

An abstract graphic of multiple overlapping, wavy lines in shades of blue, purple, and pink, flowing across the top half of the page.

Industry multiples in the GCC

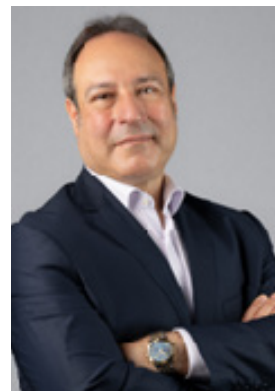
Q2 2024

Foreword

Welcome to the second edition of our newsletter, Industry multiples in the Gulf Cooperation Council (GCC), providing updated data that reflects shifts in the region's economic landscape. The GCC—comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE)—remains on a strong economic growth path, supported by government policies, strategic investments and a focus on sustainable development.

Analyzing the implied multiples of over 150 listed companies across 10 key sectors, we observed strong momentum in healthcare, hospitality, and insurance in Q2 2024. Increased tourism boosted the hospitality sector, while healthcare benefited from strong market confidence, supported by regional investments in healthcare. The education sector continued its upward trend, fueled by government initiatives, rising GDP and a focus on STEM education. Meanwhile, the energy sector remained stable despite global fluctuations. Both the insurance and banking sectors demonstrated resilience, supported by favorable policies and market conditions.

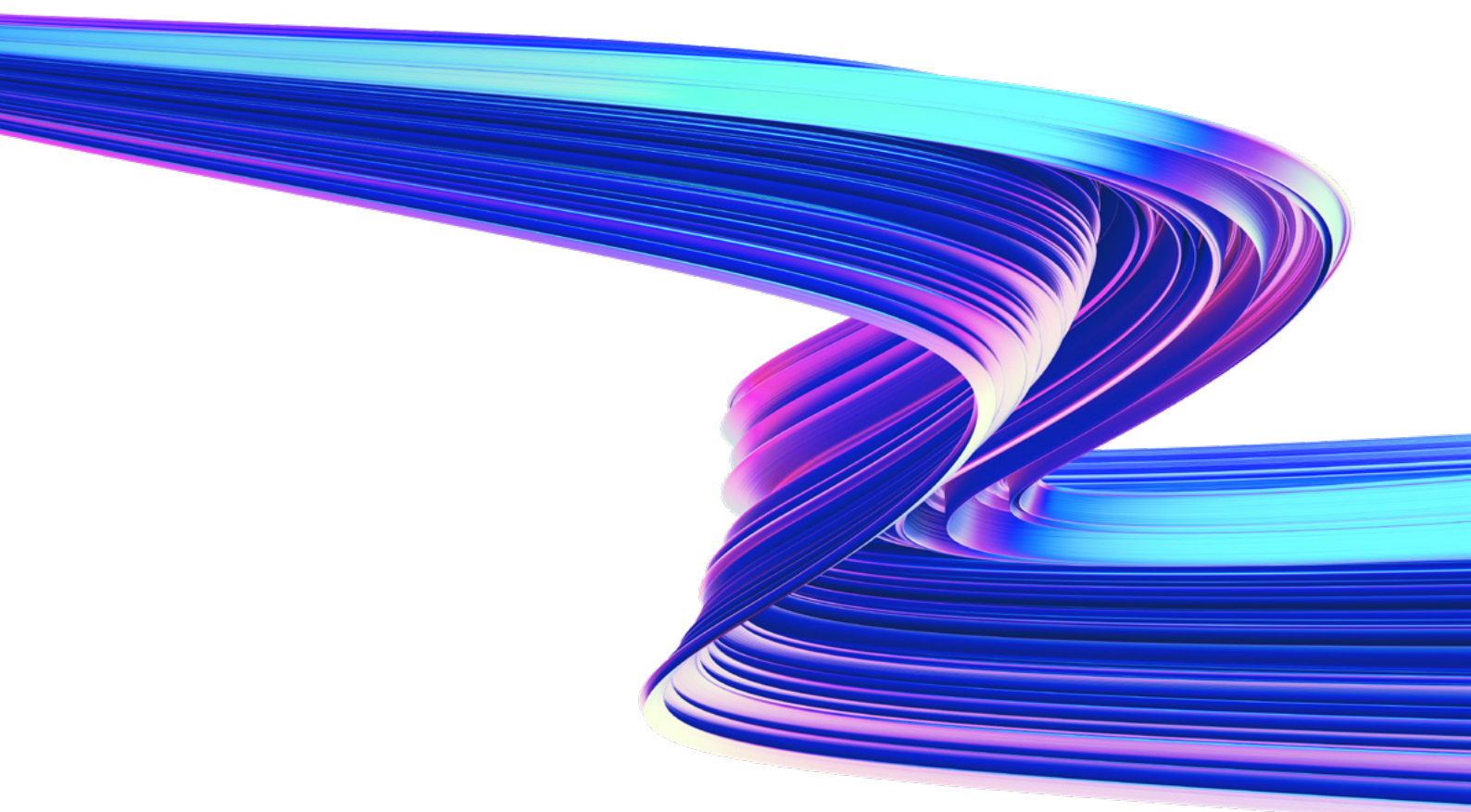
As the GCC's capital markets mature, our findings provide valuable insight into industry performance across the region. We would be delighted to discuss any of the topics covered in this publication. Please contact me or our featured authors with any questions.



Elias Daou

Head of Valuations

Corporate Finance
KPMG Lower Gulf



Industry multiples

Q2'24 GCC

Below is a comparative snapshot of Q2'24 multiples with the corresponding quarter, Q2'23 for select industries.

Snapshot Q1'24

	EV/Revenue		EV/EBITDA		P/E		P/B	
	Q2'24	Q2'23	Q2'24	Q2'23	Q2'24	Q2'23	Q2'24	Q2'23
Education	4.4x	4.6x	17.4x	16.7x	24.9x	28.9x	3.8x	3.0x
Energy	4.0x	3.5x	15.5x	15.9x	19.8x	19.9x	2.7x	2.5x
Healthcare	4.3x	4.0x	21.2x	19.6x	32.7x	28.6x	3.8x	3.1x
Hospitality	3.1x	2.3x	16.7x	15.8x	24.3x	20.6x	3.5x	2.9x
Telecommunication	2.0x	2.3x	6.2x	6.6x	14.2x	15.7x	2.0x	2.0x
Transport and Logistics	4.1x	3.3x	14.7x	15.6x	22.8x	19.9x	3.1x	2.9x
Utilities	4.7x	5.3x	11.4x	12.8x	19.3x	15.4x	2.3x	2.2x
Banks	NA	NA	NA	NA	10.9x	12.8x	1.1x	1.1x
Insurance	NA	NA	NA	NA	17.7x	23.3x	2.1x	1.6x
Real Estate	NA	NA	NA	NA	17.1x	21.2x	1.7x	1.4x

Industry multiples

Below are the quarter-on-quarter movements of the industry multiples for the countries in the GCC region.

EV/EBITDA

	Q2'24	Q1'24	Q2'23	Q4'23	Q3'23
Education	17.4x	17.9x	16.7x	18.2x	17.4x
Energy	15.5x	16.4x	15.9x	18.8x	22.0x
Healthcare	21.2x	20.5x	19.6x	19.7x	21.4x
Hospitality	16.7x	15.1x	15.8x	16.8x	17.4x
Telecommunication	6.2x	6.4x	6.6x	6.6x	7.0x
Transport and Logistics	14.7x	14.0x	15.6x	12.6x	14.2x
Utilities	11.4x	11.9x	12.8x	11.8x	13.4x

EV/Revenue

	Q2'24	Q1'24	Q2'23	Q4'23	Q3'23
Education	4.4x	5.0x	4.6x	5.1x	5.0x
Energy	4.0x	4.0x	3.5x	4.1x	4.4x
Healthcare	4.3x	4.2x	4.0x	4.0x	4.4x
Hospitality	3.1x	2.9x	2.3x	3.0x	2.5x
Telecommunication	2.0x	2.1x	2.3x	2.2x	2.4x
Transport and Logistics	4.1x	3.8x	3.3x	3.4x	3.4x
Utilities	4.7x	4.9x	5.3x	5.0x	5.3x

P/E

	Q2'24	Q1'24	Q2'23	Q4'23	Q3'23
Education	24.9x	29.5x	28.9x	29.2x	28.0x
Energy	19.8x	22.9x	19.9x	22.7x	23.9x
Healthcare	32.7x	30.8x	28.6x	31.8x	30.5x
Hospitality	24.3x	26.7x	20.6x	27.0x	22.2x
Telecommunication	14.2x	14.2x	15.7x	14.2x	16.0x
Transport and Logistics	22.8x	24.3x	19.9x	20.3x	20.1x
Utilities	19.3x	19.3x	15.4x	17.2x	17.6x
Banks	10.9x	11.0x	12.8x	11.5x	12.4x
Insurance	17.7x	16.3x	23.3x	17.5x	21.4x
Real Estate	17.1x	19.5x	21.2x	22.4x	21.4x

P/B

	Q2'24	Q1'24	Q2'23	Q4'23	Q3'23
Education	3.8x	3.7x	3.0x	3.6x	3.5x
Energy	2.7x	2.7x	2.5x	2.7x	2.6x
Healthcare	3.8x	3.8x	3.1x	3.5x	3.6x
Hospitality	3.5x	3.4x	2.9x	3.1x	3.1x
Telecommunication	2.0x	1.9x	2.0x	2.0x	2.1x
Transport and Logistics	3.1x	2.9x	2.9x	2.7x	2.9x
Utilities	2.3x	2.4x	2.2x	2.1x	2.4x
Banks	1.1x	1.1x	1.1x	1.1x	1.1x
Insurance	2.1x	1.8x	1.6x	1.9x	1.8x
Real Estate	1.7x	1.5x	1.4x	1.5x	1.5x

Footnotes:

The valuation multiples for prior periods presented in this issue may differ from the same in the previous issues due to: a) reclassification of certain financial items of the peer sets within an industry. The information for these multiples is sourced from Capital IQ. b) We have also made certain changes in some industry multiples of previously reported quarters to normalize the effect of any quarter-on-quarter outlier multiples arising from our analysis for the current publication. Accordingly, this publication may also be referred to for valuation multiples of the previous quarters.

Banks

The banking sector has experienced steady earnings growth, driven by strong interest margins and favorable economic conditions. However, investor caution persists, reflected in lower valuation multiples despite improved profitability. While return on equity has strengthened, share prices have not matched this trend. This shows a gap between performance and market valuation.

Education

Continued government initiatives, increasing GDP, population growth and a continued emphasis on STEM education in the GCC have supported growth in this sector. However, despite these favorable factors, valuation multiples have moderated slightly.

Energy

The GCC's energy sector remained resilient amid OPEC's oil output cuts and market volatility. Stable enterprise value metrics were supported by petrochemical integration and infrastructure advancements. With operational efficiencies and growing investment in renewables, the sector is well-positioned for long-term growth despite global challenges.

Healthcare

The sector demonstrated steady performance, with a modest increase in EV multiples, indicating continued market confidence. The rising price multiples reflect stronger earnings expectations. This growth is driven by sustained demand, supported by regional healthcare investments and efficient operations.

Hospitality

Robust growth was also observed in the GCC's hospitality industry during Q2'24, fueled by rising tourism and travel spending, advanced infrastructure and an increase in GDP.

Insurance

The insurance sector continues to benefit from compulsory health insurance in the GCC. Profitability surged, supported by reinsurance agreements after April's heavy rainfall. Despite strong growth, valuation multiples declined as earnings outpaced market capitalization.

Real estate

The real estate sector saw continued stabilization this quarter, driven by late-cycle adjustments and a demand-supply calibration in the GCC. Valuation multiples reflect a cautious market sentiment.

Implied ratios

We have calculated the implied EBITDA margins and implied ROE using the enterprise value multiples and market capitalization multiples. Below are the quarter-on-quarter movements of the implied ratios for the countries in the GCC region.

Implied ROE

	Q2'24	Q1'24	Q2'23	Q4'23	Q3'23
Education	15.4%	12.4%	10.3%	12.5%	12.5%
Energy	13.4%	11.9%	12.3%	11.7%	10.8%
Healthcare	11.6%	12.2%	10.9%	11.1%	11.7%
Hospitality	14.3%	12.6%	13.8%	11.4%	13.9%
Telecommunication	13.7%	13.6%	12.8%	13.8%	12.9%
Transport and Logistics	13.7%	12.1%	14.6%	13.1%	14.3%
Utilities	11.7%	12.2%	14.5%	12.4%	13.6%
Banks	10.1%	9.7%	8.8%	9.5%	9.0%
Insurance	12.1%	11.2%	6.9%	10.7%	8.3%
Real Estate	9.9%	7.6%	6.7%	6.9%	6.9%

Implied EBITDA margins

	Q2'24	Q1'24	Q2'23	Q4'23	Q3'23
Education	25.0%	27.9%	27.5%	28.2%	28.5%
Energy	25.9%	24.6%	22.1%	21.7%	19.8%
Healthcare	20.3%	20.7%	20.3%	20.3%	20.6%
Hospitality	18.8%	19.0%	14.3%	18.0%	14.6%
Telecommunication	32.0%	33.7%	34.5%	33.8%	33.7%
Transport and Logistics	27.7%	26.9%	20.9%	26.8%	24.2%
Utilities	40.7%	41.2%	41.2%	42.4%	39.7%

Implied ROE = P/B multiple divided by P/E multiple; Implied EBITDA margin = EV/Revenue multiple divided by EV/EBITDA multiple

Footnotes:

The screening criteria for computation of multiples takes into account large listed companies (by market capitalization). The criteria filters companies with a free float of less than 20% (except the top five players in each industry), companies with negative enterprise value, and outliers or non-meaningful multiples, if any. We have considered the mean of the sample sets for our analysis. Any outliers in the dataset have been excluded from our analysis. Our analysis is based on information sourced from Capital IQ and our research.

NA = not applicable; Q = Quarter; EV/Revenue = Enterprise value as of quarter ending/revenue for last twelve months; EV/EBITDA = Enterprise value as of quarter ending/EBITDA for last twelve months; EBITDA = earnings before interest, taxes, depreciation and amortization; Return on equity (ROE) = net income/average total equity; P/E = share price/earnings per share; P/BV = share price/book value per share; STEM: science, technology, engineering, and mathematics.

About KPMG Lower Gulf

For more than 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the United Arab Emirates and in the Sultanate of Oman.

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. KPMG firms operate in 143 countries and territories, and in FY23, collectively employed more than 270,000 partners and people. Established in 1973, KPMG in the UAE and Oman is well connected with its global member network and combines its local knowledge with international expertise.

For more than 50 years, KPMG Lower Gulf has provided audit, tax and advisory services to public and private sector clients and continues to serve the needs of business, governments, public-sector agencies, not-for-profits and through the firms' audit and assurance practices, the capital markets. As we continue to grow, we aim to evolve and progress, striving for the highest levels of public trust in our work. KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

Our values are: Integrity: We do what is right; Excellence: We never stop learning and improving; Courage: We think and act boldly; Together: We respect each other and draw strength from our differences; For Better: We do what matters. Our Values guide our behavior day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, and all of our stakeholders.

To meet the changing needs of our clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change.

At KPMG Lower Gulf, we believe that ESG is core to sustainable growth. KPMG's Global ESG Plan details its commitments across four ESG categories: planet, people, prosperity, and governance. These four priority areas assist us in defining and managing our environmental, social, economic and governance impacts to create a more sustainable future.

Through KPMG's ESG Plan, we aim to deliver growth with purpose. We unite the best of KPMG to help our clients fulfil their purpose and deliver against the SDGs, so all our communities can thrive and prosper.

Contact us

Anshul Gupta

Partner

Head of Deals

KPMG Lower Gulf

M: +971 (0) 50 457 4134

E: anshulagupta@kpmg.com

Elias Daou

Head of Valuations

Corporate Finance

KPMG Lower Gulf

M: +971 (0) 56 683 3180

E: edaou@kpmg.com

Nigam Gandhi

Director

Corporate Finance

KPMG Lower Gulf

M: +971 (0) 50 407 9024

E: ngandhi3@kpmg.com

Rajiv Maloo

Partner

Corporate Finance

KPMG Lower Gulf

M: +971 (0) 50 935 3245

E: rmaloo2@kpmg.com

Wissam Fakhoury

Director

Corporate Finance

KPMG Lower Gulf

M: +971 (0) 50 837 4348

E: wfakhoury@kpmg.com

www.kpmg.com/ae

Follow us on:



@kpmg_lowergulf

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG Lower Gulf Limited, licensed in the United Arab Emirates, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. Designed by Creative UAE

Publication name: Industry publication

Publication number: 5337

Publication date: November 2024