

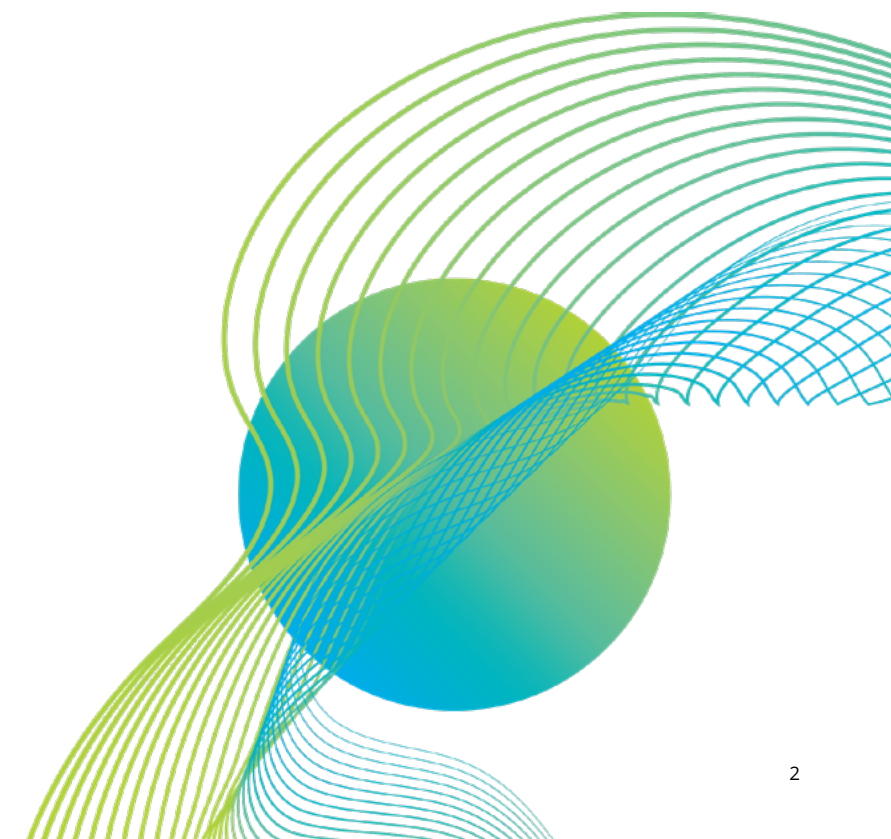
The State of the Deal and Deloitte Queensland Index

Q2 2024 – Quarterly Insight



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Foreword

The Australian economy has shown signs of recovery and growth in Q2 2024, despite ongoing challenges such as inflation, geopolitical events, and the increased cost of living. Year-on-year CPI to June 2024 came in at 3.8%, consistent with the RBA's forecast and marginally higher than 3.6% in the year to March 2024. To ease cost of living pressures, the Federal Budget delivered in May 2024 introduced measures such as tax cuts, energy bill relief, changes to student debt indexation and increases to Commonwealth Rent Assistance.

Interest rates remained steady from Mar-24 to Jun-24, as did the cash rate. The unemployment rate increased from 3.9% to 4.0%, the highest level in two years. This aligned with RBA's forecasts, demonstrating that monetary policy appears to be having the intended impact on the Australian Economy.

Local to Queensland, the 2024-25 State Budget handed down support measures in addition to the Federal Budget, including 50 cent fares across public transport, discounts on vehicle registration, additional electricity bill support and extended eligibility for the first home concession. Future growth in the Queensland economy is expected to be driven by an increase in goods exports, notably coal, which rebounded in the March 2024 quarter with future growth driven by reduced supply from competitors worldwide.

Against this economic backdrop, the Deloitte Queensland Index experienced a negative return of 2.4% in Q2 2024 compared to a 1.7% decrease in the S&P/ASX All Ordinaries. Total market capitalisation of Queensland-based ASX listed companies declined to \$118.9b at 30 June 2024 from \$121.8b at 31 March 2024. In the 12 months leading up to June 2024, the Deloitte Queensland Index increased by 4.9% whereas the S&P/ASX All Ordinaries Index grew by 8.3% over the same period.

Reduction in market capitalisation was mainly observed in companies ranked 11-100 across Consumer, Industrials and Real Estate, which experienced a 7.5% decrease from \$43.7b at Mar-24 to \$40.6b at Jun-24. This was partly offset by an increase in market capitalisation of several large companies across Financials, Energy & Resources and TMT – (i) **Suncorp Group Limited** benefited from the Federal Treasurer's approval of the proposed acquisition of Suncorp Bank by ANZ in addition to the sale of the Group's New Zealand Life Business; (ii) **Technology One's** half-year results to Mar-24 reported revenue from recurring activities up 20% and profit from ordinary activities after tax up 16% compared to the half-year ended Mar-23, respectively; and (iii) **ALS** reported it is on track to meet FY27 targets and outlined its focus on strategic

additions to its core business. The top performers based on both dollar and percentage increases in market capitalisation can be found on page 8.

Out of the 155 companies that made up the Deloitte Queensland Index at 30 June 2024, 53 increased in market capitalisation during Q2 2024, 93 reported decreases and 9 remained unchanged. One company (Orion Metals Limited) delisted during the period.

M&A volume across Queensland increased by 10% from 115 deals in 2H 2023 to 127 in H1 2024, however declined by 2% compared to the 130 transactions in 1H 2023. Sponsor backed transactions in H1 2024 (7.0% of the total) remained broadly comparable to the 9.9% in H2 2023 and 8.5% in H1 2023.

Our survey of M&A leaders across Australia's largest companies reveals optimism about the year ahead, expecting pent-up demand to be unleashed when economic uncertainty improves. Valuation of assets remained the top challenge to success for the third year in a row, followed by lack of availability of acquisition targets. Filling the gaps in core portfolios and capturing synergies were identified as top deal drivers. Half of the respondents noted an increase in transaction duration (4-5 months compared to 2-3 months previously).

Executive Summary

The Deloitte Queensland Index decreased by 2.4% in Q2 2024 compared to the ASX All Ordinaries which decreased by 1.7% since Mar-24.

Deloitte Queensland Index return in Q2 2024

(2.4)%

5.1% in Q1 2024

4.9% in LTM Jun-24

S&P/ASX All Ordinaries return in Q2 2024

(1.7)%

4.1% in Q1 2024

8.3% in LTM Jun-24

Market capitalisation at Jun-24

\$118.9b

\$121.8b as at Mar-24

Companies in the Deloitte QLD Index

155 at 30 Jun 2024

156 at 31 March 2024

During Q2 2024:

53 companies increased market capitalisation (34%)

93 companies decreased market capitalisation (60%)

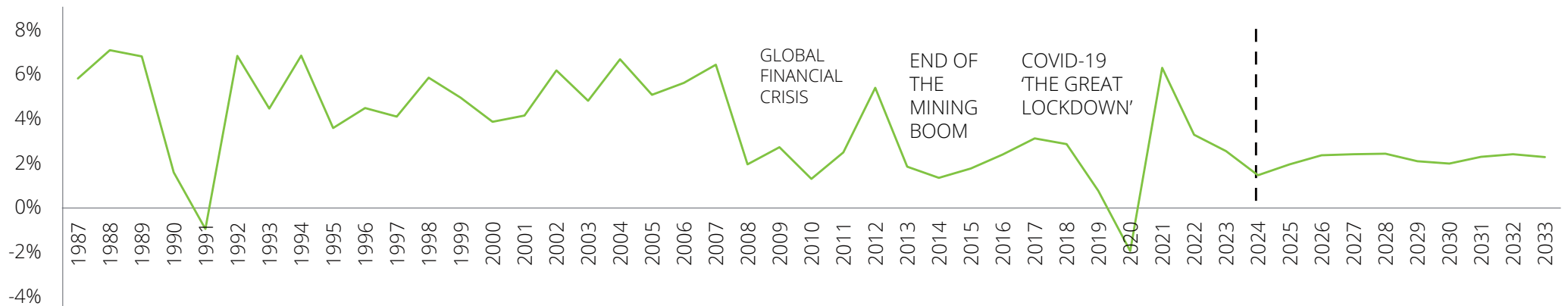
9 no movement (6%)

1 company delisted (Orion Metals Limited)

Queensland Economic Update

Economic growth in Queensland is expected to be boosted by an uptick in commodity export volumes in 2024-25.

Queensland real gross state product (change on year earlier)



Source: Deloitte Access Economics, July Quarter 2024.

Household consumption growth in Queensland exceeded the national level in the March 2024 quarter, with a growth rate of 0.6% compared to the national growth rate of 0.4%. This strong growth was primarily driven by increased spending on discretionary services such as recreation and dining out. Queensland experienced a similar rebound in these areas of spending as other jurisdictions, indicating a positive trend in consumer confidence and economic recovery.

In the March quarter, household spending on electricity in Queensland saw a notable increase of 5%. This rise can be attributed to the unwinding of the state-funded electricity credit, which resulted in a significant shift of energy consumption from households to the general government sector in the latter half of 2023. On the other hand, private spending on education in Queensland declined by 4.5% during the same quarter following the Queensland Government's free kindergarten program which started in 2024.

Queensland's population experienced a growth rate of 2.6% in 2023, slightly outpacing the national growth rate of 2.5%. While net overseas migration into Queensland declined by 30% in the final quarter of 2023 (in-line with national trends), the state's population growth continued to be bolstered by a net influx of migrants from other states and territories. This totalled a net contribution of 31,500 people to Queensland's population in 2023, increasing annual population growth rate by 0.6 percentage points.

The strong population growth in Queensland is expected to fuel continued demand for housing, though there has been a downward trend in new dwelling approvals in the state. Over the three months leading up to May 2024, approximately 7,800 new dwellings were approved – 13% fewer than the preceding three-month period and 5% fewer than the same period in 2023. As a result, Deloitte Access Economics predicts a further decrease in the volume of dwelling investment in Queensland by 0.2% in 2024-25. However, as the post-pandemic backlog of construction

works clears and dwelling approvals gradually increase, dwelling investment is projected to grow by 12.7% in 2025-26.

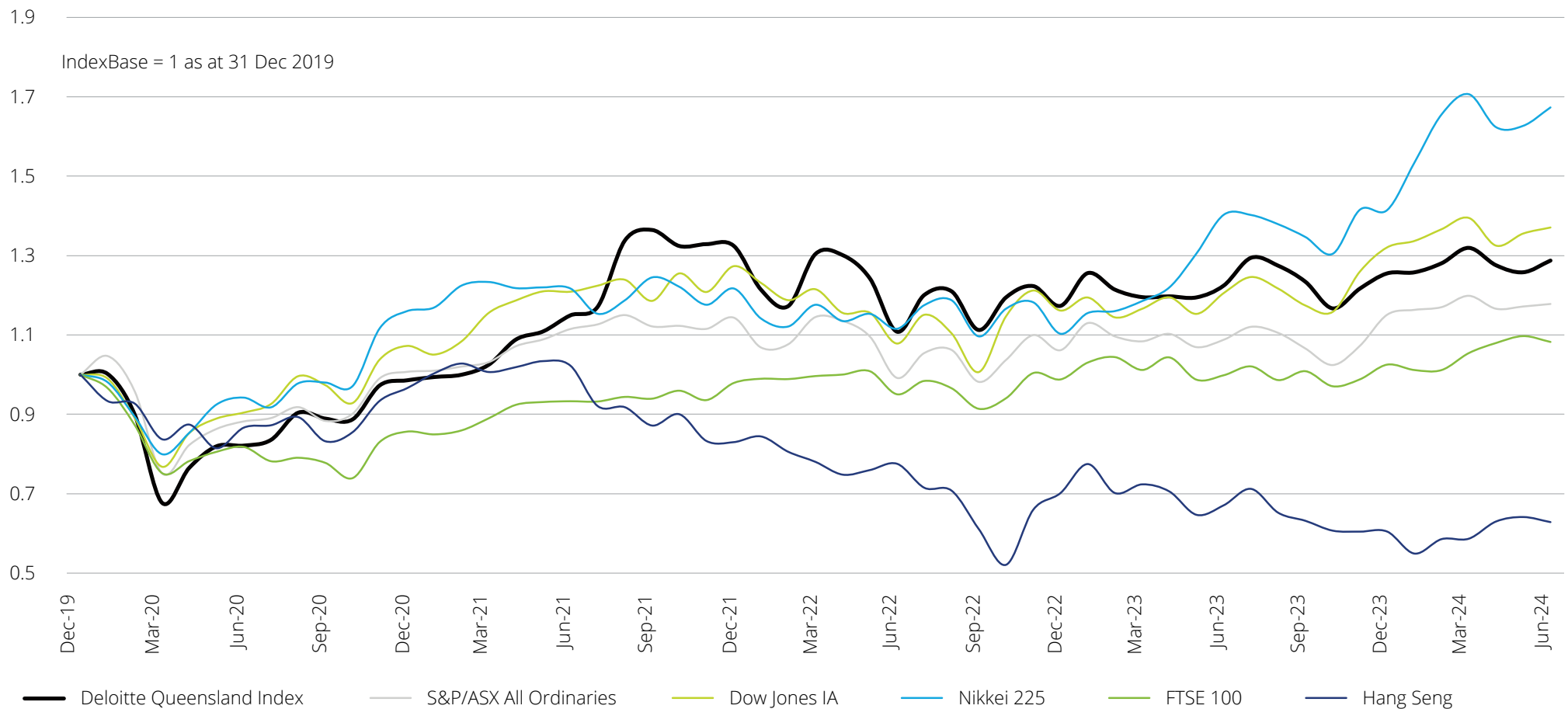
Growth in the Queensland economy is expected to be driven largely by an increase in goods exports in the upcoming financial year. Notably, coal export volumes rebounded in the March 2024 quarter following weather-related disruptions to production. These volumes are projected to continue growing significantly in 2024-25. While an economic slowdown in China has led to a softening in demand for steel and its key inputs, Queensland exporters stand to benefit from a reduction in supply from competing exporters, particularly Russia and Mongolia. Additionally, agricultural export volumes are anticipated to increase in 2024-25, thanks to China lifting the last remaining restrictions on imports of Australian beef in early 2024.

Overall, Deloitte Access Economics forecasts the Queensland economy to grow by 1.9% in 2024-25, with the key contributor to this being commodities exports.

The Deloitte Queensland Index Q2 2024

The Deloitte Queensland Index experienced a downturn of 2.4% in Q2 2024 compared to the S&P/ASX All Ordinaries and Dow Jones Industrial Average which both delivered negative returns of 1.7%. The Nikkei 225 also experienced a downturn of 1.9% whilst the FTSE 100 and Hang Seng delivered positive returns of 2.7% and 7.1% respectively.

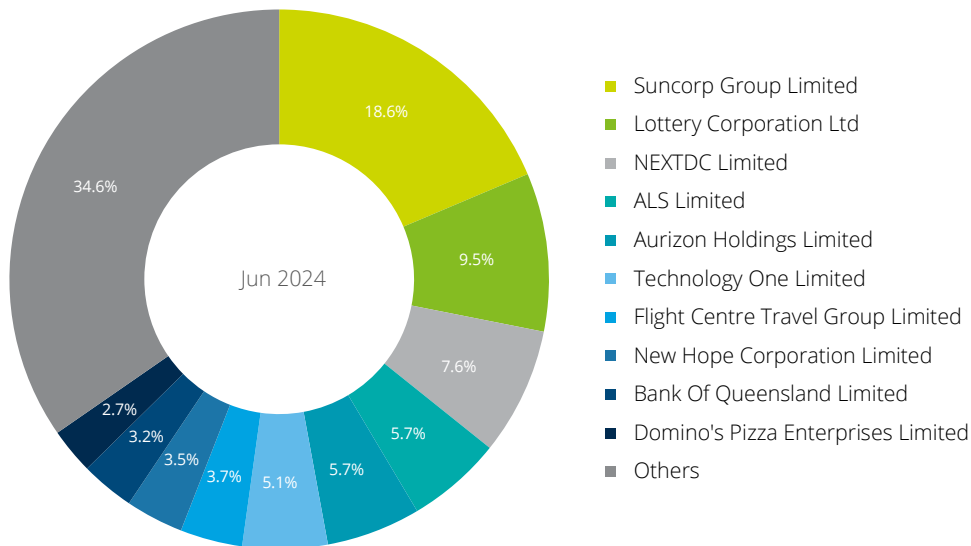
Deloitte Queensland Index versus Major International Indices



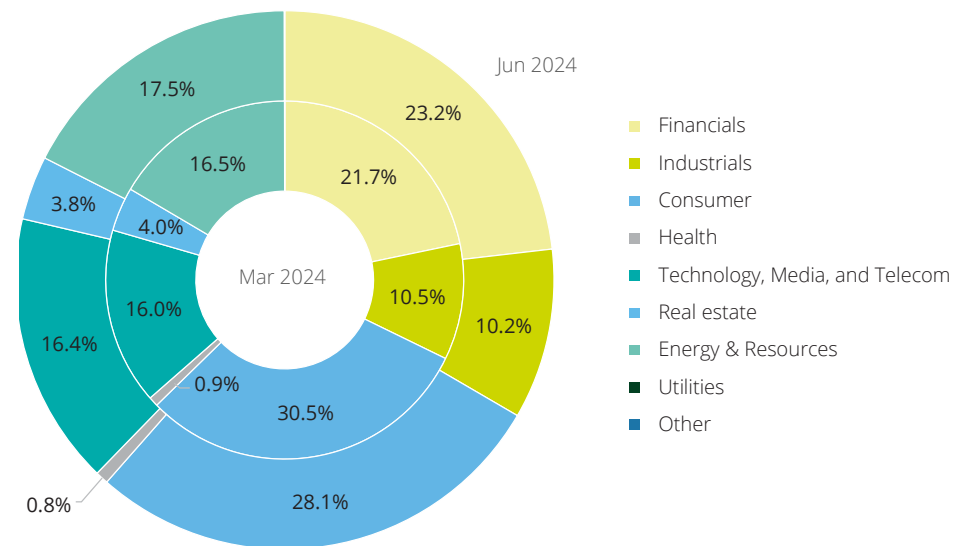
The Deloitte Queensland Index Q2 2024

The composition of the Index at Jun-24 continues to show reasonable sector diversification, with slight contractions in Consumer, Industrials and Real Estate, offset by growth in capitalisation of Financials, Energy & Resources and Technology, Media, and Telecom.

Deloitte Queensland Index - Top 10 Companies and Others by Market Cap as at 30 Jun-24



Deloitte Queensland Index Sector Composition (%) by Market Cap



- Compared to Mar-24, the composition of the Index as at Jun-24 has shifted towards Financials, Energy & Resources and Technology, Media, and Telecom, offset by a reduced share in Consumer, Industrials and Real Estate.
- The Top 10 Companies in the Deloitte Queensland Index saw a 0.3% increase in total market capitalisation from Q1 2024.
- Market capitalisation of Queensland listed companies ranked 11-100 experienced a 7.5% decrease from \$43.7b at Mar-24 to \$40.6b at Jun-24.

Top Performers

Queensland Index: top performers in Q2 2023

Company Change \$m Rank Jun 24 Rank Mar 24

Top 5 Increases in Top 100 Companies by \$ Movement in Market Capitalisation

Suncorp Group Limited	1344	1	1
Technology One Limited	533	6	6
ALS Limited	426	4	5
Stanmore Coal Limited.	288	11	14
New Hope Corporation Limited	194	8	10

Top 5 movers in Top 100 Companies by % Movement in Market Capitalisation

LTR Pharma Limited	173.7%	62	93
Metro Mining Limited	61.2%	38	52
Aeris Resources Limited	35.5%	46	56
Change Financial Limited	34.6%	87	100
Verbrec Limited	31.8%	88	101

Movements in the Index were largely driven by:

Suncorp: Increase was driven by the Apr-24 announcement of the sale of Suncorp Group's New Zealand Life Business for AUD\$375m. The life insurance business which served 14 million policyholders and managed over \$300+ billion in assets was sold to simplify Suncorp's portfolio and improve the way they deliver value for customers. The share price further increased in Jun-24 due to anticipation of the Federal Treasurer's approval of the proposed acquisition of Suncorp Bank by ANZ, officially announced on 28 June.

Technology One: The share price increased in May-24 following the release of half-year results to Mar-24 detailing revenue from recurring activities up 20% and profit from ordinary activities after tax up 16% compared to the half-year ended Mar-23. This growth was driven by a 34% increase in SaaS Fees Recognised to \$193.9m largely from customers in the Asia Pacific region.

ALS: Share price increased in early May-24 following the release of a forward-looking statement published for the Macquarie Australia Conference. The statement outlined increased focus on strategic additions including a new executive team, M&A integration process and updated capital allocation approach. Further, the statement reported ALS is on track to meet FY27 targets of A\$3.3b revenue and A\$0.6b EBIT.

Stanmore Coal: Share prices rose between Apr-24 and Jun-24 due to increases in coal commodity prices to an average per tonne of \$142USD in May-24 from \$131USD in Mar-24. Disruptions to coal mines in Australia and overseas have resulted in coal shortages, causing a surge in demand.

New Hope Corporation: The share price increased as a result of the release of a positive activity report for the quarter ended 30 Apr-24. The report highlighted strong production of saleable coal, leading to a 20.8% increase in coal sales compared to the previous quarter. Underlying EBITDA saw a 21.6% increase to \$218.8m compared to the previous quarter.

LTR Pharma: The Clinical Stage Biopharmaceutical Company share price increased following the announcement of positive clinical study results for its fast-acting Nasal Spray treatment of Erectile Dysfunction.

Metro Mining: A mining and exploration company, has obtained all regulatory approvals for an Offshore Floating Terminal (OFT) enabling them to expand their bauxite mining operations in Australia. The OFT operations commenced in Apr-24.

Top companies by market capitalisation

Rank		Company	Market Capitalisation (\$m)		Change since Mar-24	
Jun 24	Mar 24		30 Jun 24 \$million	31 Mar 24 \$million	\$million	%
1	1	Suncorp Group Limited	22,151	17,086	1,344	6.5%
2	2	Lottery Corporation Ltd	11,285	11,418	(178)	(1.6%)
3	3	NEXTDC Limited	9,074	10,212	(82)	(0.9%)
4	5	ALS Limited	6,782	7,216	426	6.7%
5	4	Aurizon Holdings Limited	6,719	6,474	(644)	(8.7%)
6	6	Technology One Limited	6,058	5,403	533	9.6%
7	7	Flight Centre Travel Group Limited	4,439	4,110	(365)	(7.6%)
8	10	New Hope Corporation Limited	4,125	5,075	194	4.9%
9	8	Bank Of Queensland Limited	3,825	4,136	(324)	(7.8%)
10	9	Domino's Pizza Enterprises Limited	3,264	4,154	(682)	(17.3%)
11	14	Stanmore Coal Limited	3,191	3,589	288	9.9%
12	13	National Storage REIT	3,152	3,466	(137)	(4.2%)
13	12	Super Retail Group Limited	3,150	2,326	(486)	(13.4%)
14	11	Eagers Automotive Limited	2,716	2,573	(948)	(25.9%)
15	17	Coronado Global Resources Inc.	1,987	3,169	(109)	(5.2%)
16	15	Corporate Travel Management Limited	1,918	2,581	(559)	(22.6%)
17	16	Megaport Limited	1,793	2,618	(601)	(25.1%)
18	19	Dalrymple Bay Infrastructure Ltd	1,467	1,145	109	8.0%
19	18	The Star Entertainment Group Limited	1,405	1,309	(244)	(14.8%)
20	20	Data#3 Limited	1,295	1,153	14	1.1%
Top 20			99,795	102,245	(2,450)	(2.4%)
Others			19,110	19,644	(535)	(2.7%)
Total QLD Index			118,905	121,889	(2,984)	(2.4%)
Top 20 as a % of total			83.9%	83.9%		

Queensland M&A Overview

Queensland M&A deal volume improved compared to 2H 2023, however deal value has continued to trend downwards. Transaction activity has been relatively subdued compared to 1H 2023 as a result of continued economic uncertainty.

Announced QLD M&A transactions in 1H 2024

127

*10% increase from 2H 2023 (115)
2% decrease from 1H 2023 (130)*

Foreign buyers investing in QLD in 1H 2024

17% of deals

*Stable at 17% in 2H 2023
Up from 15% in 1H 2023*

Announced M&A transactions by QLD ASX-listed companies in 1H 2024:

35

*46% increase from 2H 2023 (24)
30% increase from 1H 2023 (27)*

QLD buyers investing in foreign assets in 2H 2023

13% of deals

*Up from 5% in 2H 2023
Up from 10% in 1H 2023*

Disclosed value of announced QLD M&A transactions in 2H 2023

\$2.4b

*39% decrease from 2H 2023 (\$3.9b)
73% decrease from 1H 2023 (\$8.7b)*

Disclosed value of announced M&A transactions by QLD ASX-listed companies in 1H 2024

\$1.3b

*37% increase from 2H 2023 (\$1b)
80% decrease from 1H 2023 (\$6.6b)*

Queensland announced M&A transactions



Commentary:

- M&A volume in Queensland increased from 115 deals in 2H 2023 to 127 deals in H1 2024. The volume of domestic transactions reduced from 79 to 73 over the same period while the number of QLD businesses acquiring foreign targets increased from six to 16. Foreign buyers of QLD targets increased to 21 in H1 2024 after remaining steady in H1 and H2 2023 at 19 per period.
- The volume of deals by QLD-based ASX companies increased to 35 in H1 2024 with a disclosed value of \$1.3b, up from 24 transactions with a disclosed value of \$1.0b in H2 2023.

- Domestic political and economic uncertainty continues to influence deals, potentially amplified by proposed merger law reforms targeting anti-competitive M&A activity. Additionally, geopolitical risks and ongoing conflicts in Ukraine and the Middle East have raised concerns about supply chain disruptions, affecting M&A sentiment in Australia.
- Although there have been no recent rate hikes, the outlook for interest rates and Australia's economic recovery remains uncertain. Australia's economic growth is expected to slow to 1.0% in 2024, the weakest pace of annual growth since the 1990's recession outside of the COVID-19 pandemic. These factors, coupled with the valuation gap and scarcity of available targets, are posing challenges to successful deals and will likely continue to limit M&A activity until external conditions change.

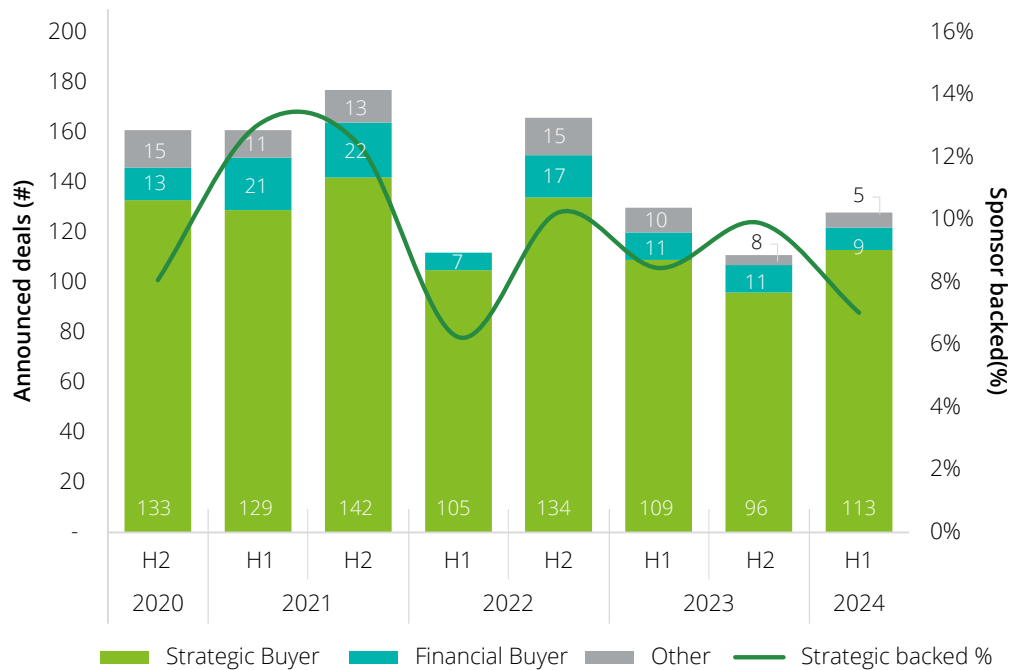
- Despite the above, our recent 7th edition of **Deal in Focus: Heads of M&A Survey** revealed that Australian and New Zealand M&A leaders are surprisingly bullish compared to the prior year, with a greater share of respondents expecting a rise in deal activity believing that current conditions are favourable for M&A.

QLD deal volumes in Energy, Resources and Utilities and TMT were higher compared to H1 2023, increasing by 222% and 38% respectively while transactions volumes in the Consumer and Health sectors fell by 28% and 90%.

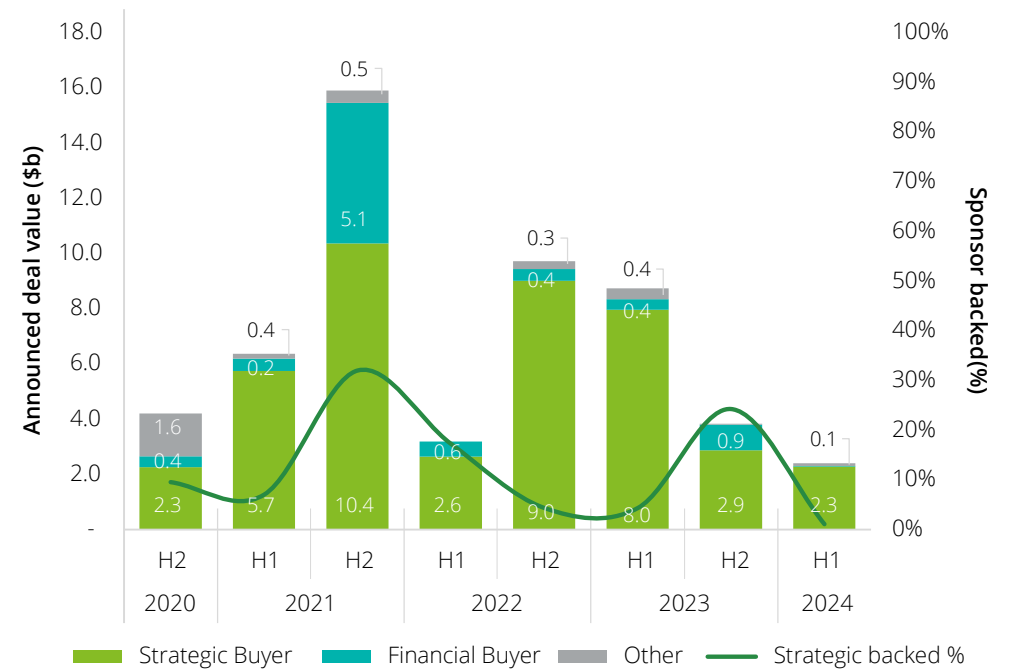


Whilst the total number of deals increased 10% for the period, the value declined 39% to \$2.4b, with the proportion of sponsor backed transactions (as a % of total) reducing from 9.9% in H2 2023 to 7.0% in H1 2024.

QLD announced deals by buyer



QLD announced deals by buyer (\$b)



Significant transactions announced in 1H 2024

Target: Cromwell Polish Retail Fund

Acquirer: Star Capital Investments

Announced deal value: \$464m

Sector: Real Estate

Description: In May-24 Star Capital Investments acquired six retail centres across Poland from Cromwell Polish Retail Fund, a fund owned and managed by Cromwell Property Group.



Target: Shell data centre development in Sydney S6

Acquirer: NEXTDC Limited

Announced deal value: \$184m

Sector: Information Technology

Description: NEXTDC Limited acquired the land along with a recently completed core and shell data centre development in Sydney. The S6 Data Centre is being developed specifically for AI factories and sovereign AI.



Target: Cromwell European Fund Management Platform & Interests

Acquirer: Stoneweg Global Platform

Announced deal value: \$457m

Sector: Real Estate

Description: Cromwell Property Group has entered into an agreement to sell its European fund management platform and associated co-investments to Stoneweg Group, a Geneva headquartered real estate investment manager in May-24. The exit from the European business will allow Cromwell to focus on its core competencies in Australia and New Zealand and positions the platform for future growth.



Target: Arkana Energy Group

Acquirer: 1komma5° GmbH

Announced deal value: \$100m

Sector: Utilities

Description: German solar tech developer 1komma5° GmbH acquired Arkana Energy Group, strengthening its presence in the Australian market. Queensland-based Arkana is active in Queensland, New South Wales and Victoria and has installed more than 15,000 solar plants in private and commercial buildings across the country.



Target: Asteron Life Limited

Acquirer: Asteron Life Limited

Announced deal value: \$374m

Sector: Financials

Description: Suncorp Group Limited sold its New Zealand life insurance business, Asteron Life Limited, to Resolution Life NOHC, Resolution Life Group's holding company in Australia and New Zealand, in Apr-24.



Target: Newbook Pty Ltd

Acquirer: Storable, Inc.

Announced deal value: \$250m

Sector: Information Technology

Description: Gold Coast-headquartered property booking software company Newbook was acquired by Austin, Texas-based Storable, a leader in integrated technology solutions for the self-storage and marine industries in May-24.



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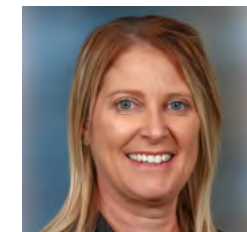
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Sources

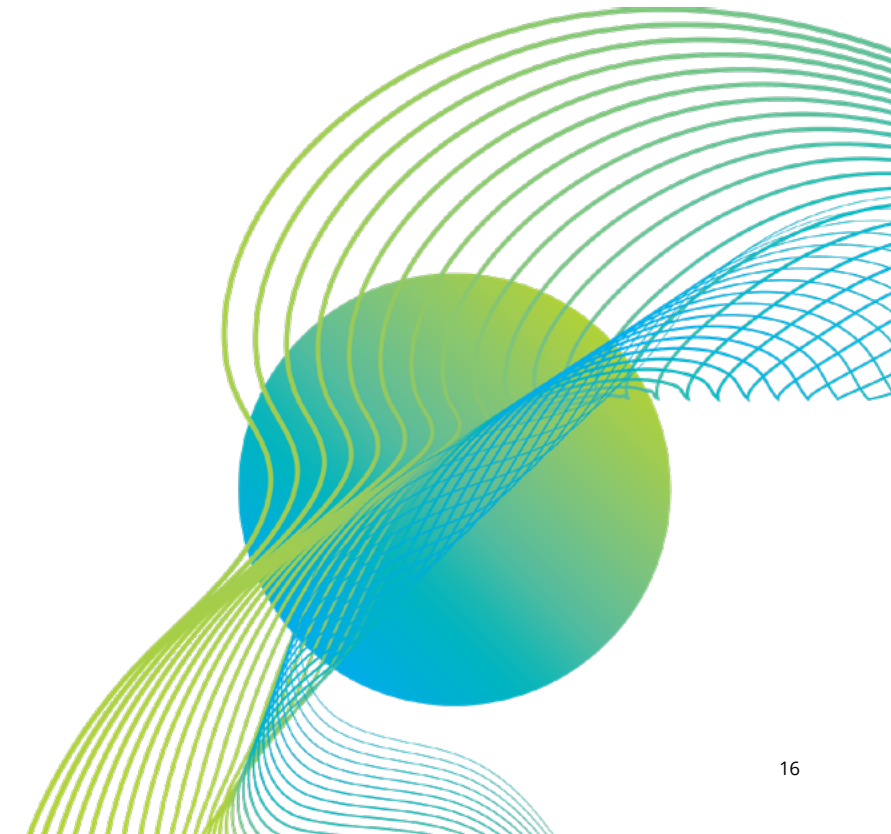
Queensland M&A transaction data presented within:

- 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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