



# Valuation Newsletter

Quarterly update – Q4 2022

Eighth edition

Capital Market Pulse

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February 2023



# Foreword

We are pleased to publish the eighth 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 January 2023<sup>1</sup>, the Qatar National Vision 2030 will form the basis for the economic policies in Qatar during FY2023-27. The North Field East liquefied natural gas (LNG) expansion project is expected to boost up the fiscal and external-account surpluses when output starts by end of FY2025. Based on the above, EIU forecasts the real GDP growth rate in Qatar to be 3.7% in FY2023. 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 December 2022
- Risk free rate movement from 31 December 2021 to 31 December 2022 in major GCC countries and the U.S
- CRP movement from 31 December 2021 to 31 December 2022 in major GCC countries and the U.S
- Inflation forecasts for the 5 years ending 2027 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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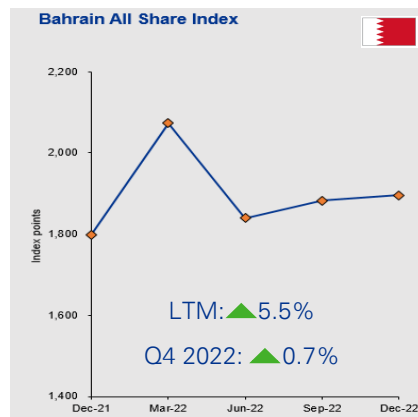
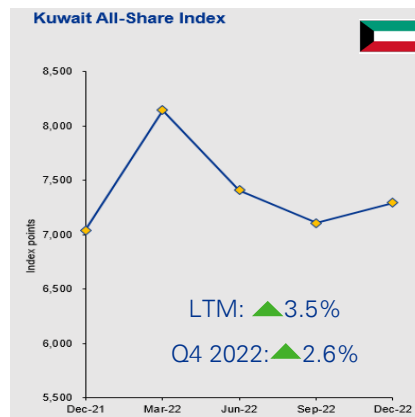
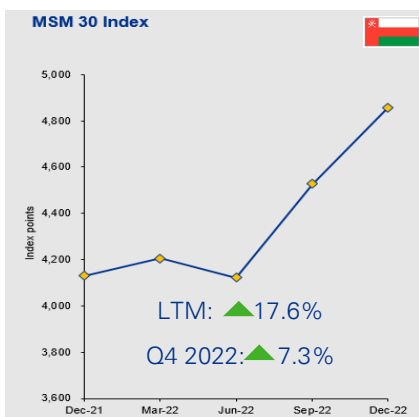
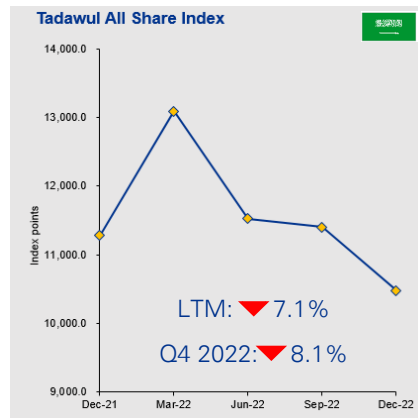
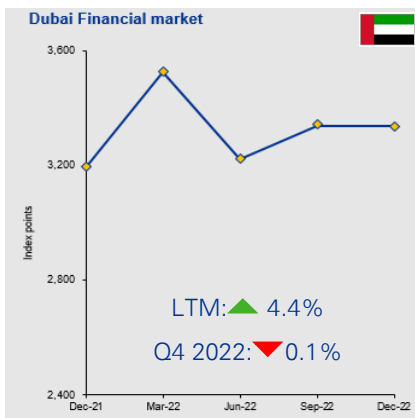
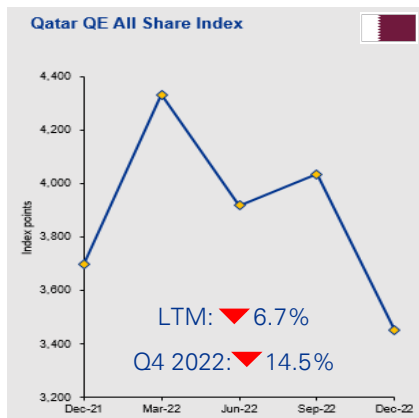
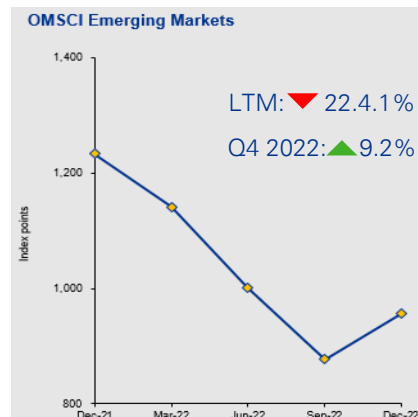
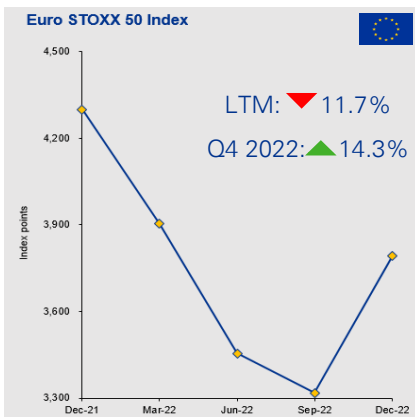
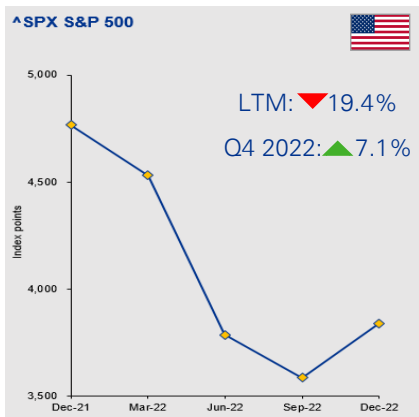
Disclaimer: As the markets have been volatile some sector multiples would reflect extremities and hence readers are advised to use their discretion, judgment while considering these multiples for their analysis and decision-making purposes.

<sup>1</sup>Source: <https://viewpoint.eiu.com/analysis/geography/XN/QA>

# Financial market indicators

In general, **worldwide indices recorded a slight improvement** from the third quarter of 2022 due to stabilizing inflation, and **lower crude prices which had previously increased due to the Russian / Ukraine conflict** that started in February 2022.

**GCC countries** with the exception of Oman, Kuwait and Bahrain witnessed a drop in the indices from the third quarter of 2022 primarily due to lowering crude prices. The prevailing situation in China has clouded the outlook for energy demand. The European Union has also placed restrictions on Russian crude prices which is increasing the uncertainty in an already-volatile global crude market.

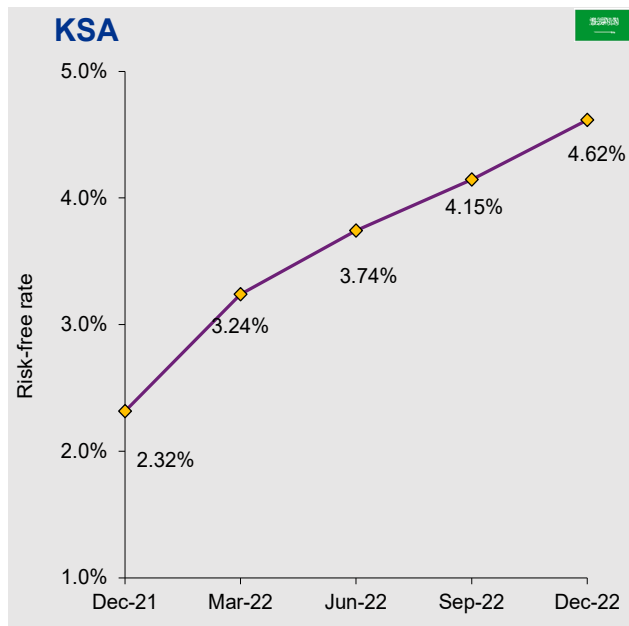
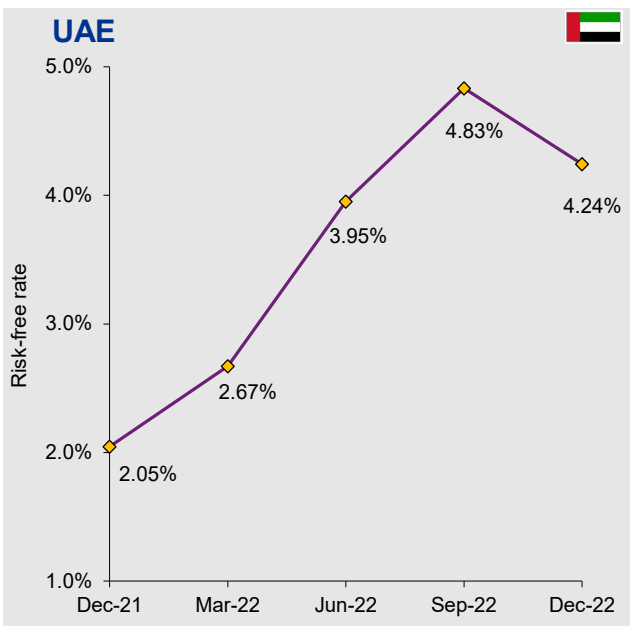
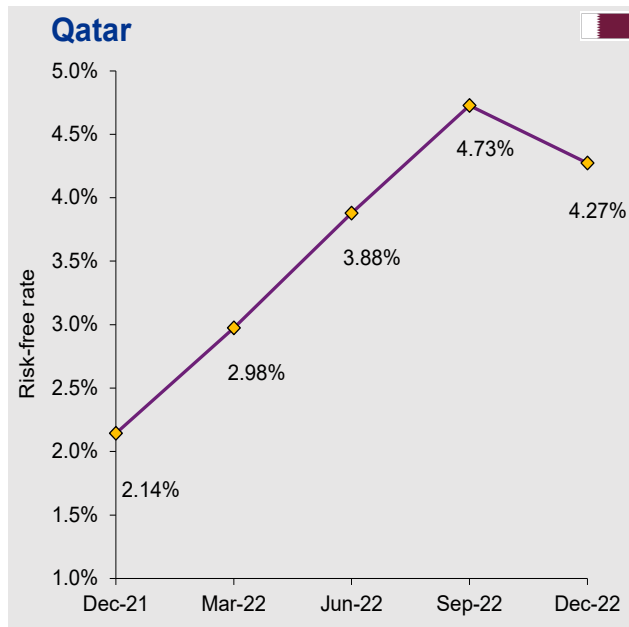
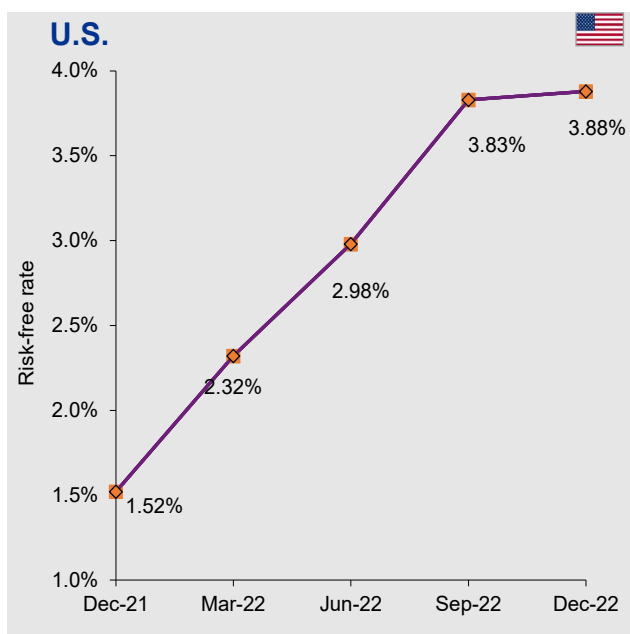


LTM: Period between Dec. 2021 and Dec.2022; Q4: Period between Sep 2022 (Q3) and Dec 2022 (Q4)

# 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.

Increasing global inflation, particularly in the US and other advanced economies, has led to further **hardening of the risk-free rate** to curtail global excess liquidity. Risk free rate of the U.S. increased from 3.83% in Sep. 22 to 3.88% in Dec. 22.



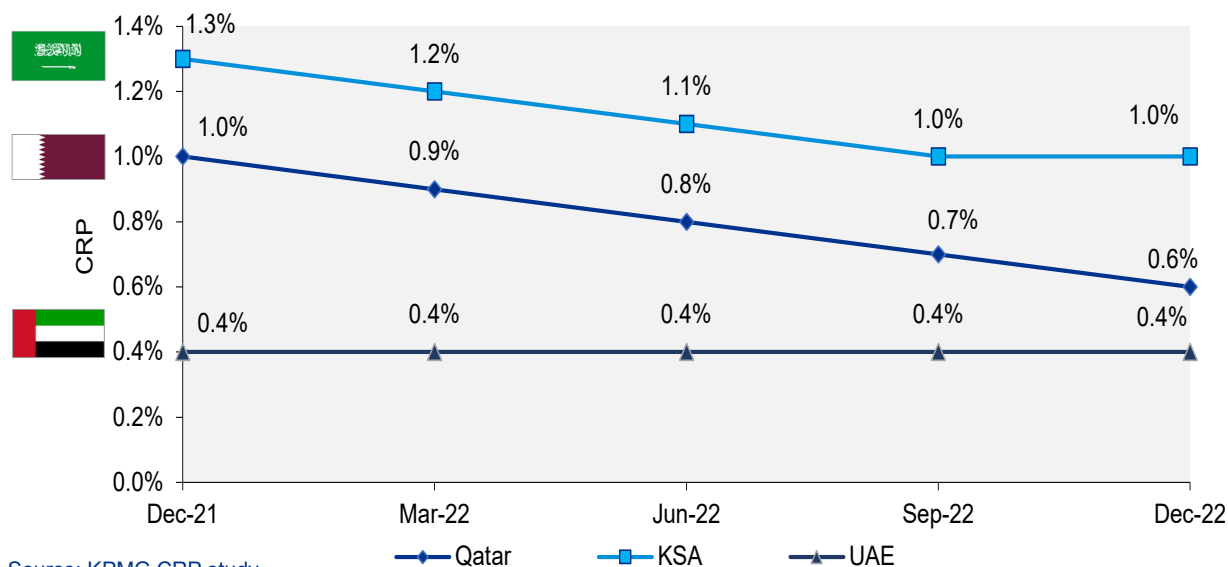
**Note:** We have used the yield of nearest 10 years USD denominated government bond available and do not depict the exact risk free rate. Further, to determine the risk-free rate specific to the GCC countries in their local currency a long term inflation differential adjustment over long term US inflation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

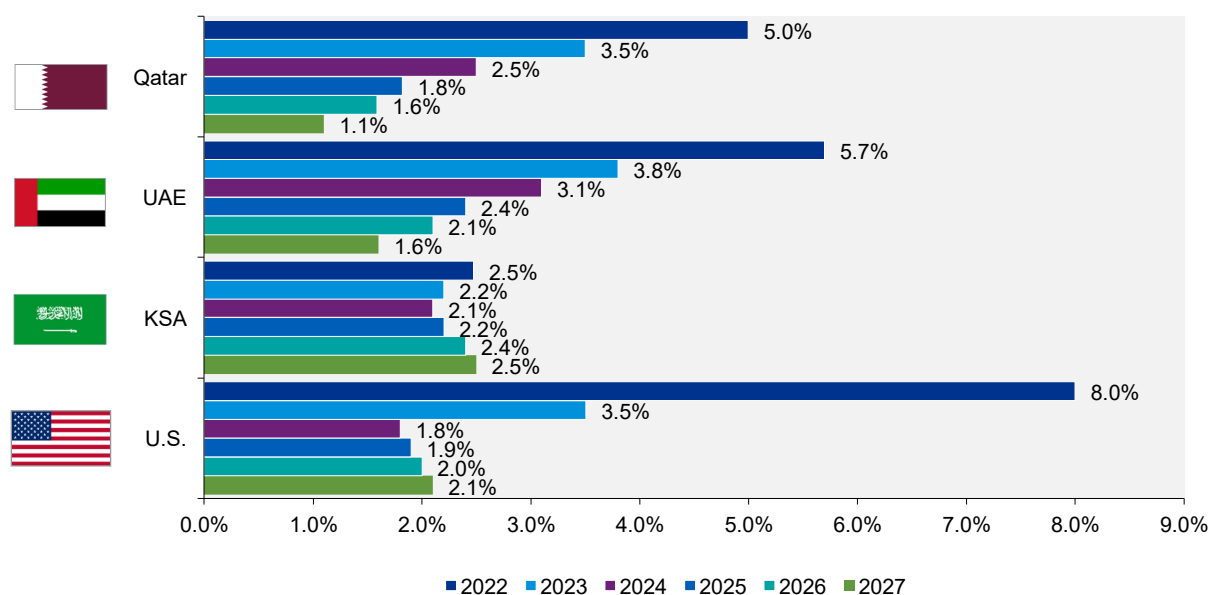
Major GCC countries CRP from **December 2021 to December 2022** are indicated in the below chart.



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.

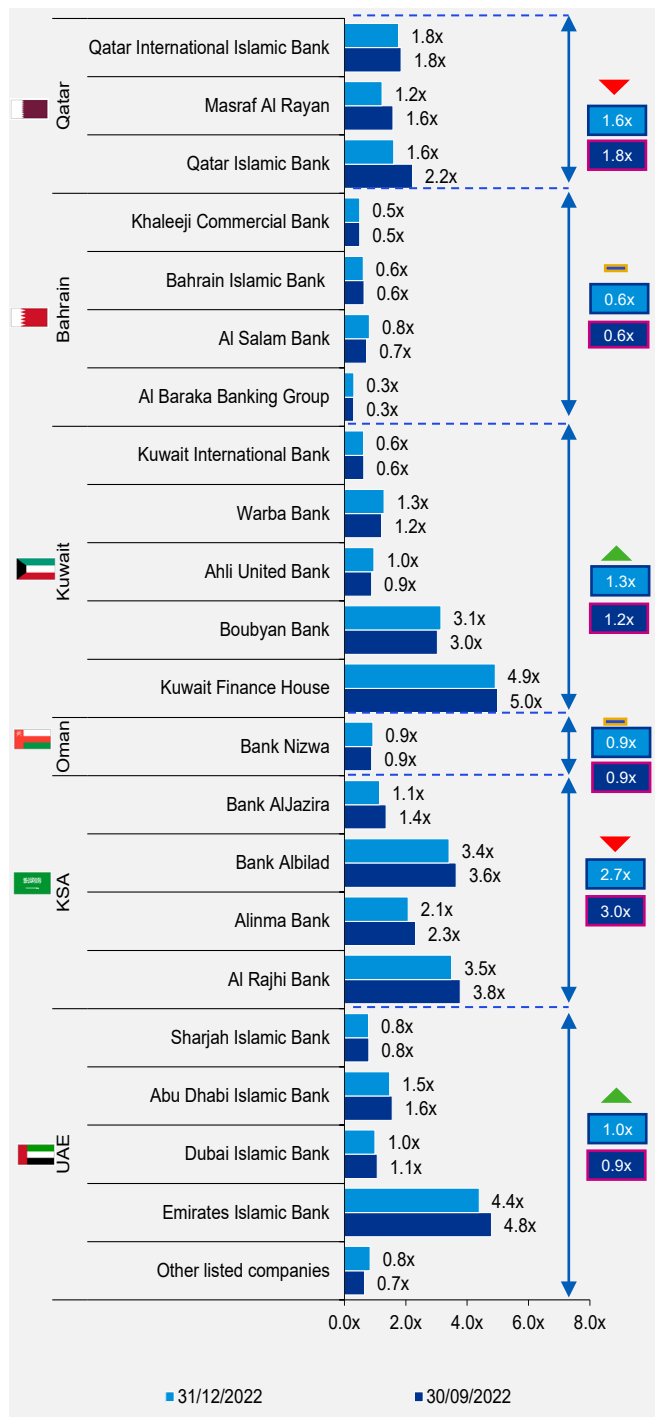


Source: Economic Intelligence Unit, January 2023



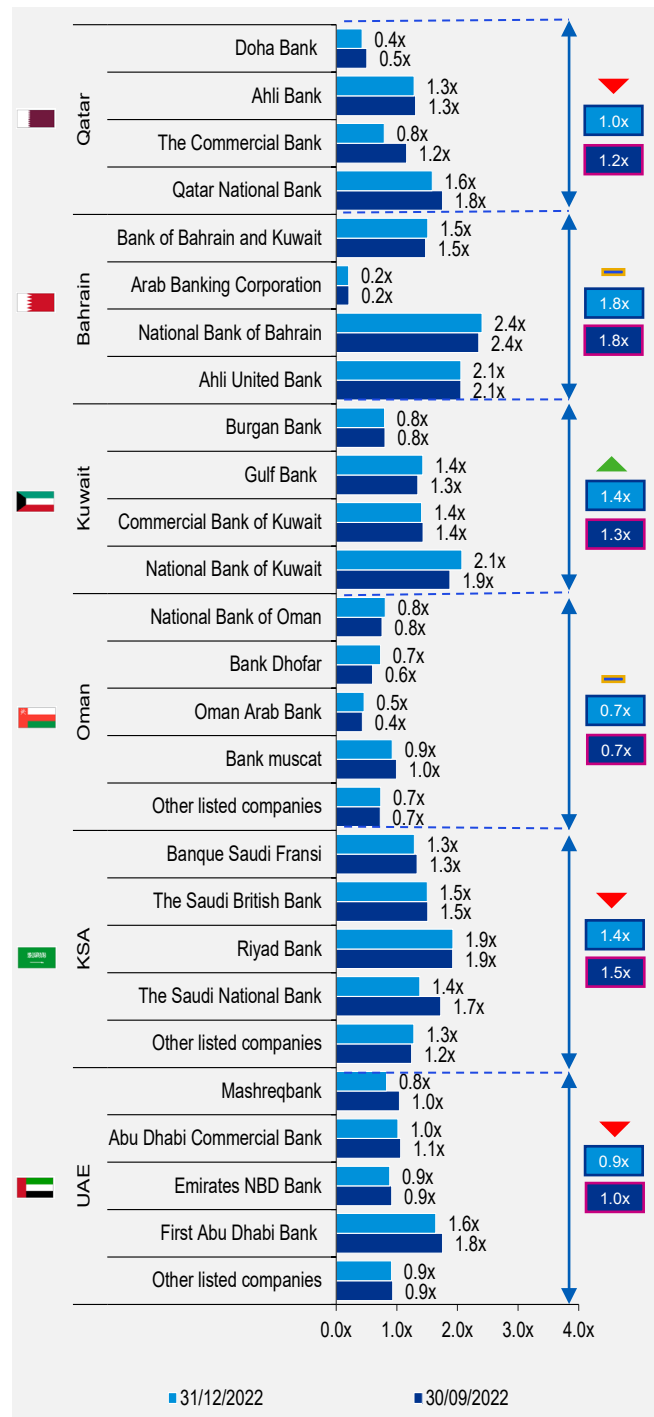
# GCC Islamic Banks

Median Price-to-book multiple remains unchanged at 1.1x from Sep. 2022 to Dec. 2022



# GCC Conventional Banks

Median Price-to-book multiple remains unchanged at 1.0x from Sep. 2022 to Dec. 2022



Price refers to market capitalization plus preferred equity as on 31 Dec. 2022 and 30 Sep. 2022. 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 December 2022

Median P/BV multiple as of 30 September 2022

▲ Increase in multiple,

▼ Decrease in multiple,

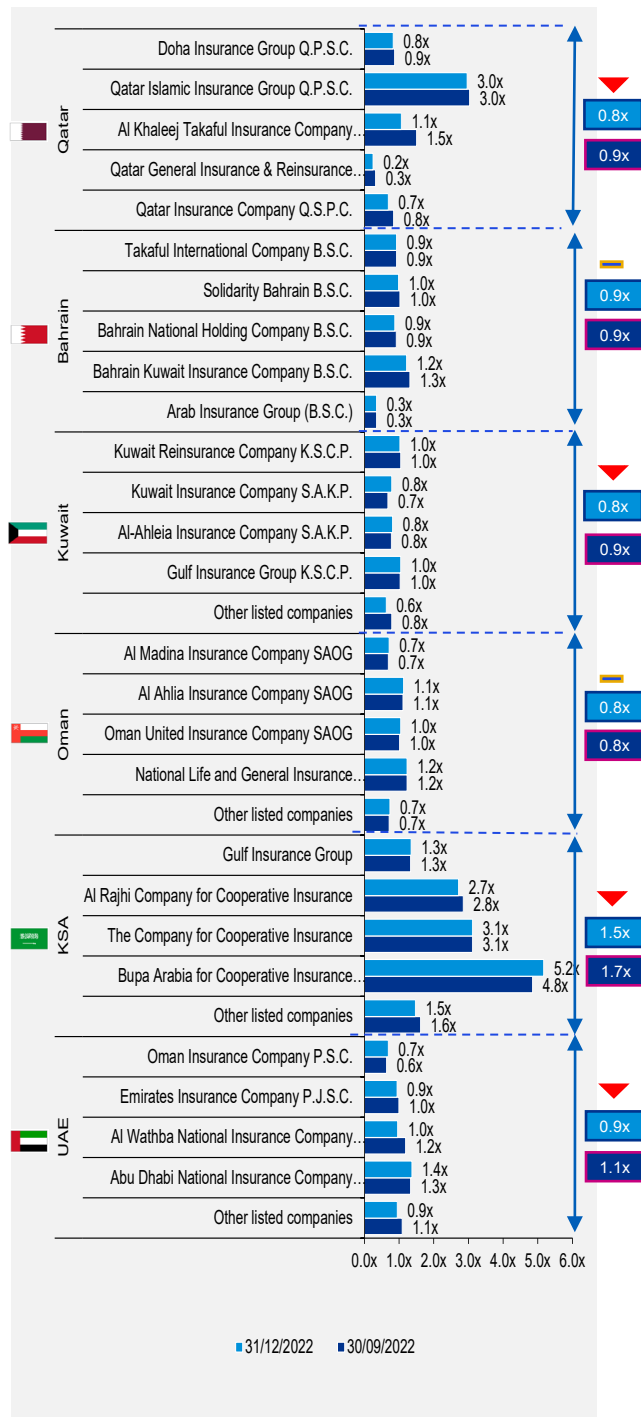
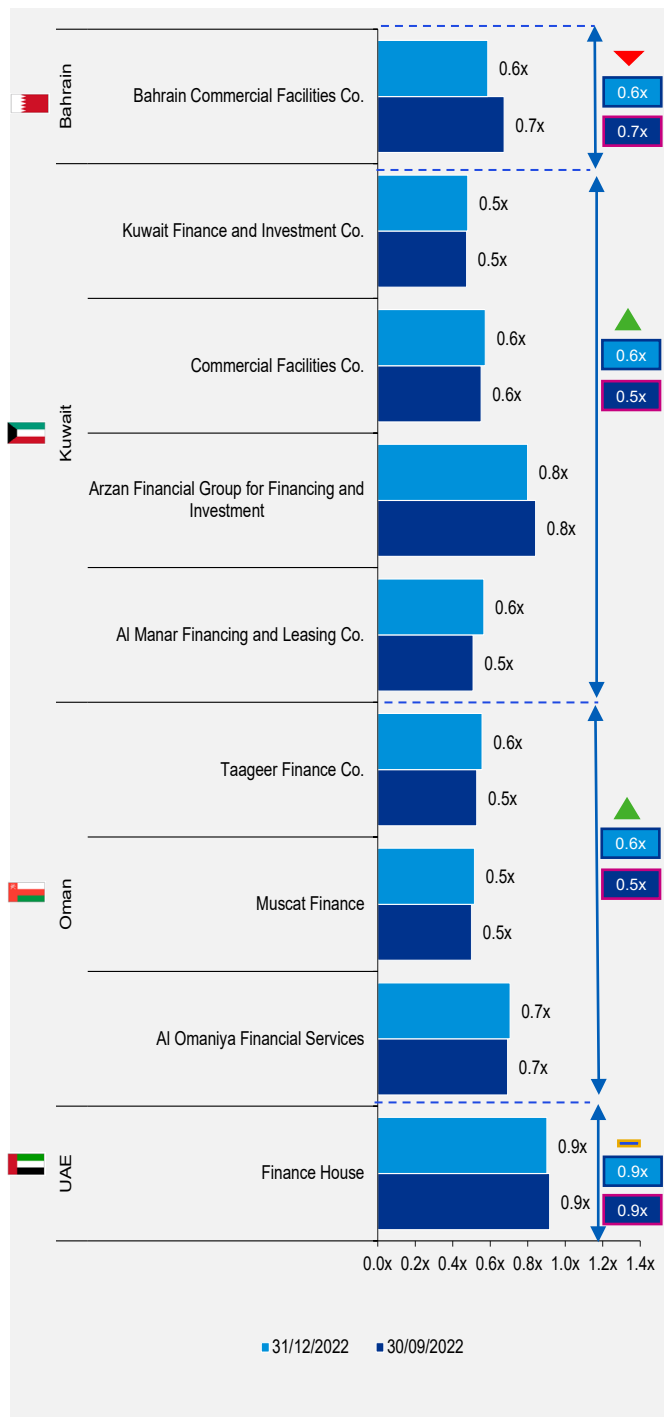
▬ No change in multiple

# GCC Consumer Finance

# GCC Insurance

Median price-to-book multiple remains unchanged at 0.6x from Sep. 2022 to Dec. 2022

Median price-to-book multiple decreased from 1.2x to 1.1x from Sep. 2022 to Dec. 2022



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Median P/BV multiple as of 31 December 2022

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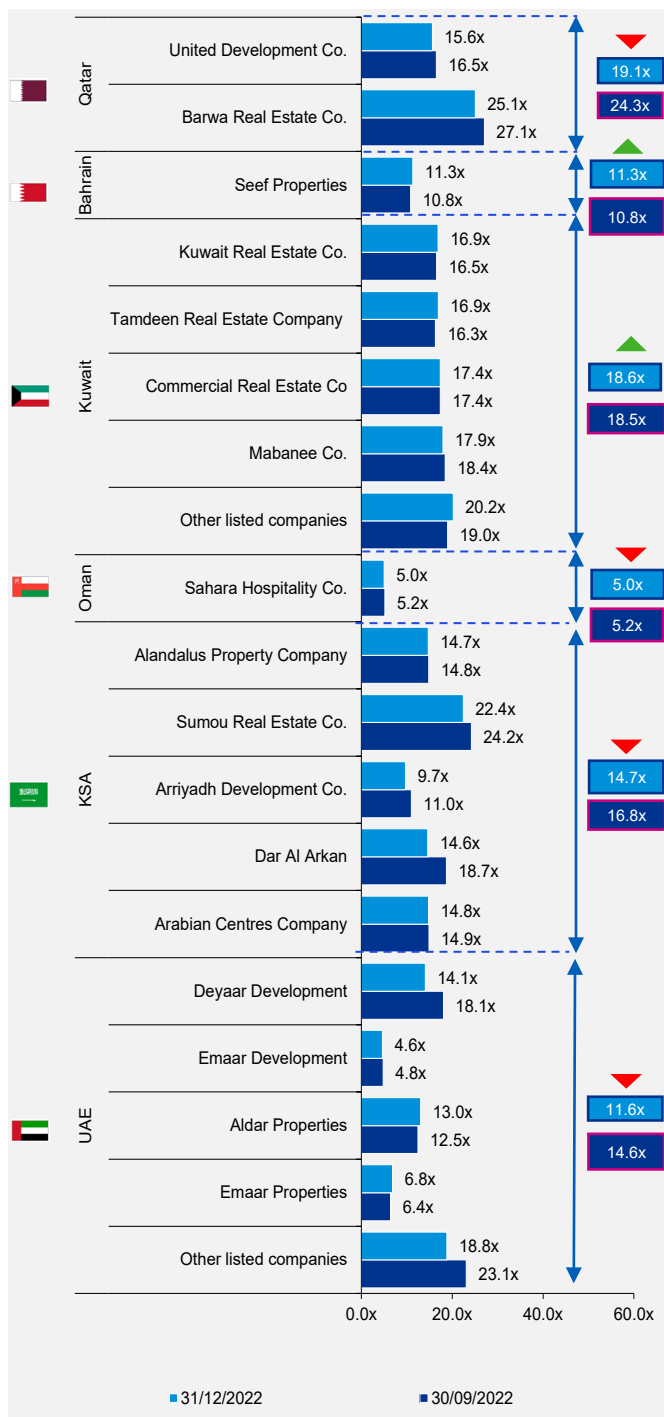
▲ Increase in multiple,

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▬ No change in multiple

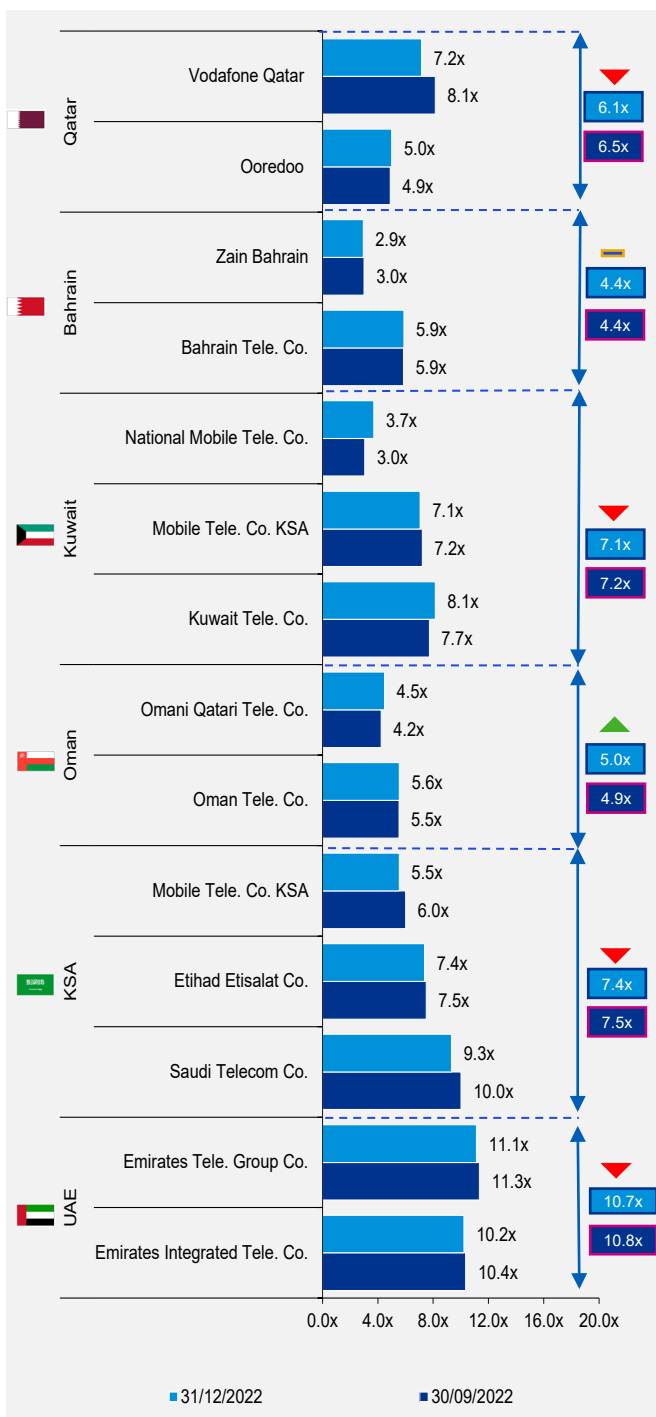
# GCC Real Estate

Median EV/EBITDA multiple decreased from 18.0x to 17.4x from Sep. 2022 to Dec. 2022



# GCC Telecom

Median EV/EBITDA multiple decreased from 6.6x to 6.5x from Sep. 2022 to Dec. 2022



\*\*"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 P/BV multiple as of 31 December 2022

■ Median P/BV multiple as of 30 September 2022

▲ 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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