#)

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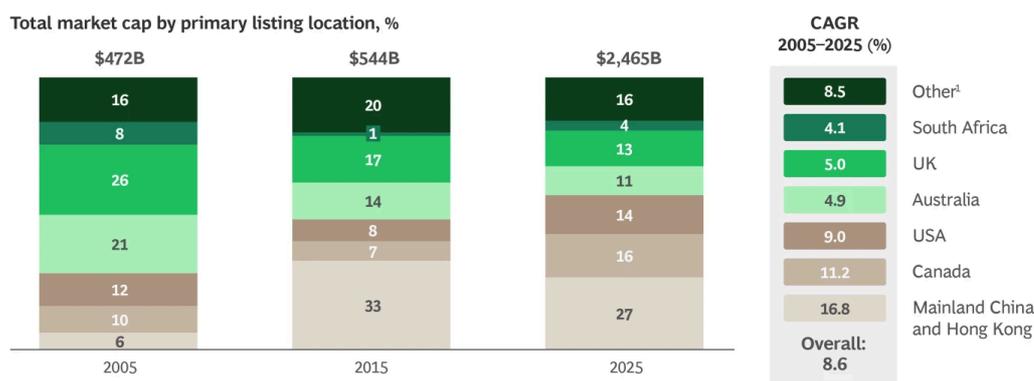
For 25 years, we at BCG have maintained that companies reach their full potential only when they strike a balance between being a great company—one that’s durable, innovative, profitable, and respected—and being a great stock—one that delivers steady, attractive returns to investors. Balance is key. Lean too far toward enhancing the business, and investors lose patience; lean too far toward seeking shareholder returns, and the company drifts toward commoditization.

On the “great company” side of the equation, mining companies have demonstrated measurable improvement over the past decade. They’ve generated greater free cash flow relative to comparable points in the commodity price cycle. They’ve reduced leverage and stabilized exploration budgets. Some have also managed to take a steadier (less cyclical) approach to M&A. But these improvements haven’t yet fully translated into sustained TSR performance.

The industry’s relative capitalization in the global equity markets has shrunk as market cap growth in other sectors has outpaced it. Meanwhile, as global capital has continued shifting into passive instruments, mining has also lost ground within the major indices. An increasing share of total mining market cap is now concentrated in Mainland China– and Hong Kong–listed companies. More recently, a surge in precious metals and copper prices has sparked renewed investor attention, especially for the many pure-play miners in Canada and the US—attention that’s critical for securing the capital they need to deliver the next wave of growth. (See Exhibit 1.)

EXHIBIT 1

Mainland China– and Hong Kong–Listed Miners Lead in Capital Flows and Market Cap Growth



Source: S&P Capital IQ, BCG analysis.
 Note: Numbers may not sum to 100 due to rounding; market cap as of December 31, 2005, 2015, and 2025, respectively.
¹Includes Sweden, Germany, Poland, UAE, Saudi Arabia, India, Indonesia, Japan, and Russia.

In this article, the latest in BCG’s long-running Value Creation in Mining series, we revisit the importance of balance, assessing the industry through the dual lens of “great company–great stock” to help executives better integrate their business, financial, and investor strategies. We examine what it takes for miners to strike that balance and, beyond delivering attractive cash flow, to ensure they are squarely on the right investors’ radar.

On the “Great Company” Front, Measurable Progress

In mining, a great company involves being both a strong operator and a strong capital allocator. The record shows that the industry has advanced in these dimensions over the past ten years.

Free cash flow generation has structurally improved, with figures 1.5 to 2.5 times greater than those seen 15 to 20 years ago.

Better Free Cash Flow Management. Free cash flow generation has structurally improved, increasing from a below \$40 billion a year in the late 2000s to a range of \$80 billion to \$90 billion a year in the mid-2020s. These figures are 1.5 to 2.5 times greater than those seen 15 to 20 years ago in comparable commodity price indices. (See Exhibit 2.) While the absolute levels are in part volume-influenced, the absolute figures are a clear sign of a healthier industry.

EXHIBIT 2
Industry Cash Flow Has Increased and Stabilized Relative to Comparable Points in the Cycle



Sources: S&P Capital IQ, based on the selected sample of 87 mining companies; BCG analysis.
Note: FCF = free cash flow.
¹2025 refers to last 12 months' data as of September 30, 2025.

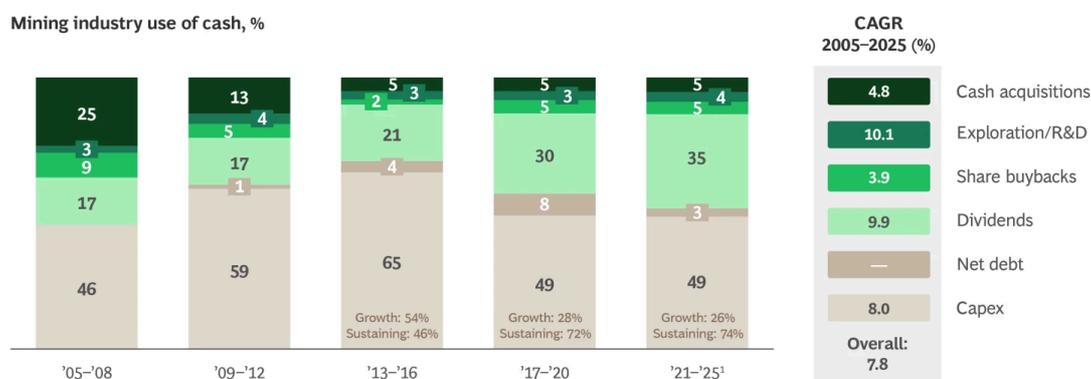
At the same time, leverage (expressed as the net debt/gross investment ratio) has declined by half over the past decade. It fell to 9% in 2023, signaling a clear shift in orientation from growth at any cost to resilience and long-term optionality.

In their use of cash flow, miners have reined in some of their more procyclical tendencies in the past two decades—such as allocating free cash flow to large capital projects and, to a lesser extent, an undisciplined M&A activity. After a decade of expansion, capex spending has returned to its mid-2000 levels. Use of cash flow shifted from capex and M&A to dividends, which have taken up a growing share. Buybacks went from being equivalent to roughly 50% of dividends to less than 15%. (See Exhibit 3.)

EXHIBIT 3

Capital Allocation Is Healthier, with Bigger Dividend Payouts and Fewer Buybacks

Mining industry use of cash, %



Sources: S&P Capital IQ, based on the selected sample of 87 mining companies; BCG analysis.

Note: Numbers may not sum to 100 due to rounding; sustaining and growth capex shares obtained from major miners' financial statements (Anglo American, AngloGold, Barrick, Glencore, Rio Tinto, Teck, Vale); net debt = short-term debt + long-term debt + capital leases – cash and cash equivalents. ¹2025 refers to last 12 months' data as of September 30, 2025.

Sustainability Gains. Major mining companies have also made tangible progress in key areas of sustainability. We've seen more organized community engagement efforts and more credible operational safety commitments. Fatality and injury rates have declined 55% over the past decade among the International Council on Mining and Metals members.

Pockets of Greater M&A Discipline. M&A activity has generally become more disciplined and less cycle-driven, as evidenced by the weakening correlation between commodity price peaks and transaction volumes. But the degree of discipline varies considerably, depending on industry segment. (See exhibits 4 and 5.) In copper, for example, M&A activity has been less influenced by commodity prices since 2017, despite several attempted deals. Fewer large deals have closed, and more transactions have shown a clear strategic rationale—whether oriented toward a single commodity, the asset base, or a region (such as low-risk locations in the Western Hemisphere) or aimed at potential synergies (for, example, based on commodity or geographic proximity). M&A in precious metals remains more procyclical, with activity and premiums closely tracking gold prices.

However, premiums began to stabilize in 2025 to around 15%, versus 30% to 40% in the previous three years.

EXHIBIT 4

Copper M&A Activity Has Been Less Influenced by Price Trends

Total transaction value per year, in \$billions

LME-Copper Grade A Cash
(in '000 \$/tonne)

Total year deal value (\$billions)



Sources: S&P Capital IQ; BCG analysis.

Note: Deals primarily classified based on S&P Capital IQ's industry classification, excluding diversified players with copper production.

EXHIBIT 5

In Precious Metals, M&A Activity Remains Largely Proccyclical, Although Premiums Appear to Be Normalizing

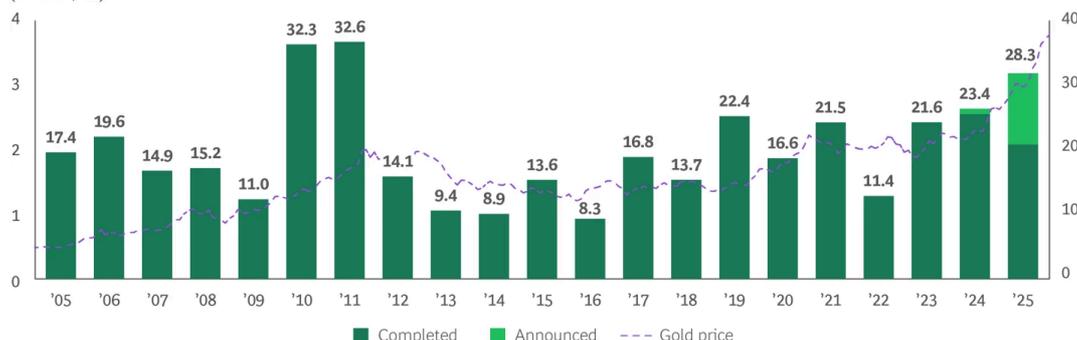
Total transaction value per year, in \$billions

LBMA-Gold Bullion
(in '000 \$/oz)

Weighted average premium
announced for major transactions¹ (%)

5 17 6 7 29 30 37 15

Total year deal value (\$billions)



Sources: S&P Capital IQ; BCG analysis.

Note: Deals primarily classified based on S&P Capital IQ's industry classification including gold, silver, and precious metals and gemstones.

¹Includes top four highest-value transactions per year and refers to prior announcement day closing stock price when possible; otherwise, 20- or 30-day volume weighted average; premium average weighted by deal value.

“ For most miners, organic growth continues to be constrained by long development timelines, while value-accretive inorganic growth options are limited.

Yet for most miners, growth remains elusive. Organic growth continues to be constrained by long development timelines. It now takes 16 years, on average, to move from discovery to production. Brownfield development is more complex, and greenfield development is increasingly risky. Meanwhile, value-accretive inorganic growth options are limited; the cash flow allocated to growth capex has declined sharply in the past decade—from about 55% to 25%, on average, for the largest miners. Moreover, opportunities are limited: M&A deals with a clear sign of synergies are scarce.

Among the few companies that are doing acquisitions right, three strategies stand out:

- They focus on deals that align closely with their capabilities, whether type of mine, commodity exposure, or geographic experience.
- They time their transactions with greater discipline and less procyclicality.
- They reduce risk, either by favoring discrete asset acquisitions over full or partial takeovers or by executing growth via joint ventures or alliances.

What's Holding Miners Back?

Capital allocation practices have shifted in a positive direction. Dividends signal management's confidence in the durability of future cash flows, so the fact that dividends rose to roughly 35% of from 2021 through 2025 (versus around 17% to 20% from 2005 through 2016) and that buybacks remain flat (at around 5%) should capture more investor attention.

Yet TSR remains tightly tied to commodity cycles. The industry sharply outperformed the S&P Global 1200 during the 2005–2008 supercycle, materially lagged the Index in 2013–2016 as commodity prices fell, and rose once again in 2025.

Investors still largely view mining stocks as a short-term (cyclical) commodity trade rather than a long-term through-cycle investment. Most investors we surveyed confirmed they plan to hold

mining stocks for fewer than five years, focusing primarily on commodity exposure rather than on company fundamentals.

Most mining companies have not yet managed to land on a compelling through-cycle proposition for a broad set of investors. Some companies may tout capital allocation discipline, but they don't always practice it. Despite their differentiated growth postures and commodity portfolios, there is little to no differentiation in their policies regarding dividends, buybacks, and capital allocation. Changing this approach represents a real opportunity to capture renewed, broader, investor interest.

How to Become a Great Stock . . .

Generalist investors will always gravitate toward the biggest and most stable companies. But medium-term, high-quality capital is definitely within reach for the rest of the sector. For any mining company, becoming a great stock entails two essential strategies:

- **Resetting Capital Allocation Frameworks Around Mid-Cycle Economics.** This is urgent for precious metals miners, whose current capital allocation frameworks are ill-suited for the record free cash flow forecasted over the next one to two years. It's equally urgent for copper-weighted miners, who run the risk of being swept up in industry commentators' hype and renewed government interest. A reset will help them avoid (or minimize) the ill effects of the overexuberance seen in past upswings.
- **Developing a Sharper, More Investor-Centric, Equity Story.** Many companies are missing an opportunity to distinguish themselves in their equity stories. They need to move away from their undifferentiated capital allocation practices and create specific strategies targeted at long-term quality and generalist investors. Their equity stories should focus on what investors care about and value. They should make clear, quantified commitments to mid-cycle margin expansion in the base business, commitments that support higher highs and higher lows on free cash flow, ROCE improvement, and capital-efficient production growth. Companies need to devote less ink and management emphasis to geology, technical and engineering design matters, and management's view of the market outlook. Investors have their own view of the market, and most miners (outside those in niche, opaque metals and minerals) have a limited ability to influence it.

. . . While Being a Great Company

Unquestionably, miners should continue their efforts toward becoming great companies. That job is never done. Commodity prices may be beyond management's control, but they can take four actions to advance their progress:

- **Conduct proactive, disciplined portfolio reviews.** Miners must ensure their asset mix accords with their organizational capabilities and long-term value creation plans.
 - **Narrow the gap between production guidance and actuals.** For many miners, there is still a disconnect between translating risk-adjusted mine plans into quarterly and annual guidance. Tightening the link between production planning and financial forecasts is imperative for building base credibility.
 - **Further improve operational productivity.** Companies should use AI selectively in a handful of high-value applications such as mill recovery, maintenance prioritization, and logistics and commercial optimization.
 - **Rebuild M&A muscle.** Sector-wide, M&A capability has atrophied in recent years. Contrary to today's more accommodating stance, companies may need to adopt a more assertive (if not activist) position on inorganic growth to instigate deals that hold solid industrial logic. They also need to rebuild their post-merger integration muscle to realize value.
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Over the past two decades, miners' efforts to improve their business and financial health have been significant. But becoming a great company is not enough. Companies must devote an equal effort to becoming a great stock.

This is particularly crucial at a time when the industry's growth prospects are so promising and when many commodities' importance to national security is so clear. It will take considerable capital to meet the projected growth in demand for an industry that is fundamentally capital-intensive, and miners cannot afford to continue to lose a disproportionate share of new capital flows to other sectors.

Now is the time to double down on discipline and reset approaches that appeal to a broader, more passive, investor base. By balancing the two goals—being a great company and a great stock—mining companies can secure the resources they need, solidify their strategic differentiation, and attract the investment that translates into enduring relevance and performance.

Authors



Thomas Vogt

Managing Director & Partner
Chicago



Duncan Melville

Managing Director & Partner
Calgary



Peter Clearkin

Managing Director & Partner
Johannesburg



Adrian Rodrigues

Managing Director & Partner
London



Nikita Bannikov

Principal
London



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