



Valuation Newsletter

Quarterly update – Q1 2024

Twelfth edition

Capital Market Pulse

May 2024



Foreword

We are pleased to publish the twelfth edition of KPMG's quarterly Valuation Newsletter. This report provides market data analysis and industry participants with succinct trends, key sector multiples across the GCC.

As per the country report – Qatar, published by the Economic Intelligence Unit (“EIU”) in April 2024, the Qatar National Vision 2030 will form the basis for the economic policies in Qatar during FY2024-28, which will help generate promising business environment with higher investment and employment opportunities. Further, Qatar will focus on diverting LNG sales to Europe, while maintaining Asia as its main export market. However, growing reliance on China could pose challenges if China's economy faces a serious setback. EIU forecasts the real GDP growth rate in Qatar to be 2.0% in FY2024. In this Newsletter, we provide a selection of key financial market data:

- Comparison of global indices
- Stock market trends of major global and regional indices for the 12 months ended 31 March 2024
- Risk free rate movement from 31 March 2023 to 31 March 2024 in major GCC countries and the U.S
- CRP movement from 31 March 2023 to 31 March 2024 in major GCC countries and the U.S
- Inflation forecasts for the 5 years ending 2028 in major GCC countries and the U.S

We have looked at **Banks, Telecom, Real estate, Consumer Finance and Insurance Sector** in this version of the Newsletter. This newsletter provides fixed- point observation data for the market multiples of major GCC markets.



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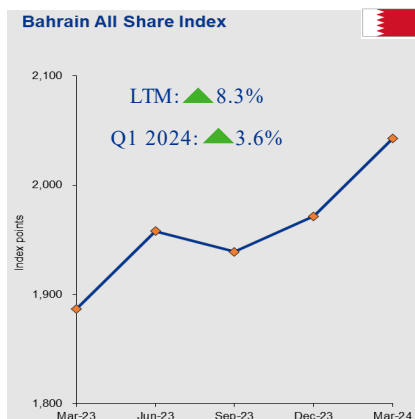
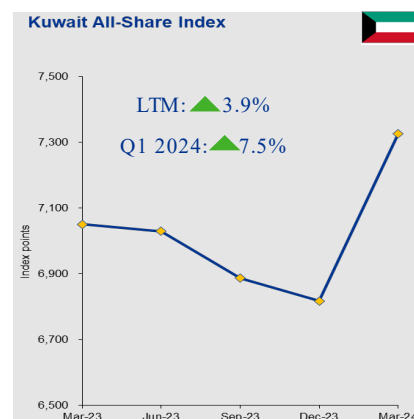
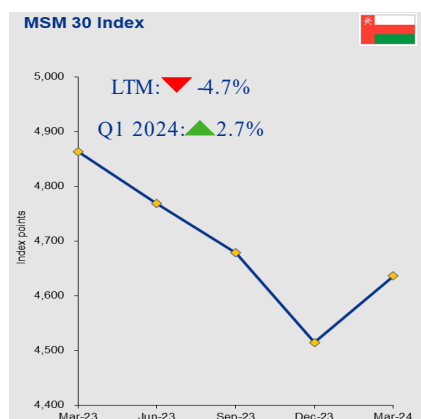
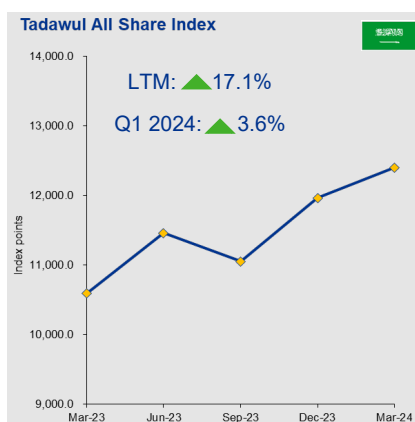
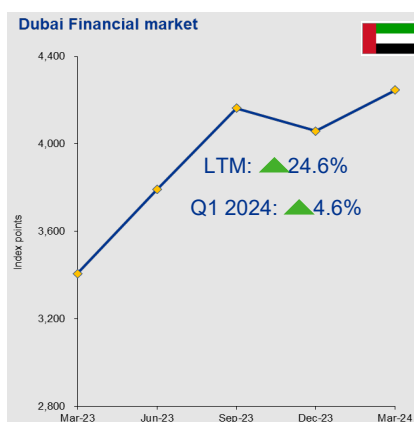
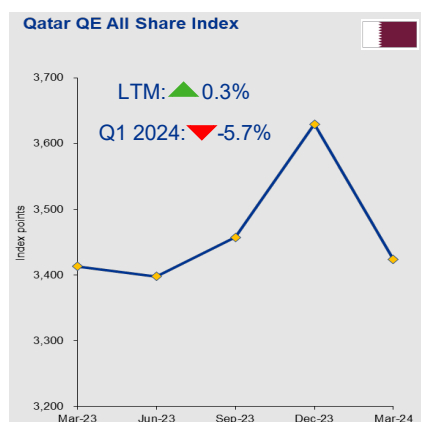
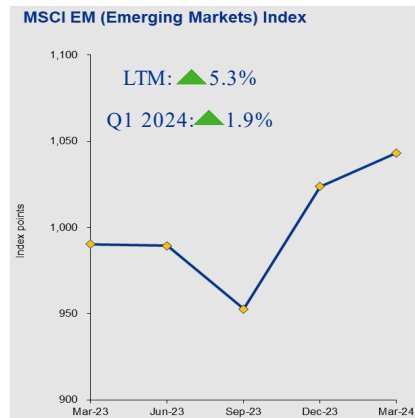
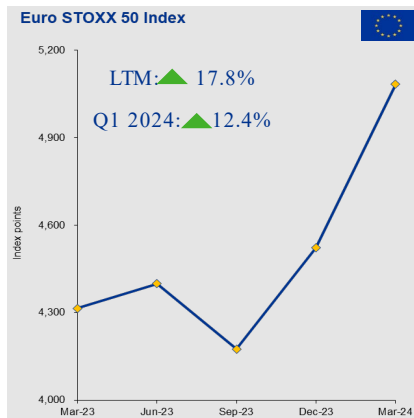
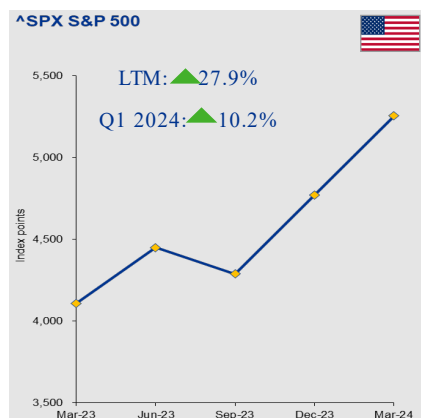
Disclaimer: As the markets have been volatile some sector multiples would reflect extremities and hence readers are advised to use their discretion, judgment while considering these multiples for their analysis and decision-making purposes.

¹Source: <https://viewpoint.eiu.com/analysis/geography/XN/QA/reports/one-click-report>

Financial market indicators

During the first quarter of 2024, global indices **continued to demonstrate significant growth**, primarily driven by the stabilized inflationary pressures, robust corporate earnings, heightened economic activities worldwide, investor anticipation of interest rate reductions, and a thriving tech sector fueled by AI innovations.

GCC markets, barring Qatar, also witnessed a growth momentum during the first quarter of 2024. Despite the positive outlook, there is still uncertainty of growth in 2024, due to ongoing geo-political tensions in the middle east. On the other hand, the major contributor to the fall in QE All Share Index during the first quarter were the Banks and Financial Services.

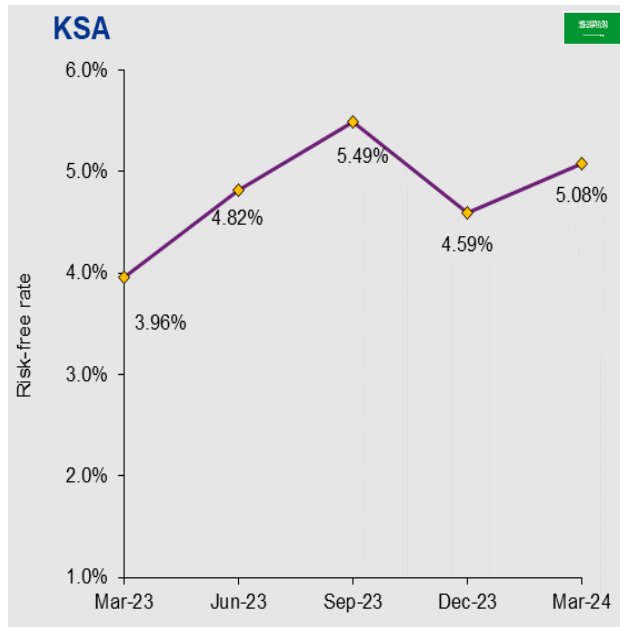
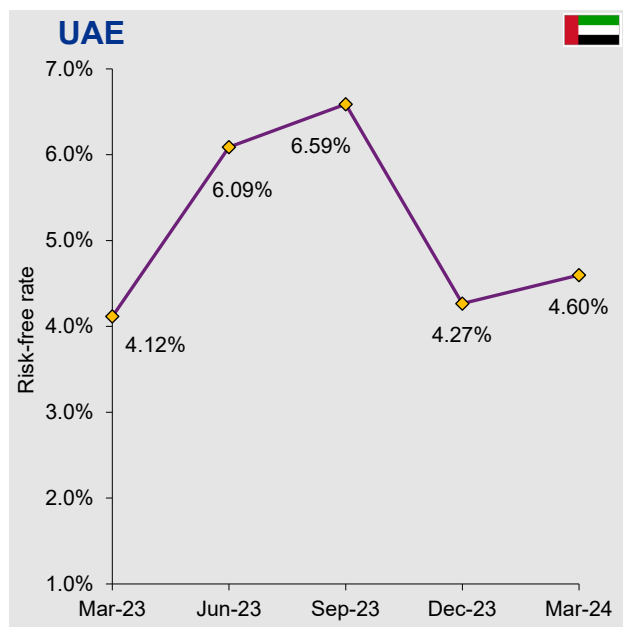
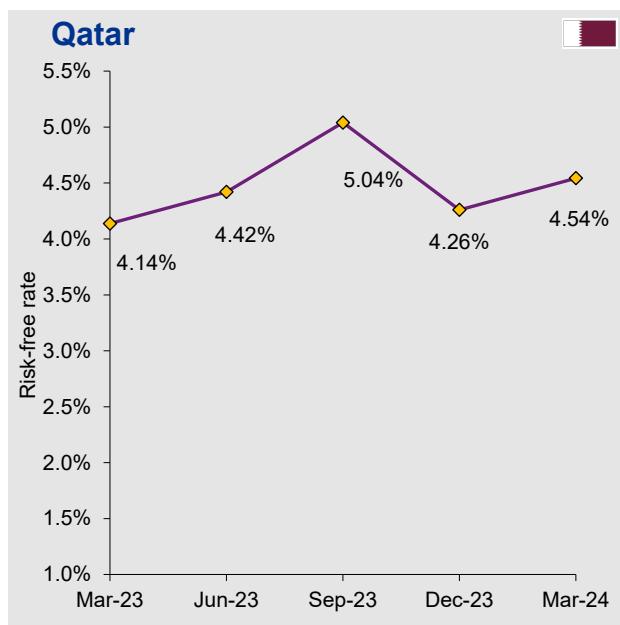
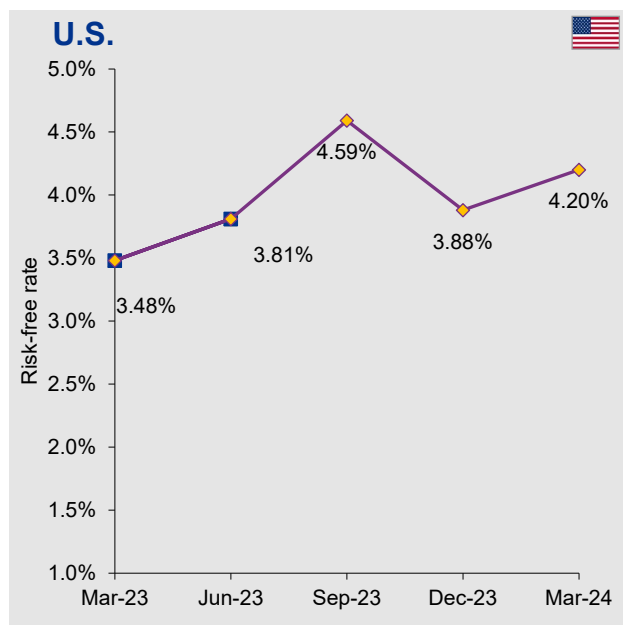


LTM: Period between March 2023 and March 2024; Q1: Period between December 2023 (Q4) and March 2024 (Q1)

Risk-free rates

Risk-free rate can generally be categorized into **two components** that compensate investors, the **first for expected inflation** and the **second for deferred consumption**. **Though no investment is truly risk free, in practice, yield on long-term debt instruments issued by presumably financially healthy governments** are considered to be risk free.

After showing a downturn in the last quarter of 2023, the risk-free rates started to trend upward again during the first quarter of 2024 due to growing uncertainty on the timing of rate cuts by the Federal Reserve on the face of robust economic data.



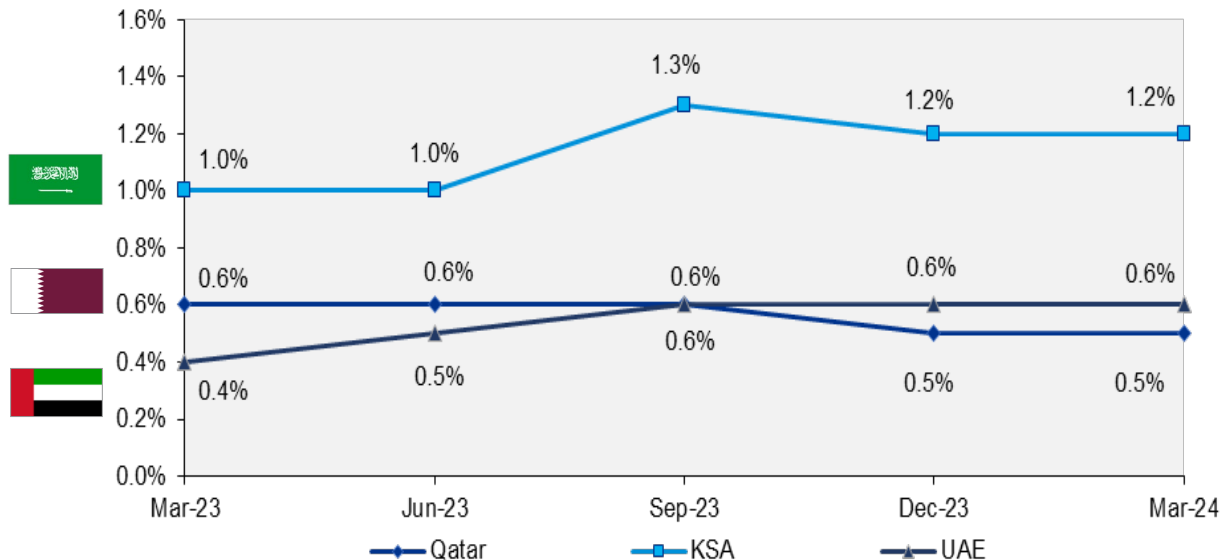
Note: We have used the yield of nearest 10 years USD denominated government bond available and do not depict the exact risk-free rate. Further, to determine the risk-free rate specific to the GCC countries in their local currency a long-term inflation differential adjustment over long term US inflation rate will have to be added.

Source: Capital IQ, U.S. Treasury

Country risk premium (CRP)

CRP is the **additional return demanded by investors to compensate them for the higher risk associated with investing in a foreign country**, compared with investing in the domestic market.

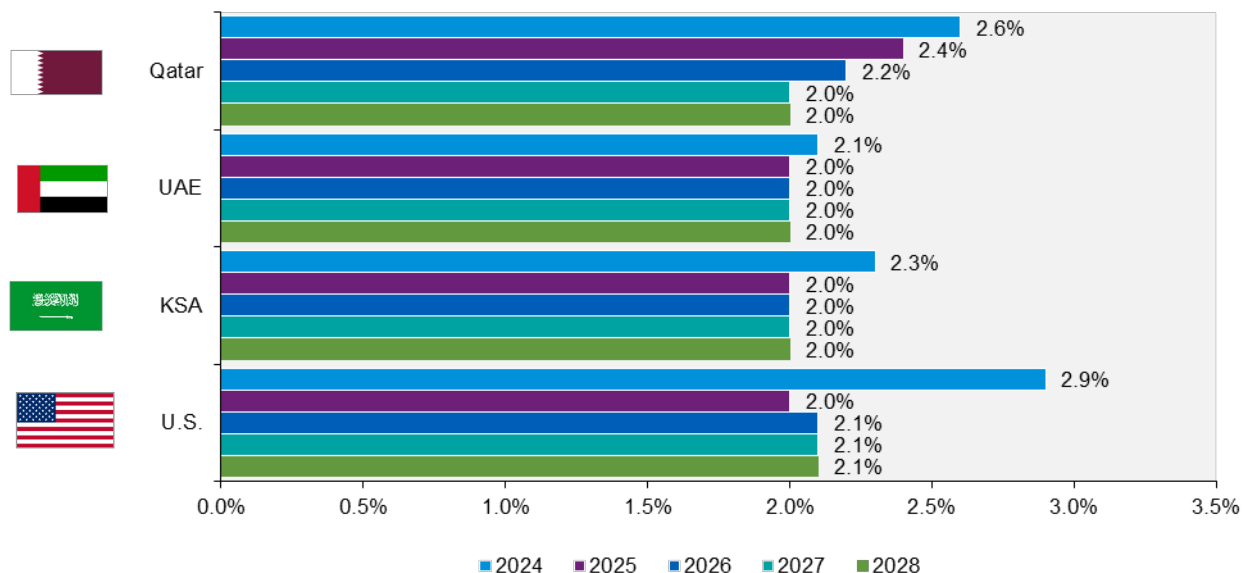
Major GCC countries CRP from **March 2023 to March 2024** are indicated in the below chart.



Source: KPMG CRP study

Inflation forecast

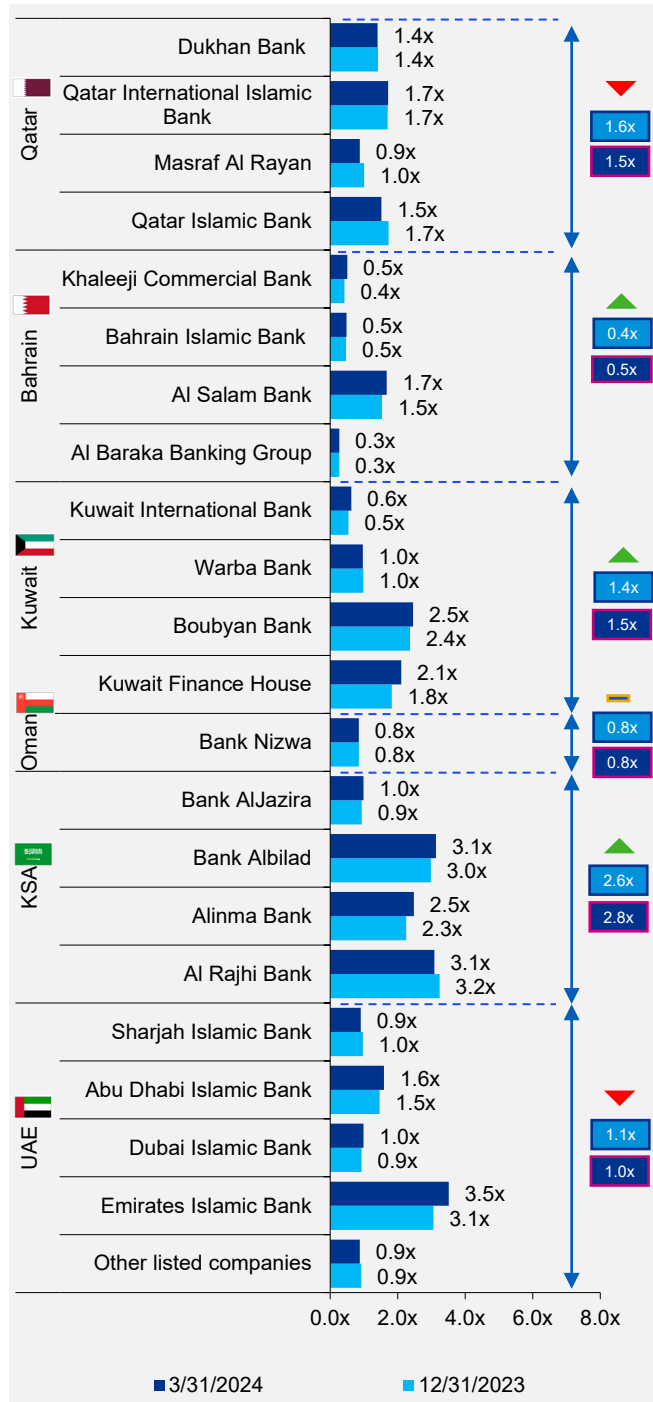
Inflation forecast for a country can be used as **long-term growth rate of the country for terminal value calculation**. We have considered **consumer price index ('CPI')** that examines the **weighted average of prices of a basket of consumer goods and services**.



Source: Capital IQ, U.S. Treasury

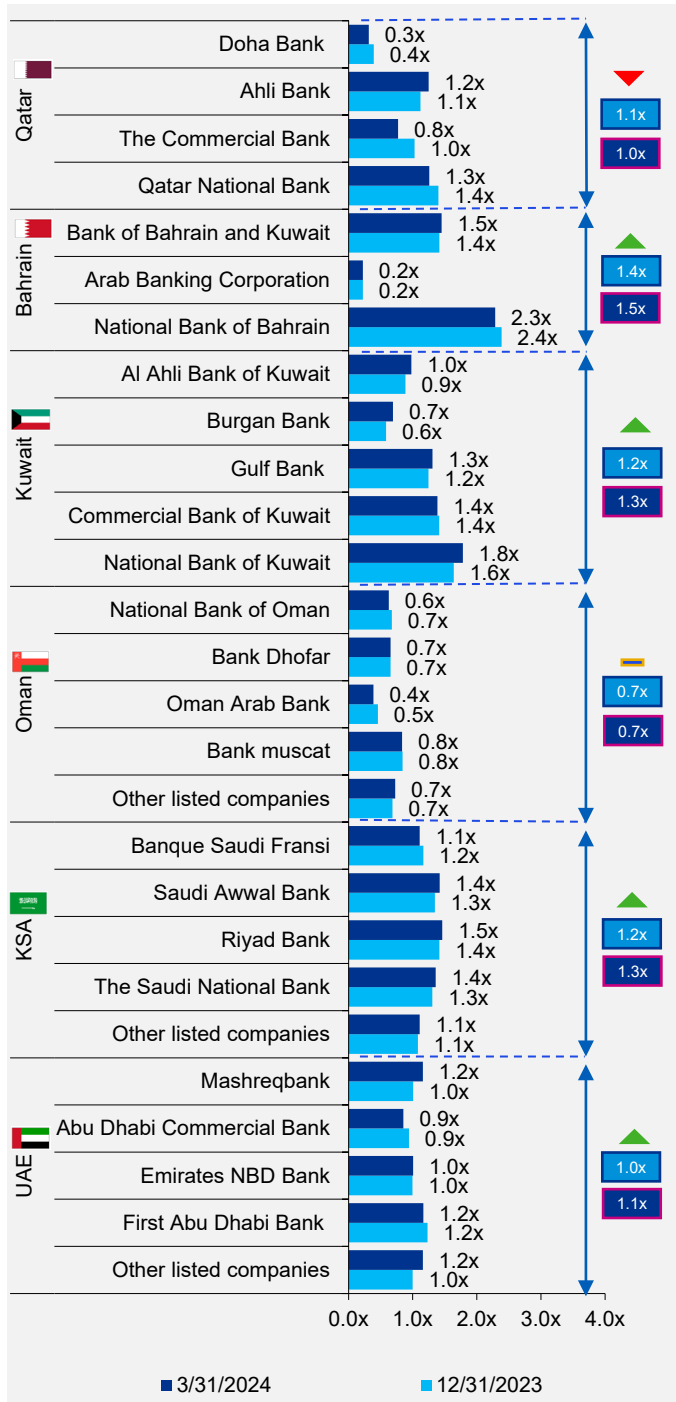
GCC Islamic Banks

Median price-to-book multiple has decreased from 1.2x to 1.1x from December 2023 to March 2024



GCC Conventional Banks

Median price-to-book multiple has increased from 1.0x to 1.1x from December 2023 to March 2024



Price refers to market capitalization plus preferred equity as on 31 March 2024 and 31 December 2023. Book value refers to equity to parent company. Certain companies would have been excluded from the above chart as these would have reflected outlier multiples as of the date of preparation of the newsletter.

Median P/BV multiple as of 31 March 2024

Median P/BV multiple as of 31 December 2023

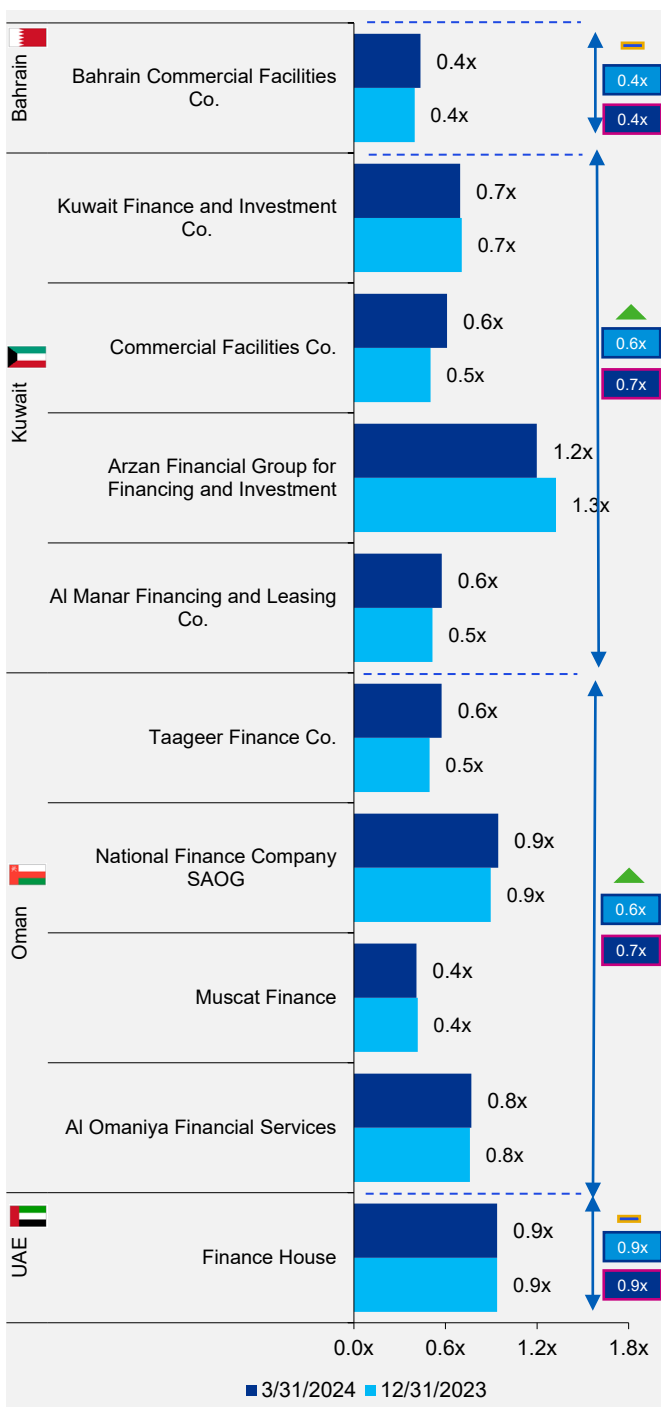
Increase in multiple

Decrease in multiple

No change in multiple

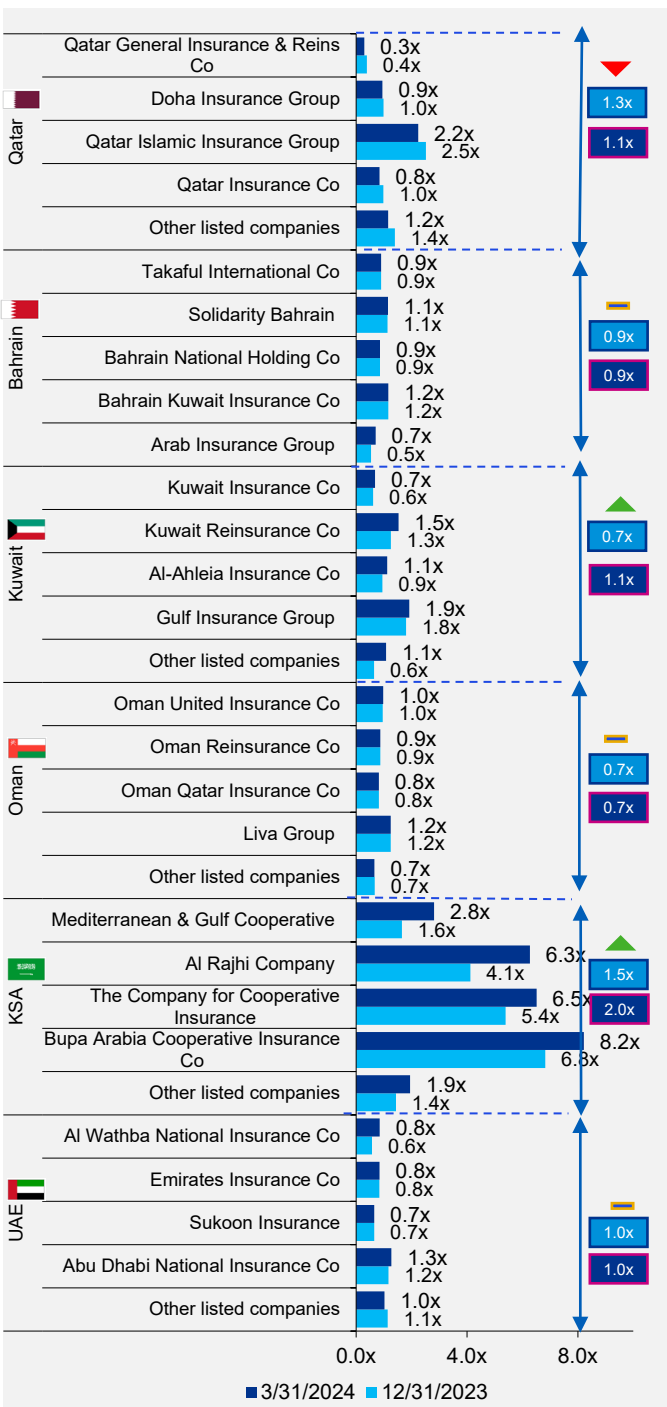
GCC Consumer Finance

Median price-to-book multiple has increased from 0.6x to 0.7x from December 2023 to March 2024



GCC Insurance

Median price-to-book multiple has increased from 1.2x to 1.3x from December 2023 to March 2024



Price refers to market capitalization plus preferred equity as on 31 March 2024 and 31 December 2023. Book value refers to equity to parent company. Certain companies would have been excluded from the above chart as these would have reflected outlier multiples as of the date of preparation of the newsletter.

Median P/BV multiple as of 31 March 2024

Median P/BV multiple as of 31 December 2023

Increase in multiple

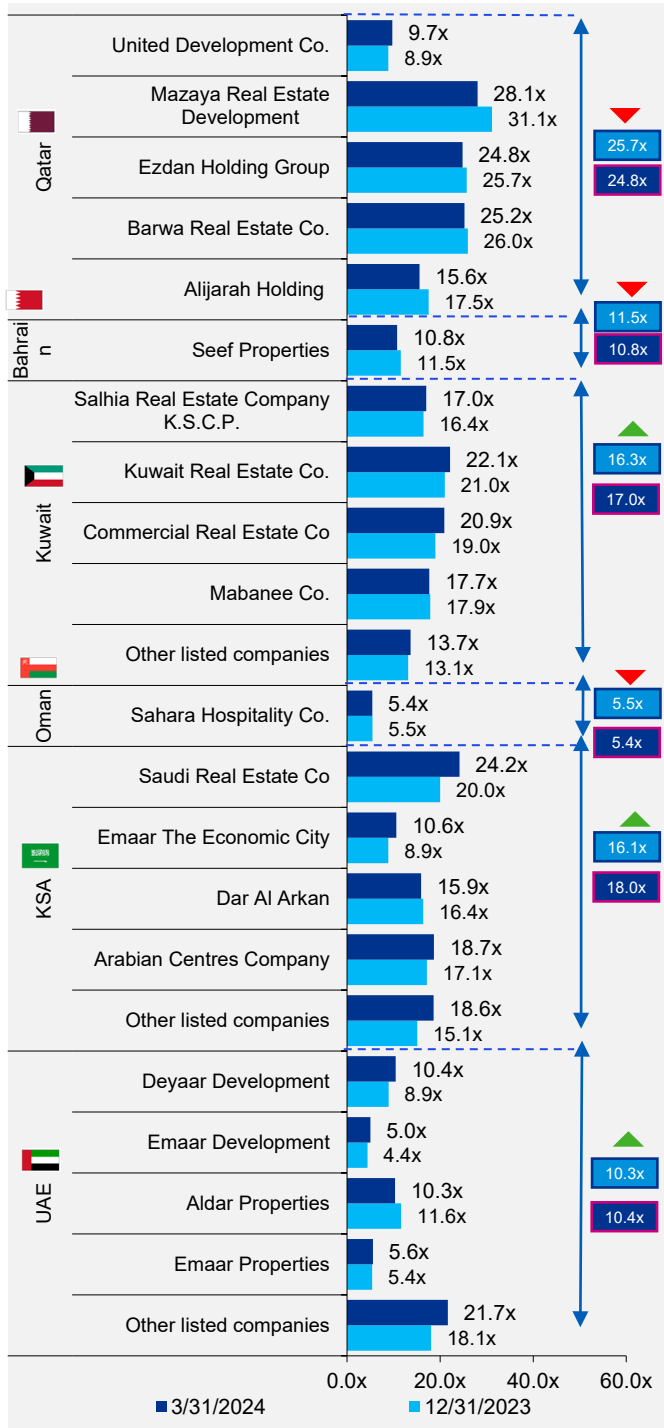
Decrease in multiple

No change in multiple



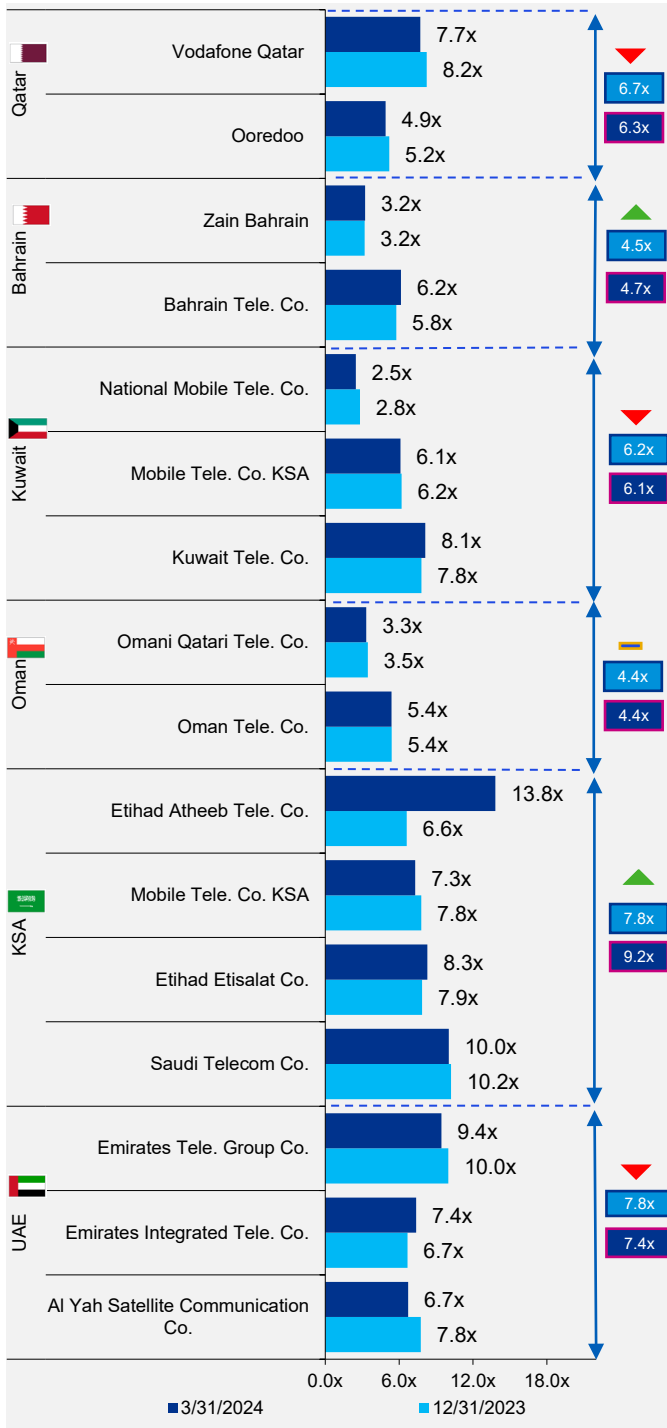
GCC Real Estate

Median EV/EBITDA multiple has increased from **15.8x** to **15.9x** from December 2023 to March 2024



GCC Telecom

Median EV/EBITDA multiple has increased from **6.6x** to **7.0x** from December 2023 to March 2024



**"Tele." refers to telecommunication. * EV refers to enterprise value and EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortization. Certain companies would have been excluded from the above chart as these would have reflected outlier multiples as of the date of preparation of the newsletter.

*Real estate includes Real estate management and development companies. Telecom includes Diversified telecommunication services and Wireless telecommunication services

Median EV/EBITDA multiple as of 31 March 2024

Median EV/EBITDA multiple as of 31 December 2023

▲ Increase in multiple,

▼ Decrease in multiple,

▬ No change in multiple





Contact us

We hope that you find the newsletter of interest and value. In case you wish to seek any further information or desire to evaluate the value of your business, please do not hesitate to contact the authors mentioned below.



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