KPMG

Industry multiples in the GCC

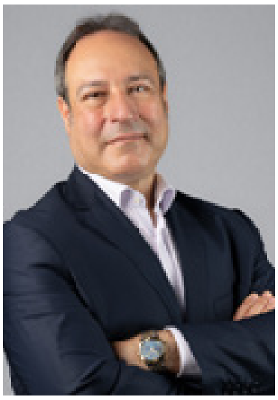
Q3 2024

Foreword

In its third edition, our 'Industry multiples in the GCC' publication reflects the region's cautious optimism amid global uncertainties.

The GCC's diversification efforts continue to mitigate global and regional challenges. The banking sector multiples indicate stable fundamentals with rising funding costs. The energy sector saw a decline due to lower oil prices, weakening refining margins and geopolitical uncertainties. The education, healthcare and hospitality industries remained optimistic with strategic initiatives supporting long-term growth. As for real estate, the sector held steady, while transport and logistics faced profitability challenges.

We would be delighted to discuss any of the topics covered in this publication. Please contact me or our featured authors with any questions.



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Industry multiples

Q3'24 GCC

The GCC region comprises six countries, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia (KSA) and the United Arab Emirates (UAE). Below is a comparative snapshot of Q3'24 multiples with the corresponding quarter, Q3'23 for select industries.

Snapshot Q3'24

	EV/Revenue		EV/EBITDA		P/E		P/B	
	Q3'24	Q3'23	Q3'24	Q3'23	Q3'24	Q3'23	Q3'24	Q3'23
Education	4.4x	5.0x	19.8x	17.4x	28.6x	28.0x	4.0x	3.5x
Energy	3.7x	4.4x	14.8x	22.0x	19.0x	23.9x	2.5x	2.6x
Healthcare	4.1x	4.4x	20.2x	21.4x	29.6x	30.5x	3.6x	3.6x
Hospitality	2.7x	2.5x	15.8x	17.4x	23.5x	22.2x	3.5x	3.1x
Telecommunication	1.9x	2.4x	6.0x	7.0x	13.4x	16.0x	1.8x	2.1x
Transport and Logistics	4.0x	3.4x	13.7x	14.2x	21.2x	20.1x	2.6x	2.9x
Utlities	4.6x	5.3x	11.3x	13.4x	18.9x	17.6x	2.3x	2.4x
Banks	na	na	na	na	10.4x	12.4x	1.0x	1.1x
Insurance	na	na	na	na	17.1x	21.4x	1.9x	1.8x
Real Estate	na	na	na	na	16.0x	21.4x	1.6x	1.5x

Industry multiples

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

EV/EBITDA

	Q3'24	Q2'24	Q3'23	Q1'24	Q4'23
Education	19.8x	17.4x	17.4x	17.9x	18.2x
Energy	14.8x	15.5x	22.0x	16.4x	18.8x
Healthcare	20.2x	21.2x	21.4x	20.5x	19.7x
Hospitality	15.8x	16.7x	17.4x	15.1x	16.8x
Telecommunication	6.0x	6.2x	7.0x	6.4x	6.6x
Transport and Logistics	13.7x	14.7x	14.2x	14.0x	12.6x
Utlities	11.3x	11.4x	13.4x	11.9x	11.8x

EV/Revenue

	Q3'24	Q2'24	Q3'23	Q1'24	Q4'23
Education	4.4x	4.4x	5.0x	5.0x	5.1x
Energy	3.7x	4.0x	4.4x	4.0x	4.1x
Healthcare	4.1x	4.3x	4.4x	4.2x	4.0x
Hospitality	2.7x	3.1x	2.5x	2.9x	3.0x
Telecommunication	1.9x	2.0x	2.4x	2.1x	2.2x
Transport and Logistics	4.0x	4.1x	3.4x	3.8x	3.4x
Utlities	4.6x	4.7x	5.3x	4.9x	5.0x

P/E

	Q3'24	Q2'24	Q3'23	Q1'24	Q4'23
Education	28.6x	24.9x	28.0x	29.5x	29.2x
Energy	19.0x	19.8x	23.9x	22.9x	22.7x
Healthcare	29.6x	32.7x	30.5x	30.8x	31.8x
Hospitality	23.5x	24.3x	22.2x	26.7x	27.0x
Telecommunication	13.4x	14.2x	16.0x	14.2x	14.2x
Transport and Logistics	21.2x	22.8x	20.1x	24.3x	20.3x
Utlities	18.9x	19.3x	17.6x	19.3x	17.2x
Banks	10.4x	10.9x	12.4x	11.0x	11.5x
Insurance	17.1x	17.7x	21.4x	16.3x	17.5x
Real Estate	16.0x	17.1x	21.4x	19.5x	22.4x

P/B

	Q3'24	Q2'24	Q3'23	Q1'24	Q4'23
Education	4.0x	3.8x	3.5x	3.7x	3.6x
Energy	2.5x	2.7x	2.6x	2.7x	2.7x
Healthcare	3.6x	3.8x	3.6x	3.8x	3.5x
Hospitality	3.5x	3.5x	3.1x	3.4x	3.1x
Telecommunication	1.8x	2.0x	2.1x	1.9x	2.0x
Transport and Logistics	2.6x	3.1x	2.9x	2.9x	2.7x
Utlities	2.3x	2.3x	2.4x	2.4x	2.1x
Banks	1.0x	1.1x	1.1x	1.1x	1.1x
Insurance	1.9x	2.1x	1.8x	1.8x	1.9x
Real Estate	1.6x	1.7x	1.5x	1.5x	1.5x

Footnotes:

Some industry multiples from previous quarters have been adjusted to normalize the effect of any outlier multiples identified in the current quarter's analysis. Therefore, we recommend referring to the most recent publication for previous quarters as well. This publication is based on the latest information available as of the cut-off date, 30 September 2024.

Banks

The decline in quarter-on-quarter (QOQ) valuation multiples was due to a drop in market capitalization, despite increases in net income and book value of equity. This reflects market caution, as net interest margins remain stable amid rising funding costs and higher loan impairments. These factors outweighed the otherwise positive financial performance of the banks.

Education

Growth in the education sector was driven by increased enrollments, demand for quality private schools, and significant government investments. The sector remains optimistic about future growth.

Energy

Despite increased investments, the energy sector saw a decline in multiples due to external factors, including lower oil prices, weaker refining margins and geopolitical uncertainties.

Healthcare

The updated multiples reflect market consolidation. Despite short-term adjustments, long-term prospects remain strong, supported by demographic trends, government initiatives and increasing private sector involvement aimed at enhancing efficiency and innovation.

Hospitality

The hospitality sector experienced a QOQ contraction due to tightening margins. However, a strong hotel investment pipeline and a focus on the luxury market suggest long-term growth potential. Regional tourism strategies and increased demand for high-end accommodations in KSA also support this optimism.

Insurance

The insurance sector showed resilience despite regulatory pressures and competition. Profitability varied, particularly in motor and medical insurance, with growing demand in KSA. Deal activity continued as companies adapt to market dynamics.

Real estate

Strong demand in the real estate market was driven by government initiatives and infrastructure projects. Investor sentiment remains positive, supported by ongoing urban development and market activity across the region.

Transport and Logistics

Despite steady demand and infrastructure growth, the QOQ multiples in the sector were impacted by geopolitical tensions and higher operational costs, which weakened profitability. As a result, the sector's outlook remains cautious.

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

	Q3'24	Q2'24	Q3'23	Q1'24	Q4'23
Education	13.9%	15.4%	12.5%	12.4%	12.5%
Energy	13.2%	13.4%	10.8%	11.9%	11.7%
Healthcare	12.2%	11.6%	11.7%	12.2%	11.1%
Hospitality	14.8%	14.3%	13.9%	12.6%	11.4%
Telecommunication	13.7%	13.7%	12.9%	13.6%	13.8%
Transport and Logistics	12.1%	13.7%	14.3%	12.1%	13.1%
Utlities	12.1%	11.7%	13.6%	12.2%	12.4%
Banks	10.1%	10.1%	9.0%	9.7%	9.5%
Insurance	11.1%	12.1%	8.3%	11.2%	10.7%
Real Estate	10.0%	9.9%	6.9%	7.6%	6.9%

Implied EBITDA margins

	Q3'24	Q2'24	Q3'23	Q1'24	Q4'23
Education	22.3%	25.0%	28.5%	27.9%	28.2%
Energy	25.2%	25.9%	19.8%	24.6%	21.7%
Healthcare	20.3%	20.3%	20.6%	20.7%	20.3%
Hospitality	16.9%	18.8%	14.6%	19.0%	18.0%
Telecommunication	32.2%	32.0%	33.7%	33.7%	33.8%
Transport and Logistics	29.0%	27.7%	24.2%	26.9%	26.8%
Utlities	40.7%	40.7%	39.7%	41.2%	42.4%

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.

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.

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