

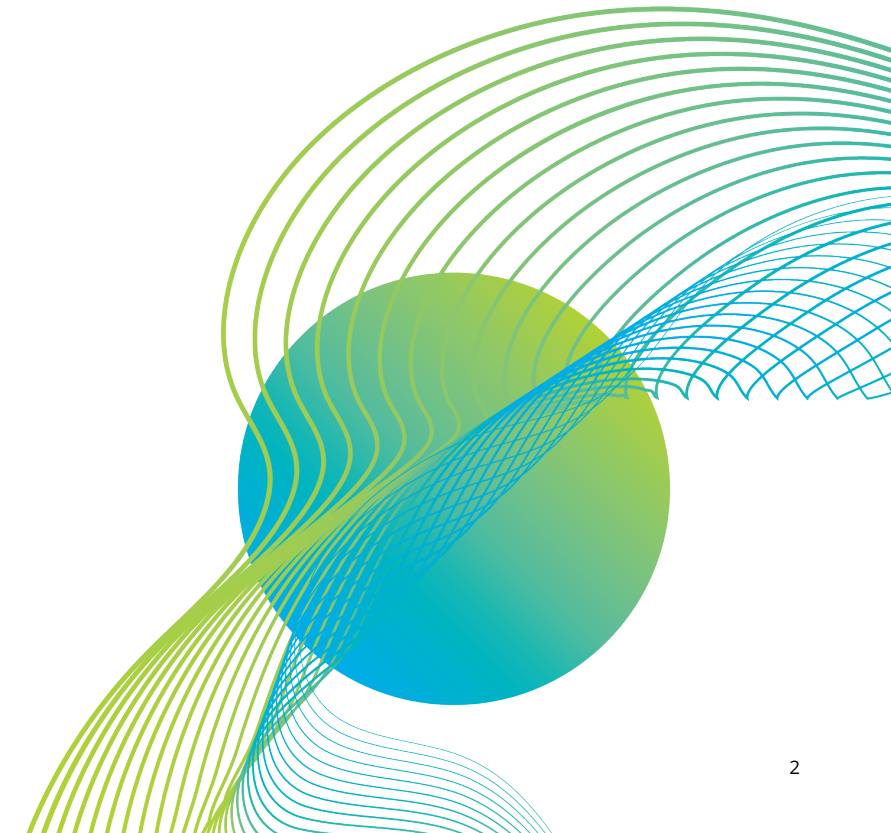
The State of the Deal
and Deloitte Queensland Index

Q1 2023 – Quarterly Insight



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Executive Summary

Despite broader global economic headwinds, Queensland-based listed companies are displaying resilience whilst both consumers and companies adapt to a high interest rate environment. The Deloitte Queensland Index has outperformed the S&P/ASX All Ordinaries by 3.5% in the 12-month period to 31 March 2023.

**Deloitte Queensland Index
return in Q1 2023**

1.8%

*5.3% in Q4 2022
-1.8% in LTM Mar-23*

**S&P/ASX All Ordinaries
return in Q1 2023**

2.1%

*8.1% in Q4 2022
-5.3% in LTM Mar-23*

**Companies in the
Deloitte QLD Index**

157 at 31 March 2023

155 at 31 December 2022

Since 31 December 2022:

**54 companies increased
market capitalisation (35%)**

*87 companies decreased market
capitalisation (56%)*

14 no movement (9%)

0 delistings

2 new listings

Market capitalisation as at Mar-23

\$119.4b

\$117.2b as at Dec-22

**Announced QLD M&A Transactions
in Q1 2023**

24

27 in Q4 2022

**Disclosed value of announced
QLD M&A transactions in Q1 2023**

\$777m

\$2.7b in Q4 2022

Investor concerns regarding rising interest rates, slowing economic growth, global financial system instability and high inflation underpinned the performance of markets globally. In an effort to slow inflation, the Reserve Bank of Australia (RBA) continued tightening monetary policy in Q1 2023, rounding out ten consecutive interest rate rises. Whilst inflation is beginning to show signs of moderation, sustained record low unemployment, means consumer demand may remain elevated, resulting in potential for further cash rate increases.

Against this backdrop, the Deloitte Queensland Index recorded a modest increase in Q1 2023, with the total market capitalisation of QLD-based ASX listed companies increasing by 1.8% from 31 December 2022 (\$117.2b) to 31 March 2023 (\$119.4b). Consistent with the performance of the Deloitte Queensland Index since the peak of the pandemic, while the Index fell by 1.8% in the 12 months to 31 March 2023, it has continued to outperform the broader S&P/ASX All Ordinaries, which declined by 5.3% over the same period.

Growth in the Deloitte Queensland Index in Q1 2023 primarily reflected the strong performance of the Queensland Consumer sector, with Lottery Corporation Limited (TLC) and Flight Centre Travel Group Limited (FLT) posting the largest dollar increases in market capitalisation, growing by \$1.4b and \$1.1b respectively, since 31 December 2022. The top six performers based on dollar and percentage increases in market capitalisation are reviewed on page 10.

Out of the 157 companies that make up the Deloitte Queensland Index, 54 companies increased in market capitalisation during

Q1 2023, 87 reported decreases, two companies were newly listed (Gold Hydrogen Ltd. and SQX Resources Ltd.), none delisted, and the remainder were steady.

Following a slowdown in M&A deal activity in the second half of 2022, Queensland M&A markets recorded a continued decline in disclosed transaction volumes (c.11% lower compared to Q4 2022) and values (c.70% lower compared to Q4 2022) in Q1 2023. Global M&A activity has remained subdued in the first quarter of 2023 as dealmakers adjust to an increasingly uncertain economic environment. Central banks have continued raising interest rates to combat stubbornly high inflation, with recession fears persisting following some of the biggest bank failures since the GFC of 2008-09. However, with trillions of dollars in dry powder, private equity and superannuation funds are under pressure to deploy capital and are therefore expected to remain active participants in deal processes throughout 2023. Whilst dealmakers remain cautiously optimistic about the opportunities that the current market presents, there does appear to be continued friction between seller and buyer expectations in respect to values, with higher financing costs weighing on valuations.

Significant Queensland transactions announced in Q1 2023 include:

- Sungela Pty Ltd acquired Ensham Coal Mine from Idemitsu Australia Pty Ltd for c.\$340m.
- Accel-KKR backed Humanforce acquired IntelliHr Ltd (IHR) for AUD 0.24 cents per share, an enterprise value of c.\$87m.
- SRG Global Limited (SRG) acquired Brisbane based ALS Industrial Holdings Pty. Ltd. for \$80m.

Queensland Economic Update

The Sunshine State continued its growth into the end of 2022, but is facing a number of challenges which are clouding the outlook for 2023.

Queensland gross state product (change on year earlier)



Source: Deloitte Access Economics, March Quarter 2023.

The Queensland economy extended its growth into the first quarter of 2023, primarily driven by strong exports and household consumption showcasing resilience despite multiple headwinds, though there are signs that it is faltering. Domestic tourism and spending on travelling and dining remained buoyant amid weaker demand growth, due to a combination of boosting factors like the end of the 'La Niña' weather event, remaining pent-up demand and left-over savings from the seemingly distant pandemic.

In terms of trade, the Sunshine State's export market has been a stronghold of the economy, with total export value growing by over 70% in the last quarter, supported by international demand for the State's abundant natural resources. Whether resource trade will continue to be so fruitful in the future is uncertain, because while coal prices are forecast to fall in the long-term, the end of China's ban on Australian coal exports is driving a healthy surplus in the short-term.

Beyond tourism and commodities which have been a positive for the state, demand growth was modest in the last quarter and the outlook for the rest of the year is less optimistic. Persisting inflation and the response of the Reserve Bank of Australia which brought the cash rate from near 0% to 3.85% in the year to May 2023 are beginning to bite by raising the cost of borrowing (manifesting, for example, through mortgage repayments) which is typically a sizeable proportion of household expenditure.

There is no telling whether the cost-of-living squeeze will endure. While there are signs that inflation is moderating, the unemployment rate in the State has remained notably low. Usually, sustained low unemployment is perceived positively, but in the current environment, low unemployment means consumer demand may remain elevated, fuelling further inflation. This puts the RBA in an increasingly precarious situation as it continues to try to tame inflation while keeping the economy afloat.

Another factor clouding the outlook is the rise in energy prices, driven by two factors. The first is recent production cuts by OPEC+ which risk putting upward pressure on oil prices. The second is driven by an oncoming increase in the retail electricity price cap (referred to as the Default Market Offer, which is different to the gas price cap imposed on the wholesale gas market) placed by the Commonwealth government.

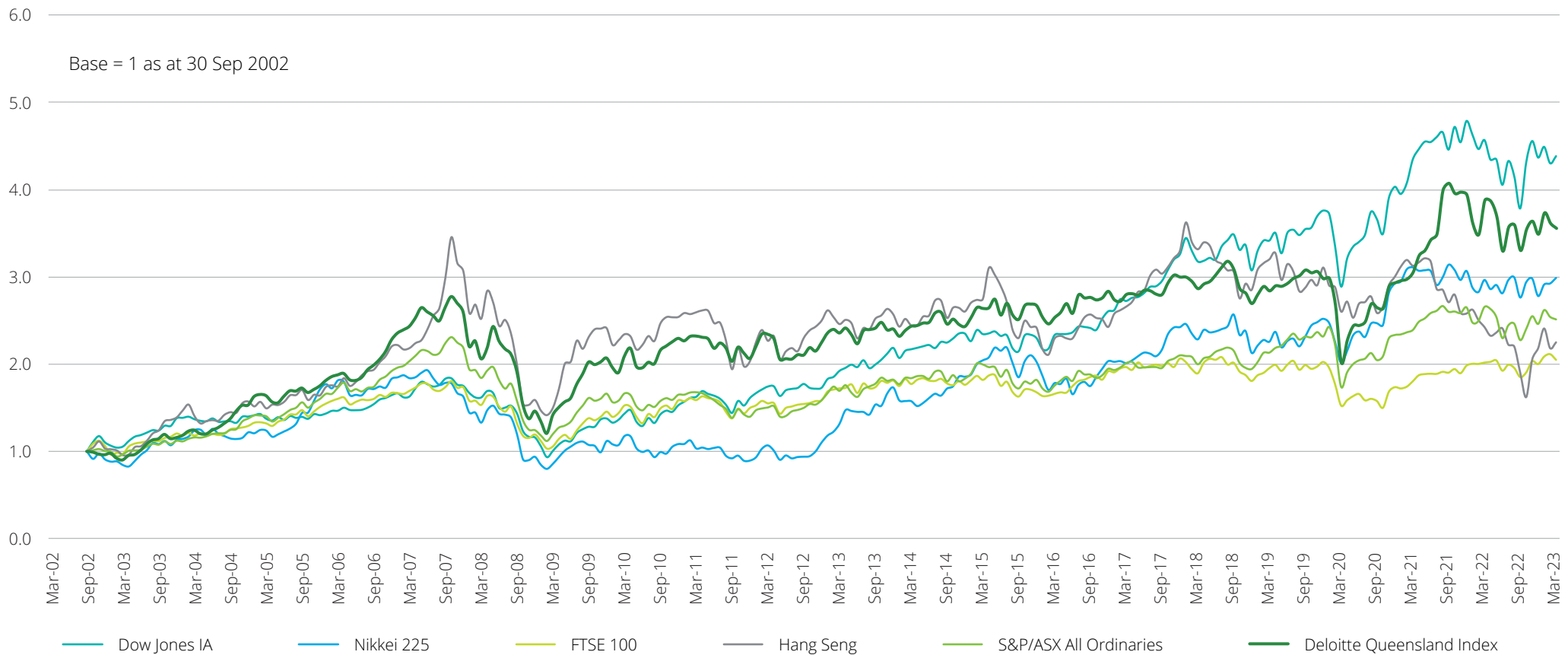
Each of these elements is ultimately contributing to uncertainty around the trajectory of the economy, causing business sentiment to fall, reflecting caution among business owners in the face of diminishing optimism.

Overall, while Queenslanders have been resilient through a number of economic challenges, headwinds abound. Whether the State can continue on this growth path will depend on how well it can respond in the face of an ever-changing international and macroeconomic landscape.

The Deloitte Queensland Index Q1 2023

There were 157 companies in the Deloitte Queensland Index at 31 March 2023. During Q1 2023 the total market capitalisation of those companies rose to \$119.4b, representing a modest 1.8% increase. From a sector perspective, growth was primarily attributable to the performance of the Queensland Consumer, TMT and Real Estate sectors.

Deloitte Queensland Index versus Major International Indices



The Deloitte Queensland Index displayed resilience in a precarious economic environment with 1.8% growth in Q1 2023. All major global indices also reported increases during the same period, ranging between 0.4% for the Dow Jones IA and 7.46% for the Nikkei 225. The S&P/ASX All Ordinaries index rose by 2.1% in Q1 2023.

Deloitte Queensland Index at 31-Mar-23

157 companies **\$119.4b market cap**

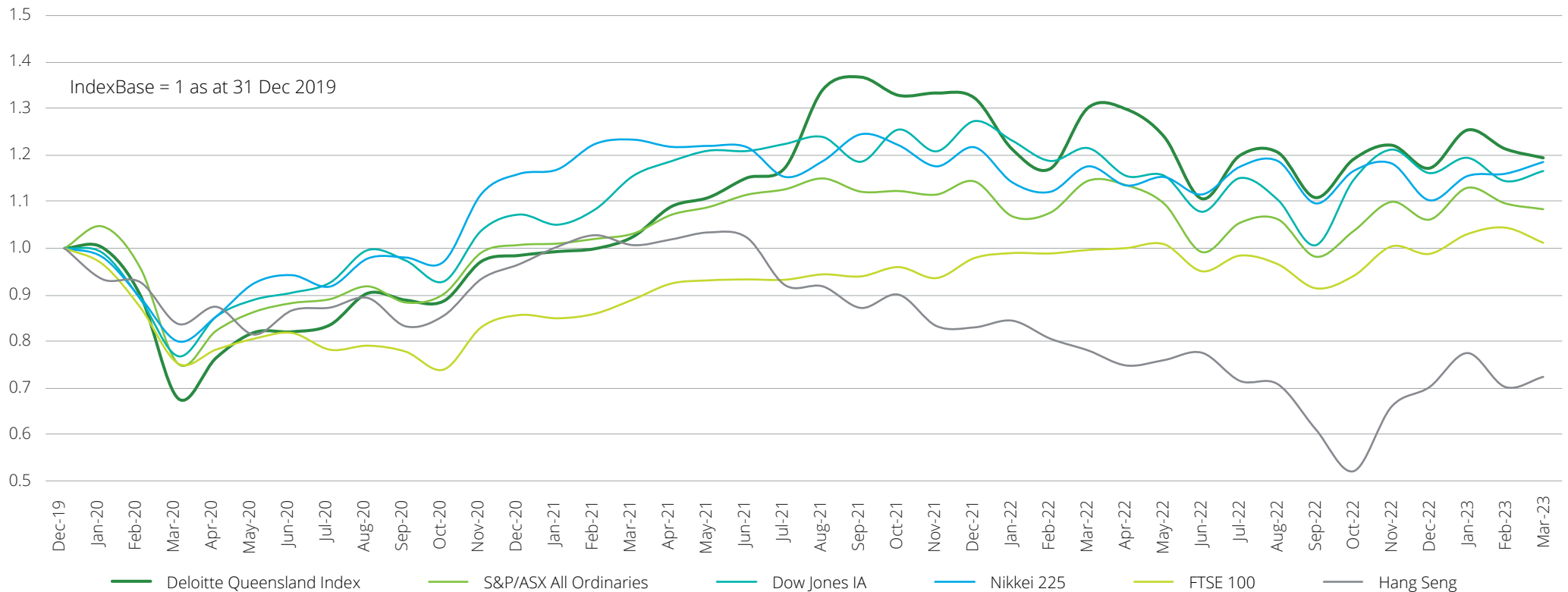
Deloitte Queensland Index return in 2023

1.8% Q1
-1.8% LTM Mar-23

S&P/ASX All Ordinaries return in 2023

2.1% Q1
-5.3% LTM Mar-23

Indices Mar-23 YTD

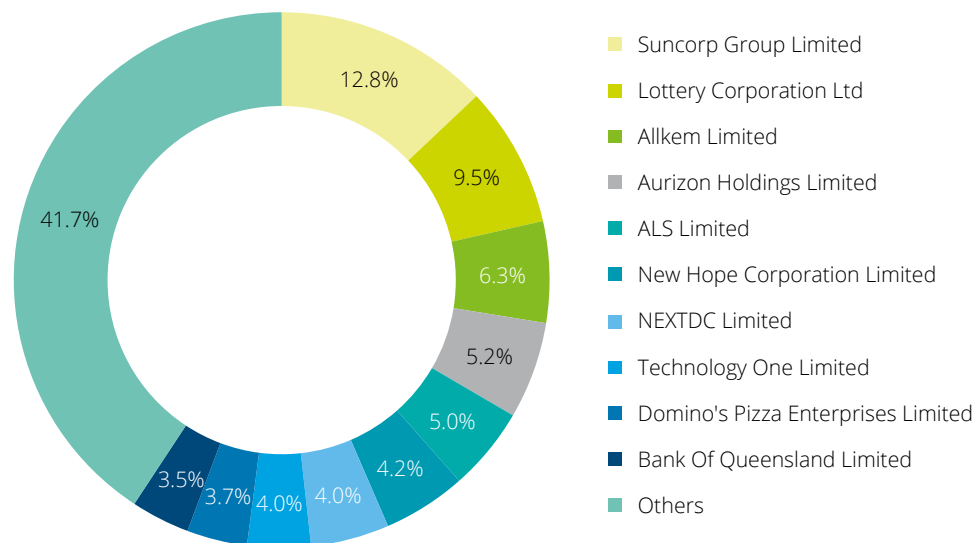


The Deloitte QLD index experienced a modest 1.8% increase in Q1 2023, following a strong 5.3% rise in Q4 2022 after two troughs in Q2 and Q3 2022 respectively. Similar to the previous quarter, growth was largely driven by companies in the Consumer, TMT, and Real Estate sectors. The most notable decrease was attributable to Industrials, with majority of the companies recording a decrease in market capitalisation, whilst other sectors, including Financials, Healthcare, and E&R saw slight reductions, collectively contributing to a net \$2.2b increase in market capitalisation in Q1 2023. In particular:

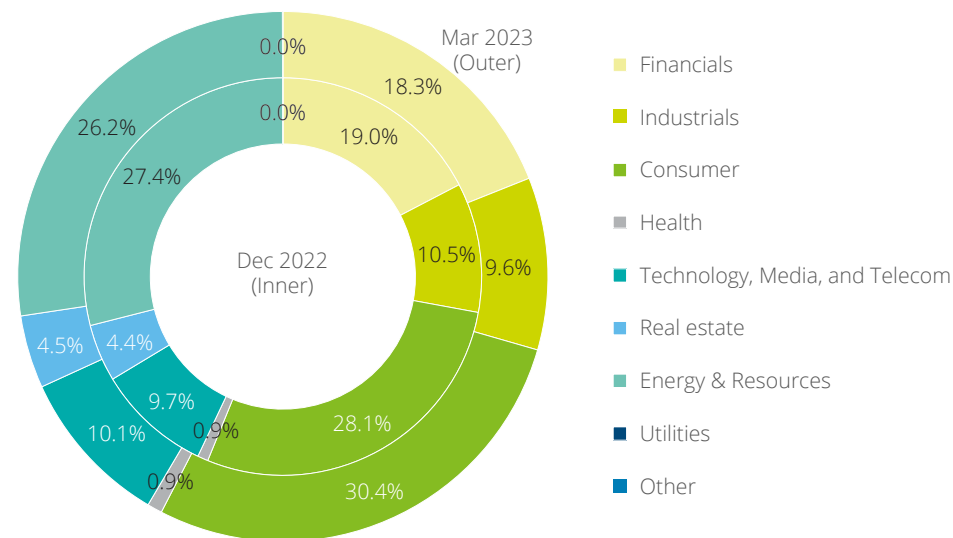
- Lottery Corporation Limited (TLC) and Flight Centre Travel Group Limited (FLT) collectively contributed \$2.5b to the increase in the QLD Index for Q1 2023. The \$1.4b growth in TLC market capitalisation can be attributed to strong 1H23 results (announced Feb-23), the declaration of their maiden dividend, and an increased dividend payout ratio target.
- Share price for Flight Centre Travel Group Limited increased from \$14.5 (as at 31 Dec 2022) to \$18.5 (as at 31 Mar 2023) – mainly attributable to strong financial results following sustained travel demand since the easing of COVID travel restrictions. The company completed a \$180m capital raise in Jan-23 to fund their acquisition of Scott Dunn, a UK-based luxury travel business (for \$211m) which completed in Feb-23. Scott Dunn provides Flight Centre with the opportunity to grow its leisure presence in the large UK and US luxury markets in an attractive and growing segment, while also fast-tracking its objective of developing a global luxury collection of travel brands. Post-acquisition, Flight Centre anticipates its luxury revenue margin will increase by three percentage points and EBITDA margin will improve by seven percentage points on a pro-forma six months to 31 December 2022 basis. Flight Centre is also forecasting underlying earnings of between \$250m and \$280m for the full financial year, compared to a \$183m loss last year.
- The Star Entertainment Group Limited raised \$800m of new capital from retail and institutional investors in Mar-23 via a share issue to provide balance sheet stability to pursue strategic initiatives as the company faces potential fines related to regulatory action as part of the ongoing investigation and litigation in QLD and NSW.
- The reported Consumer Price Index (CPI) for the March-23 quarter was 7.0%, significantly above the RBA target of 2-3%, which resulted in further monetary policy tightening by the RBA. The RBA increased the target cash rate by 0.25bps in February, March and May respectively, bringing the cash rate to 3.85%, the highest in over a decade. Continued rate rises have affected asset prices, with a downward movement in equities during 2022. The RBA is of the opinion that further tightening of monetary policy is likely to ensure inflation can be effectively managed.
- Silicon Valley Bank (in the US) experienced a run-on deposits that ultimately led to the bank's collapse in Mar-23. Whilst the US Federal Reserve was forced to protect corporate balances above the standard \$250,000, equity and bond holders suffered significant losses. The uncertainty ultimately led to cracks opening in the global banking system, with regulators arranging UBS to acquire Swiss rival Credit Suisse after its collapse in Mar-23. At the annual AFR Banking Summit (held in Mar-23), banking CEOs, chair of the ACCC and various RBA representatives repeatedly highlighted the resilience of Australian banks to global shocks and as being recognised among the safest in the world, with strong levels of equity (as a result of prudential regulation) to allow them to tolerate volatile market conditions.

With inflation and interest rates remaining points of concern during Q1 2023, modest growth in the Deloitte Queensland Index of 1.8% following strong growth in Q4 2022 indicates continued positive sentiment with corporates and investors remaining cautiously optimistic about the Australian economy in 2023.

Deloitte Queensland Index – Largest Companies (%)



Deloitte Queensland Index Sector Composition (%)



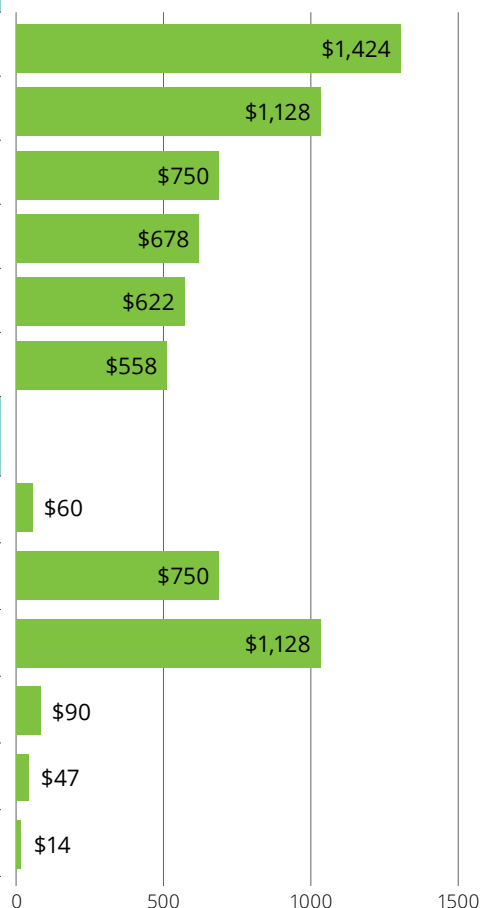
- The composition of the index as at 31 March 2023 continues to show a reasonable amount of sector diversification, with the Consumer sector continuing to grow, accounting for 30.4% (\$36.3b) of the total market capitalisation of Queensland listed companies, with E&R further retracting from 27.4% as at Dec-22 to 26.2% (\$31.3b) as at Mar-23. The financial sector decreased from 19.0% as at Dec-22 to 18.3% as at Mar-23.
- The following factors contributed to the changes in index composition in Q1 2023:
 - Outperformance of the consumer discretionary sector, as demand remained resilient despite tightening economic conditions. Lottery Corporation Limited market capitalisation increased by \$1.4b, whilst Flight Centre Travel Group Limited increased by \$1.1b.
 - The Star Entertainment Group Limited saw a 44.6% (\$750m) increase in market capitalisation due to an \$800m capital raise, further contributing to the Consumer sector growth. The fresh capital is intended to provide balance sheet stability, and fund potential regulatory action.
 - The TMT Sector experienced a 6.4% increase, with majority of the growth attributed to NEXTDC Limited (further discussed in the top performers section) and Technology One Limited.
- The Energy and Resources sector total market capitalisation decreased by c.\$0.8b, which is reflected by decreased weighting within the sector index. This reduction was largely driven by investor expectations of a series of earnings downgrades across thermal coal miners due to a sharp decline in coal prices during Q1 2023.
- The Top 10 companies in the Deloitte Queensland Index remain unchanged from Q4 2022, with small change in ranking within the top-10.
- During Q1 2023, Queensland listed companies outside of the top 10 experienced a 4.5% increase in their total market capitalisation. These companies represented 41.7% of the overall index in Q1 2023 (up from 40.7% in Q4 2022).

Top Performers

Queensland Index: top performers in Q1 2023

Company	Change %	Rank Mar 23	Rank Dec 22
Top 6 increases in top 100 companies by \$ movement in market capitalisation			
Lottery Corporation Ltd	14.3%	2	2
Flight Centre Travel Group Limited	38.9%	11	12
The Star Entertainment Group Limited	44.6%	18	20
Eagers Automotive Limited	24.5%	12	14
NEXTDC Limited	14.9%	7	10
National Storage REIT	20.1%	13	13
Top 6 increases in top 100 companies by % movement in market capitalisation			
intelliHR Holdings Limited	325.9%	77	129
The Star Entertainment Group Limited	44.6%	18	20
Flight Centre Travel Group Limited	38.9%	11	12
Nexted Group Limited	36.0%	38	45
Impedimed Limited	33.1%	50	61
Mayur Resources Limited	26.6%	85	96

Market capitalisation movement \$m



Top performers in Q1 2023 by market capitalisation movement

Lottery Corporation Limited (ASX: TLC) share price has increased by 14.3% from \$4.48 at Dec-22 to \$5.12 at Mar-23 due to strong 1H23 results (announced Feb-23). The company reported a 15.4% (\$255.6m) increase in group revenue driven by a significant increase in active registered lottery customers. NPAT declined by 12.8% (\$25.3m) compared to 1H22. Despite this, Lottery Corp declared their maiden dividend of 8.0 cps, and a special dividend of 1.0 cps, both fully franked. Additionally, Management increased the target dividend payout ratio from 70 - 90% to 80 - 100%.

Flight Centre Travel Group Limited (ASX: FLT) share price continued to increase as a result of post-COVID international travel tailwinds. Factors including high levels of household savings and low unemployment numbers have supported the travel market, despite tightening monetary policy. This was highlighted in the company's 1H23 results announcement (released in Feb-23) which reported a 217.3% revenue increase to \$1.1b from \$315.7m (1H22), with losses reducing to \$18.3m in 1H23 (versus \$276.1m in 1H22).

The Star Entertainment Group Limited (ASX: SGR) share price decreased from \$1.63 at Dec-22 to \$1.43 at Mar-23. However, market capitalisation increased by \$750.1m due to an \$800m equity raise completed via placement of shares. The capital raise comprised of a \$685m non-renounceable entitlement offer and a \$115m institutional placement. Star expects regulatory penalties of approximately \$150m in relation to ongoing investigations.

Eagers Automotive Limited (ASX: APE) share price increased from a closing price of \$10.85 at Dec-22, to a 52-week high of \$14.87 on 9 March, prior to ending the quarter at \$13.49. Eagers reported a Statutory Profit After Tax of \$324.3m and declared a record dividend of 49.0 cps (15.3% increase on FY21). Whilst net profit declined by 1.9% (\$6.3m), its used-car business increased revenue by 25%. The company has remained resilient through a tightening economic environment, with new vehicle demand continuing to significantly exceed supply.

NEXTDC Limited (ASX: NXT) market capitalisation increased by 24.5% (\$678m) in Q1 2023 driven by a \$12.5m increase in the company's underlying EBITDA, compared to 1H23. However, they reported a \$2.8m loss for 1H23, down from a \$10.3m profit in 1H22, largely driven by an increase in financing costs, depreciation and amortisation. The company secured a \$400m Senior Debt Facility in mid-January, enabling ongoing growth.

National Storage REIT (ASX: NSR) market capitalisation increased by 20.6% (\$558m) in Q1 2023 driven by an 8.2% increase in share price from \$2.32 at Dec-22 to \$2.51 at Mar-23. National Storage reported a profit after income tax of \$182.3m for 1H23, down from \$274.1m in 1H22. The increase in market capitalisation can be partially attributed to a \$325m equity raising, consisting of a \$300m placement, and a \$25m share purchase plan. The capital raise is expected to be used to fund growth via acquisitions.

Top companies by market capitalisation

Rank Mar 23	Rank Dec 22	Code	Company	Market cap 31 Mar 23 \$million	Market cap 31 Dec 22 \$million	Change \$million	Change %
1	1	SUN	Suncorp Group Limited	15,338	15,219	118	0.8%
2	2	TLC	Lottery Corporation Ltd	11,396	9,971	1,424	14.3%
3	3	AKE	Allkem Limited	7,572	7,166	407	5.7%
4	4	AZJ	Aurizon Holdings Limited	6,185	6,866	(681)	(9.9%)
5	5	ALQ	ALS Limited	5,984	5,921	63	1.1%
6	7	NHC	New Hope Corporation Limited	4,964	5,574	(610)	(10.9%)
7	10	NXT	NEXTDC Limited	4,785	4,163	622	14.9%
8	9	TNE	Technology One Limited	4,720	4,261	458	10.8%
9	6	DMP	Domino's Pizza Enterprises Limited	4,443	5,902	(1,459)	(24.7%)
10	8	BOQ	Bank Of Queensland Limited	4,225	4,487	(262)	(5.8%)
11	12	FLT	Flight Centre Travel Group Limited	4,028	2,900	1,128	38.9%
12	14	APE	Eagers Automotive Limited	3,449	2,771	678	24.5%
13	13	NSR	National Storage REIT	3,342	2,784	558	20.1%
14	15	SMR	Stanmore Coal Limited	3,092	2,659	433	16.3%
15	16	SUL	Super Retail Group Limited	2,836	2,425	411	17.0%
16	11	CRN	Coronado Global Resources Inc.	2,724	3,336	(612)	(18.3%)
17	17	CTD	Corporate Travel Management Limited	2,656	2,164	491	22.7%
18	20	SGR	The Star Entertainment Group Limited	2,432	1,682	750	44.6%
19	21	SYA	Sayona Mining Limited	1,822	1,650	171	10.4%
20	19	PNI	Pinnacle Investment Management Group Limited	1,533	1,707	(175)	(10.2%)

Top 20 companies by market capitalisation are summarised opposite

With the upward trend in market capitalisation seen in Q1 2023, 14 of the top 20 Queensland-listed companies gained market capitalisation, with an average 8.1% return. The top six performers have been discussed on the previous page, while some of the other notable movers are highlighted below.

Domino's Pizza Enterprises Limited experienced a significant downturn in Q1 2023, losing \$1.5b in market capitalisation since Dec-22. This decline was primarily due to a substantial drop in total profit for 1H23 (announced Feb-23), falling to \$65.9m from \$94.1m in the previous corresponding period. Domino's faced challenges with inflation, as price increases led to lower-than-anticipated trading results. As a result, the interim dividend was reduced to 67.4 cents per share, down from 88.4 cents per share in 1H22.

Coronado Global Resources Inc. experienced an 18% decline in market capitalisation in Q1 2023, which was due to a broader pullback in investor sentiment across Australian listed coal miners. This decrease can be attributed to weakening metallurgical coal prices, along with increased coal royalties in Queensland, affecting Coronado's Curragh mine.

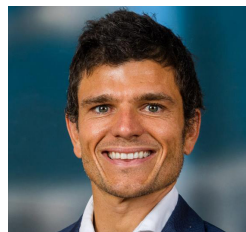
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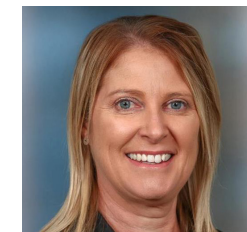
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Sources

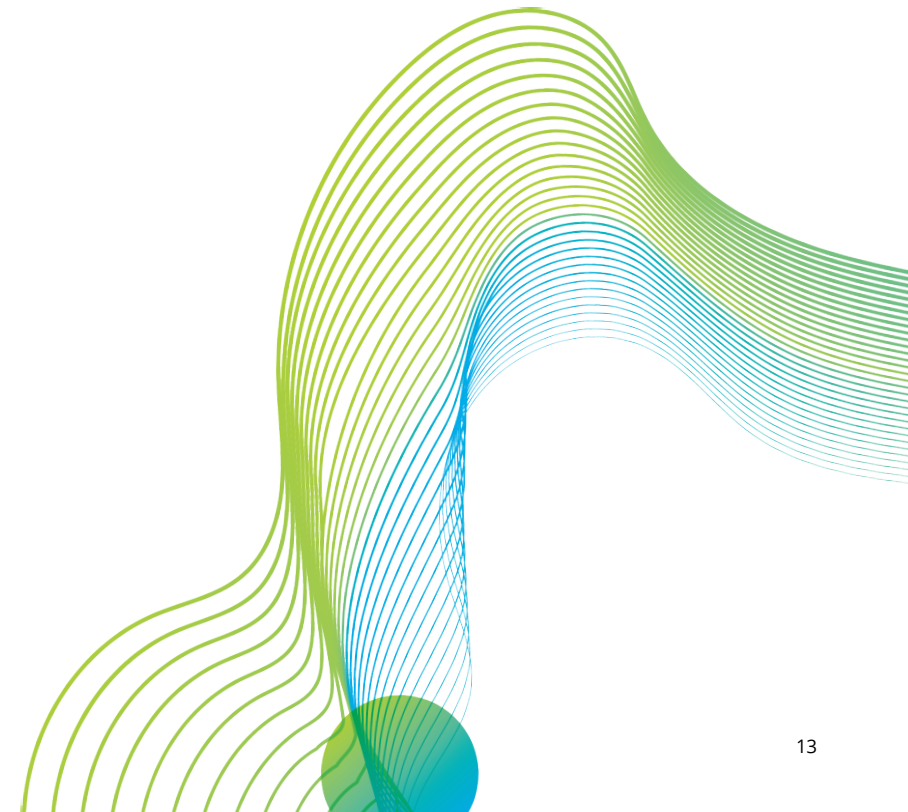
Queensland M&A transaction data presented within:

- 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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