

The State of the Deal  
and Deloitte Queensland Index

**Q3 2022 – Quarterly Insight**



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# Executive summary

Rising concerns around runaway inflation and fears of a global recession drove significant volatility across global capital markets in Q3 2022. Queensland equities largely held their ground, with the Deloitte Queensland Index remaining stable at \$111.5b (down 0.01% from June 2022). The local resources sector experienced the most windfalls, allowing the State to leverage its strengths once again

**Deloitte Queensland Index  
return in Q3 2022**

**-0.01%**

*-8.5% in Q2 2022  
-16.9% in LTM Sep-22*

**S&P/ASX All Ordinaries  
return in Q3 2022**

**-1.0%**

*-13.4% in Q2 2022  
-12.5% in LTM Sep-22*

**Companies in the  
Deloitte QLD Index**

**158** at 30 September 2022

*160 at 30 June 2022*

**Since 30 June 2022:**

**82** companies increased  
market capitalisation (52%)

*67* companies decreased market  
capitalisation (42%)

*8* no movement (5%)

*3* delistings

*1* new listings

**Market capitalisation as at Sep-22**

**\$111.5b**

*\$111.5b as at Jun-22*

**Announced QLD M&A Transactions  
in Q3 2022**

**19**

*59 in Q2 2022*

**Disclosed value of announced  
QLD M&A transactions in Q3 2022**

**\$5.7b**

*\$1.8b in Q2 2022*

Queensland listed businesses remained resilient in Q3 amidst rising fears of runaway inflation and a global recession. To combat these pressures, central banks have been hiking interest rates at a rapid pace, causing volatility across some of the world's largest capital markets. We are not out of the woods yet though. Experts are anticipating the RBA's cash rate to peak by mid-2023, which means downward pressure on company valuations will likely continue, as investors remain cautious, and with good reason.

Despite the bleak backdrop, rising rates are still yet to have a significant impact on corporate profits. The Australian economy remains resilient in the face of tightening monetary policies, and with further rate hikes on the horizon, a slowdown in economic activity and decline in corporate profits is no longer out of the question. The labour market remains tight, the Russia-Ukraine war continues to disrupt global supply chains and the elevated commodity prices globally are creating economic pressures (but also opportunities), for the Sunshine State.

Despite the economic headwinds at play, the Deloitte Queensland Index largely held its ground in Q3 2022, with the total market capitalisation of QLD-based ASX-listed companies decreasing by 0.01% from 30 June 2022 (\$111.52b) to 30 September 2022 (\$111.51b). Out of the 158 companies listed on the Deloitte Queensland Index, 82 posted an increase in market capitalisation during Q3 2022, 67 reported declines, 1 was newly listed (Critical Minerals Group Ltd (ASX: CMG)), 3 de-listed and the remainder were steady. The top six performers based on dollar and percentage increases in market capitalisation have been called out on page 10.

Amidst the challenging macroeconomic environment, Queensland's Energy & Resources sector continues to have the wind in its sails and was the only local sector that experienced growth in overall market capitalisation during Q3. Queensland's abundance of natural resources places the State well in the current high energy price environment, brought about by the supply crunch exacerbated by Russia's war in Ukraine. Thermal coal prices are continuing to surge, creating bullish market conditions where deal activity can be expected to increase.

Queensland was at the forefront of Australian States throughout the pandemic in job creation and in August 2022 recorded its lowest unemployment rate since records began in 1978. The State's August 2022 unemployment rate broke the previous record low set in August 2008, underpinning the strength of the local economy.

M&A activity may have lost some of the momentum following the record levels of deal activity in 2021, however sentiment amongst dealmakers is still positive as the appetite for quality assets from seasoned buyers remains strong. The stabilisation in deal activity reflects the uncertainty currently impacting the market and rising cost of debt funding. Fears of a global recession, escalating geopolitical unrest in Ukraine, and the accelerated trajectory of the RBA's rate hikes have dampened business sentiment amidst a weakening global economy with uncertain forecasts.

Significant Queensland transactions announced in Q3 2022 include:

- Suncorp Group Limited's (ASX: SUN) announced sale of their banking business, Suncorp Bank, to Australia and New Zealand Banking Group Limited (ASX: ANZ) for c.\$4.9b
- The acquisition of Caneland Central Shopping Centre in Mackay by Sentinel Property Group for c.\$280m.
- Blue Sky Private Equity and Fortitude Investment Partners' sale of Shopper Media Group Pty Ltd to Cartology Pty Ltd.

# Queensland Economic Update

The Queensland economy shows signs of recovery from the February floods, largely driven by consumer spending and strong export prices. However, with poor consumer sentiment, the impacts of higher interest rates starting to flow through the State's economy and a third wave of La Niña, the State has plenty of headwinds to overcome yet

## Queensland gross state product (change on year earlier)



Source: Deloitte Access Economics, September Quarter 2022.

The Queensland economy has rebounded from the adverse effects of floods in early 2022, with growth in gross state product (GSP) in the June quarter following an estimated mild contraction in March.

That recovery was largely driven by a resurgence in household consumption, especially of recreation and hospitality services, offsetting much of the flood-related decline earlier in the year. The strength of household consumption is despite rising inflation and expectations of further interest rate increases to come, as well as weakening consumer sentiment.

The value of Queensland's international exports continues to benefit from events overseas that have triggered extraordinary growth in prices of commodities like coal, gas and beef. In the most recent data, the value of Queensland's goods exports increased by 35% from the year prior, predominantly driven by coal exports. But it is just a price story. Volumes of goods exports declined by almost

6% over the same period – driven by mining output and transport disruptions due to heavy rainfall and flooding in the 2022 March Quarter.

And, as is the case across Australia, the labour market has remained at its tightest rate in years, with unemployment currently sitting at 3.7%.

However, the RBA's seven aggressive (but softening) rate hikes will likely change that in the near future and have already begun to affect house prices, with prices in Brisbane and the Gold Coast falling 5.4% in the last three months. It is anticipated that prices will continue to fall through 2023 as the impacts of the interest rate hikes begin to be felt in their entirety.

However, while house prices have been falling, rental prices have been increasing, with Brisbane in particular experiencing a 3.8% cost of renting in the most recent quarter – the most of any major

city. Population has driven this price increase more than anything, with the State experiencing the highest population growth of any state in Australia.

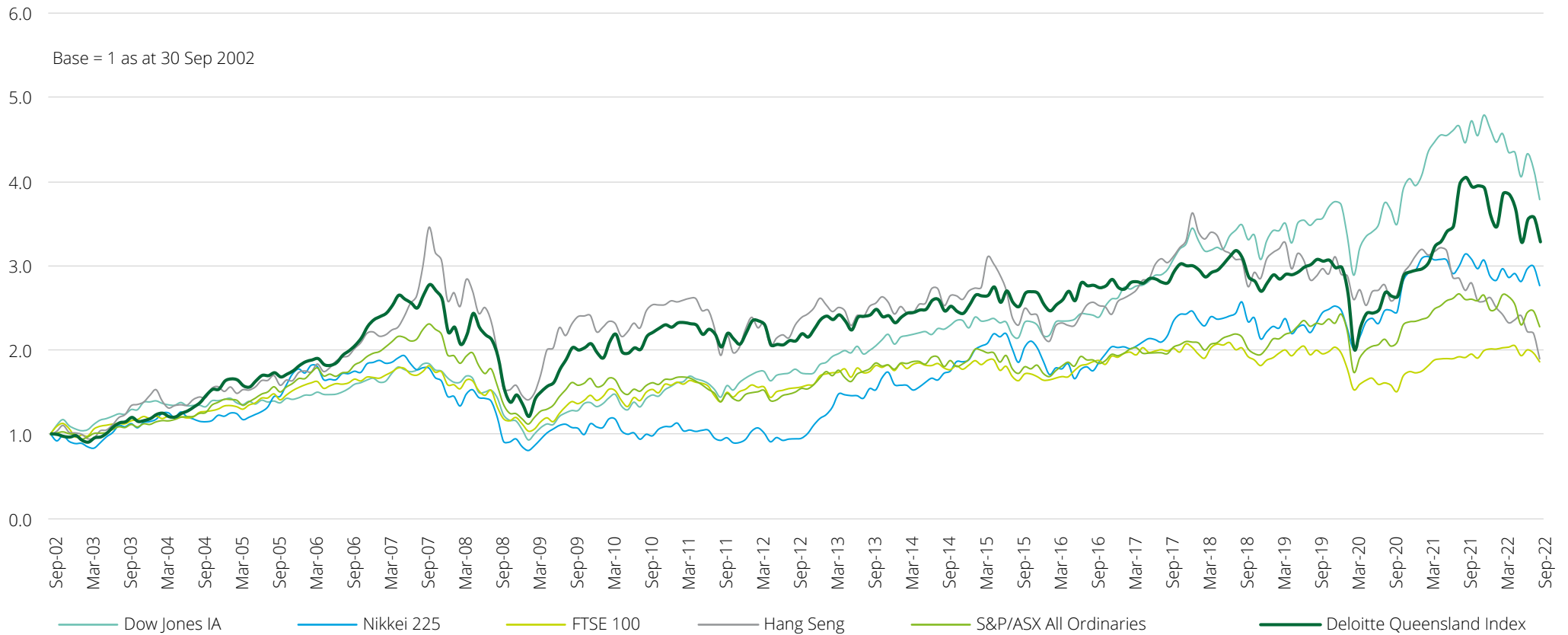
This higher cost of housing has ultimately contributed further to inflation in the State, with housing increasing more than any other element of measured inflation in the most recent quarter. And, with La Niña on its way through Australia and Queensland for a third bat, we can expect further increases to the price of food as farms lose their produce to flooding and excess rainfall. Unfortunately, though the RBA may like them to, interest rates cannot change the weather.

So there are headwinds and tailwinds facing the State of Queensland. Ultimately, though, that's been Queensland's story from COVID-19 all the way through to the first quarter floods of 2022 – and if there's anything we've learned about the State, it's that it has resilience.

# The Deloitte Queensland Index

There were 158 companies in the Deloitte Queensland Index at 30 September 2022. During the three months ended 30 September 2022, the total market capitalisation of those companies remained steady at \$111.5b (0.01% decrease), with strong performance in the local Energy & Resources sector offsetting declines across all other sectors in Q3 2022

## Deloitte Queensland Index versus Major International Indices



The Deloitte Queensland Index held its ground, with only a small 0.01% decrease in Q3 2022, outperforming all the major global indices which all reported larger declines, including the S&P/ASX All Ordinaries (1.01% decline over the same period)

**Deloitte Queensland Index at 30-Sep-22**

**158 companies**      **\$111.5b market cap**

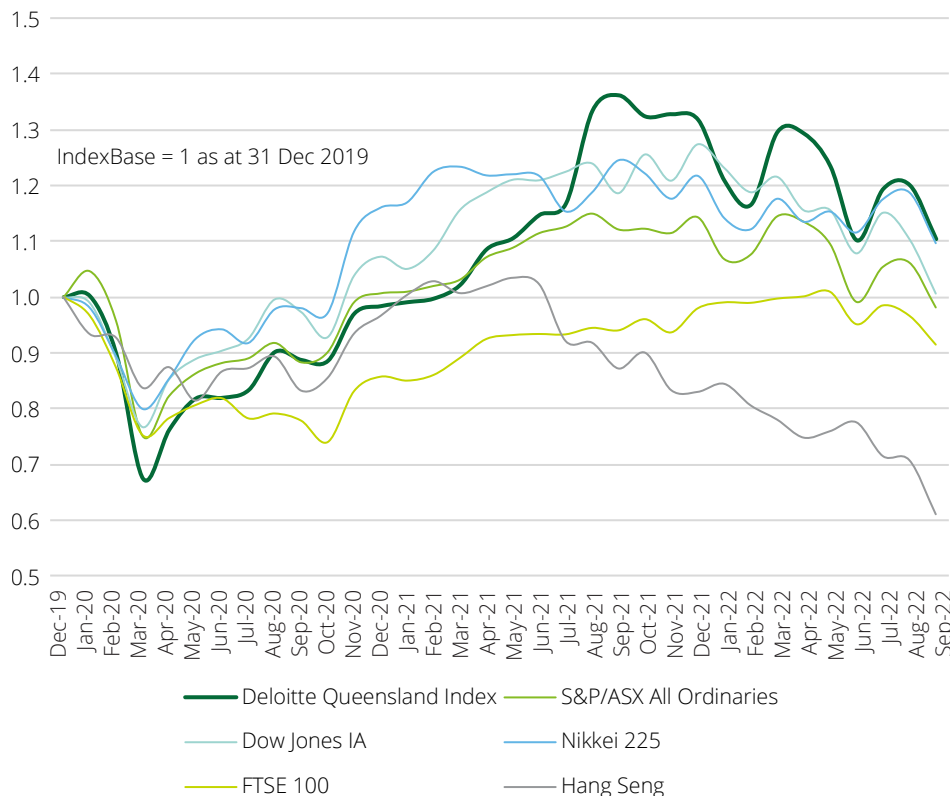
**Deloitte Queensland Index return in 2022**

**-0.01% Q3**  
**-10.2% YTD**

**S&P/ASX All Ordinaries return in 2022**

**-1.0% Q3**  
**-14.1% YTD**

**Indices Sep-22 YTD**

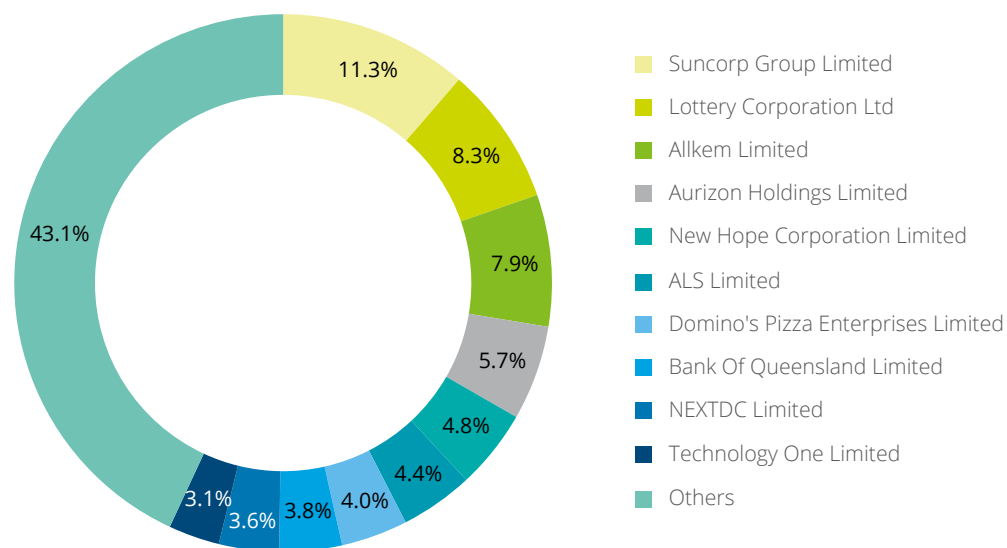


The globally hawkish response from central banks amidst rising recession fears have resulted in plunges across many of the world's largest equity markets during Q3 2022. Inflation may still be high and rising across Australia, however closer to home, the Deloitte Queensland Index largely held its ground, declining only by 0.01% in Q3 2022. However, whilst the Deloitte Queensland Index is not fully immune to the global pressures at play, the resilience has been driven by a strong local energy & resources sector, which represented 28.9% of the index this last quarter (increasing by \$5.8b during Q3). Q3 2022 represented a tough quarter for most sectors with the growth in Energy & Resources offset by a pullback in Consumer, Financials and TMT, which collectively contributed to a \$5.0b decline in market capitalisation. In particular:

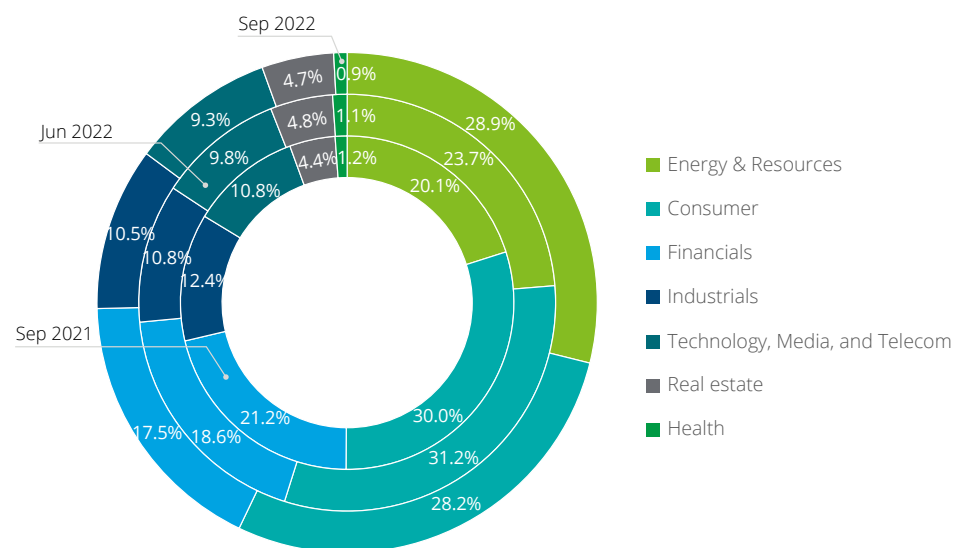
- The war in Ukraine is continuing to put pressure on energy markets globally, resulting in unprecedented demand for Australian energy & resource exports. Whilst this increased demand has been reflected in the surging commodity prices, positively impacting the local Energy & Resources sector, export volumes have also increased. New Hope Corporation Limited and Allkem Limited drove much of the increase in Queensland, with their combined market capitalisation increasing by \$4.7b (see page 10 for details).
- The declines across the Consumer sector were primarily led by Domino's Pizza Enterprises which continued its share price decline and hit a two year low in September, following the release of its FY22 results, which noted a 12.5% decline in underlying NPAT (to \$165.0m) compared to FY21. Inflationary pressures are taking a toll on the pizza franchisor, squeezing margins, despite a 4.6% increase in global sales.
- The surge in cost of living is also having an adverse impact on the Queensland travel & leisure industry, with the market capitalisation of Flight Centre Travel Group Limited down \$0.6b (18.0%), following its recovery earlier in the year. After returning to pre-pandemic performance earlier this year, the company's share price reached a 12 month low in September.
- The pullback in the local Financials sector has been heavily contributed to by Suncorp Group Limited, which accounted for 65% of the QLD Financials sector by market capitalisation in Q3. The decline reflected a tougher outlook for the insurance and banking sector and followed the release of the company's FY22 results which reported a 34% decline in NPAT (to \$681m) compared to FY21.

Queensland’s abundance of natural resources places the State well in the current high energy price environment, brought about by the supply crunch exacerbated by Russia’s war in Ukraine. The State continues to be a significant producer and exporter of energy (in particular, coal and gas), which has been buoyed by record high commodity prices in Q3 2022

### Deloitte Queensland Index – Largest Companies (%)



### Deloitte Queensland Index Sector Composition (%)



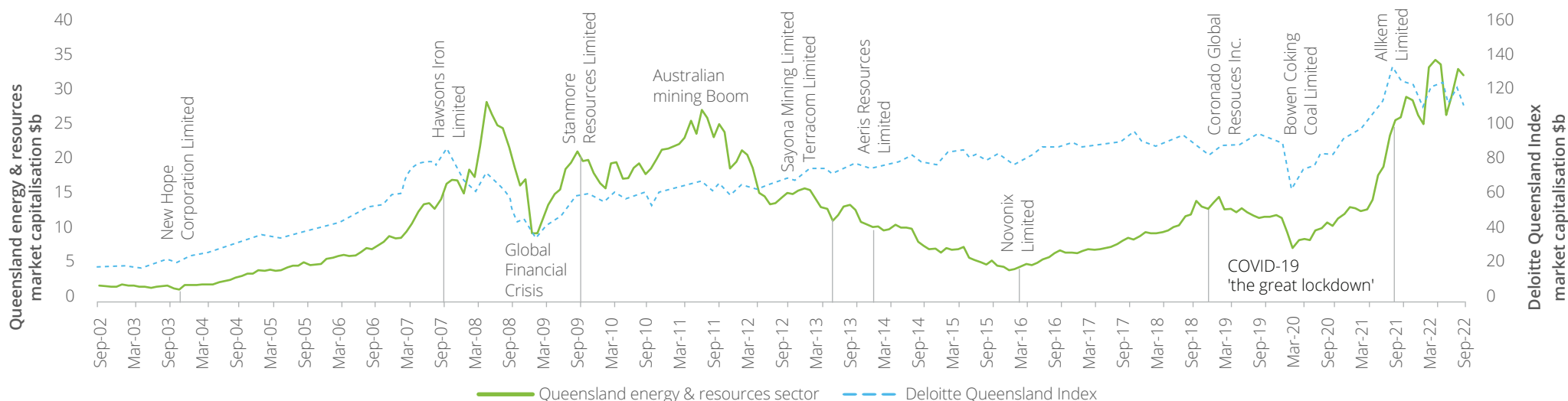
- The composition of the Index at 30 September 2022 continues to show a reasonable degree of sector diversification, with the index composition shifting back towards the E&R sector during Q3 2022 (now accounting for 28.9% of the total market capitalisation of Queensland listed companies), after experiencing a pullback in Q2 2022.
- The shift in the Index composition back towards the Energy & Resources sector in Q3 2022 has largely been underpinned by:
  - Rising commodity prices, in particular coal, buoyed by the COVID-induced supply chain constraints and the global energy crisis on the back of Russia's invasion of Ukraine, propelling prices to record highs.
  - Lithium spot prices continuing to surge to record highs in Q3 2022. Renewable energy and electric vehicle markets are driving the demand for lithium, as Governments and Corporates continue to set new targets for cleaner energy sources. Albeit demand for lithium continues to exceed supply.
  - The weakening Australian dollar contributing to rising profits for Queensland based commodity producers. With most commodity prices denominated in USD, when the Australia dollar declines against the US dollar, it bodes well for Australian companies because it increases their recorded profits.
  - Declines in market capitalisation across the consumer sector with Domino's Pizza Enterprises Limited, Flight Centre Travel Group Limited and Lottery Corporation Limited recording a combined \$2.8b decline in market capitalisation (representing 84.7% of declines across the Consumer sector).
- During Q3 2022, Queensland listed companies outside of the top 10 remained relatively steady, recording an average increase in market capitalisation of 1.7%, outperforming the performance of the overall index. These companies represented 43.1% of the overall index in Q3 (up from 41.8% in Q2).



# Queensland E&R update

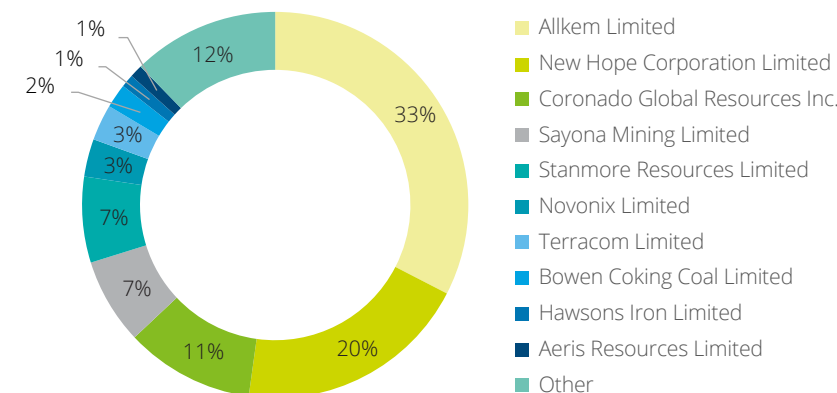
Queensland energy & resources sector market capitalisation has increased \$30.4b since Sep-02 with 58% of the increase (\$17.6b) attributed to the top 10 companies in the sector as at Sep-22. The sector remains strong in Queensland as sanctions on Russian exports continue to disrupt global supply of commodities, putting further downward pressure on supply and fuelling demand

## Deloitte Queensland Index



Company Name	Code	Index Join Date	Market Capitalisation \$m Upon Joining Index	Market Capitalisation \$m Sep-22	Change \$m	Change %
Allkem Limited	AKE	Jun-21	2,227	8,832	6,605	297%
New Hope Corporation Limited	NHC	Dec-03	481	5,319	4,839	1007%
Coronado Global Resources Inc.	CRN	Oct-18	3,286	2,925	-361	-11%
Sayona Mining Limited	SYA	May-13	10	1,953	1,942	18564%
Stanmore Resources Limited	SMR	Dec-09	69	1,947	1,878	2715%
Novonix Limited	NVX	Dec-15	22	857	834	3749%
Terracom Limited	TER	May-13	86	820	734	856%
Bowen Coking Coal Limited	BCB	Nov-18	9	549	541	6277%
Hawsons Iron Limited	HIO	Nov-07	15	294	279	1868%
Aeris Resources Limited	AIS	Dec-13	10	290	280	2879%

## Queensland Energy & Resources Index Sector Composition (%)



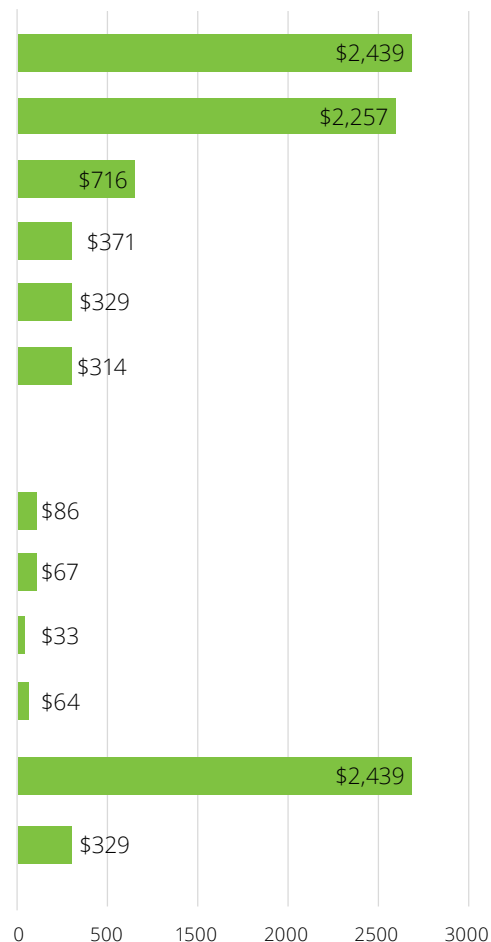
Note: all dates reflect month of listing with the exception of Sayona Mining Limited, which listed in April 2004, Terracom Limited, which listed in July 2010, Bowen Coking Coal Limited, which listed in January 1999 and Aeris Resources Limited, which listed in February 2011. The dates above are indicative of when the principal place of business was changed to Queensland.

# Top performers

## Queensland Index: top performers in Q3 2022

Company	Change %	Rank Sep 22	Rank Jun 22
<b>Top 6 increases in top 100 companies by \$ movement in market capitalisation</b>			
New Hope Corporation Limited	84.71%	11	5
Allkem Limited	34.34%	4	3
Sayona Mining Limited	57.85%	22	18
Megaport Limited	43.13%	28	22
Terracom Limited	67.01%	33	29
Eagers Automotive Limited	12.59%	16	13
<b>Top 6 increases in top 100 companies by % movement in market capitalisation</b>			
Far East Gold Limited	140.35%	95	61
AJ Lucas Group Limited	103.70%	93	64
State Gas Limited	97.06%	109	92
Apollo Tourism & Leisure Ltd.	90.79%	92	62
New Hope Corporation Limited	84.71%	11	5
Terracom Limited	67.01%	33	29

Market capitalisation movement \$m



## Top performers in Q3 2022 by market capitalisation movement

**New Hope Corporation Limited (ASX: NHC)** is a thermal coal mining company with two open cut coal mines in the Darling Downs and Hunter Valley. The coal producer's share price surged higher in Q3 with the release of its FY22 results (which reported a 330% increase in underlying EBITDA to \$1.5b) on the back of record-high coal prices amidst the global energy crisis and growing expectations China could soon welcome back Australian coal exports.

**Allkem Limited (ASX: AKE)**, global supplier of lithium chemicals, has continued to outperform the market in Q3 2022. With demand for lithium continuing to rise, the company is well placed to benefit from the shift towards electric vehicles, which can only be expected to increase after the US recently passed its Inflation Reduction Act, creating tax incentives for electric vehicle purchases.

**Sayona Mining Limited (ASX: SYA)**, Lithium producer with projects in Western Australia and Quebec, Canada was a new entrant to the top 20 companies this quarter. The company's performance in Q3 2022 was largely driven by a promising outlook for the lithium industry, and also received a boost in September after announcing that it was edging closer to restarting production at its North American Lithium operation after awarding a four-year contract to a Quebec mining operator.

**Megaport Limited (ASX: MP1)** is a leading global provider of elastic interconnection services using software-defined networking. After an unsteady start to the year, Megaport's recent performance mirrors the partial recovery in technology stocks across some of the global indices, with the tech-heavy NASDAQ Composite Index posting increases throughout Q3 2022.

**Terracom Limited (ASX: TER)** is an emerging thermal coal mining company with operations and exploration projects in Clermont, the Bowen and Galilee Basins and South Africa. The company has followed a similar trajectory to New Hope in Q3, benefitting from a rise in coal prices as bans on imports of Russian coal by some countries continue.

**Eagers Automotive Limited (ASX: APE)**, the only consumer company in this quarter's top performers, has recovered strongly in Q3 2022, following the release of its H1 2022 results in September, as demand for new vehicles continues to exceed supply. Accordingly, although the company reported declines in both revenue and NPAT due to supply impacts, the company's order book remains strong and the recent completion its sale of Bill Buckle Auto Group to Australian Motor Group led to the payment of a record dividend to shareholders in September.

## Top companies by market capitalisation

Rank Sep 22	Rank Jun 22	Code	Company	Market cap Sep 22 \$million	Market cap Jun 22 \$million	Change \$million	Change %
1	1	SUN	Suncorp Group Limited	12,650.7	13,863.4	(1,213)	(9%)
2	2	TLC	Lottery Corporation Ltd	9,303.8	10,033.3	(729)	(7%)
3	4	AKE	Allkem Limited	8,831.6	6,574.3	2,257	34%
4	3	AZJ	Aurizon Holdings Limited	6,350.4	6,993.1	(643)	(9%)
5	11	NHC	New Hope Corporation Limited	5,319.5	2,880.0	2,439	85%
6	6	ALQ	ALS Limited	4,904.1	5,165.5	(261)	(5%)
7	5	DMP	Domino's Pizza Enterprises Limited	4,461.2	5,885.7	(1,424)	(24%)
8	8	BOQ	Bank Of Queensland Limited	4,198.8	4,301.2	(102)	(2%)
9	7	NXT	NEXTDC Limited	4,034.5	5,125.3	(1,091)	(21%)
10	10	TNE	Technology One Limited	3,427.7	3,463.2	(36)	(1%)
11	12	CRN	Coronado Global Resources Inc.	2,925.4	2,774.5	151	5%
12	9	FLT	Flight Centre Travel Group Limited	2,844.9	3,468.3	(623)	(18%)
13	16	APE	Eagers Automotive Limited	2,812.5	2,498.1	314	13%
14	15	NSR	National Storage REIT	2,674.4	2,558.4	116	5%
15	14	SGR	The Star Entertainment Group Limited	2,451.3	2,650.3	(199)	(8%)
16	13	CTD	Corporate Travel Management Limited	2,450.7	2,689.3	(239)	(9%)
17	18	SUL	Super Retail Group Limited	2,006.8	1,917.3	89	5%
18	22	SYA	Sayona Mining Limited	1,952.7	1,237.0	716	58%
19	19	SMR	Stanmore Resources Limited	1,947.0	1,748.7	198	11%
20	17	CMW	Cromwell Property Group	1,754.6	1,977.2	(223)	(11%)

## Top 20 companies by market capitalisation are summarised opposite

The rising concerns of a global recession, together with ongoing supply chain disruptions exacerbated by Russia's invasion of Ukraine, have driven volatility in both local and global capital markets during Q3 2022. Notwithstanding the bleak global backdrop, Q3 2022 saw 9 of the top 20 Queensland-listed companies gain an average 26% in market capitalisation.

Domino's Pizza Enterprises was the hardest hit amongst Queensland-listed companies in Q3 2022, after experiencing record demand during the pandemic. This is the fourth consecutive quarterly decline in market capitalisation for the pizza franchise, after its market capitalisation peaked at \$13.9b in Q3 2021, representing a 67.9% decline in the last twelve months. Rising inflation and interest rates have impacted outlook, as both factors impact consumer spending and production costs, resulting in tighter margins.

Sayona Mining Limited (SYA) was a new entrant to the top 20 in Sep-22, up 4 spots to 18. SYA recorded a 57.9% (\$0.7b) increase in market capitalisation (to \$2.0b) in Q3 2022, as demand for lithium continues to rise and exceed available supply. The last twelve months have seen significant movement in mining stocks with Allkem up 3 spots, New Hope up 16 spots, Coronado up 8 spots, Sayona up 9 spots and Stanmore up 34 spots since Sep-21.

Q3 2022 represented a tough period for most sectors, however Financials and Consumer experienced the biggest losses seeing a combined \$4.5b reduction in market capitalisation.

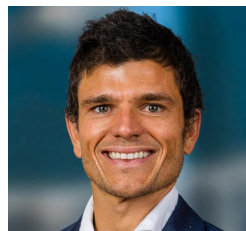
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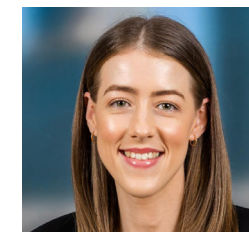
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# Sources

Queensland M&A transaction data presented within:

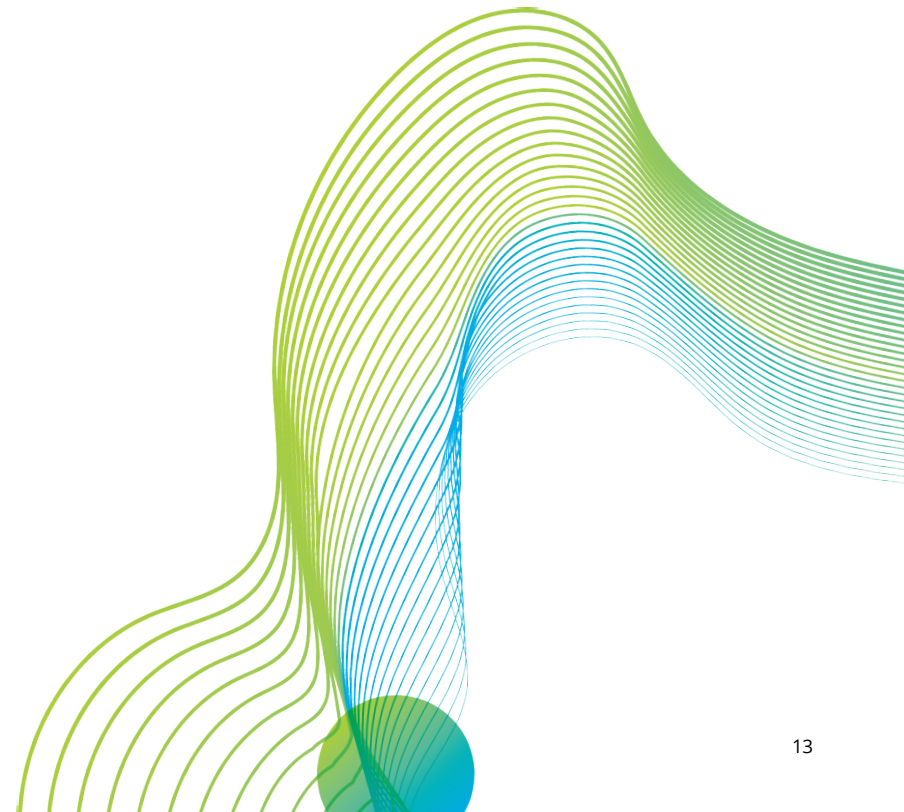
- Reflects transactions for which one or more of the vendor, target and/or buyer are based or headquartered in Queensland
- Is based on the timing of the announcement of the transaction
- Excludes announced transactions which have been cancelled
- Is sourced from S&P Global Market Intelligence and public announcements
- Includes transaction values only where the value has been publicly disclosed

Queensland listed company data presented within:

- Is sourced from S&P Capital IQ

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