

# Special Report: The Top 500 Private Companies 2020

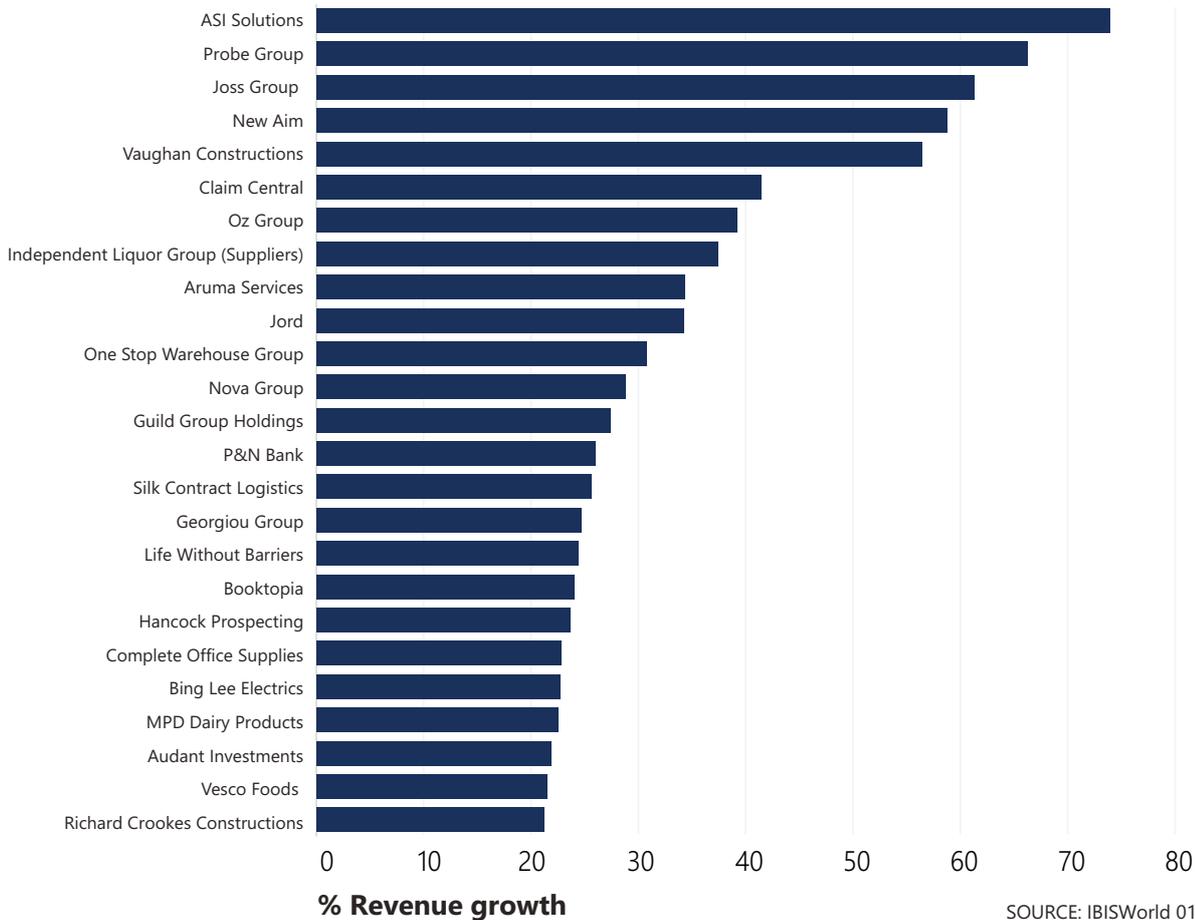
Phil Ruthven AM., Founder IBISWorld

Some very fast-growing members have been included in this year’s Top 500 Private Businesses, despite the economy having its worst fall in GDP since the Great Depression in the 1930s and an accompanying spike in unemployment the last quarter of 2019-20. Overall, the Top 500 private businesses managed a revenue rise of 5.4% in 2019-20, down from the 6.6% of 2018-19.

The 25 fastest growing companies are shown in the ladder below and they range across many industries.

## Top 25 Fastest Growing

Revenue growth (% 2020 over 2019)



SOURCE: IBISWorld 01/09/2020

However, only three businesses grew faster than 60.0% in 2019-20, compared with eight last year.

On a sobering note, revenue fell for 38.0% of the Top 500 Private Businesses. Such has been the worst economic conditions in the memory of most Australians, apart from the small number that were alive during World War II, and the fewer that lived through the Great Depression.

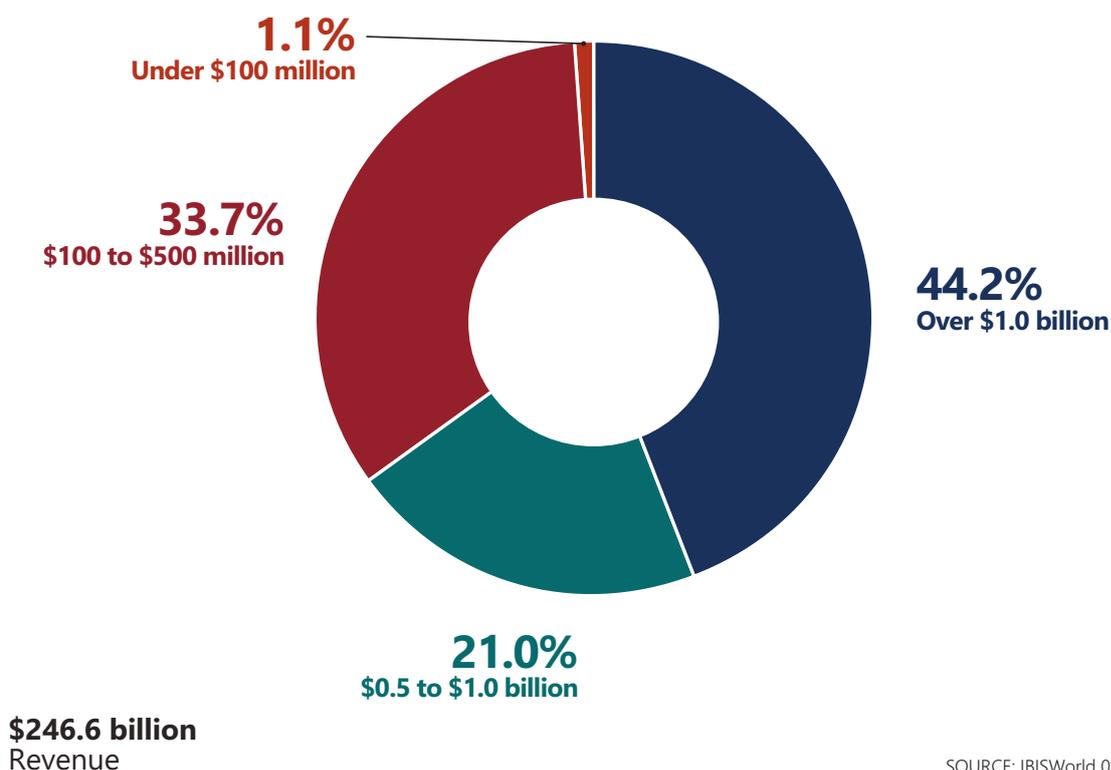
Indeed, unless one is around the age of 50 or younger, even the previous recession is a distant memory, if experienced at all as an employee.

This lack of serious economic shocks and wake-up calls (as they become) has meant our governments, health officials and businesses were not equipped to manage the COVID-19 pandemic. Normality, whatever that is, will take many years to return.

For all of that, it is extraordinary how stable the Top 500 Private Businesses' share of the nation's revenue has remained. In 2019-20, they accounted for 4.4% of the nation's \$5.5 trillion revenue. Australia's revenue had stood still in 2019-20 from 2018-19 at that level, due to the impact of the COVID-19 pandemic on the June quarter. However, the Top 500's revenue grew, edging up its share from 4.3% in 2018-19. And the list includes some big revenue businesses, as we see in the next chart, followed by the segmentation of all the nation's 2.4 million businesses.

### Composition of the Largest 500 Private Businesses

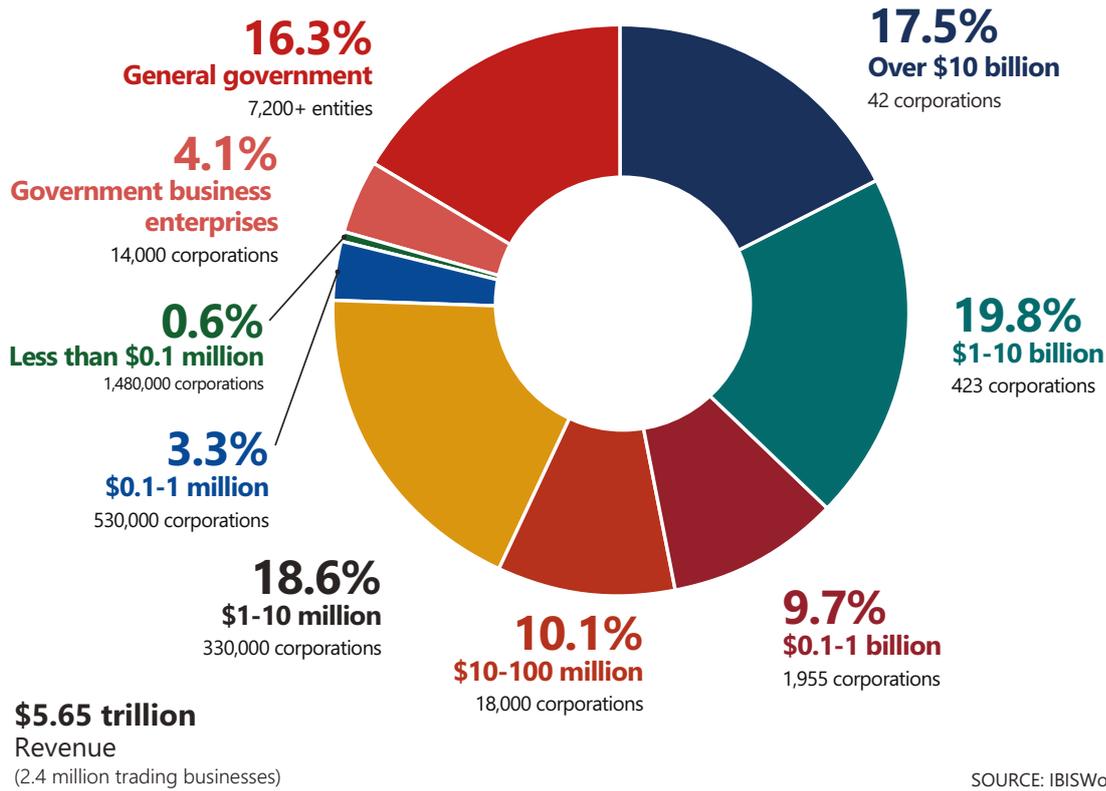
Excludes super funds, by revenue size (% of total basis) 2020



Only one private business, Hancock Prospecting, had revenue of over \$10.0 billion. 53 businesses had revenue of over \$1.0 billion. These account for 44% of the Top 500's total revenue.

## Size of Enterprises in Economy

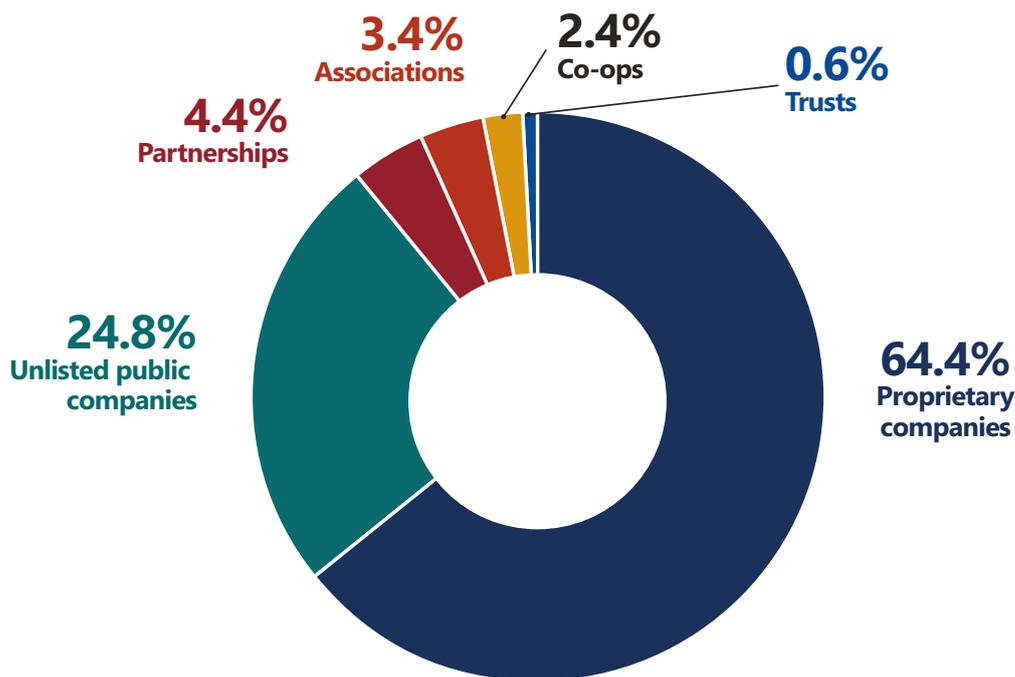
Number of businesses, by revenue year to March 2020 (estimate)



Most (89%) of the enterprises are companies, which are mostly propriety (64%) or unlisted public companies (25%). The remaining 11% are partnerships (4.4%), associations (3.4%), co-ops (2.4%) and trusts (0.6%). Their shares of total revenue are in much the same order as their number rankings, as we see below.

## Composition of the Largest 500 Private Businesses

Excludes super funds, by revenue size (% of total basis) 2020



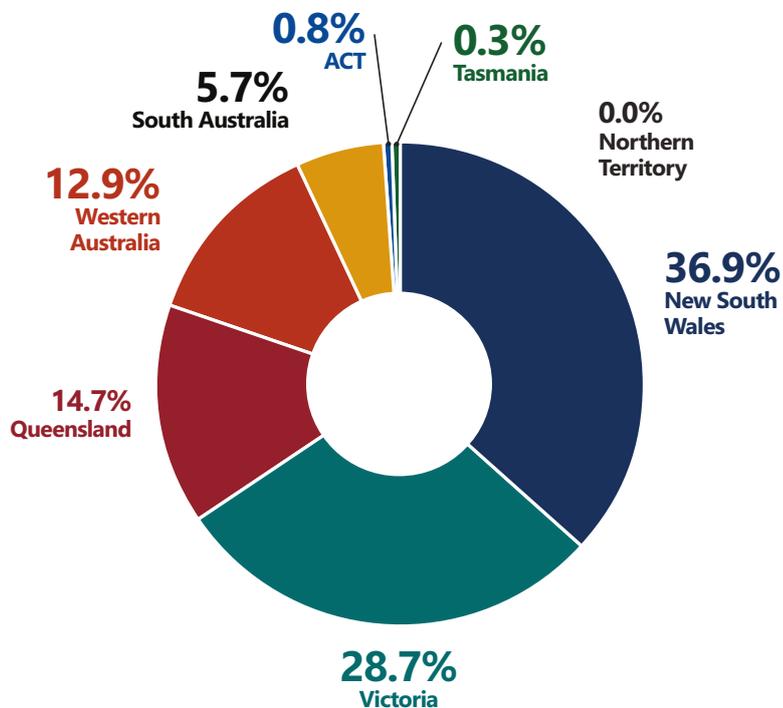
**\$246.6 billion**  
Revenue

SOURCE: IBISWorld 01/09/2020

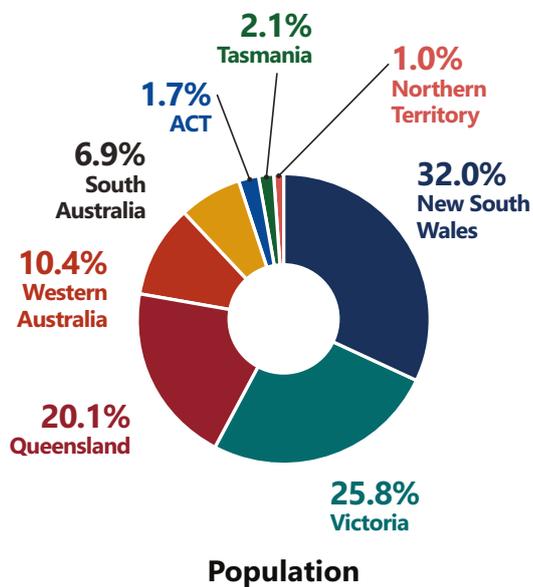
The geographic spread of the Top 500's revenue largely follows population shares. However, in 2020, New South Wales and Western Australia increased their shares of the \$247 billion revenue at the expense of Victoria, currently an economic basket case, and Queensland.

## Composition of Top 500 Private Companies

by geography (% of total basis) 2020



**Top 500 Private Companies Revenue**

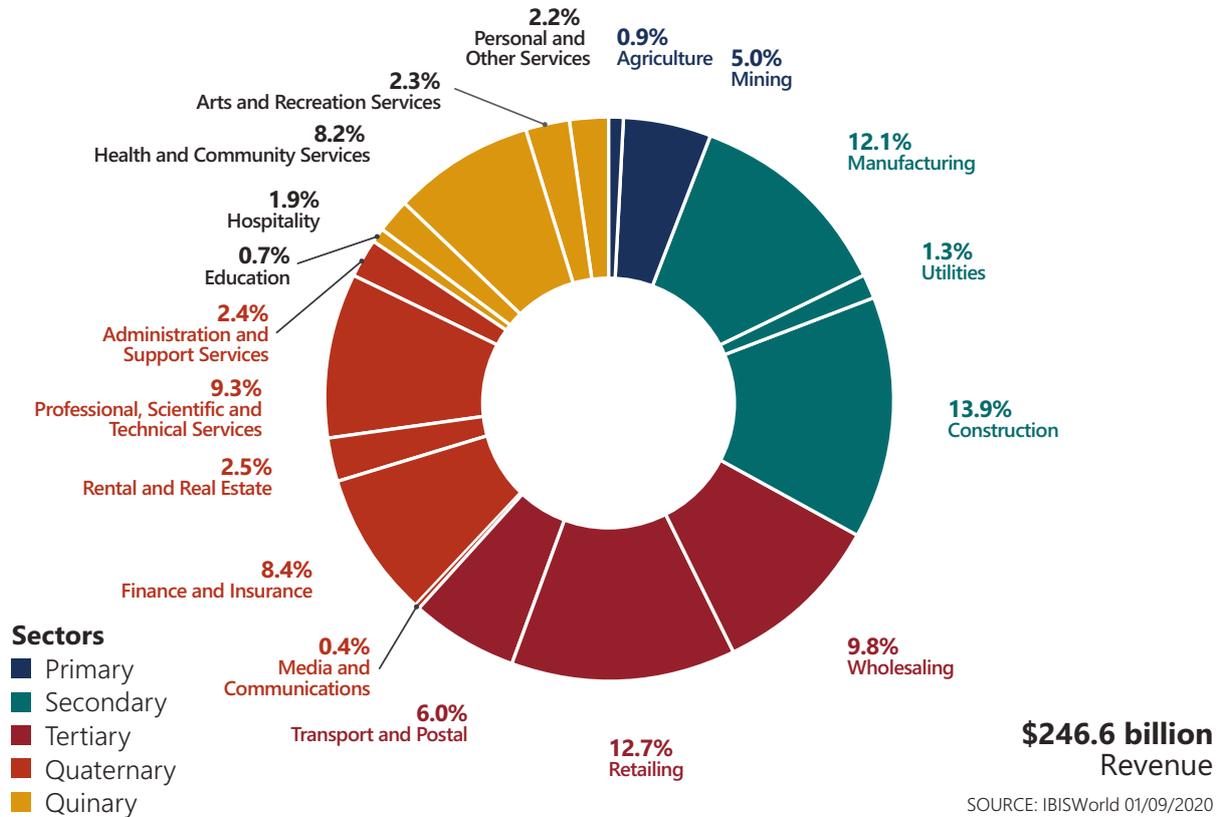


SOURCE: ABS and IBISWORLD 01/09/2020

The Top 500 has long lagged the nation's mix of industries, with more of an Industrial Age mix than that of the current Infotronics Age of quaternary and quinary industries, as seen in the next two charts.

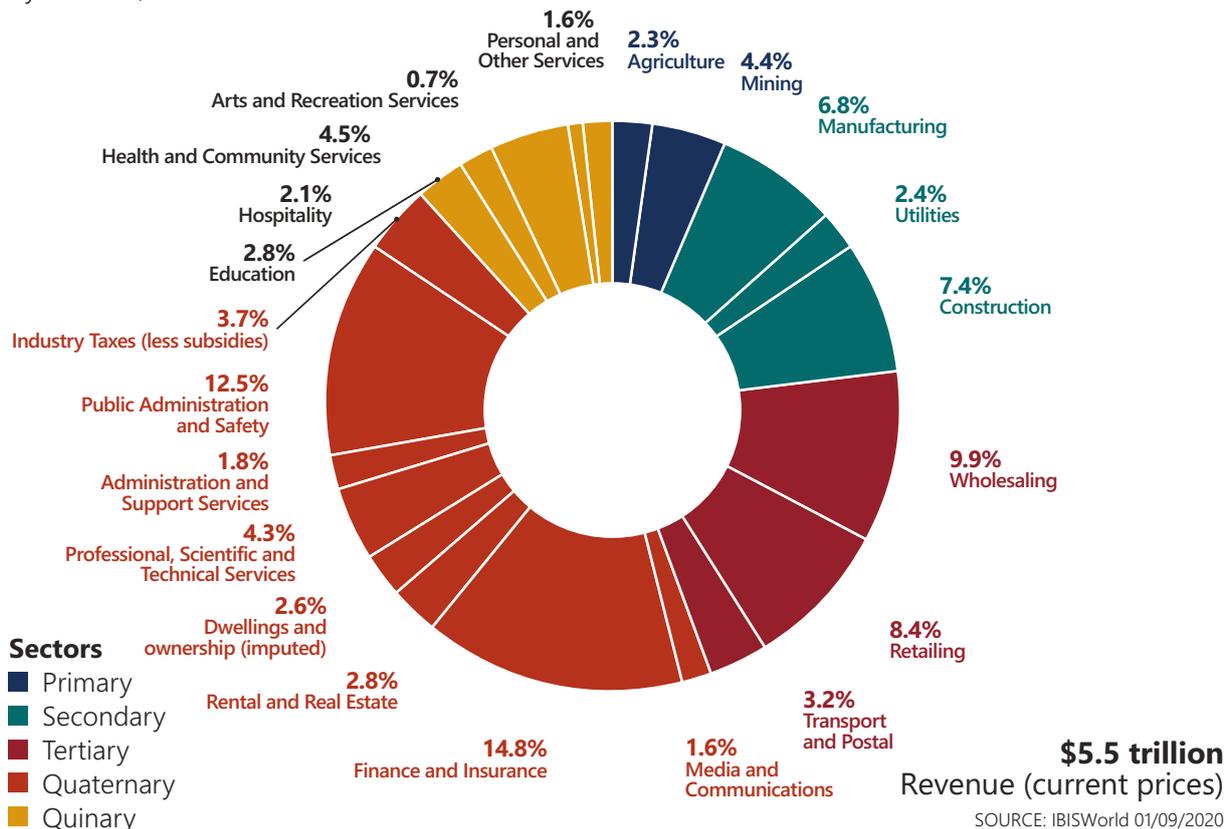
## Top 500 Private Companies Industry Mix

By revenue, shares of total 2019-20 (estimate)



## Australia's Industry Mix

By revenue, shares of total 2018-19



This is partly due to them being prohibited from being in several industries for a number of reasons, including capital requirements. And it is not necessarily a bad thing anyway.

IBISWorld is not privy to the financials of all of the nation's private businesses. However, available resources suggest many private businesses have achieved profitability, as measured by the return on shareholder funds after tax (ROSF), at world best practice levels of 22%. Indeed, the list below is based on three-year ROSF averages, not just a single year. And 30 of the top 50 (we can measure) exceeded the WBP level.

## 50 Best Private Enterprises by ROSF<sup>1</sup>

Return on shareholder funds, after tax, three year average to 2019

Rank	Enterprise	ROSF (%)	Revenue (\$ billion)	Rank	Enterprise	ROSF (%)	Revenue (\$ billion)
1	Dalrymple Bay Coal Terminal Pty Ltd	52.3	0.24	26	Belgravia Group	23.1	0.18
2	Wotif.com	51.7	0.15	27	Pentarch Group	23.1	0.16
3	Coral Homes	47.1	0.16	28	Aurecon	22.9	1.15
4	Brighton Toyota/Lexus	46.2	0.21	29	Built	22.8	0.81
5	Zenexus	40.8	0.11	30	Talent International	22.4	0.49
6	Stowe Australia	37.8	0.44	31	Buildcorp Group	21.8	0.43
7	Grand Motors	36.0	0.10	32	Penfold Motors Group	21.1	0.28
8	Altus Traffic	36.0	0.14	33	PETstock	20.8	0.31
9	Factory X	35.6	0.14	34	Tapex	20.7	0.07
10	Kane Constructions	35.4	1.07	35	Interactive	20.0	0.21
11	Tibra Capital	32.8	0.32	36	L H Perry & Sons	19.6	0.13
12	Mainbrace Constructions	32.8	0.37	37	Allied Express	19.5	0.12
13	Winslow Constructors	31.0	0.81	38	Delta Electricity	19.5	0.60
14	Incat	30.7	0.15	39	Grindley Construction	19.3	0.16
15	Carpet Call	29.5	0.22	40	Winning Appliances	19.3	0.48
16	Mecca Cosmetics	29.2	0.44	41	Interflow	18.8	0.19
17	Harry The Hirer	27.7	0.11	42	Walker Group	18.7	0.23
18	Midfield Meat International	27.2	0.66	43	Steelforce	18.6	0.23
19	Grove International	27.0	0.09	44	Hamilton & Marino Builders	18.4	0.38
20	Flinders Port	26.7	0.28	45	VISA Global Logistics	17.7	0.38
21	Lipman	26.0	0.25	46	Apco Service Stations	17.5	0.39
22	IFM Investors	25.4	0.58	47	Pickles Auctions	17.3	0.45
23	Masterton Group	25.0	0.30	48	Peter Kittle Motor Company	17.1	0.26
24	PharmaCare	24.4	0.25	49	SunPork	17.0	0.20
25	ASC	24.2	0.73	50	Thomas Foods International	18.1	0.29

Note 1: Excludes thinly capitalised businesses (equity <10% of total assets)

Source: IBISWorld 01/09/2020

Perhaps it is therefore not surprising that many owners, often later in life, list their business on the ASX to capitalise on their endeavours, especially if family members do not make their career in the family business.

Over the next several years, the definition of success will begin with the word 'survival' for many.

Not many of us would know that, of the 2.4 million businesses, the nation has over 280,000 business closures each year, but fortunately with only a very small proportion going bankrupt or into receivership. At least before the COVID-19 crisis.

The number of closures could rise to 400,000 closures for a few years as a result of the shutdowns and lockdowns imposed by governments. On the plus side will be the green shoots of new start-ups, which usually outnumber closures, but maybe not for a year or two. It isn't always easy being in business.

## Building construction

In the Top 500 list for 2020, revenue for companies operating in the Building Construction subdivision has increased by 7.6%, compared with last year's growth of 7.3%. This slightly stronger growth is attributed to the performance of the Commercial and Industrial Building Construction industry. Over the first three quarters of 2019-20, rising household consumption expenditure and tourism stimulated strong investment in retail stores, hotels, and entertainment facilities. To support increased merchandise trade and online retailing, investment in warehousing and distribution facilities also rose over this period. Despite the COVID-19 pandemic curtailing economic activity in the June quarter, revenue for Joss Group (140) and Vaughan Constructions (179), which operate in the Building Construction subdivision, rose by 61.3% and 56.4%, respectively.

Growth in Australian's population and the ageing of the population have fuelled demand for the construction of aged care and healthcare facilities, and educational and other public buildings constructed by the Institutional Building Construction industry. Revenue for ADCO Constructions (55) grew by a reported 12.8% on the back of work on marquee development projects such as The Canopy community precinct redevelopment at Lane Cove, the Prince Charles Hospital, and new schools commissioned by the Victorian School Building Authority.

The COVID-19 pandemic heavily affected most building construction industries in the final quarter of 2019-20, and some construction projects have faced delays due to supply chain disruptions for construction materials and skilled labour. Revenue for Lipman (273) and Harris HMC Group (349) decreased by 19.2% and 11.7%, respectively, as construction projects have been mothballed due to the recession associated with the COVID-19 pandemic.

## Airport operations

Revenue has contracted by 8.9% for firms in Top 500 that operate in the Airport Operations industry, contrasting with revenue growth of 2.8% in 2019. This decline is attributable to the COVID-19 pandemic and consequent government restrictions. The prolonged international travel ban and ongoing domestic border closures have significantly constrained aircraft movements and passenger volumes, causing industry demand to plunge.

Revenue for Adelaide Airport (369) declined by 15.5% in 2019-20, as domestic and international flights came to a halt in the final quarter of the financial year. Domestic air traffic was recorded at approximately 15% of the volumes prior to the COVID-19 pandemic over the three months through June 2020. Queensland Airports Limited (434) and its four ports have also been hit by the COVID-19 crisis, as tourist numbers have slumped significantly since April, leading to a 17.2% revenue decline in 2019-20.

## Clothing retailing

In the 2020 Top 500 list, revenue for the Clothing Retailing industry fell by 8.1% compared with an increase of 1.6% in 2019. The COVID-19 pandemic has been the major factor contributing to this decrease. Consumer sentiment has fallen and become negative, and shopping activity has decreased due to restrictions and disrupted supply chains, heavily affecting the Clothing Retail industry.

Cotton On Group (21) is a top performer on the Top 500 list this year, similar to last year. However, revenue for the group declined by 10.4% in 2020, contrasting with growth of 9.4% in 2019. Similar trends have occurred for Forever New (301) and Lorna Jane (330). Revenue for Forever New has fallen by 23.8% in 2020. Lorna Jane is recorded an estimated 7.9% revenue decline in 2019-20. These performances demonstrate the ongoing struggle of the Clothing Retailing industry.

As the COVID-19 pandemic has heavily affected the Clothing Retailing industry, many companies have exited the industry or have been acquired by other players. For example, Seafolly went into voluntary administration, and has been bought out by private equity firm L Catterton and combined with South American wimwear brand Maaji. Future uncertainty will continue to affect the industry, but clothing retailers are anticipated to have growth opportunities once COVID-19 restrictions ease.

## Fruit and vegetable wholesaling

In the 2020 Top 500 list, revenue for fruit and vegetable wholesalers grew by 11.3% compared with an increase of 9.6% in 2019. Perfection Fresh Group (99) recorded a 15.9% revenue increase during 2020, slightly lower than last year's rise of 17.3%. The Fruit and Vegetable Wholesaling industry experienced a short-term spike in sales during the final quarter of 2019-20. Consumer hoarding during the early stages of the COVID-19 pandemic supported some firms that supply to the Supermarkets and Grocery Stores industry. However, a sharp decline in demand from the Restaurants industry and other hospitality markets significantly hindered some players. For example, revenue for One Harvest (272) increased by an estimated 0.2% this year, compared with last year's 1.8% increase. Volatile demand and government requirements for COVID-safe practices negatively affected wholesalers by disrupting supply chains and creating uncertainty.

## Notable newcomers

N G P Investments (No 1) Pty Ltd (NGP Group) is the highest-ranking newcomer debuting on the list at 17, with \$2.1 billion in revenue. NGP Group is the parent of two companies that have appeared on the list in the past, N G P Melbourne and Chatswood Toyota, which were ranked at 118 and 386, respectively, in 2019. This is the first time that the full financial performance of the NGP Group has been captured on the list. NGP Group has continued to rapidly expand in the Motor Vehicle Dealers industry, acquiring eight dealerships in 2018-19 from across Australia. NGP Group has demonstrated its intention to expand beyond Melbourne and across Australia.

Another notable new entry is ASI Solutions, which is ranked at 393 with \$150.5 million in revenue. ASI Solutions operates in the Computer System Design Services industry. The company dropped off last year's list due to low revenue. However, ASI Solutions bounced back with a whopping 73.9% revenue increase, which is particularly significant amid the challenging conditions of 2019-20. The company made two acquisitions during the year, which contributed to this growth. In October 2019, the company acquired Forward IT to further enhance its presence in the government sector. It later acquired BEarena in February 2020 to expand its operations to New Zealand.

## The Top 500 Project

IBISWorld's Top 500 Private Companies list is ranked by revenue. The list includes public unlisted companies, partnerships, associations and private companies. To compile the list, IBISWorld gathered data through primary research, ASIC-lodged company reports and its own appraisals of company revenue based on historic data and industry analysis.

## About the author

Phil Ruthven is the Founder of IBISWorld, an international corporation providing online business information, forecasting and strategic services. IBISWorld now operates in Australia, the United States (NYC and LA), Canada, China, the United Kingdom, Germany and New Zealand. IBISWorld plans to add the rest of the European Union, and Japan over the next five years or so. In 2014, Phil became a Member of the Order of Australia, in recognition of his significant service to business and commerce, and to the community.

Phil contributes regularly to radio, TV, newspapers, magazines and documentaries on business, economic and social issues. He continues to be one of Australia's most frequent and prolific commentators in demand by the media, and is widely considered the nation's most respected strategist and futurist on business, social and economic matters.

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+61 3 9655 3881

info@ibisworld.com

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