



Quarterly Brief

**Capital market data as of
31 March 2024**

21th Edition of our International
Valuation Newsletter
Q1 2024

April 2024
kpmg.be/valuation

Preface

Dear reader,

The new year started with a lot of turbulence, much like the previous year ended. Headlines about the door blowout of an Alaska Airways Boeing 737 aircraft were just one of several mishaps surrounding the troubled aircraft manufacturer. In addition to the ongoing conflicts in Ukraine, the Gaza Strip, and Lebanon, there were two major terrorist attacks in Moscow and Iran. Ongoing transport problems in the Red Sea, caused by attacks from Houthi rebels in solidarity with Palestine, are unsettling shipping and causing problems for global trade. In addition to the incidents in the Red Sea, maritime incidents also unfolded in the Western world, such as a freighter ramming a bridge in the harbor of Baltimore. However, the anticipated consequences for global supply chains largely failed to materialize.

Another topic of interest in the first quarter of 2024 was the election and presentation of the official presidential candidates for both the Republicans and the Democrats in the United States, setting the stage for a revival of the 2020 election. Apart from these events, the first quarter saw a near-doubling of the Bitcoin price, which was fueled by the approval of Bitcoin funds by the US Securities and Exchange Commission (SEC).

In these thrilling times, we are pleased to present our Quarterly Brief, a publication that offers objective market data, which will keep readers abreast of the latest developments in the relevant financial markets.

We wish you all the best in these persistently volatile times and look forward to discussing your questions regarding valuation trends and practices.

Yours faithfully



Jorn De Neve

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Steven Goossens

Director Valuations



We provide a selection of key financial market data covering:

- Comparison of major stock market performance for the 12 months ending 31 March 2024
- S&P Eurozone BMI Index sector multiples
- Risk-free rates for major currencies
- Country risk premiums and inflation forecasts for the BRICS countries

Major stock market performance: A clear recovery in the last quarter of the year

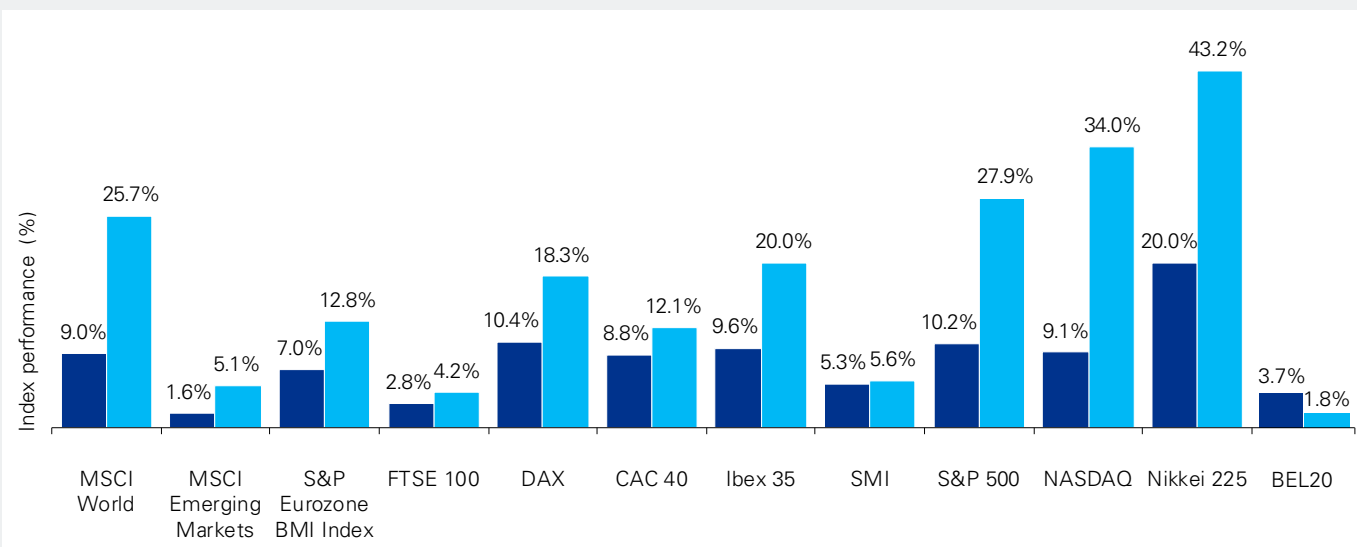
Over the past 12 months, global capital markets have continued to demonstrate significant growth, with most

indices exhibiting double-digit growth rates since April 2023. However, a few indices, namely the SMI, the MSCI Emerging Markets Index, and the FTSE 100 Index, have reported only moderate year-over-year growth rates of 5.6%, 5.1%, and 4.2%, respectively.

In addition, the quarter-on-quarter development of the Nikkei 225 Index has outperformed the other indices, showing a substantial increase of 20.0% in the last three months, indicating a remarkable positive performance. The MSCI Emerging Markets Index, on the other hand, exhibits a comparatively modest positive performance of 1.6%.

Performance of leading indices

31 March 2023 – 31 March 2024



Source: Capital IQ

■ QoQ ■ YoY

S&P Eurozone BMI Index sector multiples

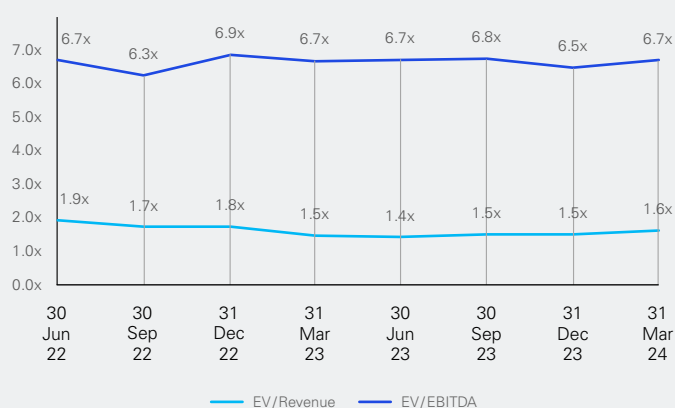
The EV/EBITDA multiples of most sectors have decreased compared to the previous quarter. When viewed in the context of the positive index performance as shown above, this decline may be attributed to improved profitability of companies, as indicated by EBITDA. However, it is important to note that this conclusion depends distinctly on the sector, geography, and individual

factors of each company. Therefore, it is necessary to evaluate each company's situation individually to confirm this conclusion.

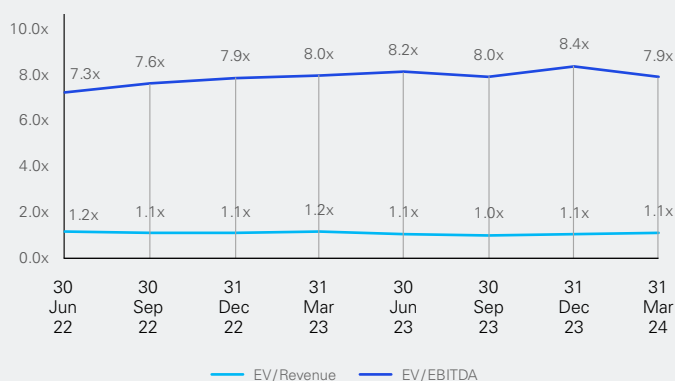
By comparison, the EV/revenue multiples have remained fairly constant compared to the previous quarter. This underlines the above-mentioned general finding of increased profitability.



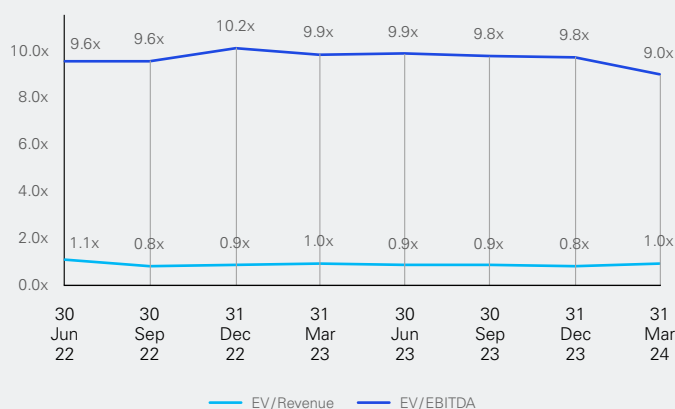
Communication Services



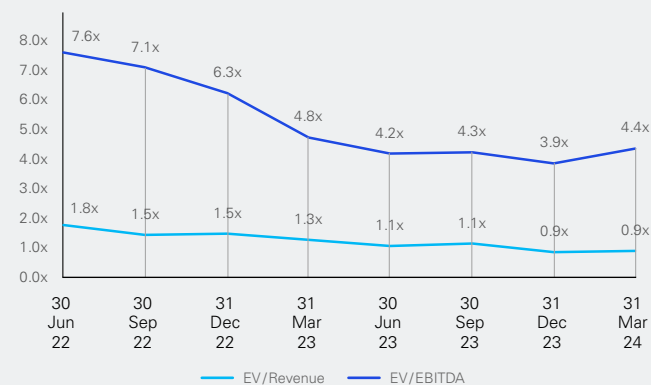
Consumer Discretionary



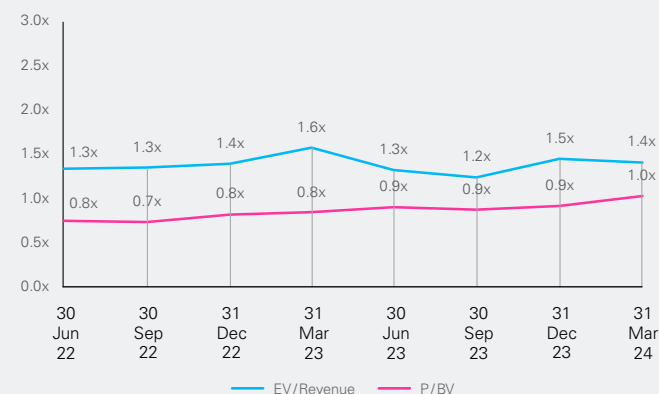
Consumer Staples



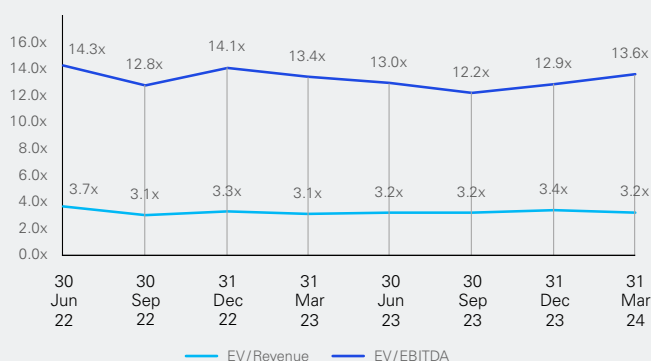
Energy



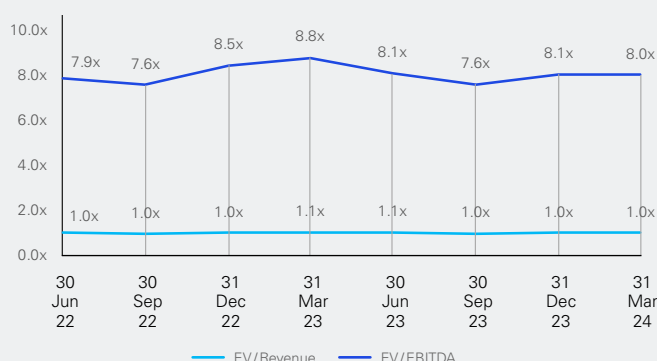
Financials



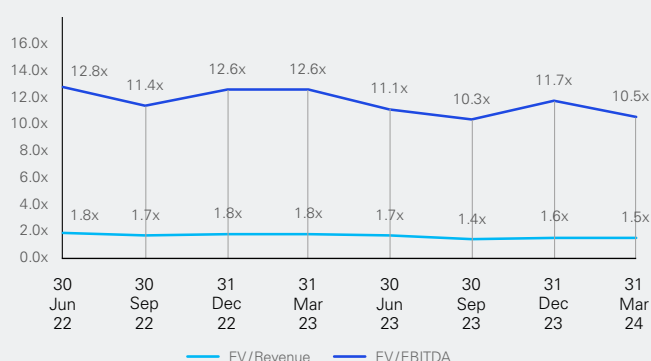
Health Care



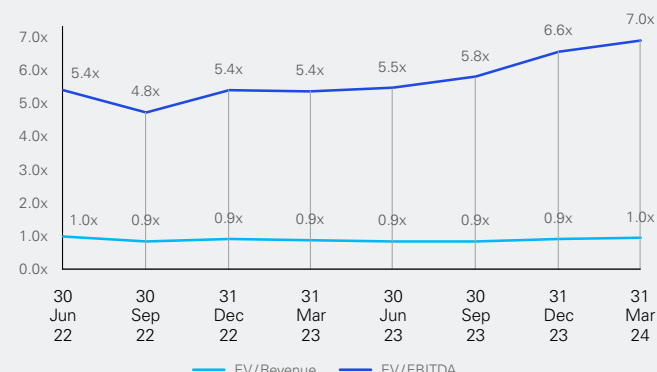
Industrials



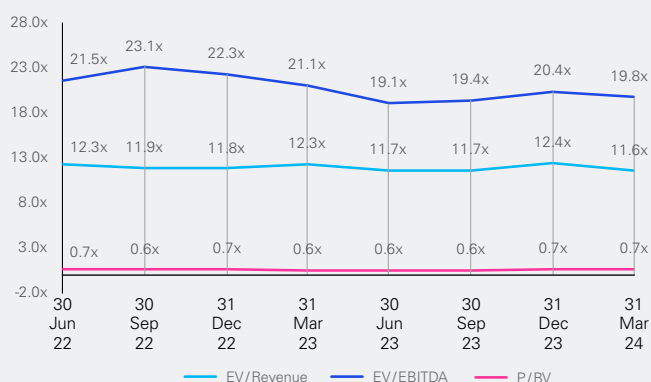
Information Technology



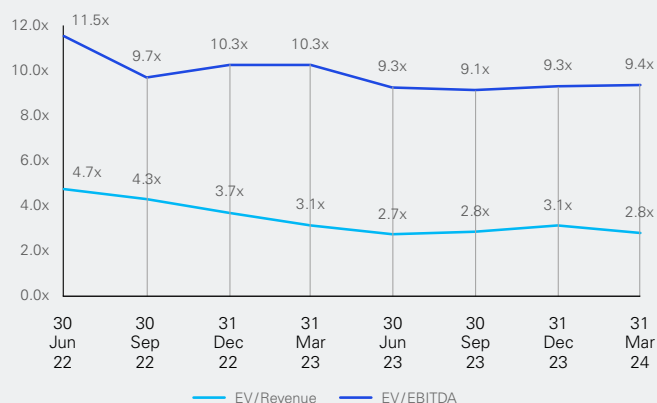
Materials



Real Estate



Utilities



Source: Capital IQ, KPMG analysis

Note: Multiples are analyzed based on the latest information available as of the assessment date for the respective edition of the Quarterly Brief newsletter. Changes in index composition, revised financial information and newly available information as of the respective assessment date may cause multiples to change.

Risk-free rates: Despite inflationary concerns, policy rate cuts are expected in the second half of 2024

Numerous experts believe that central banks have concluded their phase of policy rate increases. However, this does not indicate that policy rates will be reduced in the near future. There is a prevailing concern that premature policy rate cuts may exacerbate the fragile inflation situation, triggering a resurgence of inflation. This cautious disposition is also demonstrated by the development of the risk-free interest

rates, which recorded a small increase by the end of March 2024 despite a slight drop at the end of 2023. The individual interest rate trends are depicted in the table below.

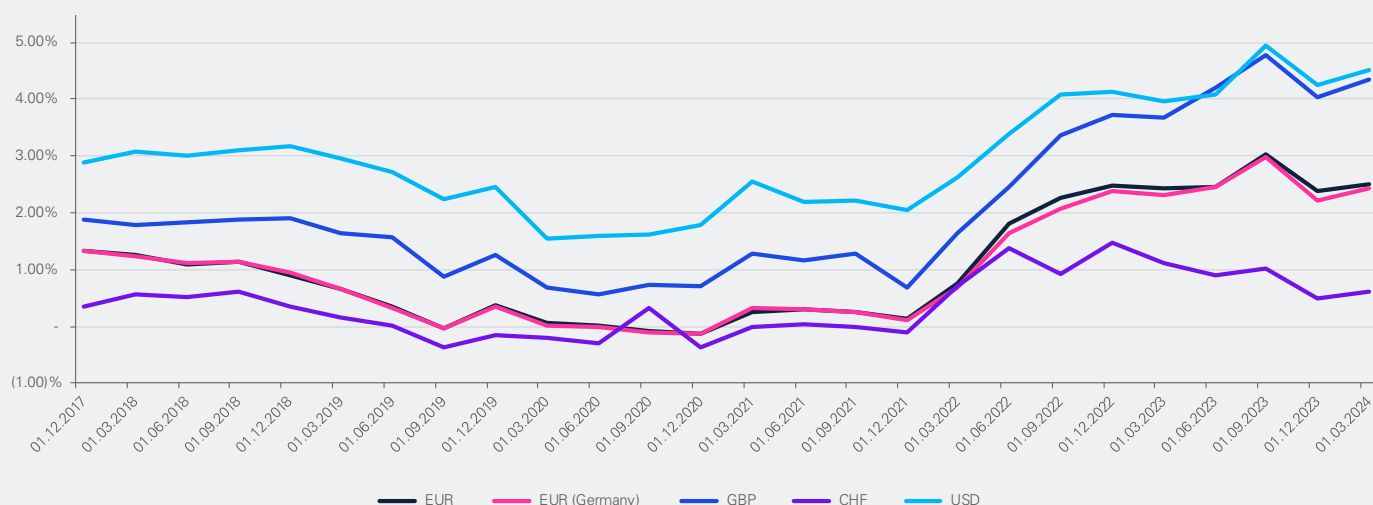
Conceptually, these interest rates are derived by KPMG from a uniform yield curve that is based on observable policy rate parameters defined by central banks. As of 31 March 2024, the United States held the highest interest rate among major economies, followed by the United Kingdom, the Eurozone overall, Germany specifically, and Switzerland.

Risk-free rates						
	 EUR	 EUR	 GBP	 CHF	 USD	
31.12.2017	1.34%	1.34%	1.89%	0.36%	2.89%	
31.03.2018	1.25%	1.24%	1.79%	0.56%	3.08%	
30.06.2018	1.09%	1.12%	1.83%	0.51%	3.00%	
30.09.2018	1.13%	1.15%	1.87%	0.61%	3.10%	
31.12.2018	0.90%	0.94%	1.91%	0.35%	3.17%	
31.03.2019	0.67%	0.65%	1.65%	0.15%	2.96%	
30.06.2019	0.35%	0.33%	1.56%	0.02%	2.71%	
30.09.2019	(0.03)%	(0.03)%	0.88%	(0.36)%	2.25%	
31.12.2019	0.37%	0.34%	1.25%	(0.16)%	2.46%	
31.03.2020	0.06%	0.01%	0.68%	(0.20)%	1.54%	
30.06.2020	0.01%	(0.02)%	0.56%	(0.29)%	1.60%	
30.09.2020	(0.08)%	(0.11)%	0.72%	0.32%	1.61%	
31.12.2020	(0.13)%	(0.14)%	0.70%	(0.36)%	1.78%	
31.03.2021	0.26%	0.32%	1.29%	(0.01)%	2.55%	
30.06.2021	0.29%	0.31%	1.17%	0.05%	2.20%	
30.09.2021	0.26%	0.25%	1.29%	0.00%	2.21%	
31.12.2021	0.14%	0.12%	0.70%	(0.10)%	2.05%	
31.03.2022	0.75%	0.69%	1.63%	0.70%	2.62%	
30.06.2022	1.80%	1.64%	2.45%	1.38%	3.38%	
30.09.2022	2.27%	2.07%	3.36%	0.92%	4.09%	
31.12.2022	2.47%	2.39%	3.72%	1.48%	4.12%	
31.03.2023	2.44%	2.32%	3.68%	1.11%	3.96%	
30.06.2023	2.45%	2.45%	4.20%	0.90%	4.07%	
30.09.2023	3.02%	2.97%	4.78%	1.03%	4.95%	
31.12.2023	2.37%	2.22%	4.04%	0.50%	4.24%	
31.03.2024	2.49%	2.42%	4.34%	0.61%	4.50%	

Source: KPMG analysis

Note: Risk-free rates are determined as a present value-equivalent uniform interest rate based on the yield curve of the respective central bank (Svensson model)

Risk-free rates over time



Country risk premium: largely stable – Russia remains unclear

In the first quarter of 2024, the factors influencing the country risk premium (CRP) in the BRICS countries seemed to be mostly stable. Brazil once more demonstrates a slight improvement in risk with a decrease of 0.1% point, while Egypt's CRP continued to increase slightly by 0.2% points.

Due to the ongoing military aggression against Ukraine, the availability of reliable data concerning country risk for Russia remains a challenge. As such, no meaningful values can be indicated. For Iran, no meaningful CRP can be estimated due to its prevailing hyperinflationary economic environment.

Country risk premium					
	31.03.2023	30.06.2023	30.09.2023	31.12.2023	31.03.2024
Brazil	2.7%	2.7%	2.5%	2.3%	2.2%
Russia	n/a	n/a	n/a	n/a	n/a
India	2.0%	2.1%	2.2%	2.3%	2.3%
China	0.7%	0.7%	0.7%	0.7%	0.7%
South Africa	3.2%	3.3%	3.3%	3.2%	3.2%
Egypt	8.7%	9.8%	10.7%	11.4%	11.6%
Ethiopia	13.1%	13.6%	14.1%	n/a	n/a
Iran	n/a	n/a	n/a	n/a	n/a
United Arab Emirates	0.5%	0.5%	0.6%	0.6%	0.6%

Source: KPMG CRP study

Note: Based on a two-year analysis

Growth rates: Positive tendencies in global growth outlook

Inflation forecasts are one of the typical indicators that can be used to assess the long-term growth rate for the terminal value calculation. The inflation rates for the BRICS countries are based on the Economist Intelligence Unit's inflation forecast for the years 2024 to 2029. The expected inflation can be measured through several parameters. For our presentation, we consider the GDP deflator. It is calculated as the difference between nominal and real GDP and measures the change in prices for all the goods and services produced in an economy.

In recent times, the BRICS countries have experienced high levels of expected inflation rates, particularly in the short term. This has been attributed to geopolitical tensions and economic disruptions. However, the global inflationary outlook has since moderated in the short- to medium-term. Nonetheless, there has been an upwards shift in overall level of inflation expectation compared to the December 2023 outlook. This increase can be largely attributed to the observed resilience of different core economies, as well as their corresponding supply chains, towards economic disruptions and periodically flaring up political tensions. As a consequence, the global growth outlook has become increasingly positive despite the challenging economic environment.

Inflation forecast						
	2024	2025	2026	2027	2028	2029
 Brazil	4.2%	2.8%	3.1%	3.2%	3.2%	3.3%
 Russia	4.0%	4.8%	1.5%	3.8%	1.7%	2.8%
 India	3.6%	3.3%	2.1%	2.6%	2.3%	3.8%
 China	1.5%	1.1%	0.8%	1.2%	1.0%	2.2%
 South Africa	9.2%	8.4%	8.3%	8.4%	8.6%	3.7%
 Egypt	14.5%	12.2%	8.0%	6.9%	7.0%	7.0%
 Ethiopia	25.3%	13.1%	15.6%	8.5%	7.3%	n/a
 Iran	30.4%	19.6%	18.3%	17.7%	15.2%	22.4%
 United Arab Emirates	(3.5)%	(2.4)%	(0.3)%	0.0%	(0.3)%	1.4%

Source : Economist Intelligence Unit

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