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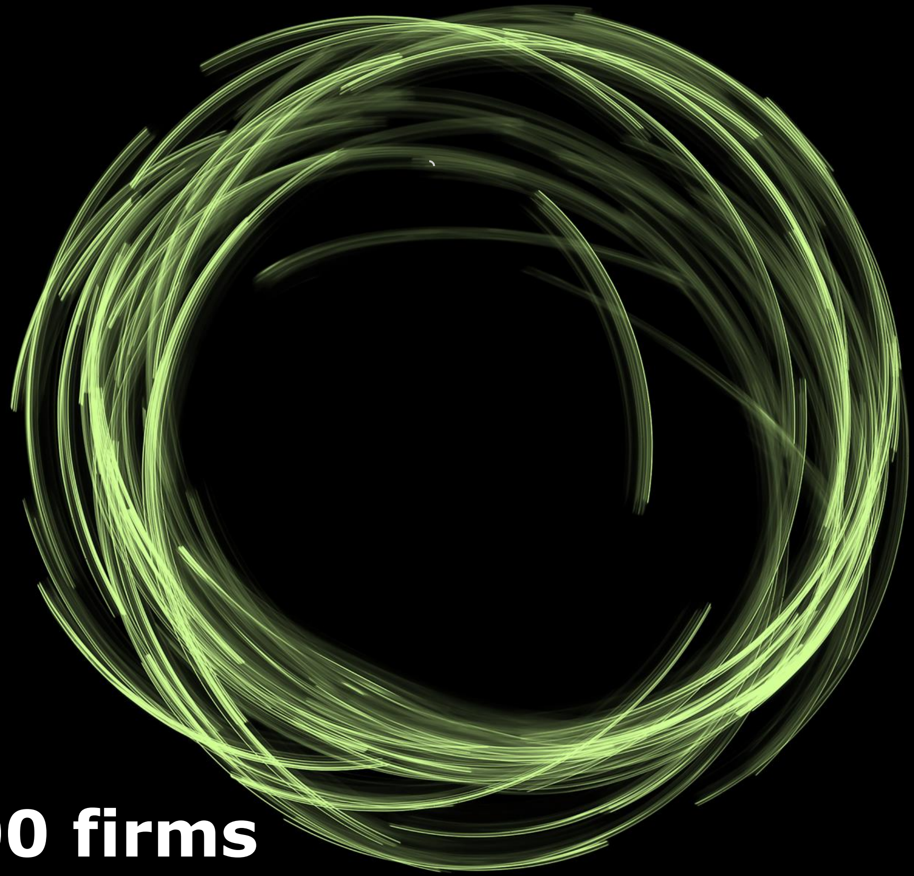

Analysis of the Top 200 firms and Top 10 Māori businesses

Productivity Commission

April 2020

Deloitte Access Economics

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Overview

Purpose
Deloitte Access Economics was commissioned by the New Zealand Productivity Commission (**the Commission**) to analyse the characteristics of New Zealand's Top 200 firms.

Context
New Zealand's economy has performed well on some dimensions in recent years, relative to other Organisation for Economic Cooperation and Development (**OECD**) countries (Ministry of Business, Innovation & Employment (**MBIE**), 2016). However, our productivity performance continues to lag behind our OECD peers. 78% of New Zealand firms established in 2001, which remained active in 2015, continued to have fewer than one employee. Growth in the capital labour ratio has been close to zero, and labour inputs continue to account for a larger share of total inputs (New Zealand Productivity Commission, 2019). On average New Zealand's frontier firms are less productive than their international counterparts (Conway, 2018). As such, the diffusion of new technology and business practices appears to be slow.

The Government has asked the Commission to undertake an inquiry to identify policies and interventions that could maximise the economic contribution of New Zealand's Frontier Firms (**the Frontier Firm inquiry**).

The Frontier Firm inquiry into the performance of New Zealand's Frontier Firms will focus on:
- Unlocking the potential of New Zealand's Frontier Firms against their international counterparts
- Identifying opportunities to build comparative advantage
- How innovations of knowledge and technology can diffuse more effectively from Frontier Firms to other New Zealand-based firms (New Zealand Government, 2019).

This report will be used to inform the Commission's inquiry into Frontier Firms. Although the report will be used as an input to the Frontier Firms inquiry, the report itself does not focus on Frontier Firms. Further research is required to assess the relationship between Frontier Firms and large businesses.

Scope of this report
This report provides analysis and insights on the characteristics of New Zealand's largest firms using the Deloitte Top 200 data set and the Top 10 Māori Business Index.

The report focuses on the following dimensions from 2000 to 2019:

- Spatial distribution
- Clusters of firms across sectors and industries
- Size and trends in terms of revenue, assets and profit
- Composition in ownership type
- Characteristics of firms with Māori ownership.

Out of scope
The following dimensions are not included in this report, as the Top 200 data set does not include the relevant data.

- Exports
- Activities related to research and development
- Age and maturity of the firm
- Employment.

Deloitte Access Economics recognises these dimensions are important to informing the characteristics of a Frontier firm. In particular, the nature of employment in Top 200 firms warrants further investigation.

Structure of the report
The report is organised in two parts:

- **Part 1:** Analysis of Top 200 firms
- **Part 2:** Analysis of Top 10 Māori firms.
- **Part 3:** Case study on Fisher & Paykel Healthcare.

Note: all figures are in real 2019 dollars unless otherwise stated.

This report

Approach

We explore characteristics of New Zealand's largest firms based on Deloitte's Top 200 index.

This report uses Deloitte's The Top 200 data set to investigate the characteristics of New Zealand's largest firms over 2000 to 2019. The Top 200 index ranks New Zealand's largest for-profit entities by revenue.

This report is based on the aggregate data for the Top 200 firms. We cannot reveal the names of the Top 200 firms in this report. However, details on the individual firms can be viewed on Deloitte's Top 200 webpage: https://www.top200.co.nz/analytics/

We make comparisons between the Top 200 firms and the general business population.

This report uses Statistics New Zealand's Annual Enterprise Survey (**AES**) to compare Top 200 firms to the general business population. The AES includes around 400,000 New Zealand businesses. In relative terms, the Top 200 firms is a small sample.

Māori businesses have many dimensions – we explore some of the dimensions based on Deloitte's Top 10 Māori Businesses index.

In the Minister of Finance's brief on the Productivity Commission's inquiry into Frontier Firms, he asked the Commission to investigate the economic contribution of Māori Businesses, and to understand the characteristics of Māori businesses at the frontier.

To inform the inquiry into Frontier Firms, this report explores the characteristics of New Zealand's largest Māori businesses based on Deloitte's Top 10 Māori Business Index. Māori entities are ranked based on total asset value within a particular year.

How do we identify Māori businesses?

Māori businesses have many dimensions. The report analyses Deloitte's Top 10 Māori Business Index from 2014 to 2019, to understand the characteristics of top-performing Māori businesses.

For a business to qualify as a Māori business:

- First, the business needs to identify themselves as Māori
- How much of the business is owned by Māori individuals, iwi and other Māori groups or entities?
- How does the entity demonstrate it follows Māori kaupapa?
- Are the results – the purpose and profits – of the business predominantly to benefit or promote Māori initiatives?

Deloitte Top 200

Deloitte Top 200

Highlights – A comparison between Top 200 firms and the general business community

Dimensions	Top 200	General business community
Spatial distribution	Top 200 businesses are distributed across the country, but are clustered around major cities, including Auckland, Hamilton, Wellington, and Christchurch. There is some evidence of regional specialisation in Waikato.	The majority of businesses are concentrated in regions where the main centres are located, including Auckland, Waikato, Wellington and Canterbury. Regional specialisation has fallen over time.
Industry distribution	High representation in the Manufacturing sector (30%) and Retail Trade and Accommodation Sector (18%) based on the number of firms in the Top 200 data set. By revenue, Manufacturing and Retail Trade made up 25% of total revenue.	High proportion in Rental, Hiring and Real Estate and Professional, Technical, Administrative and Support services.
Revenue	Total revenue was $192 billion in the year to June 2019. Growth averaged 2% per annum between 2014 and 2018. Revenue is more volatile compared to the general business population, but this may reflect the changing composition of businesses within the Top 200.	Total revenue in the year to February 2018 was $691 billion. Growth averaged 5% per annum between 2014 and 2018.
Assets	Total asset growth was less than 1% between 2014 and 2018. The Top 10 businesses contribute about 25% of total asset value.	Total asset growth was 5% between 2014 and 2018.
Equity	Equity fell 1% on average between 2014 and 2018. Total equity was $111 billion in 2019.	No comparison in this report.
Profit	Average growth in total profit after tax (for all Top 200 firms) was 15% per annum between 2014 and 2018. Throughout the Global Financial Crisis (GFC), Top 200 firms struggled to maintain profit levels. Profit after tax has since recovered to just above pre-GFC levels.	Profit grew by an average of 14% per annum between 2014 and 2018.

Where are Top 200 companies located?

Where are Top 200 companies located?

Top 200 firms are concentrated in major cities

Clusters in main urban centres

Top 200 businesses are distributed across the country, but are clustered around major cities, including Auckland, Hamilton, Wellington, and Christchurch. Upper North Island firms contribute the most to the total revenue of Top 200 businesses, at 74% of the total $173 billion in 2019. Lower North Island and South Island firms respectively contribute 14% and 12% ($25 billion and $20 billion).

Several businesses are located in cities near New Zealand's largest ports, including Auckland, Tauranga, Wellington, Napier, Otago and Lyttelton (Champion Freight, 2018). Close proximity to ports helps to facilitate access to overseas markets for export lead businesses.

Regional sectorial divergence

Top 200 businesses operate across a range of industries, particularly in Auckland, Wellington, and Christchurch. While there does not appear to be regional specialisation in these centres, Hamilton has a cluster of manufacturing firms.

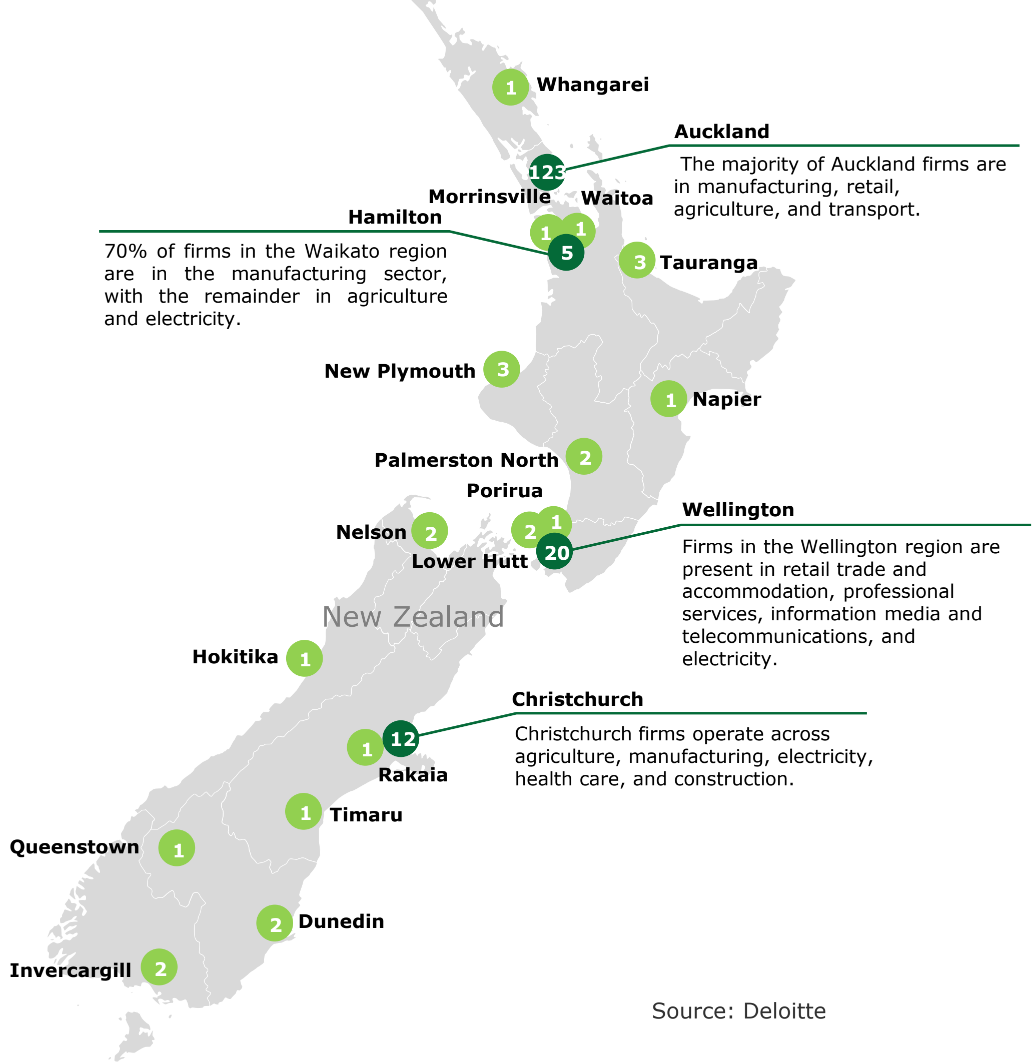
Businesses outside of the main population centres had a stronger presence in the manufacturing sector, perhaps reflecting a need for more and cheaper land to undertake their operations.

Comparison to the general business population

The spatial distribution of Top 200 firms was broadly similar to that of the general business population in the AES. The majority of businesses are concentrated in regions where the main centres are located, including Auckland, Waikato, Wellington and Canterbury. However, firms in Auckland reflected 61% of the Top 200 data set, but only 34% of the AES data set.

Note: the latest AES data available is from 2018 and splits business units by region, rather than head office location. Top 200 data is based on head office location.

Figure 1 – Location of firms in 2019 based on their head office location



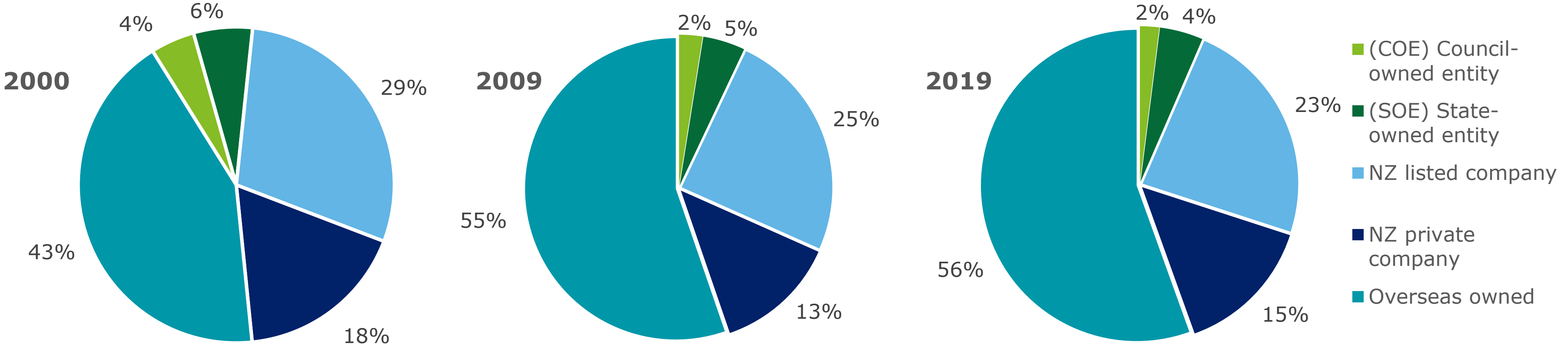
Source: Deloitte

What is the ownership of Top 200 companies?

What is the ownership of Top 200 companies?

The presence of overseas owned firms has increased between 2000 and 2019, while the number of NZX listed businesses remained below 30%

Figure 2 – Ownership structure of Top 200 businesses, 2000, 2009, 2019, number of firms



Source: Deloitte

Top 200 businesses are categorised into five ownership structures: council-owned entity (COE), state-owned entity (SOE), New Zealand listed company, New Zealand private company, and overseas owned. Farmer owned cooperatives are either classified as New Zealand listed or New Zealand private companies.

Overseas owned firms increasingly make up the bulk of the Top 200 index, with New Zealand listed companies the second largest category. COEs and SOEs comprise a small percentage of Top 200 firms.

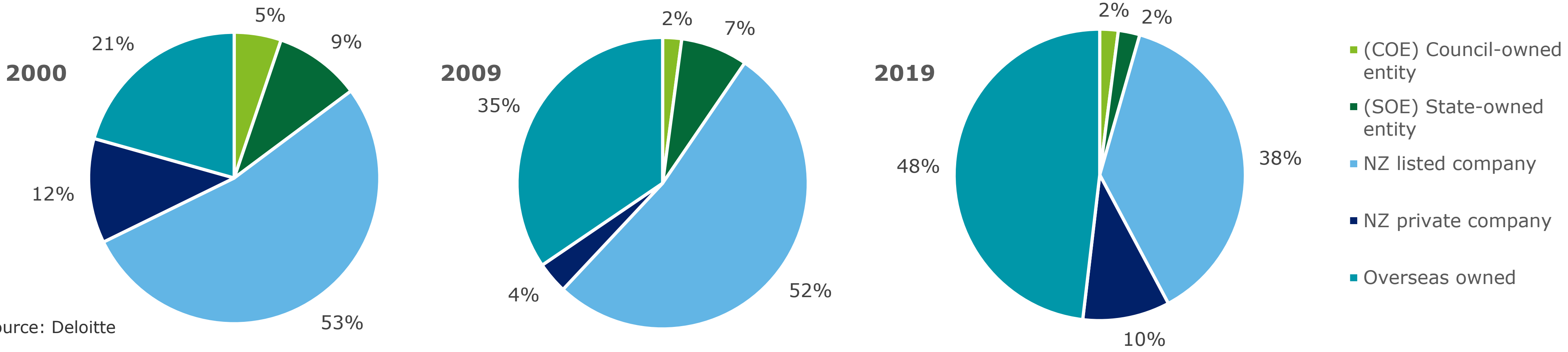
The presence of New Zealand Stock Exchange (NZX) listed businesses has remained low between 2000 and 2019. Approximately a quarter of Top 200 firms are listed on **NZX**. However, the percentage of Top 200 listed firms is falling. This reflects a general decrease in the presence of NZX listed firms over time; there were 217 listed companies in 1990, but only 132 in 2019. This decrease has been driven in part by the growing presence of the Australian Stock Exchange (**ASX**) in New Zealand, with an Auckland office set up in 2019 to encourage unlisted New Zealand businesses to list on the ASX (ASX, 2019). Other New Zealand businesses have also turned to private equity companies or cheap bank lending to fund growth, instead of listing on the NZX. There has been considerable movement in the composition of listed firms in the Top 200 index, with just 11% of businesses listed across 2000, 2009 and 2019. 14% of these businesses were listed in two out of the three years selected for review.

A question that warrants further investigation is whether the overseas owned firms were overseas firms entering New Zealand or whether the firms were New Zealand firms who had a change in ownership.

What is the ownership of Top 200 companies?

NZX listed firms previously made up the bulk of profit, but were overtaken by overseas owned firms in 2019

Figure 3 – Ownership structure of Top 200 businesses, 2000, 2009, 2019, profit after tax (2019 dollars)



Source: Deloitte

Despite the relatively low presence of NZX listed firms in the Top 200, they made up the largest share of profit after tax in 2000 and 2009, at 53% and 52%, respectively. However, this contribution fell to 38% in 2019, driven by the increasing contribution of overseas owned firms to profit, more than doubling from 21% in 2000 to 48% in 2019. This reflects the rising number of overseas owned firms in the Top 200.

Profit after tax for privately owned New Zealand comprised 12%, 4% and 10% across the three years. The small share of profit generated by COEs and SOEs reflects the low number of these organisations in the Top 200.

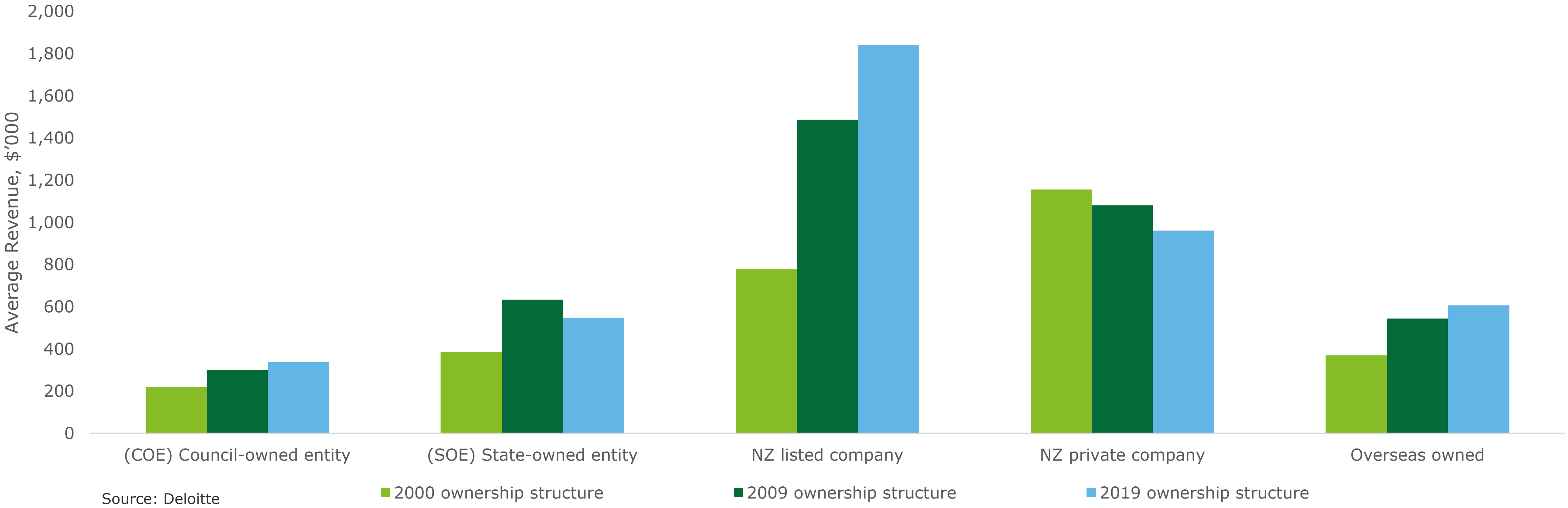
What is the ownership of Top 200 companies?

New Zealand listed companies show some of the highest revenue in the Top 200

In 2009 and 2019, average revenue was highest for NZ listed companies at $1.4 billion and $1.8 billion respectively. This reflects a change from 2000, where revenue was highest for New Zealand private companies.

COEs have the lowest average revenue across all three years.

Figure 4 – Average revenue across ownership forms, 2000, 2009, 2019 (2019 dollars, $’000)

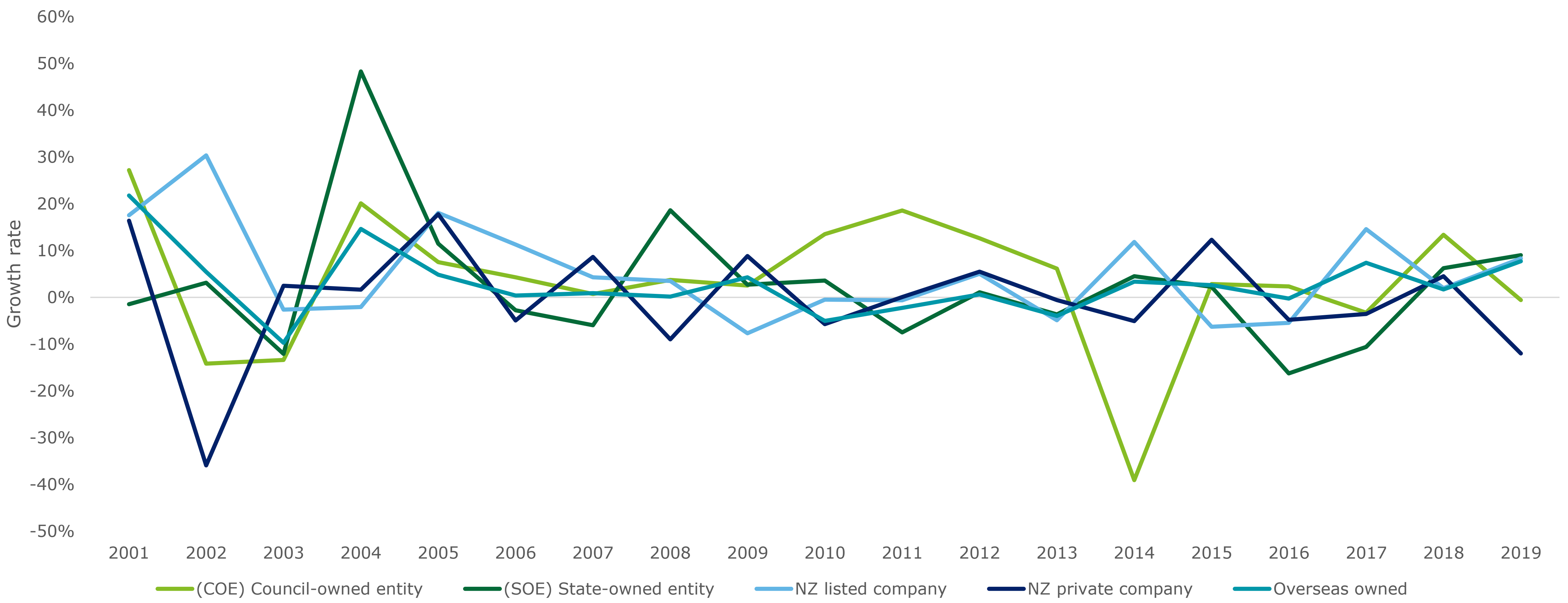


Source: Deloitte

What is the ownership of Top 200 companies?

Each ownership type has volatile revenue growth over time – some more than others

Figure 5 – Growth across ownership forms, by revenue, annual % change (2019 dollars)



Source: Deloitte

What do Top 200 companies do?

What do Top 200 companies do?

The Manufacturing, Retail, and Primary Sectors made up over half of Top 200 firms in 2019

High level representation of Top 200 firms in three industries

In 2019, 58% of Top 200 businesses were in three ANZSIC Level two industries (level 2 industry) in 2019. Close to 30% of the Top 200 were in the Manufacturing industry, or 56 firms. The Retail Trade and Accommodation, and Agriculture, Forestry and Fishing industries had 18% and 12% of businesses in the Top 200, respectively.

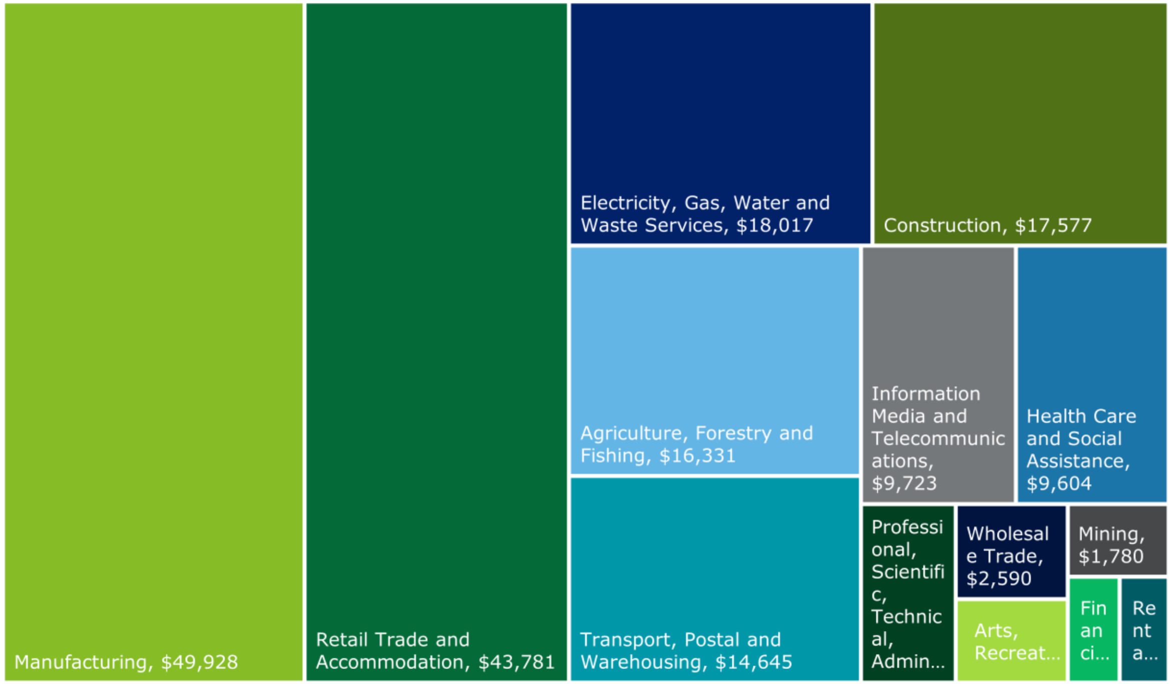
By total revenue, the Manufacturing and Retail Trade industries made up 49%, at $50 billion and $4 billion, respectively.

The third largest industry by total revenue was Electricity, Gas, Water and Waste Services, with total revenue of $18 billion in 2019. Close behind was Construction with just under $18 billion.

Figure 6 – Level 2 industry distribution of Top 200 firms, 2019, number of firms (2019 dollars)

Source: Deloitte

Figure 7 – Level 2 industry distribution of Top 200 firms, 2019, by revenue ($ millions, 2019 dollars)



Source: Deloitte

Note: Used the MS-16 classification but not all MS-16 industries are represented in the Top 200 data set

What do Top 200 companies do?

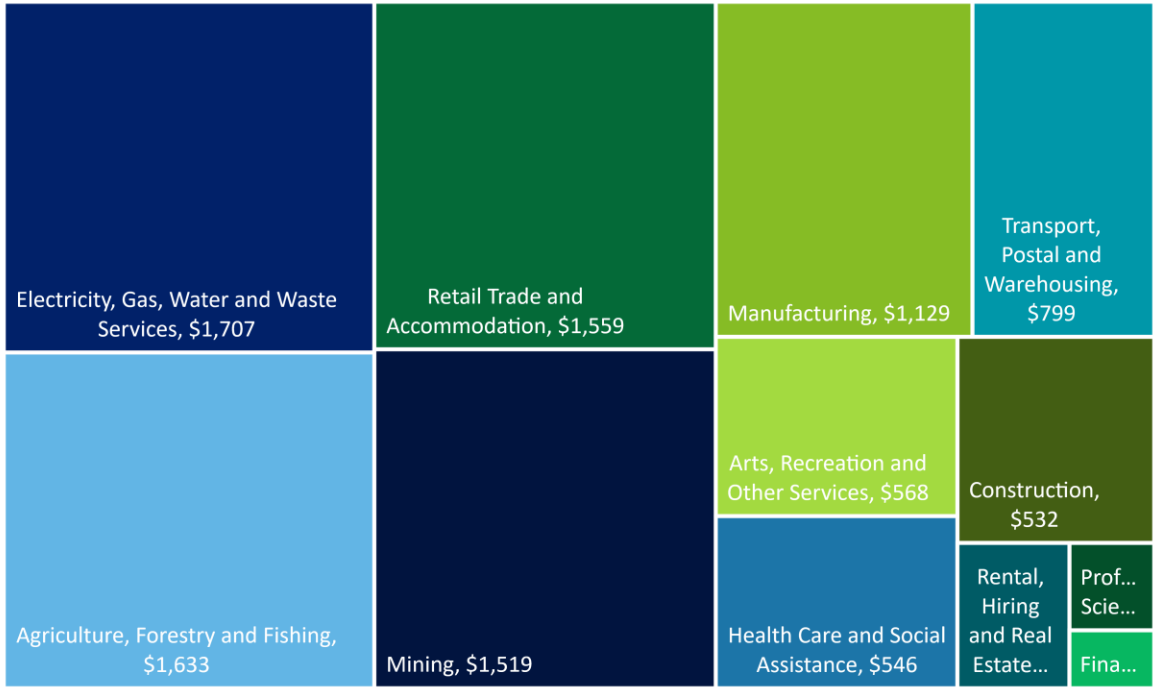
Four industries made up the bulk of profit of Top 200 firms in 2019

In 2019, four industries made up the 63% of the profit of Top 200 firms: Electricity, Gas and Waste Services, Retail Trade and Accommodation, Agriculture, Forestry and Fishing, and Mining.

While Electricity, Gas, Water and Waste Services is the fourth largest in terms of the number of firms and third largest by revenue, it makes the largest contribution to profit, at $1.7 billion. Similarly, the Mining industry's profit share is much larger than its number of firms and revenue. In contrast, Manufacturing is the largest industry by number of firms and revenue, but the fifth largest by profit.

There are some differences in profits compared to the number of firms and revenue for smaller firms; for example, Arts, Recreation, and Other Services comprised 6% of profit but just 1.5% of firms and 1.2% of revenue.

Figure 8 – Level 2 industry distribution of Top 200 firms, 2019, by profit ($ millions, 2019 dollars)



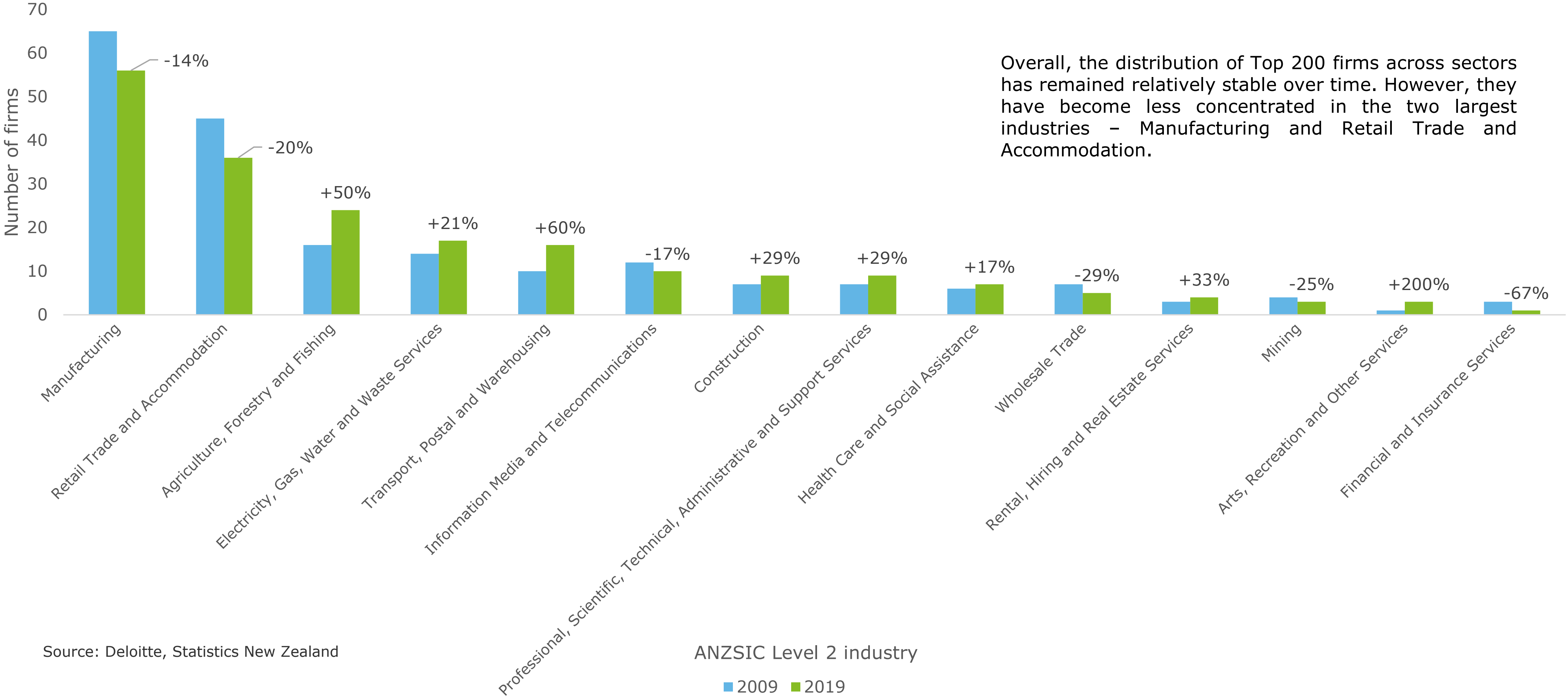
Source: Deloitte

Source: Deloitte

What do Top 200 companies do?

The industry composition of Top 200 firms remained relatively stable between 2009 and 2019

Figure 9 – The number and % growth of Top 200 businesses in ANZSIC Level 2 industries, 2009 and 2019 (2019 dollars)



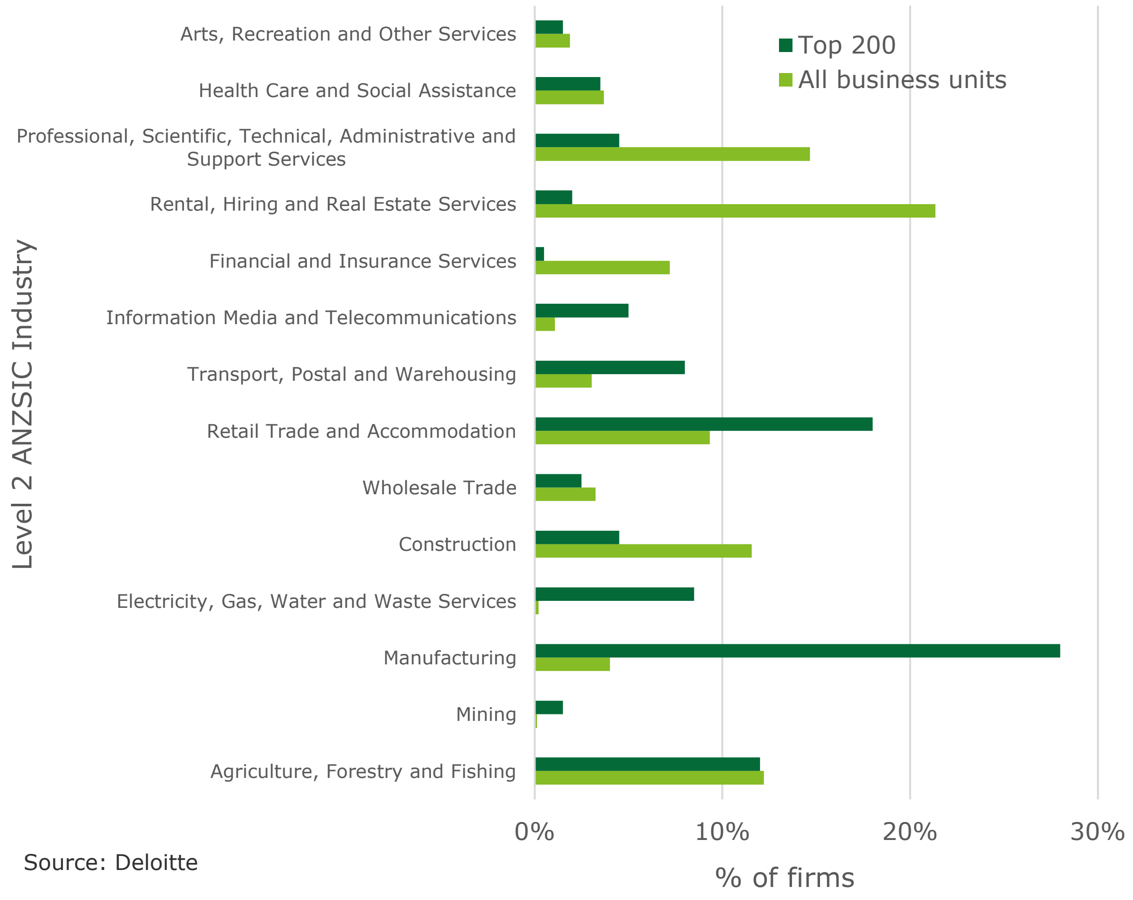
Overall, the distribution of Top 200 firms across sectors has remained relatively stable over time. However, they have become less concentrated in the two largest industries – Manufacturing and Retail Trade and Accommodation.

Source: Deloitte, Statistics New Zealand

What do Top 200 companies do?

Key industries for Top 200 firms are significantly different to the general business community

Figure 10 – Comparison of the proportion of Top 200 firms and New Zealand Business units in ANZSIC Level 2 industries, 2019, % of firms



Source: Deloitte

Comparison of the Top 200 make up with all New Zealand business units

Although Top 200 businesses are represented in all industries (at Level 2 industry), they are concentrated in only a handful. This distribution is not reflected by the industry composition of overall New Zealand business units.

In the year to June 2019, close to 30% of Top 200 firms were in the manufacturing sector, compared to 4% of all New Zealand businesses. This is unsurprising, given the industry has a number of very large firms generating $1 billion of revenue or more per year. According to the AES, the industry produces around 15% of total private sector revenue in the year to February 2019.

Similarly, Top 200 businesses are over represented in the Retail Trade and Accommodation Sector at 18%, compared to 8% overall in New Zealand. This industry includes large retail chains, supermarket chains, and hotels. The total New Zealand Retail trade and Accommodation sector has a number of very large and small firms – reflected in the higher number of business units compared to the manufacturing sector.

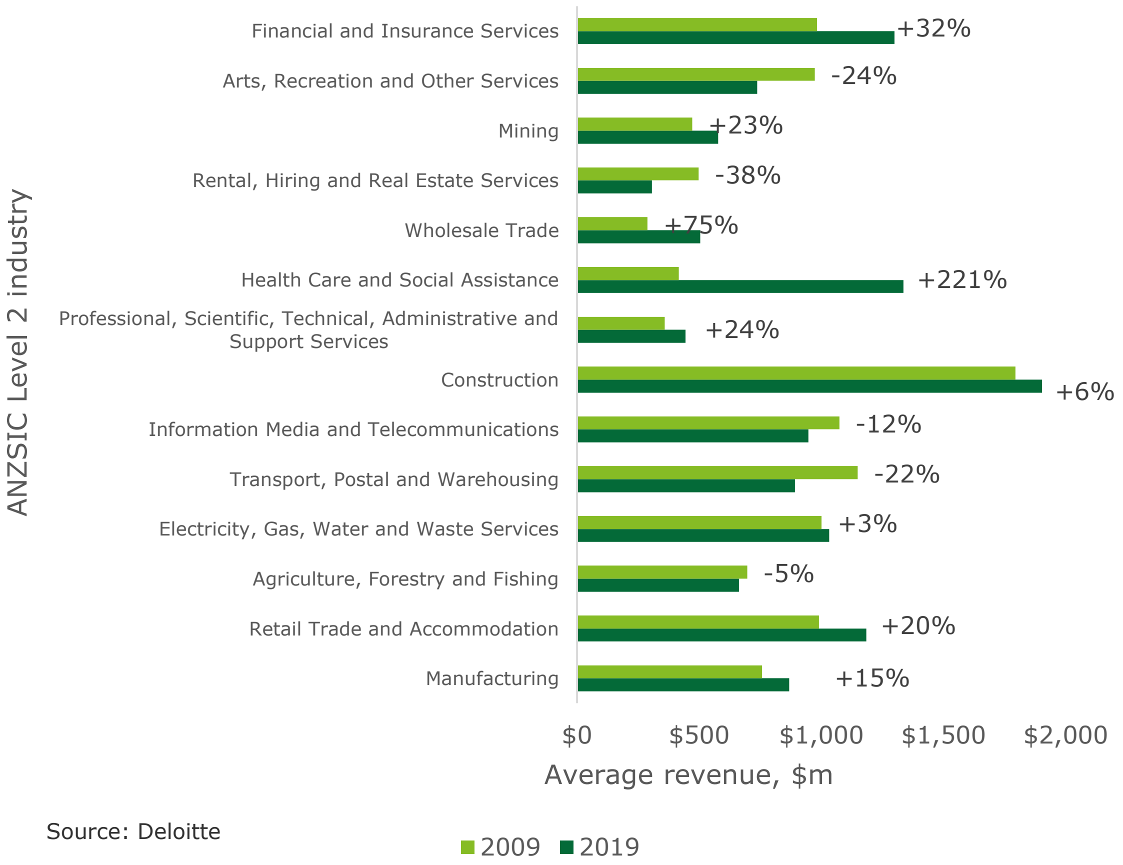
The Agriculture, Forestry and Fishing sector is similar in the Top 200 Index as it is for the general business population – with the industry contributing 11% and 12% of the Top 200 and New Zealand Business units, respectively.

In contrast, Rental, Hiring and Real Estate, and Professional, Technical, Administrative and Support services had a lower proportion of Top 200 businesses than the overall business population, in 2019.

How big are Top 200 companies?

Revenue growth in the last five years has occurred primarily in Health Care, Wholesale Trade, and Financial and Insurance Services

Figure 11 – Revenue distribution across ANZSIC Level 2 industries and growth rate of Top 200 firms, 2019



Source: Deloitte

Average revenue per entity lifted across most industries in the 10 years to 2019.

Health Care and Social Assistance
This industry saw average revenue growth of 221% between 2009 and 2019. This growth may be a combination of individual growth in revenue along with a change in composition of the firms in the Top 200. Revenues includes Government purchases of health services.

Wholesale Trade
Average revenue for businesses in The Wholesale Trade sector lifted by 75% between 2009 and 2019. Revenue lifted from $288 million to $500 million.

Financial and Insurance Services
Average revenue for businesses in the Financial and Insurance services sector lifted by 32% between 2009 and 2019. Revenue lifted from $1.0 billion to $1.3 billion.

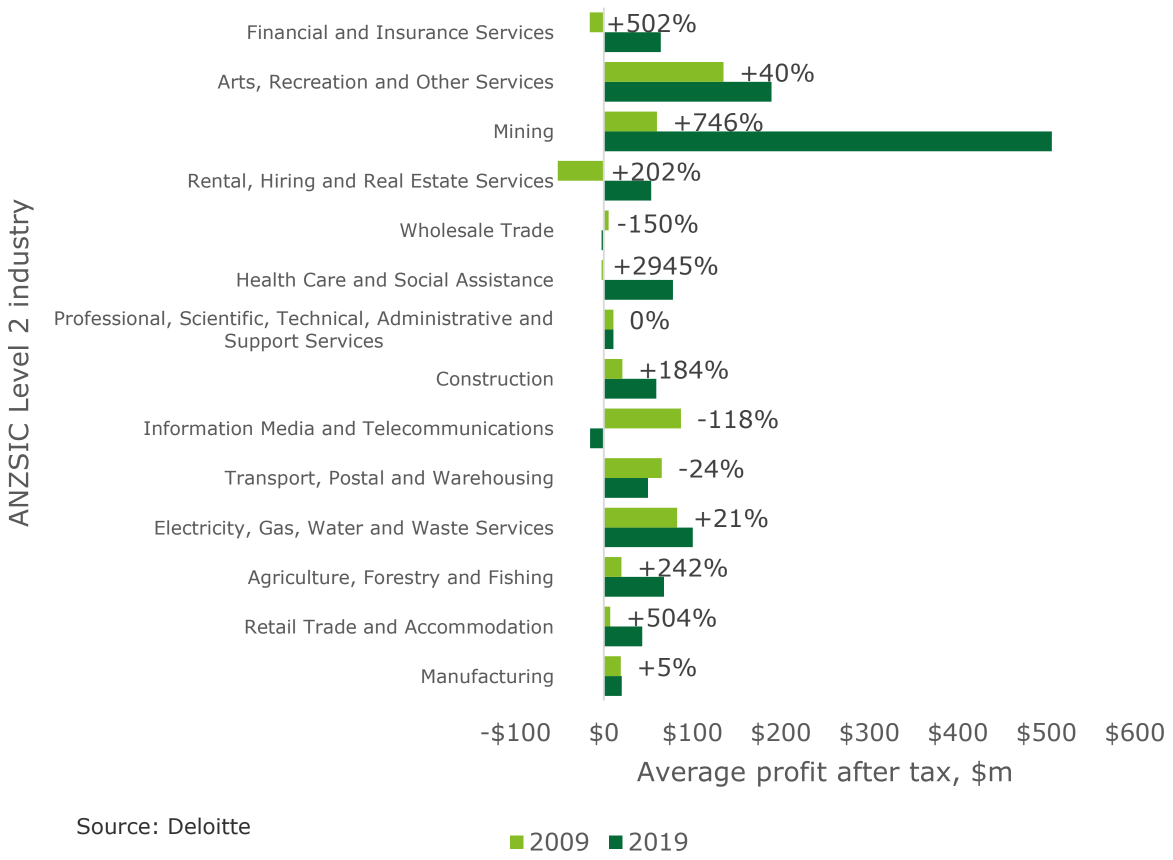
Construction industry
Between 2009 and 2010, the number of businesses in the Top 200 in the construction industry lifted by 29%, with average revenue of these businesses rising by 6%.

There are fewer than 10 Top 200 businesses in the construction industry between 2009 and 2019, but the average revenue per construction firm has almost consistently been the highest. The two largest entities, with revenue of up to four times the industry average, have been in the Top 200 since 1997. Two others have been in the index for 15 years, while the next three largest have been in the index for three years or less.

How big are Top 200 companies?

Average profit after tax generally grew across most industries between 2009 and 2019

Figure 12 – Profit after tax distribution across ANZSIC Level 2 industries and growth rate of Top 200 firms, 2019



Source: Deloitte

Average profit after tax fell across the Wholesale Trade, Information Media and Telecommunications, and Transport, Postal and Warehousing industries between 2009 and 2019.

Health Care and Social Assistance
As with revenue, profit after tax has increased substantially from -$3 million in 2009, to $78 million in 2019.

Financial and Insurance Services
Average revenue for businesses in the Financial and Insurance services sector lifted grew by 502% in the 10 years to 2019, up from -$16 million in 2009 to $64 million.

Mining
The mining industry saw the second largest increase in profit, rising from $60 million in 2009 to $506 million in 2019.

Retail Trade and Accommodation
This industry has also seen substantial growth, rising from $7 million in 2009 to $43 million in 2019.

What do Top 200 companies do?

Manufacturing industry

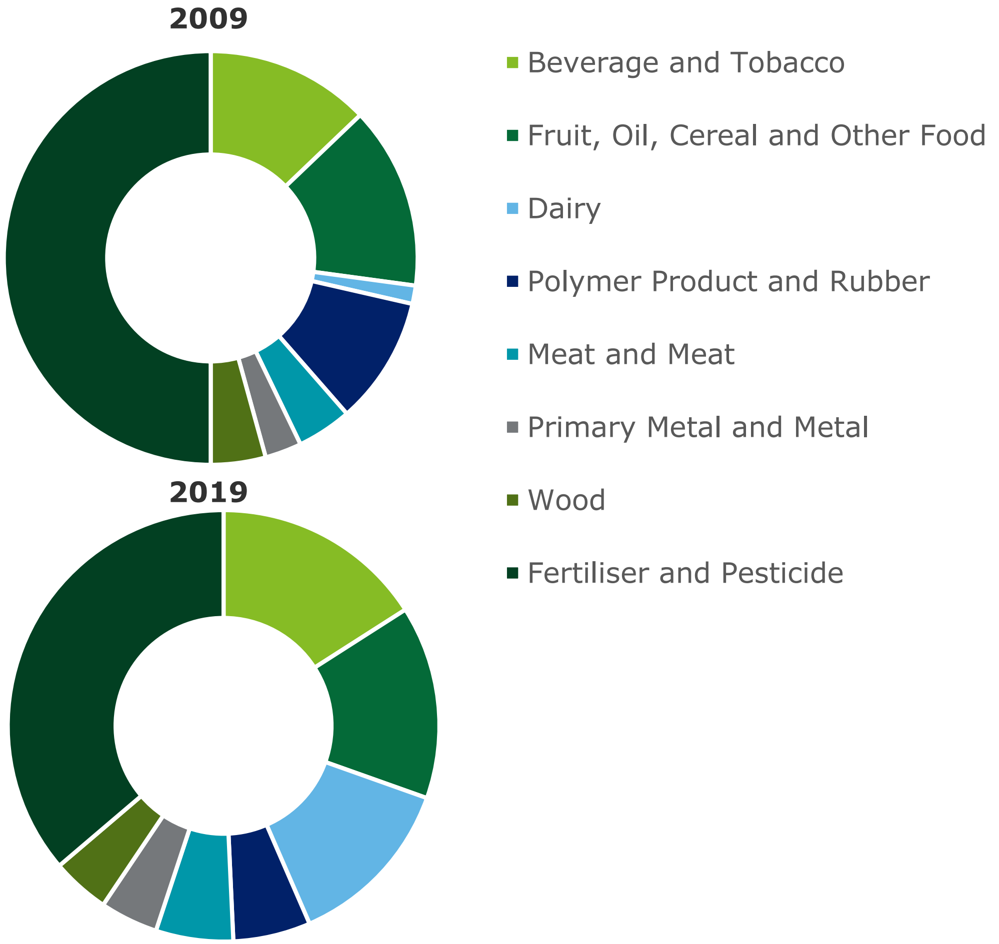
Manufacturing sector firms are decreasing, but remain the largest Top 200 industry

The manufacturing industry has consistently had the largest number of Top 200 businesses since 2009. This is despite the number of Top 200 businesses in the industry falling by 14% between 2009 and 2019.

The three largest manufacturing businesses in the Top 200 have remained in the index since 2000. In 2019, around 40% of total manufacturing industry revenue in the Top 200 were made up by three businesses. These firms are in industries which are heavily reliant on exports, including dairy or meat product manufacturing.

Businesses manufacturing agriculture products have enjoyed strong growth in exports from late 2016 through to 2019. High export prices boosted the terms of trade near record highs and volumes were sustained by strong international demand. In particular, Dairy, Forestry and Fruit benefited from strong demand offshore, feeding into regional growth.

Figure 13 – The proportion of Top 200 firms and New Zealand Business units by ANZSIC Level 2 industries, 2009 and 2019, number of firms



Source: Deloitte

How big are Top 200 companies?

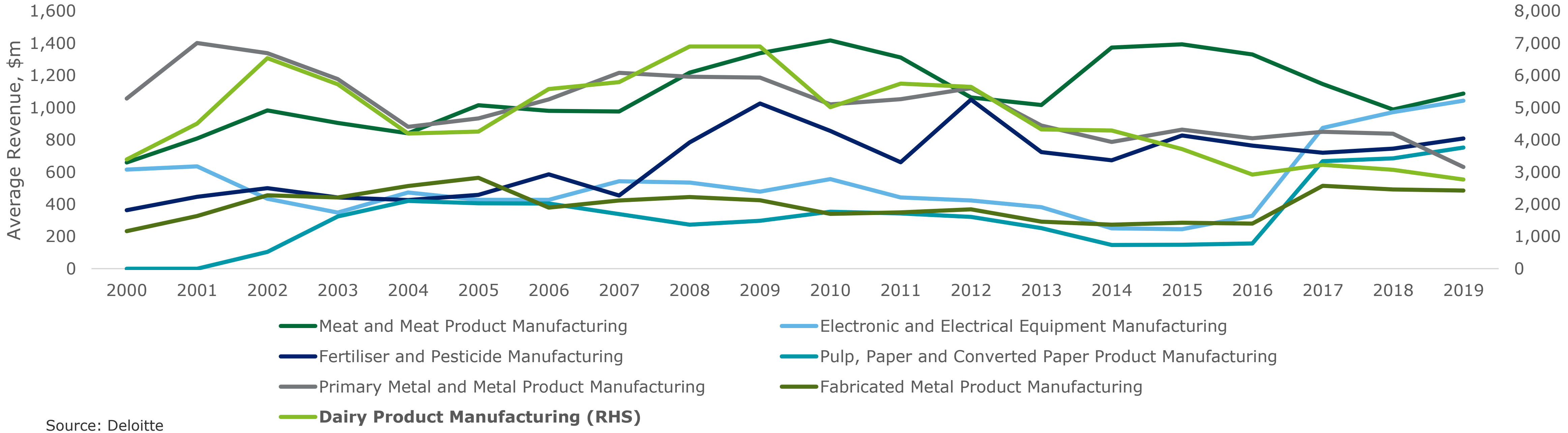
Average revenue of the seven largest Manufacturing level four industries over time

Manufacturing sector revenue growth broken down by sub sectors

The Dairy Product Manufacturing industry has the highest average annual revenue, at around $3 billion in 2019, 15% higher than in 2009.

Meat and Meat Product manufacturing, and Electric and Electrical Equipment manufacturing each had revenue of above $1 billion in 2019. Electric and Electrical Equipment manufacturing average revenue has lifted quickly from 2016. Primary Metal was slightly negative and Fabricated Metal was relatively flat, but all the other industries have seen positive growth, especially in recent years.

Figure 14 – Average revenue of Top 200 manufacturing firms in ANZSIC Level 4 industries, 2019 ($ millions)
Revenue for the Dairy Product Manufacturing is on the right axis, and all other industries are measured by the axis on the left hand side (2019 dollars)



Source: Deloitte

What do Top 200 companies do?

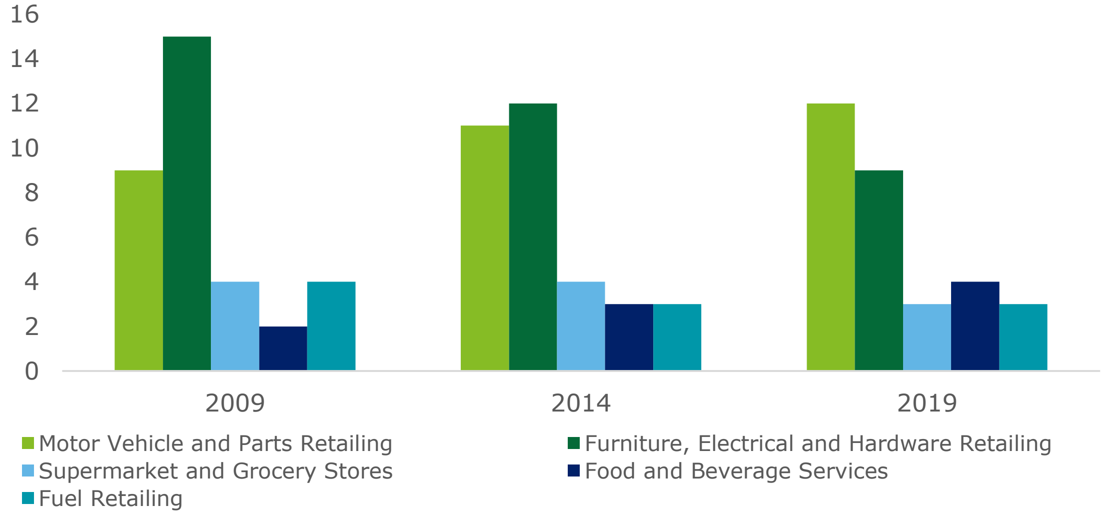
Retail Trade and Agriculture sector firms

Retail Trade and Accommodation

The number of Retail Trade and Accommodation firms in the Top 200 has fallen by 20% in the 10 years to 2019. Six of the 10 largest entities within this industry have remained in the Top 200 for the last 10 years. These entities are primarily in the Supermarkets and Specialised Food Retailing, Motor Vehicle and Motor Vehicle Parts and Fuel Retailing industries.

We note that there may be a reduction in the firms in this industry, but the remaining firms may have grown larger. This is an area that requires further investigation.

Figure 15 – Largest five Level 4 Retail Trade and Accommodation industries, number of firms



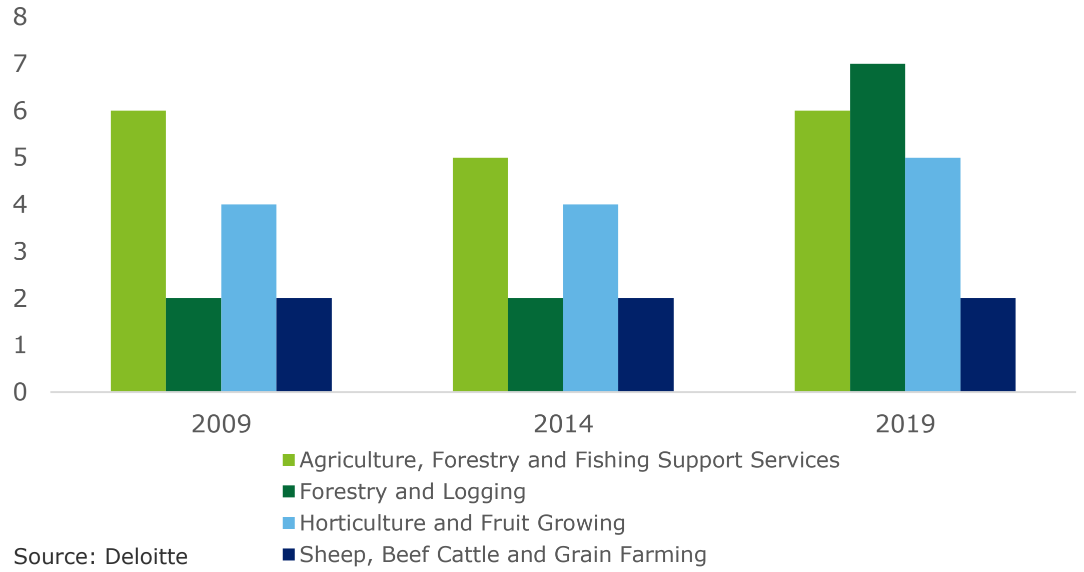
Source: Deloitte

Agriculture, Forestry, and Fishing

The Agriculture, Forestry, and Fishing industry had the third largest number of firms in 2019. It saw growth of 50% in the number of firms making the Top 200 from 2009.

Average revenue lifted by just 11% over the 10 year period to 2019.

Figure 16 – Largest four Level 4 Agriculture, Forestry, and Fishing industries, number of firms



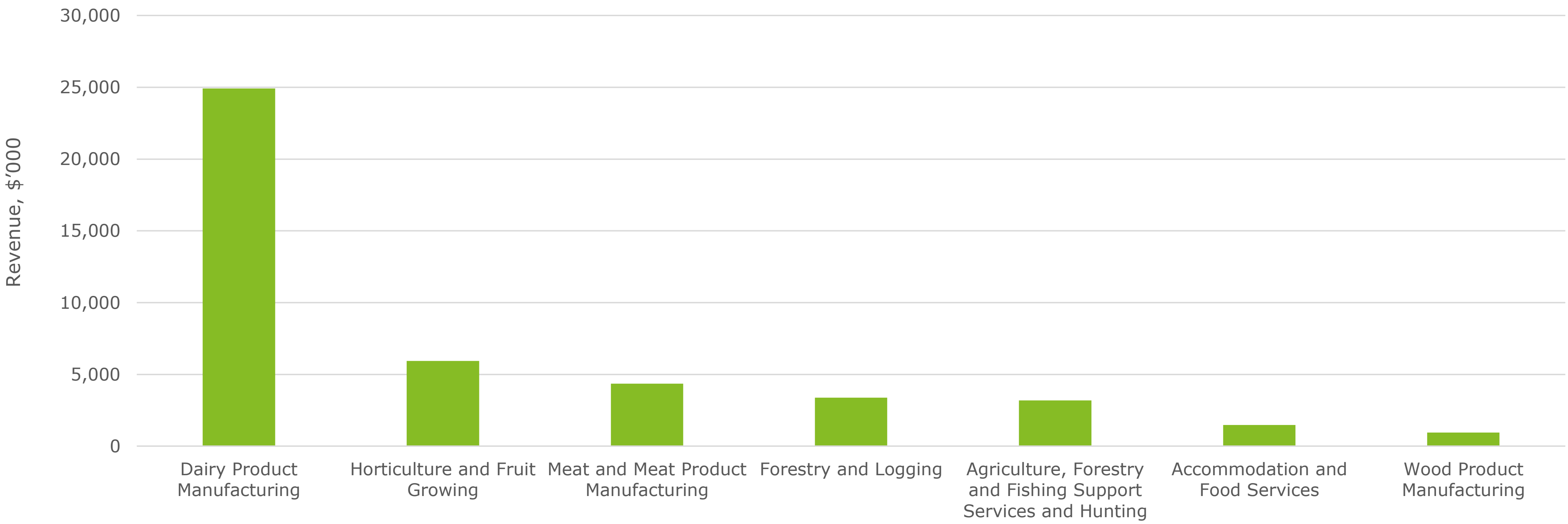
Source: Deloitte

What do Top 200 companies do?
Export intensive industries-Revenue

In general, industries that rely heavily on exports include the Agriculture sector and those relient on Tourism exports, such as Accomodation and Retail Trade.

Some of the key industries in the Top 200 data set are also exposed to exports. For example, the Dairy Product Manufacturing sector generated around $25 billion in revenue in 2019. Horticulture and Fruit Growing generated approximately $6 billion in revenue in the same year.

Figure 17 – Revenue by selected industries more likely to export, 2019 ($’000)

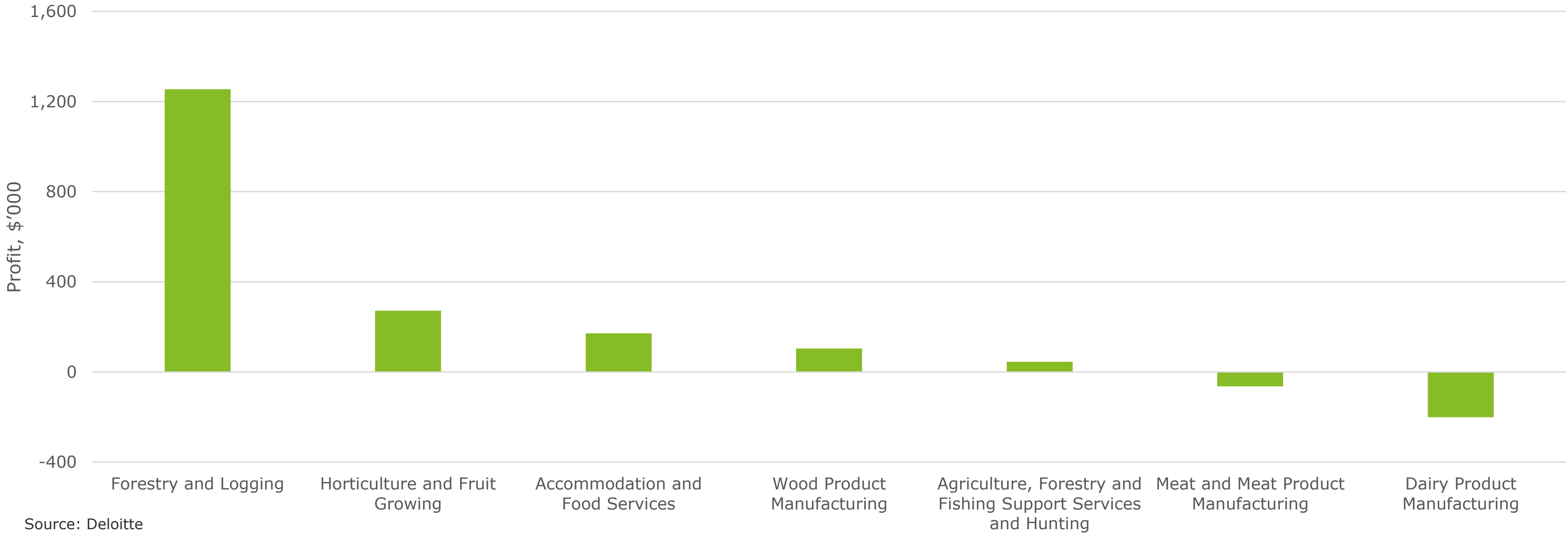


Source: Deloitte

What do Top 200 companies do?
Export intensive industries- Profit after tax

Forestry and Logging generated the largest profit after tax in 2019, at roughly $1.3 billion. This was much higher than the profit generated by other industries. While Dairy Product Manufacturing produced the most revenue across these industries in 2019, it did not return a profit in the same year.

Figure 18 – Profit by selected industries more likely to export, 2019 ($’000)



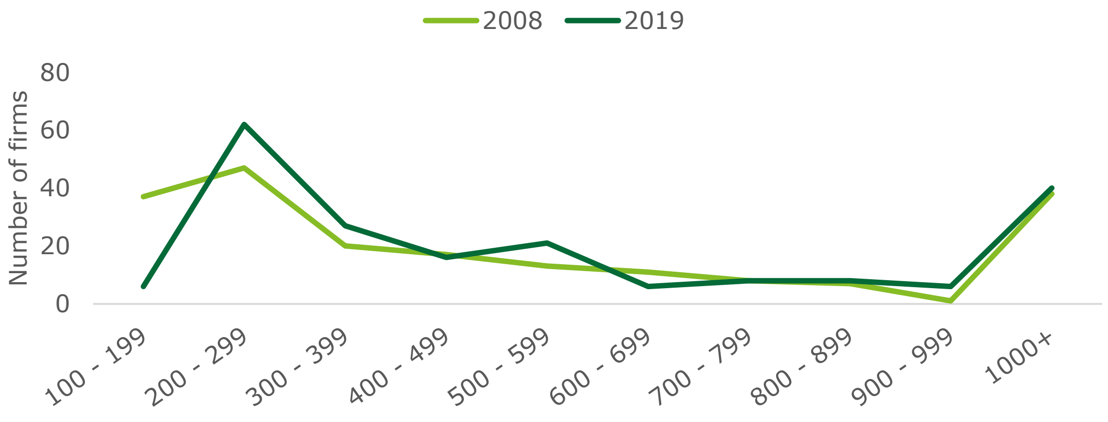
Source: Deloitte

How big are Top 200 companies?

How big are Top 200 companies?

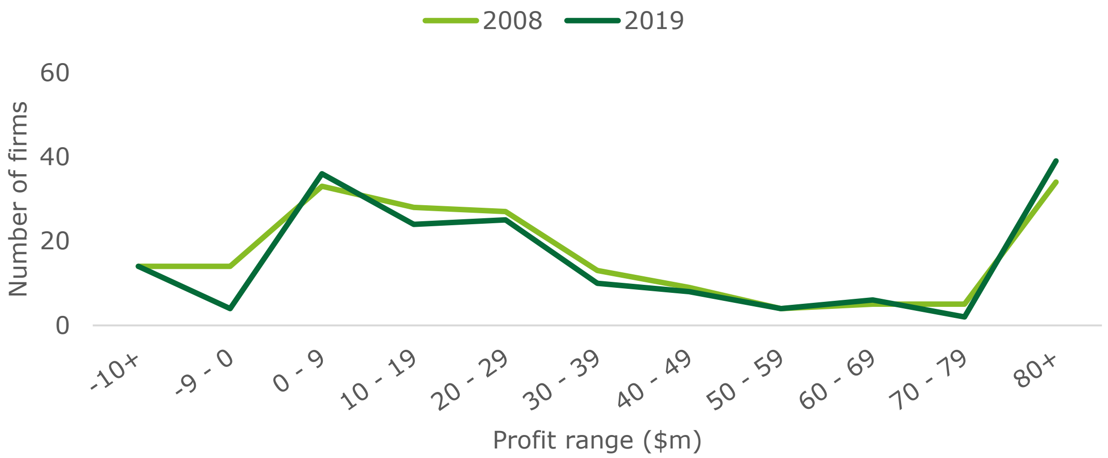
Revenues and profits are clustered around the lower end, but there are some large firms in the New Zealand market

Figure 19 – Revenue distribution of Top 200 firms, by number of firms ($ millions, 2019 dollars)



Source: Deloitte

Figure 20 – Profit distribution of Top 200 firms, by number of firms ($ millions, 2019 dollars)



Source: Deloitte

Most Top 200 businesses are concentrated at the lower end of the revenue distribution spectrum, with revenues lower than $299 million. However, there are 40 firms with revenues greater than $1 billion. This distribution is expected in the New Zealand market, given our largest businesses remain much smaller than large overseas firms, such as those in the United States. Moreover, the concentration of businesses at the lower end of revenue reflects the large number of small and medium sized enterprises (**SMEs**) in the New Zealand market.

The revenue distribution has changed at the lower end of the distribution but looks similar from the $600 million and above buckets. A higher proportion of Top 200 businesses were in the $100 – $199 million bucket in 2008 than in 2019. In 2019, there was one firm in this bucket, while most firms were in the $200 - $299 million bucket. This is due to both the presence of new firms in the Top 200 index, and the growth of existing firms. The number of firms with mid-range revenues ($400 – $999 million) has remained relatively constant between 2000 and 2019. There were 40 firms with revenue greater than $1 billion in 2019, up from 38 firms in 2008.

The profit distribution of Top 200 firms in 2008 and 2019 is similar to the revenue distribution, with most firms concentrated in the $0 - $9 million bracket. 39 businesses had profits greater than $80 million in 2019, up from 34 in 2008.

How big are Top 200 companies?
Top 200 firms have shown steady growth over time

Top 200 revenue increased from $94 billion in 2000 to $193 billion in 2019. Average revenue increased from $527 million to $965 million over the same period. Although individual business revenue has increased over this period, this growth also reflects a change in the composition of the Top 200 as larger businesses enter the New Zealand market.

Top 200 firms appeared resilient during the GFC

Revenue growth fell significantly during the GFC. Across all Top 200 firms, revenue fell 3% in the year to June 2010. Average revenue for the Manufacturing, and Information Media industries rose during this period, while Retail Trade and Energy sectors saw average revenues fall.

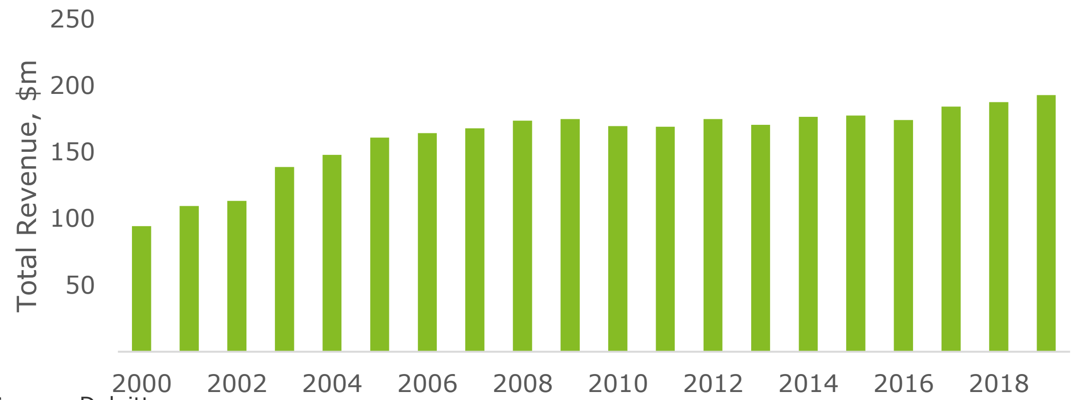
Profit after tax increased from 2000 to its peak of $9 billion in 2007, before dropping sharply to $4 billion in 2009 as the effects of the GFC set in.

Throughout the GFC, Top 200 firms were able to maintain revenue but struggled to maintain profit levels. Profit after tax has since recovered to just above pre-GFC levels.

Profit

Growth in profit after tax for Top 200 firms has fluctuated significantly across this period, and was negative around the GFC. Average profit after tax growth between 2014 and 2018 was similar for the general business population than Top 200 firms, at 14% and 15%, respectively.

Figure 21 – Total revenue of Top 200 businesses ($ millions)



Source: Deloitte

Figure 22 – Change in profit after tax, Top 200 compared with all businesses

Sources: Deloitte, Statistics New Zealand

How big are Top 200 companies?

Growth in asset base and equity varied between 2000 and 2019

Asset base

The asset base of Top 200 businesses totalled about $243 billion in 2019, up from $240 billion in 2014. The assets included are current and non-current assets, investments, tangible and intangible assets, deferred tax assets and goodwill.

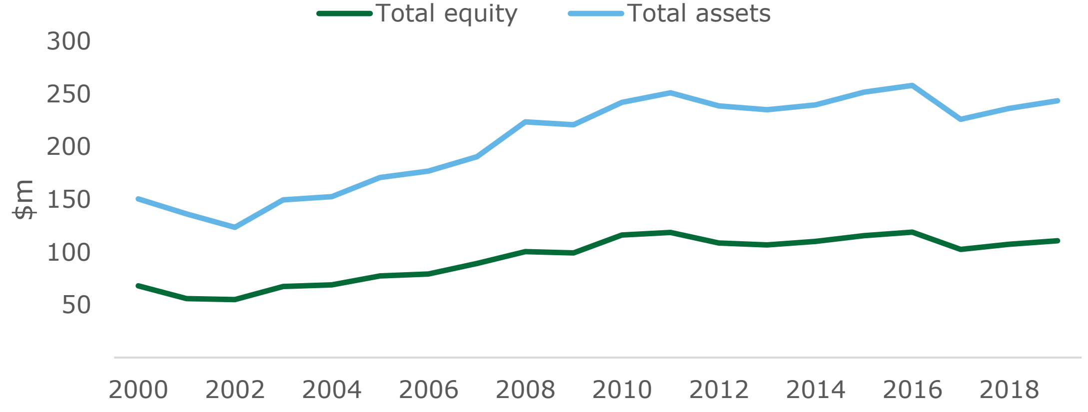
The largest 10 businesses in the Top 200 data set contribute about 25% of total asset value.

Asset growth for all New Zealand businesses averaged 4.5% between 2014 and 2018, while for Top 200 businesses average asset growth was less than 1%. Note that only a small amount of data was available on the financial position of New Zealand businesses from the AES. This data suggested that for years 2014 to 2018, asset growth was smaller for Top 200 firms than the general business community.

Equity

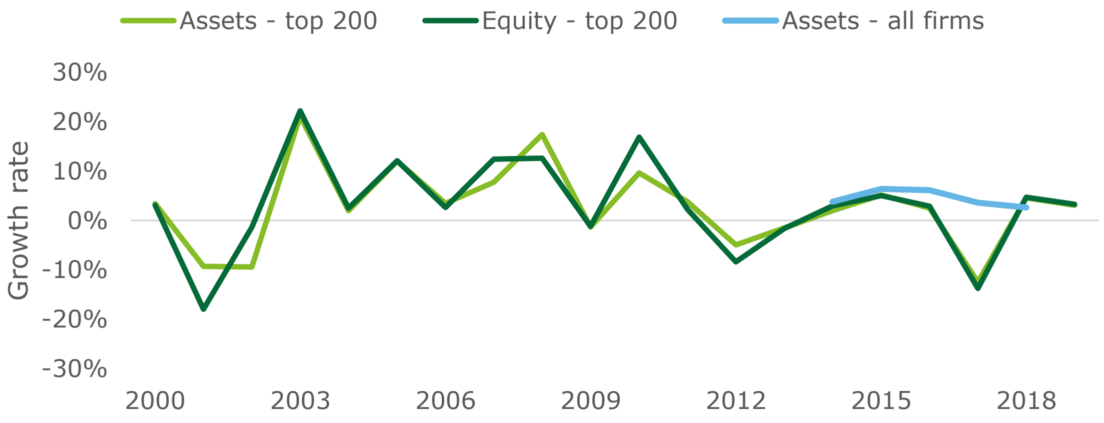
Total equity has fluctuated circa $100 billion since 2010. In the 10 years to 2019, total equity lifted at an annual average rate of 7%. Growth in equity largely followed asset growth.

Figure 23 – Total equity and assets of Top 200 firms ($000 millions, 2019 dollars)



Source: Deloitte

Figure 24 – Asset growth, June year % growth (2019 dollars)



Source: Deloitte

How big are Top 200 companies?

Average return on investment fluctuated between 2000 and 2007, before dipping following the GFC and recovering in recent years

Return on investment

Average return on assets (**ROA**) and return on equity (**ROE**) fluctuated between 2000 and 2007, with an average ROA of 4% per annum, and ROE of 9% per annum. However, following the GFC, the average return on investment for Top 200 firms was lower. Between 2009 and 2013, ROA flat lined at 2% per annum, while ROE hovered around the 4-5% mark. These metrics have since recovered and trended upwards since 2013. ROE has been consistently higher than ROA.

Figure 25 – Average ROA and ROE of Top 200 firms (2019 dollars)

Source: Deloitte

Top 10 Māori Business Index

10

Māori businesses

$6b

Asset value (Average 2014 to 2019)

44%

Average profit after tax % (Average 2014 to 2019)

Firms with Māori ownership

What do our large Māori Businesses look like?

Broad trends we identify are:

- Top 10 Māori Businesses show continued growth in asset value. On average, the total asset value was $6 billion between 2014 and 2019. Māori businesses are diversified, making them more resilient.
- Although Māori businesses have a more holistic focus on iwi wellbeing and profit gaining investments to support iwi members, the average profit after tax over the period 2014 and 2019 was 44%.
- The top five ranked Māori businesses are all affiliated to settled iwi. Four of these entities received the largest Treaty settlements to date ($170 million). Three of the Top 10 Māori Businesses settled during the 1990s (1992,-95,-97) providing opportunity for their businesses to mature, with over 20 years to develop their business ventures and investments.
- A total of 16 businesses have made the Top 10 Māori Business Index between 2014 and 2019. During this period a variety of Māori businesses have been ranked in the index, including:
  - Iwi trusts
  - Private companies
  - Education organisations
  - Pan-iwi organisations (organisations managed/owned by multiple iwi)
- These Māori businesses, particularly those identified in the Top 10, have investments into other subsidiaries or Māori businesses. Typically iwi trusts have diversified portfolios, as expressed in the *Iwi Investment Report* (TDB Advisory, 2019), however, this is not always the case.
- Further investigation is needed into the nature of debt and leverage of Māori firms relative to Top 200 firms.

Firms with Māori ownership
Where are they located?

The Top 10 Māori Businesses are concentrated in Te ika-a-maui.

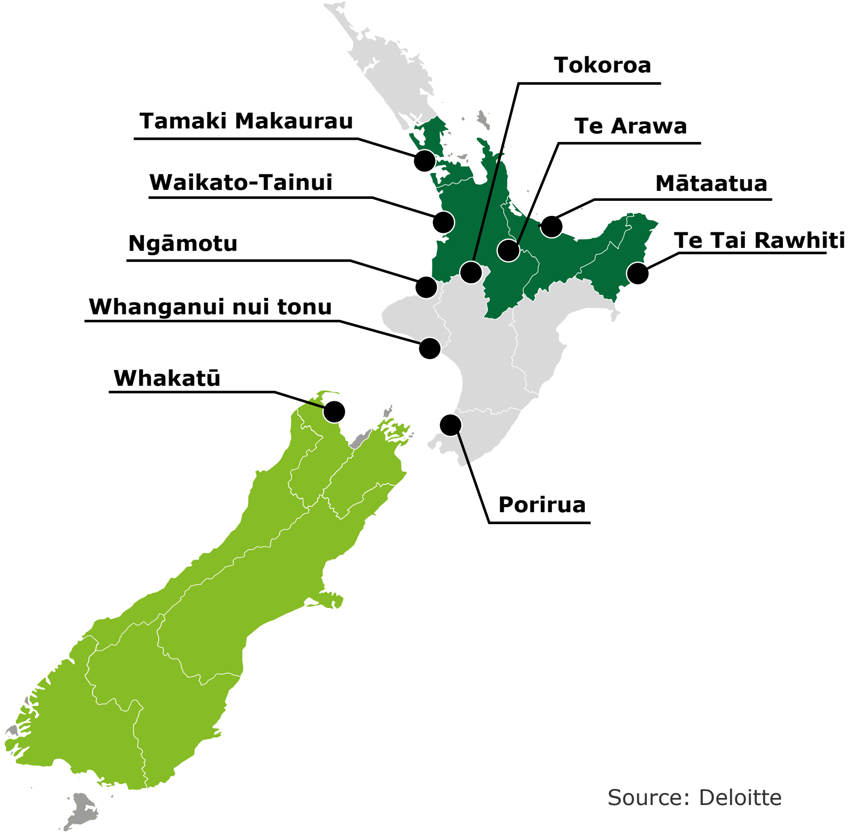
Based on our research, the Top 10 Māori Businesses, defined on page three of this report are in fact iwi/hapū established or managed. This is not surprising given the significant settlements made through Te Kāhui Whakatau (treaty settlements). Businesses are therefore mapped to the iwi regions or rohe[1] through their known iwi affiliations, or in cases of pan-tribal involvement, mapped to multiple regions or areas of the country.

Most of the Top 10 Māori Businesses operate across a diverse number of industries.

Te Waipounamu (South Island)

- We identified **two** of the Top 10 Māori Businesses have locations across Te Waipounamu (light green area).
- The lack of entities identified throughout Te Waipounamu[2] could also be influenced by local iwi, as a single iwi occupies Te Waipounamu.
- **There is a strong focus on the Agriculture, Forestry and Fishing industries in Te Waipounamu**.

Figure 26 – Location of Top 10 Māori Businesses



Source: Deloitte

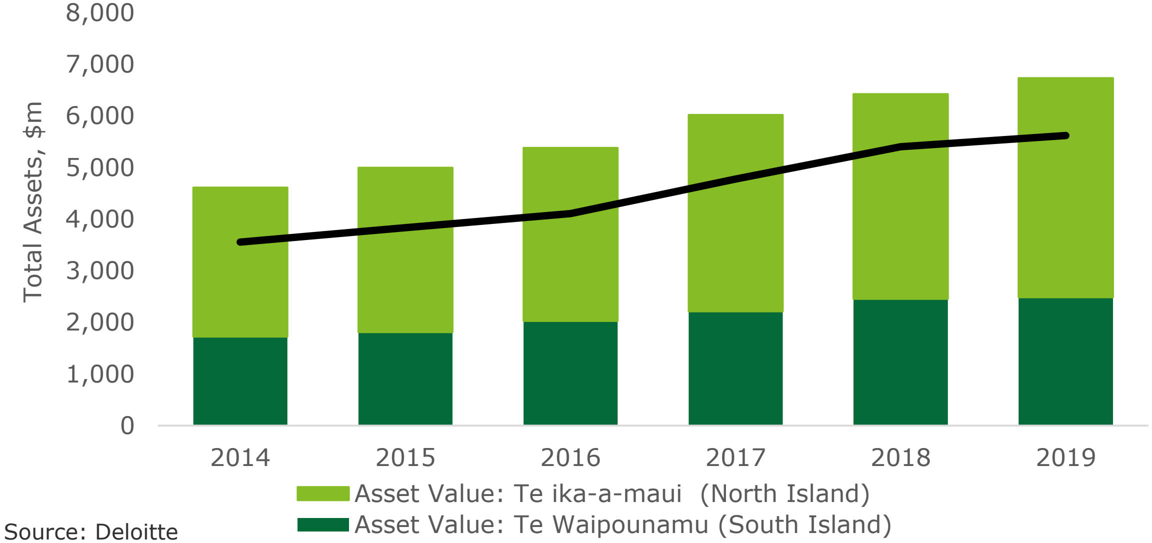
Te ika-a-maui (North Island)

- We identified **one** out of the Top 10 businesses has multiple locations across Te ika-a-maui. While this business is not included on the map, other firms are represented by a dot on the map and their respective link to an iwi region.
- The Top 10 Māori Businesses are **concentrated within Te ika-a-maui,** and even more so within the Central-North Island area (dark green area).
- This concentration aligns with the overall geographical split of Māori Businesses. According to Statistics New Zealand, over half of all Māori business locations are in the Bay of Plenty (Te Arawa/Mātaatua), Waikato (Waikato-Tainui), and Gisborne regions (Te Tai Rawhiti).
- **There is a strong focus in the Property Services, Agriculture, Forestry and Fishing and Cultural and recreational industries.**

1. Te Puni Kokiri: find iwi by map, http://www.tkm.govt.nz/map/
2. Te Waipounamu. For the purposes of this analysis excludes Blenheim and the Chatham Islands

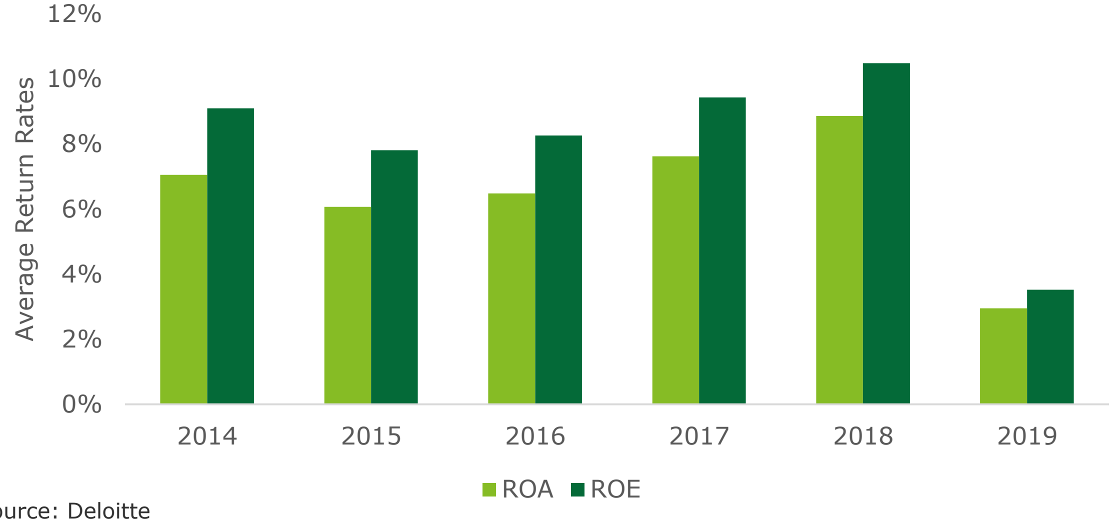
Firms with Māori ownership
Continued growth in Top 10 Māori Businesses

Figure 26 – Total asset value for Top 10 Māori Businesses, 2014 to 2019 ($ millions, 2019 dollars)



Source: Deloitte

Figure 27 – Average ROA and ROE for Top 10 Māori Businesses 2014 to 2019, % (2019 dollars)



Source: Deloitte

There is continued growth in Top 10 Māori Businesses in terms of their asset value between 2014 and 2019.

The asset base of Top 10 Māori Businesses totals about $7 billion - an increase from about $5 billion in 2014. The proportion of asset values remained relatively consistent between Te ika-a-maui and Te Waipounamu between 2014 and 2019, approximately 65% and 35%, respectively. The top five Māori businesses contribute about 85% of total asset value. The first ranked business has consistently performed highly as first ranked for six years (2014 – 2019).

Total equity and asset value of the Top 10 Māori Businesses follows a similar trend. Both equity and asset values increased by 6% in 2015 and 12% in 2016. Since then, equity has accelerated at twice the rate of assets, but reached relatively flat growth between 2018 and 2019.

ROA and ROE grew steadily between 2014 and 2019, but dropped in 2019. While total assets and total equity trended upwards beteween 2014 and 2019, profit after tax fell significantly. The changes in ROA and ROE reflect this. In 2019, ROA was 3% and ROE was 4%.

Firms with Māori ownership

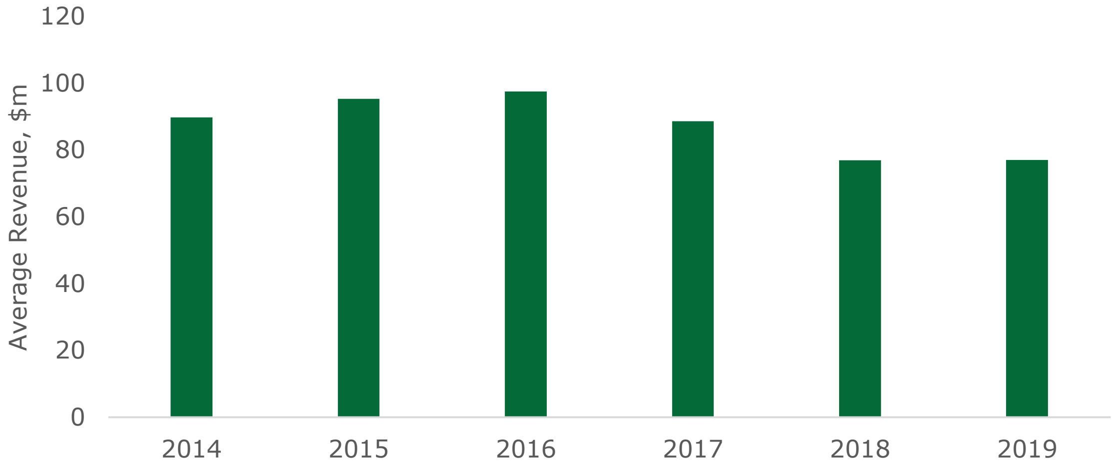
How big are our Top 10 Māori Businesses?

The Top 10 Māori Businesses were ranked according to multiple factors, including revenue.

The average revenue of Top 10 Māori Businesses was $89 million in 2014, and $76 million in 2019.

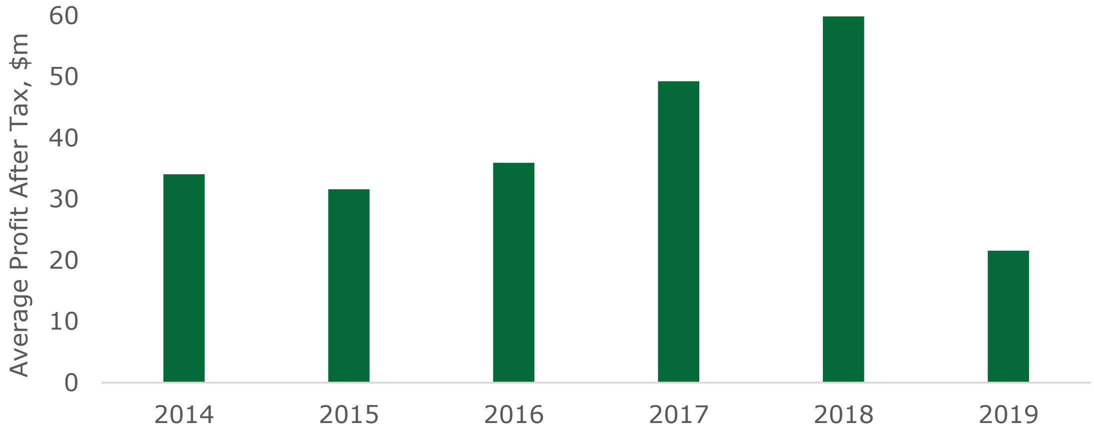
The kaupapa (purpose) of Top 10 Māori Businesses likely diverges from Top 200 Businesses. Businesses must demonstrate Māori kaupapa as part of a wider criteria to be identified as a Māori business in the Top 10 index. This generally means a more holistic focus for Māori businesses on iwi wellbeing and profit gaining investments to support the prosperity of iwi members.

Figure 28 – Average revenue for Top 10 Māori Businesses 2014 to 2019 ($ millions, 2019 dollars)



Source: Deloitte

Figure 29 – Average profit after tax for Top 10 Māori Businesses 2014 to 2019 ($ millions, 2019 dollars)



Source: Deloitte

The kaupapa driven profit gaining is not necessarily evident in the profit after tax metric for the Top 10 Māori Businesses. For example, even though the average profit after tax was 89% for a Māori business in 2014, this is largely driven by annual asset revaluations and tax benefits provided to Māori businesses.

Fisher & Paykel Healthcare – Case Study

About Fisher & Paykel Healthcare

Introduction

Driven by the needs of patients, Fisher & Paykel Healthcare continues be a market leader in respiratory care products

About Fisher & Paykel Healthcare

Fisher & Paykel Healthcare (**F&P Healthcare or the Company**) is a leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care, surgery, and the treatment of obstructive sleep apnea. F&P Healthcare is based in Auckland, New Zealand and its operations are run by over 4,800 staff in 39 countries.

F&P Healthcare entered the respiratory care market in 1971. When it split from Fisher & Paykel Industries (**F&P Industries**) in 2001, the Company listed on the New Zealand Stock Exchange (**NZX**). F&P has built a strong and loyal base of investors through listing on the NZX, with many of the shares in the company New Zealand owned.

F&P Healthcare estimated its products would be used by 15 million patients in 120 countries in FY2020, under normal operating conditions (F&P Healthcare, 2019). However, given the current COVID-19 outbreak these figures could be higher. F&P Healthcare also remains a critical essential service throughout New Zealand's lockdown.

Trailblazing design

F&P Healthcare has remained at the cutting edge of innovation since its inception. The Company has invested over $750 million in Research and Development (R&D) since 2001, with 581 staff dedicated to R&D in 2019. Its R&D has also been supported by government grants and support, including the R&D tax credit (New Zealand Government, n.d.).

The Company also encourages innovation through new talent, offering internships and a 12-month graduate programme (F&P Healthcare, 2019). F&P Healthcare recognises the importance of diversity and inclusion in encouraging innovation. After an internal study found room for improvement in gender diversity, Human Resources (**HR**) policies were changed to address this. Subsequently, 86% of employees responded positively to the statement 'I feel F&P Healthcare values diversity' (Diversity Works, 2019).

Ranking, revenue and profit

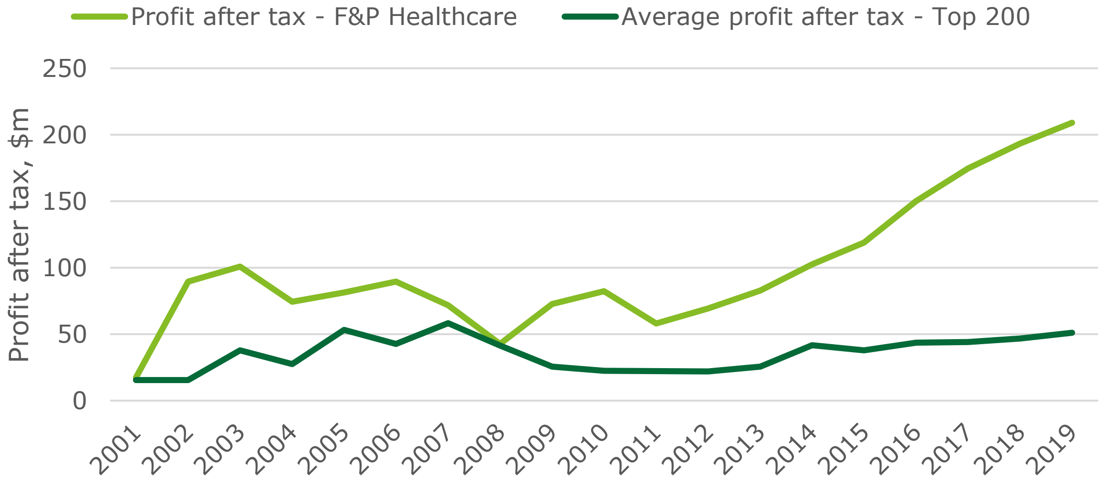
F&P Healthcare has steadily increased its ranking in the Top 200 index

F&P Healthcare has climbed from 94th place in 2002, to 38th place in 2019 in Deloitte's Top 200 index.

Revenue and profit after tax have trended upwards, with profit after tax increasing much faster than the Top 200 average since 2011. Average revenue growth was 8% per annum (pa) between 2001 and 2019, while average profit after tax growth was 31% pa. This average is skewed upwards by a huge jump in profit between 2001 and 2002. Excluding 2001 the average profit after tax is around 8% pa. This compares to Top 200 average annual growth rates of 3% for revenue and 14% for profit after tax.

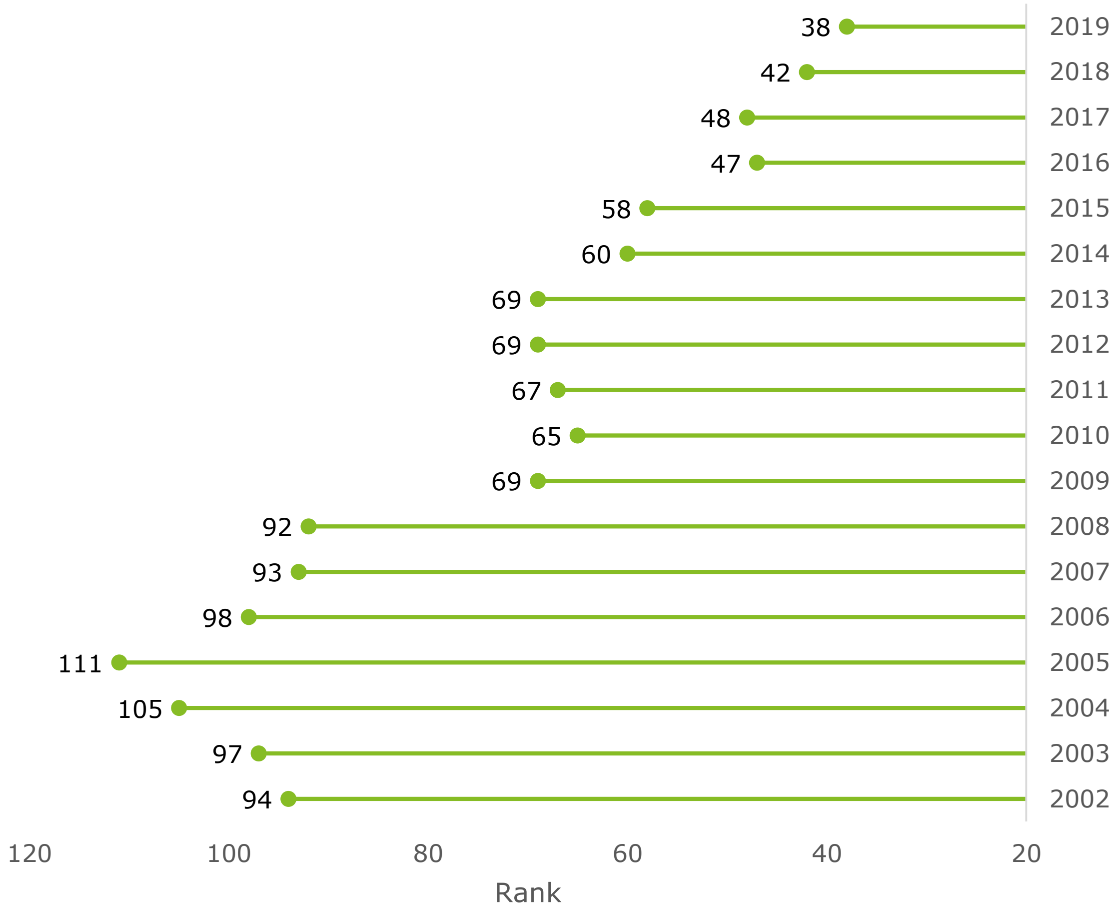
Profit after tax dipped slightly during the Global Financial Crisis (**GFC**), but quickly recovered.

Figure 1 – Profit after tax, F&P Healthcare relative to Top 200 firms, 2019 dollars



Source: Deloitte Top 200 index

Figure 2 – F&P Healthcare's ranking in the Top 200 index over time



Source: Deloitte Top 200 index

Note: While F&P Healthcare was included in the Top 200 index in 2001, no ranking data was available.

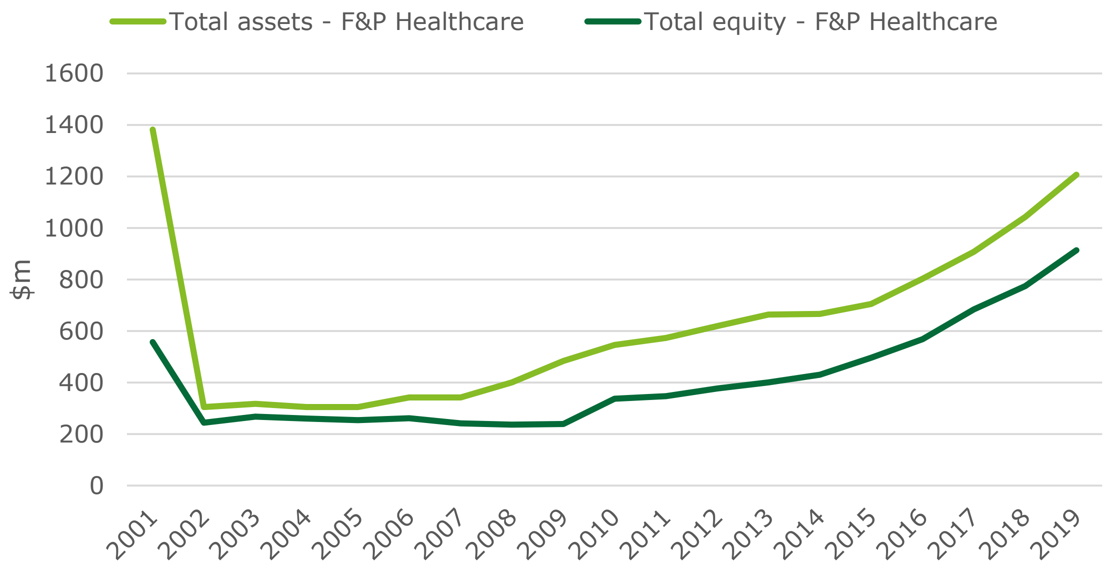
Assets and equity

F&P Healthcare's asset and equity levels have increased steadily since 2001, and the Company offers a solid return on investment

F&P Healthcare's total assets and total equity have increased steadily since 2002. The sharp drop in total assets between 2001 and 2002 was driven by F&P Healthcare splitting from F&P Industries in 2001, and no longer including assets from discontinued operations on its 2002 balance sheet (F&P Healthcare, 2002).

Average total assets across all Top 200 firms were higher than F&P Healthcare. However, F&P Healthcare is converging towards the Top 200 average, with both the Top 200 average and F&P Healthcare's assets at $1.2 billion in 2019. Similarly, F&P Healthcare's total equity remained below the Top 200 average till 2016, but has recently climbed above the Top 200 average.

Figure 3 – Asset and equity base, 2019 dollars

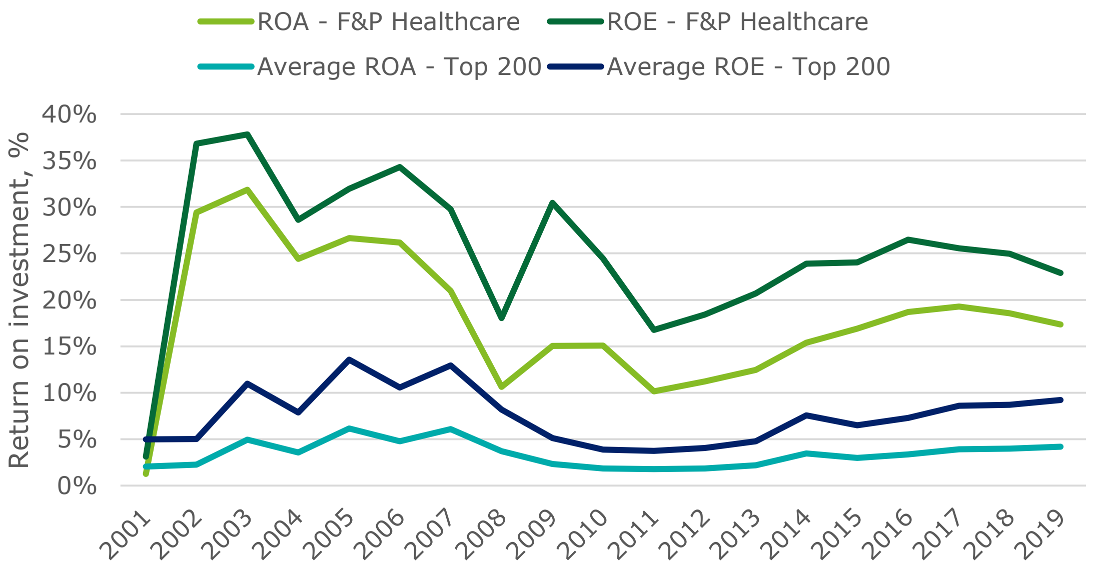


Source: Deloitte Top 200 index

F&P Healthcare has delivered a solid return on investment between 2002 and 2019. The sharp rise in return on investment from 2001 to 2002 is again driven by the change in ownership from F&P Industries to F&P Healthcare. However, we note that return on investment appears to be lowering, with ROE falling from 37% in 2002 to 23% in 2019, and ROA dropping from 37% in 2002 to 17% in 2019.

F&P Healthcare's return on assets (**ROA**) and return on equity (**ROE**), has consistently been above the Top 200 average. Between 2001 and 2019, the average Top 200 ROA was 3% pa, while the average ROE was 8% pa. F&P Healthcare's ROA averaged 18% pa across the same period, while ROE was higher at 25% pa.

Figure 4 – Return on investment, F&P Healthcare relative to Top 200 firms, 2019 dollars



Source: Deloitte Top 200 index

Lessons Learned

International reach, but strong Kiwi roots

F&P Healthcare derives 99% of its revenue overseas, but continues to undertake R&D and manufacturing in New Zealand

Globally connected

F&P Healthcare is almost exclusively internationally focussed, with 99% of revenue generated offshore (F&P Healthcare, 2020). Its products cater towards the rapidly ageing populations in many countries, and more recently have been critical to the COVID-19 response. The Company contributes to New Zealand's export diversification.

To support global sales, F&P Healthcare has a wide-reaching distribution network, with distribution centres in countries such as the US, China, and Australia. Direct sales occur in multiple cities, supplemented by distributed sales with F&P Healthcare people (F&P Healthcare, 2019). The Company has continued to invest time and effort into this network, rather than simply establishing it and thinking the job is done.

But New Zealand based

Despite F&P Healthcare's strong international focus, it undertakes most R&D in New Zealand, and 66% of manufacturing in its Auckland factory. Being based in New Zealand allows F&P Healthcare to benefit from a world-class healthcare system, supportive regulatory environment, an efficient and effective clinical trials process, and tight links between industry, universities, and hospitals (Technology Investment Network, 2019). Accordingly, 53.1% of employees are based in New Zealand, 32.8% in North America and 14.0% in the rest of the world (F&P Healthcare, 2019).

F&P Healthcare also collaborates with the local communities and organisations which support them. For example, the Company has provided Counties Manukau District Health Board with $1.5 million over the next 10 years to support clinical research at Middlemore Hospital (Counties Manukau Health, 2020).

Appendix

List of Top 200 and Top 10 Māori Businesses

Top 200 firms

A2 Milk
Abano Healthcare
Air NZ
Airways
Alliance Group
Allied Foods
ANZCO Foods
APHG NZ Investments
Apple
Asahi
Asaleo Care
AsureQuality
Auckland Airport
AWF Madison
Ballance Agri-Nutrients
Beca
Bidfood
BP
Bridgestone
Briscoe Group
British American Tobacco
Broadspectrum
Bunnings
Bupa
C B Norwood
CablePrice
Caltex
CDC Pharma
CDL Hotels
China Forestry
Chorus
City Care
Coca-Cola
Colonial Motor
Compass Group
Contact Energy
CPB Contractors
Dairy Goat Co-op
Danone
Datacom
DB Breweries
Delegat Group
DHL
Downer Group
EBOS Group
Electrix
Emirates Airlines
EnviroWaste
ExxonMobil
F&P Healthcare
Farmlands
Fletcher Building
Fonterra
Foodstuffs NI
Foodstuffs SI
Ford
Freightways
Freshmax
Frucor Beverages
Fulton Hogan
Genesis Energy
Glencore Agriculture
Goodman Fielder
GPC Asia Pacific
Green Cross Health
Haier
Hallenstein Glasson
Harvey Norman
HEB Construction
Heinz
Holden
Honda
IBM
Imperial Tobacco
Infratil
Inghams
Ingram Micro
Ixom Operations
JB Hi-Fi
John Deere
Juken
Kaingaroa Timberlands
Kathmandu
Kerbside Papers
Kia Motors
Kiwi Property
Kiwirail
Kmart
Kura
Landcorp
LIC
Linde Holdings
Lion
Lotto NZ
LWC
Mainfreight
Market Gardeners
Mars NZ
Martin-Brower Holdings
Matariki Forestry
Mazda
McDonald's
Mediaworks
Mercedes-Benz
Mercury
Meridian Energy
Methanex
Metro Performance Glass
Millstream Equities
Mitsubishi Motors
Mondelez
Nelson Forests
Nestle
Nissan
Nobilo
Northpower
NZ Post
NZ Racing Board
NZ Sugar
NZME
NZPM Group
Oceana Gold
Oceania Dairy
OfficeMax
O-I Operations
Oji Fibre Solutions
OMV
Open Country Dairy
Oregon Group
Orion
Orora
Pacific Aluminium
Pact Group
Pan Pac Forest
PGG Wrightson
Philip Morris
Port of Tauranga
Ports of Auckland
Powerco
Ravensdown
Refining NZ
Restaurant Brands
Ryman Healthcare
Samsung
Sanford
Scales Corp
Scentre
Shell
Silver Fern Farms
Sime Darby Motor
Singapore Airlines
Skellerup
Sky TV
Skycity
Skyline Enterprises
Spark
Spotless
Steel & Tube
Stuff
Sumitomo Chemical
Sumitomo Forestry
Summit Forests
Synlait Milk
T&G Global
Tasman Steel
Tatua Co-op Dairy
Taumata Plantations
Tegel
Tetra Pak
TIL Logistics
Toll
Tourism Holdings
Toyota
TR Group
Trade Me
Transpower
Trustpower
Turners Automotive
TVNZ
Two Degrees
Unilever
Unison Networks
URC Holdings
Vector
Vocus
Vodafone
Warehouse Group
Waste Management
Watercare
WEL Networks
Wesfarmers Industrial
Westcon
Westland Dairy
Weyville Holdings
Wilmar Gavilon
Woolworths
WSP Opus
Xero
Z Energy
Zespri

Top 10 Māori Businesses

Moana NZ
Ngāi Tahu
Ngāti Porou
Ngāti Whātua ki Orākei
Parininihi ki Waitotara
Pukeroa Oruawhata
Te Wānanga o Aotearoa
Toa Rangatira
Tuhoe Te Uru Taumatua
Waikato Tainui

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