

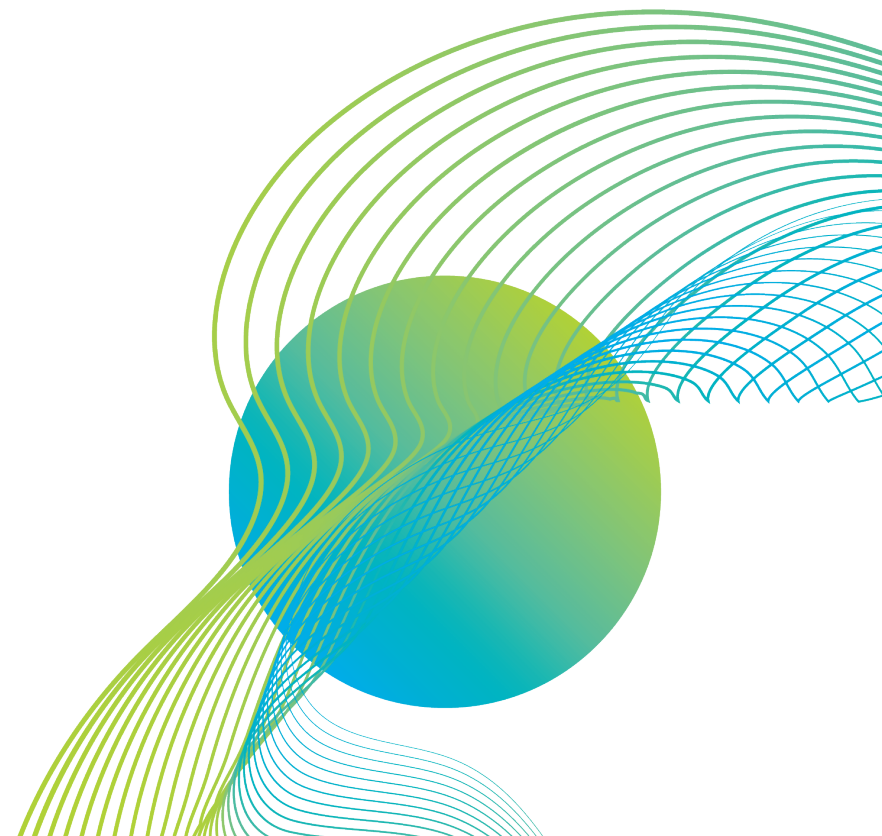
The State of the Deal
and Deloitte Queensland Index

September 2021 - Quarterly Insight



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Executive Summary

The success of Queensland's swift health response in managing the ongoing threat of COVID-19 has continued to support the strong recovery of QLD listed companies and M&A activity, with the Deloitte Queensland Index surging to \$135.2b at 30 September 2021, the highest month-end market capitalisation on record for the State.

**Deloitte Queensland Index
return in Q3 2021**

15.3%

12.4% in Q2 2021

**S&P/ASX All Ordinaries
return in Q3 2021**

0.6%

8.1% in Q2 2021

**Companies in the
Deloitte QLD Index**

178 at 30 September 2021

179 at 30 June 2021

Since 30 June 2021

111 companies increased
market capitalisation (62%)

56 companies decreased market
capitalisation (31%)

8 no movement (4%)

4 delistings (2%)

3 new listings (2%)

Marketing capitalisation as at Sep-21

\$135.2b

\$18.5b as at Sep-02

\$116.1b as at Jun-21

**Announced QLD M&A
Transaction in Q3 2021**

81

97 in Q2 2021

**Disclosed value of announced
QLD M&A transactions in Q3 2021**

\$3.3b

\$4.5b in Q2 2021

Whilst the impact of the COVID-19 Delta strain outbreaks and associated lockdowns in NSW and VIC during Q3 2021 has delayed Australia's economic recovery, those states and territories that have remained most shielded from the pandemic continued to benefit in terms of their short-term economic growth. In particular, Queensland's swift response to containing the Delta strain has delivered significant economic benefits to the State, and further driven the rise in interstate migration from our southern neighbours in Q3 2021.

The Deloitte Queensland Index (the Index) increased by 15.3% in Q3 2021, with total market capitalisation increasing to \$135.2b at Sep-21 (the highest month-end value on record for the State), outperforming the S&P/ASX All Ordinaries which increased by 0.6% over the same period. The increase in the Index in Q3 2021 was largely supported by:

- Low unemployment rates, with almost 60,000 new jobs added in Queensland since the inception of the pandemic;
- Continuing record low interest rates and government incentives, creating favourable conditions for loan approvals;
- Rising demand for lithium and renewable energy solutions driving strong performance in the local Energy and Resources sector;

- Increasing consumer confidence fuelled by the rapid increase in COVID-19 vaccination rates and greater certainty of national and state re-opening plans; and
- Thermal and coking coal prices continuing to surge.

Out of the 178 companies currently listed on the Index, 111 posted an increase, 56 companies lost ground, while the remainder were steady. We review the performance of the five largest dollar and percentage increases by market capitalisation on page 7.

Queensland M&A activity has also remained strong, with deal volumes (81 transactions announced in Q3 2021) continuing to exceed pre-pandemic levels. This follows a bumper quarter for Queensland M&A activity in Q2 2021 (97 announced transactions), which marked the highest quarterly announced M&A deal volumes since 2016.

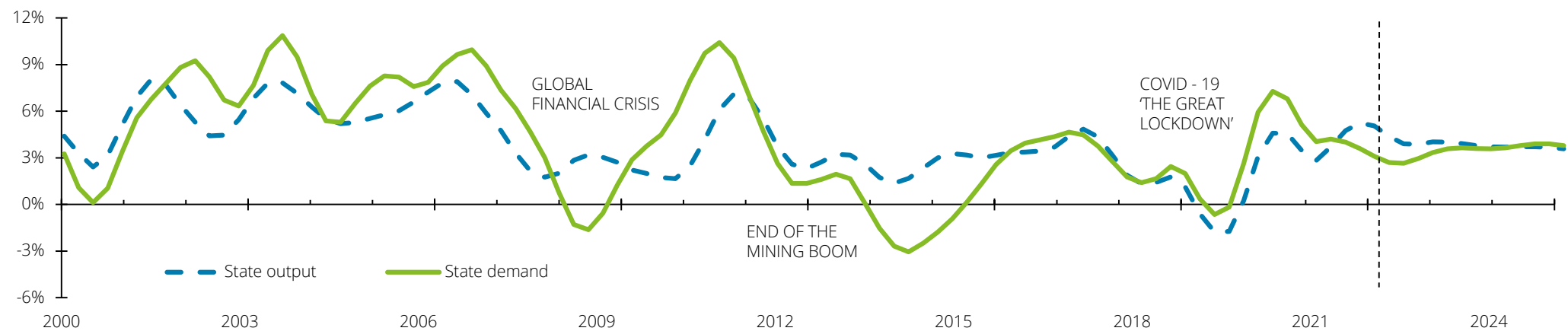
Significant Queensland transactions in Q3 2021, include:

- Anchorage Capital Partners' sale of Affinity Education Group Limited to Quadrant Private Equity Pty Limited for c.\$650m.
- The acquisition of Youfoodz (Queensland based, ready-made meals business) by Cook E Services Australia Pty Ltd (wholly owned subsidiary of Hello Fresh) for c.\$131m.
- The acquisition of Halcyon Management Pty Ltd (over 50's lifestyle villages group with nine retirement communities) by Stockland for c.\$620m.
- The acquisition of NUVISAN GmbH (German pharmaceutical testing business) by ALS Limited for c.\$230m.

Queensland Economic Update

The Sunshine State's great success in shutting out COVID is delivering big economic benefits. But those successes are fragile, and Queensland will remain at greater risk of potential headwinds from the new Omicron variant until its vaccine hesitancy and complacency are finally overcome – getting the re-opening phase right is vital.

Queensland output and demand (change on year earlier)



Source: Deloitte Access Economics, September Quarter 2021.

There are plenty of positive signs for Queensland's COVID recovery. But there are no winners in a pandemic – and some of the COVID-induced barriers are starting to pinch the Sunshine State.

State border closures hurt Queensland more than the other COVID-free states. For starters, there are large communities that (in normal times) cross the border every day; restrictions on their movements stifle activity. Second, with Queensland's border closed to its southern neighbours, the tourism industry is stretched thin. Locals are making up for some of this lost demand, but it's a far cry from normal times, especially with the closure of international borders.

On the job front, Queensland has some of its lowest unemployment in a decade. And unlike the story in NSW and Victoria, unemployment is low for good reasons (more jobs) rather than bad ones (locked down and unable to get out the front door to look for a job). Underpinning that success has been strong job growth – an extra 58,000 jobs have been added since the pandemic. That said, some of the shine is beginning to come off: the participation rate has dropped back to its pre-pandemic levels and hours worked have lost their post-COVID glow.

Housing construction is going gangbusters. Relative to pre-pandemic levels, it's up almost 30%.

And buoyed by record low interest rates and government supports, approvals remain well above their longer term average. Consumers are also back on track, with spending on hotels, cafes and restaurants rising as locals explore the open state.

Businesses are also looking to get in on the action – albeit slowly so. Prices of thermal and coking coal are still sky high, though their prospects are looking ever less grand. And that strength in coal prices has been helping to push new exploration activity in a similar direction. While that activity is yet to meaningfully convert into new investment, it does suggest a surge is on the horizon.

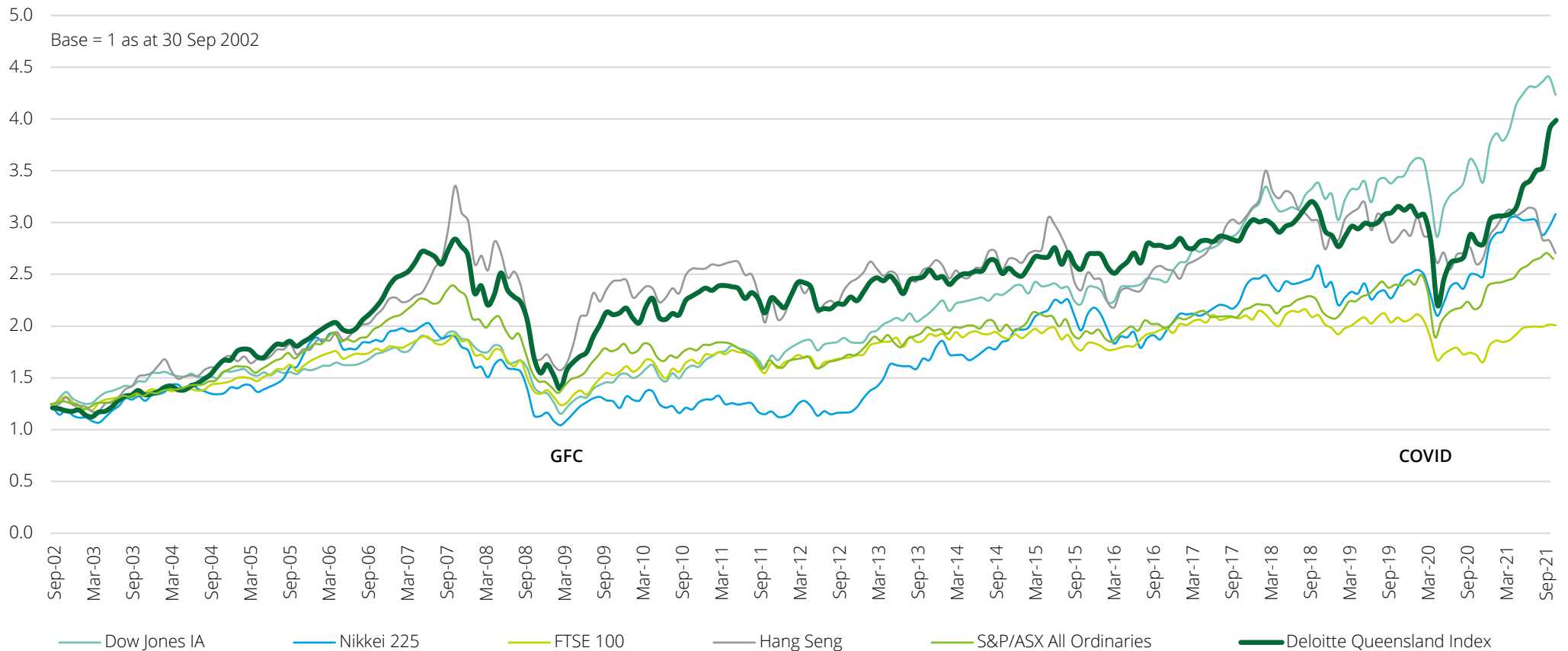
Government and private investment are laying the groundwork for a move into the emerging hydrogen industry. Infrastructure is also front of mind. Partly to stimulate the state's recovery and partly to prepare for the 2032 Olympics – dollars for infrastructure will be flowing in years to come.

Overall, the Sunshine State remains one of the most successful in Australia throughout the pandemic. Queensland continues to make strides despite barriers to trade, and the infrastructure pipeline will support the medium term outlook. Yet the short term is clouded by borders and COVID, with the Omicron variant again highlighting the unpredictable nature of COVID. A few more jobs in arms are just what the doctor ordered.

Deloitte Queensland Index

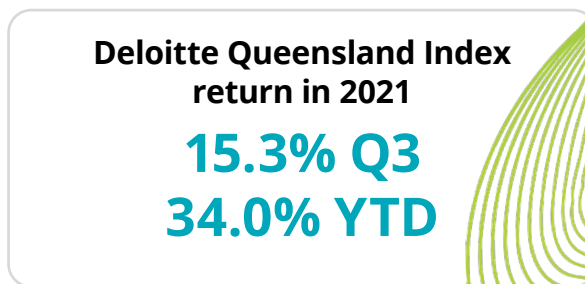
There were 178 companies on the Deloitte Queensland Index at 30 September 2021. During the three months ended 30 September 2021, the market capitalisation of 64% (111) of those companies increased, reflecting further recovery in investor confidence since the onset of COVID-19, particularly in the Consumer, Financial Services and Energy & Resources sectors.

Deloitte Queensland Index versus Major Indices

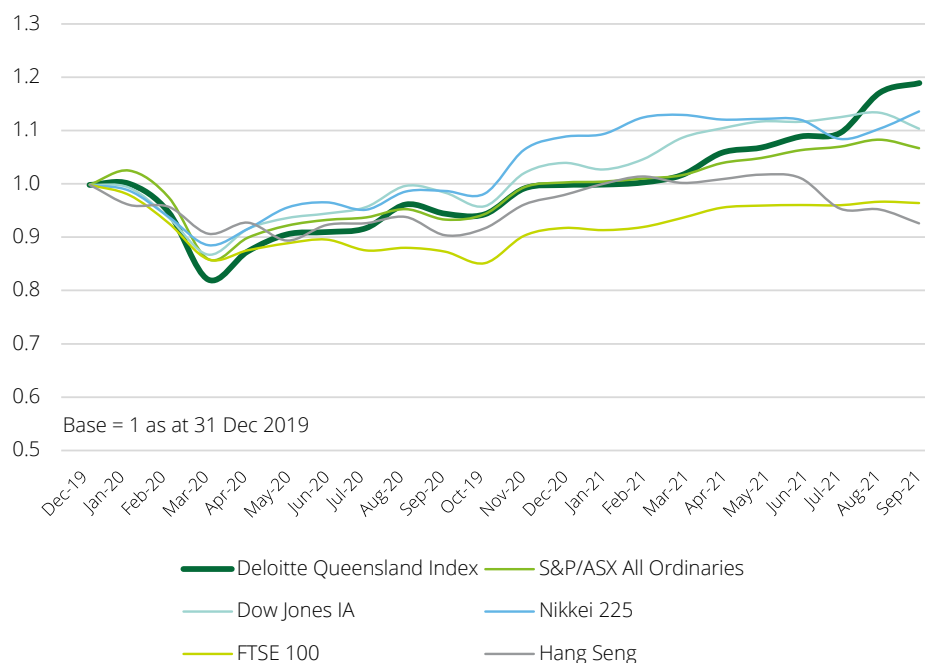


Deloitte Queensland Index

The Deloitte Queensland Index increased by 15.6% in Q3 2021, outperforming most major global indices over the same period, and continuing to weather the storm of the COVID-19 pandemic.



Indices - Sep-21 YTD



The Deloitte Queensland Index rose by 15.3% in Q3 2021, significantly outperforming the S&P/ASX All Ordinaries (0.6% increase over the same period). This outperformance was largely underpinned by:

- The continued shift towards more cyclical equities such as Energy & Resources, Financials (e.g. banks) and Consumer-focused businesses, which were significantly impacted during the initial onset of COVID-19 and which account for a larger portion of the Deloitte Queensland Index (with lower levels of company diversification within these sectors);
- Positive investor sentiment for lithium and other renewable energy solutions, including Orocobre and Novonix, which saw their market capitalisation increase by \$3.3b (149%) and \$2.3b (258%) respectively (refer to page 7 for further details); and
- The continued recovery within the Consumer sector, with Domino's Pizza Enterprises (reflecting high demand for affordable delivery food options during lockdowns) and Flight Centre Travel Group (riding the wave of easing domestic travel restrictions) recording significant share price increases in Q3 2021.

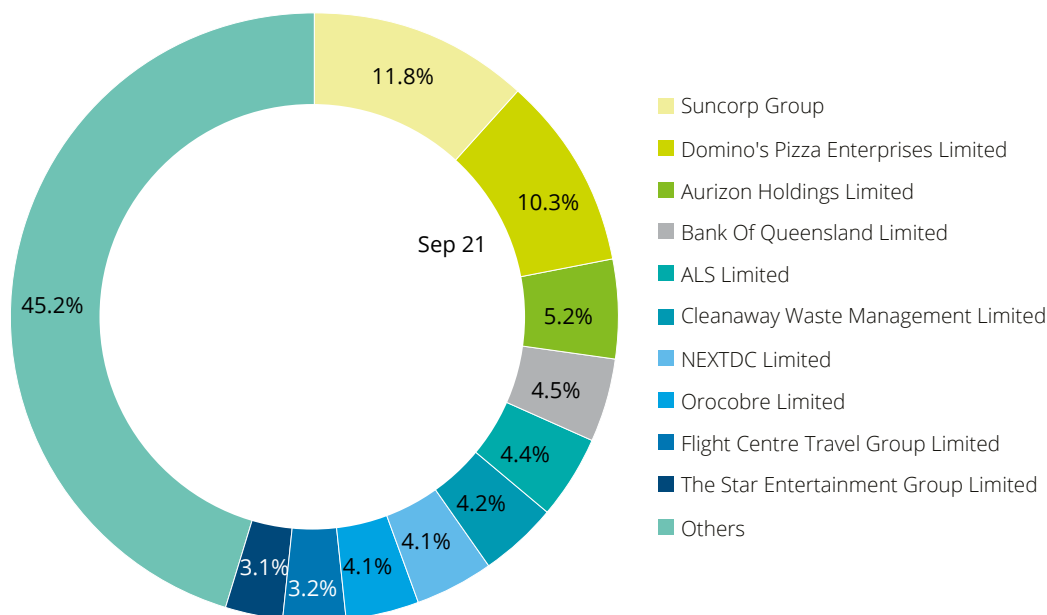
The increase in both the ASX All Ordinaries and Deloitte Queensland Index, demonstrates::

- The optimism held by investors of an improved economic recovery driven by the roll-out of COVID-19 vaccines and further clarity on Government reopening plans;
- Continued low interest rates shifting investors away from the fixed interest market.

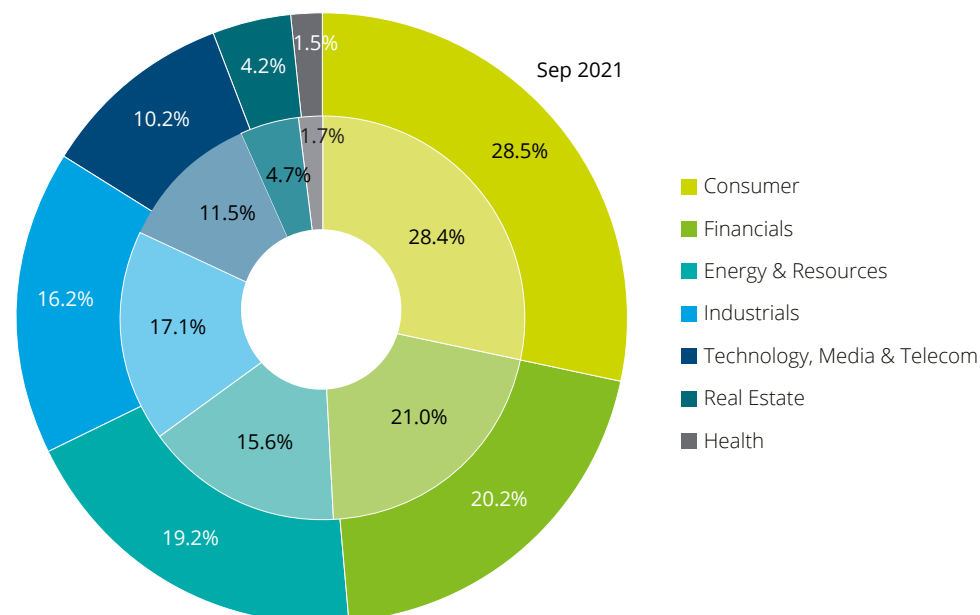
The Deloitte Queensland Index

Q3 2021 and the roll-out of vaccines has seen a continued shift away from stocks that were the biggest beneficiaries of COVID-19 towards more cyclical equities such as energy & resources, reflecting increased global demand for coal and LNG and positive investor sentiment for lithium supply and demand driven by the global transition to carbon neutrality.

Deloitte Queensland Index Largest Companies (%)



Deloitte Queensland Index Sector Composition (%)



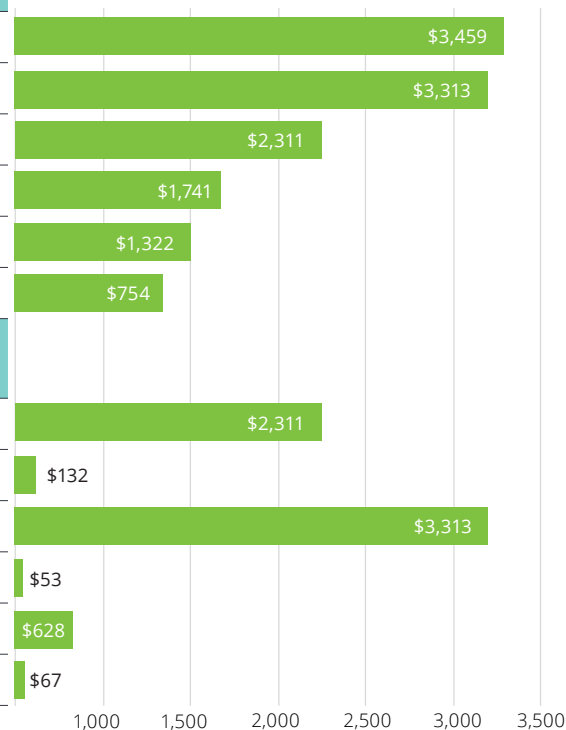
- The composition of the Index at 30 September 2021 displays a reasonable degree of sector diversification, with the Consumer and Financial sectors continuing to account for nearly half of the overall market capitalisation of Queensland listed companies.
- In Q3 2021 there has been a significant shift in the Index composition towards the Energy & Resources sector, driven by:
 - Surging lithium spot prices fuelled by the increased demand from the electric vehicle industry, and further positive investor sentiment for lithium supply and demand driven by the increased Government policy focus on clean energy investment and decarbonisation targets in the lead up to the 2021 United Nations Climate Change Conference in Glasgow (COP26);
 - Rising coal prices driven by demand from China and India, notwithstanding China's informal ban on Australian imports and the global shift towards renewable technologies.
- During Q3 2021, the companies outside the top 10 performed particularly strongly with average growth in market capitalisation of 17.4%. They now represent 45.2% of the Deloitte Queensland Index (broadly consistent with 30 June 2021 at 45.5%).

Top performers

Queensland Index: top performers in Q3 2021

Company	Change %	Rank Jun 21	Rank Sep 21
Top 6 increases in top 100 companies by \$ movement in market capitalisation			
Domino's Pizza Enterprises Limited	33.17%	2	2
Orocobre Limited	148.80%	17	7
Novonix Limited	257.27%	26	14
Suncorp Group Limited	12.25%	1	1
Flight Centre Travel Group Limited	44.66%	11	9
Coronado Global Resources Inc.	53.57%	21	19
Top 6 increases in top 100 companies by % movement in market capitalisation			
Novonix Limited	257.27%	26	14
Bowen Coking Coal Limited	192.02%	94	62
Orocobre Limited	148.80%	17	7
EQ Resources	143.15%	121	88
Sayona Mining Limited	140.04%	37	27
Comet Ridge Limited	136.68%	110	78

Market capitalisation movement \$m



Top performers over the past three months by market capitalisation movement

Domino's Pizza Enterprises market capitalisation increased by 33.2% despite lockdowns across Sydney and Melbourne for the majority of Q3 2021, reflecting high demand for the affordable Australian Pizza franchise.

Orocobre In Aug-21, the company finalised the implementation of the merger of Orocobre and Galaxy Resources, creating the fifth largest global lithium chemicals company globally, adding geographical diversification. Market capitalisation increased during Q3 2021 as result of this merger, combined with rising lithium prices. Renewable energy and electric vehicle markets are driving the demand for lithium, as Governments and Corporates set targets for cleaner energy sources.

Novonix is an integrated developer and supplier of highperformance materials, equipment and services for the global lithium-ion battery industry. In August, US energy giant Phillips 66 (NYSE: PSX) announced that they had entered into an agreement to acquire a 16% stake in NVX. The investment supports NVX's production of synthetic graphic and ongoing research & development.

Suncorp announced the sale of its 50% interest in RACT Insurance in early July. The sale reflects a price to earnings multiple 18.1 times their expected earnings for FY21. The capital released from the sale is expected to be \$50m. Strong FY21 results in both the banking and insurance industries reflect the improvement of economic conditions since the onset of COVID-19 in Australia with lending continuing to grow and loan default rates reducing.

Coronado benefitted from the spot price of coal reaching all-time highs in Q3 2021. With demand for electricity increasing from buyers in Asia, in particular China and India, prices for coal have surged, despite many countries setting targets aiming to reduce their carbon footprint.

Top companies by market capitalisation

Rank 30 Sep 21	Rank 30 Jun 21	Code	Company	Market cap 30 Sep 21 \$million	Market cap 30 Jun 21 \$million	Change \$million	Change %
1	1	SUN	Suncorp Group Limited	15,957.41	14,215.97	1,741.44	12.25%
2	2	DMP	Domino's Pizza Enterprises Limited	13,885.71	10,426.93	3,458.78	33.17%
3	3	AZJ	Aurizon Holdings Limited	6,974.72	6,847.42	127.30	1.86%
4	4	ALQ	ALS Limited	6,121.66	6,290.50	(168.84)	(2.68%)
5	5	BOQ	Bank Of Queensland Limited	5,985.58	5,825.71	159.87	2.74%
6	6	CWY	Cleanaway Waste Management Limited	5,687.77	5,436.91	250.87	4.61%
7	17	ORE	Orocobre Limited	5,540.10	2,226.70	3,313.39	148.80%
8	7	NXT	NEXTDC Limited	5,493.55	5,405.82	87.73	1.62%
9	11	FLT	Flight Centre Travel Group Limited	4,281.86	2,959.95	1,321.90	44.66%
10	9	SGR	The Star Entertainment Group Limited	4,230.81	3,492.54	738.26	21.14%
11	8	APE	A.P. Eagers Limited	3,878.97	4,279.53	(400.56)	(9.36%)
12	10	TNE	Technology One Limited	3,653.93	2,994.10	659.83	22.04%
13	12	CTD	Corporate Travel Management Limited	3,348.70	2,931.78	416.92	14.22%
14	26	NVX	Novonix Limited	3,209.05	898.22	2,310.84	257.27%
15	18	PNI	Pinnacle Investment Management Group Limited	2,842.24	2,128.54	713.70	33.53%
16	13	SUL	Super Retail Group Limited	2,757.34	2,915.42	(158.08)	(5.42%)
17	15	NSR	National Storage REIT	2,756.84	2,342.48	414.36	17.69%
18	14	MP1	Megaport Limited	2,638.18	2,886.11	(247.93)	(8.59%)
19	21	CRN	Coronado Global Resources Inc.	2,162.63	1,408.22	754.40	53.57%
20	16	CMW	Cromwell Property Group	2,093.98	2,290.29	(196.31)	(8.57%)

Top 20 companies by market capitalisation are summarised opposite.

Despite the challenges arising as the Delta variant took hold of parts of Queensland in early July, 15 of the top 20 companies saw their market capitalisation increase during Q3 2021. Some of the most notable increases in market capitalisation are discussed below.

Novonix Limited (NVX) and Coronado Global Resources Inc (CRN) were new entrants to the top 20 in Sep-21. NVX recorded a 257.3% (\$2.3b) increase in market capitalisation (to \$3.2b) in Q3 2021, with strong lithium demand contributing to the lithium-ion battery technology company's growth. CRN's market capitalisation increased by \$754.4m (53.6%) in Q3 2021 on the back of rising coal prices creating favourable market conditions for the metallurgical coal producer.

Flight Centre and The Star Entertainment Group also saw their market capitalisation increase in Q3 2021, primarily reflecting rising optimism in the Tourism and Leisure sector, following the positive response to the announcement of Federal and State Government re-opening plans and rising vaccination rates across the country.

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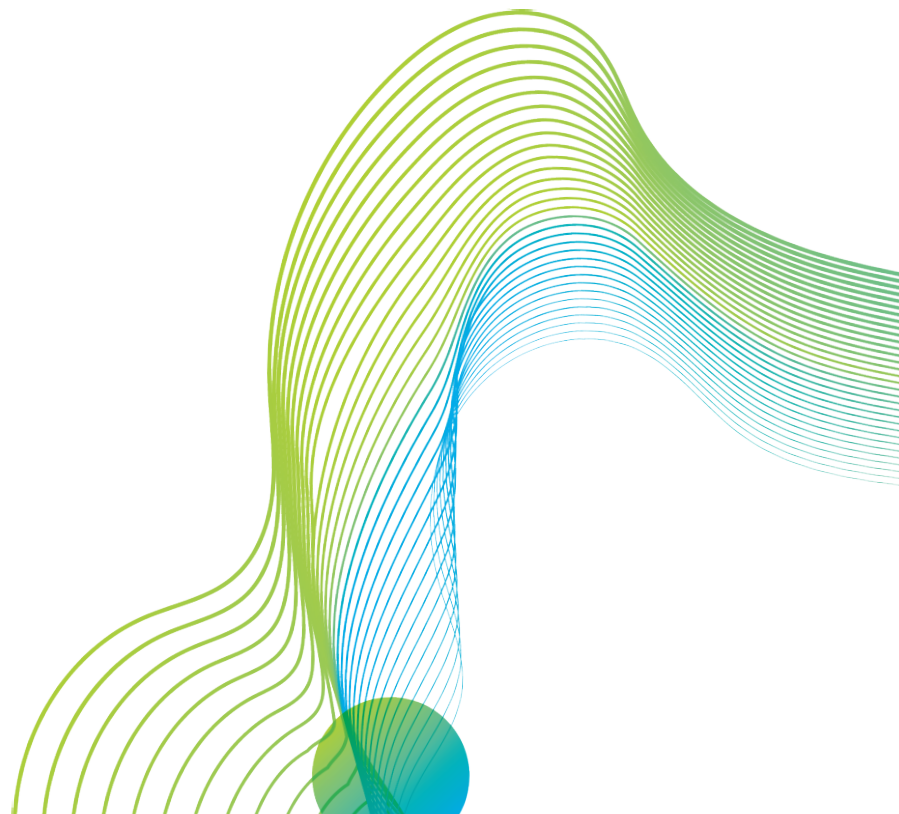
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Sources

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

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