

Valuation Newsletter

Quarterly update – Q2 2023

Ninth edition

Capital Market Pulse

August 2023



Foreword

We are pleased to publish the ninth 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 July 2023¹, the Qatar National Vision 2030 will form the basis for the economic policies in Qatar during FY2023-27. Qatar being a global LNG exporter plans to divert 10-15% of its LNG exports to Europe, particularly Germany, as well as strengthen its Asian ties. EIU forecasts the real GDP growth rate in Qatar to be 2.5% 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 30 June 2023
- Risk free rate movement from 30 June 2022 to 30 June 2023 in major GCC countries and the U.S
- CRP movement from 30 June 2022 to 30 June 2023 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.



Venkat Krishnaswamy
Partner,
Head of Advisory



Karthik Jagadeesan
Associate Director
Advisory, Valuations

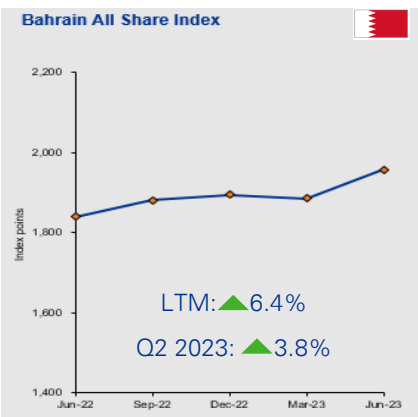
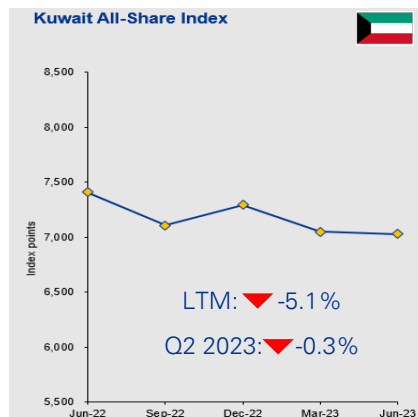
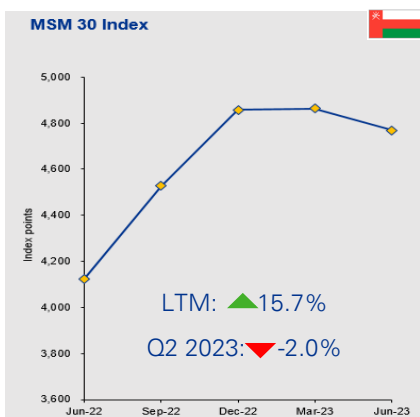
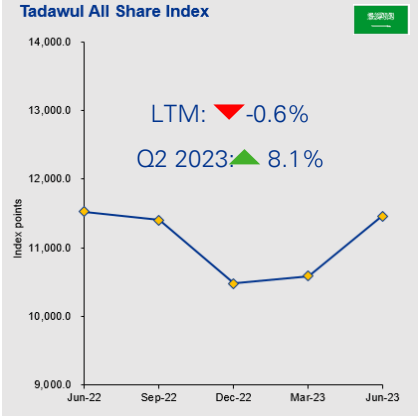
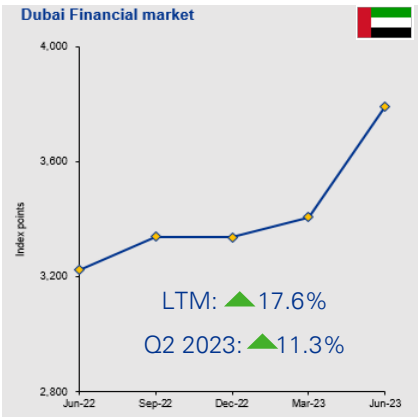
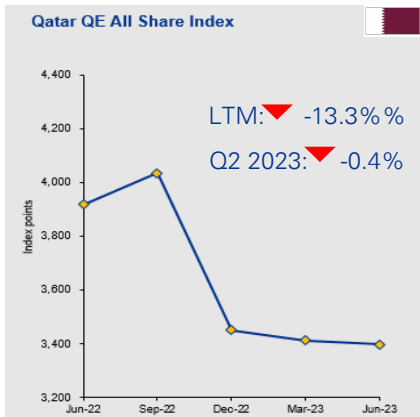
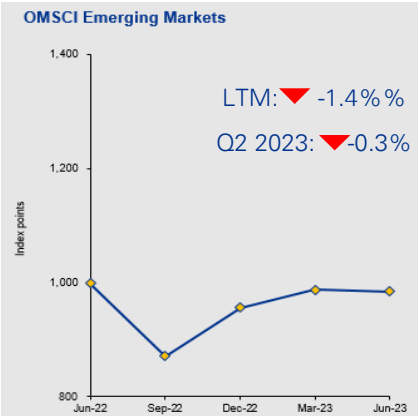
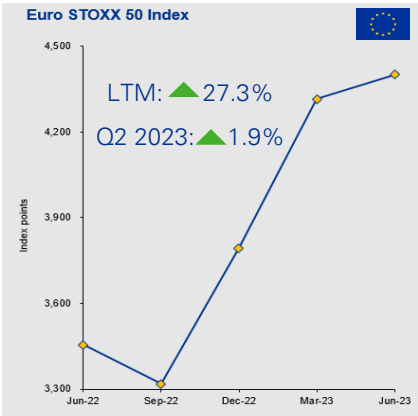
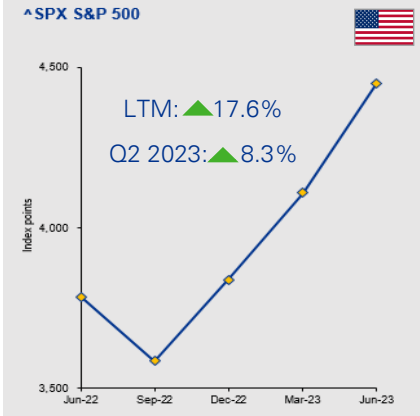
Disclaimer: As the markets have been volatile some sector multiples would reflect extremities and hence readers are advised to use their discretion, judgment while considering these multiples for their analysis and decision-making purposes.

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

Financial market indicators

In general, **worldwide indices recorded an improvement** from the first quarter of 2023 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 Qatar, Oman and Kuwait witnessed a rise in the indices from the first quarter of 2023 primarily driven by significant amount of IPO activity. The UAE market had been particularly active, accounting for over 90% of the GCC IPO proceeds.

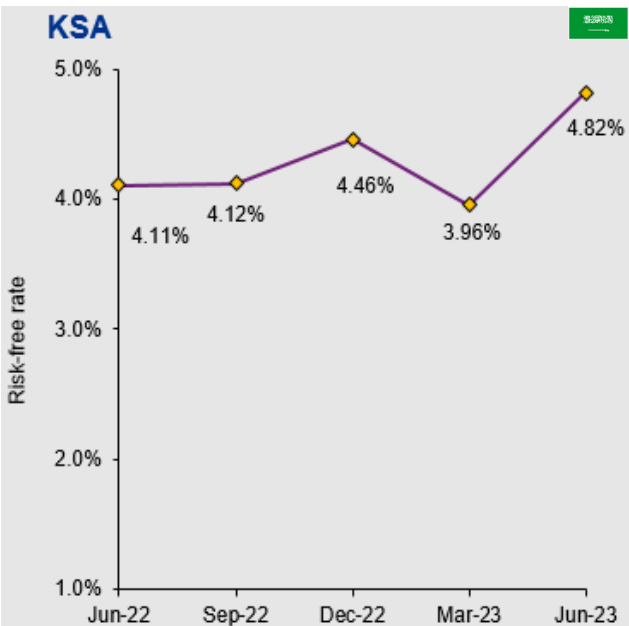
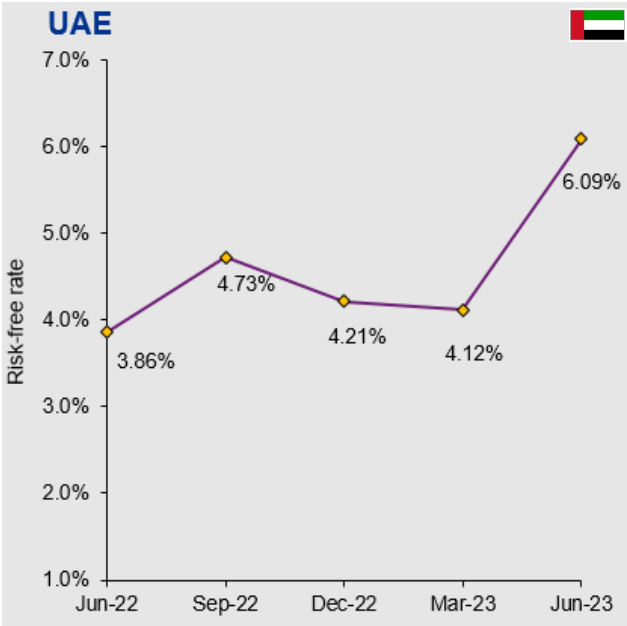
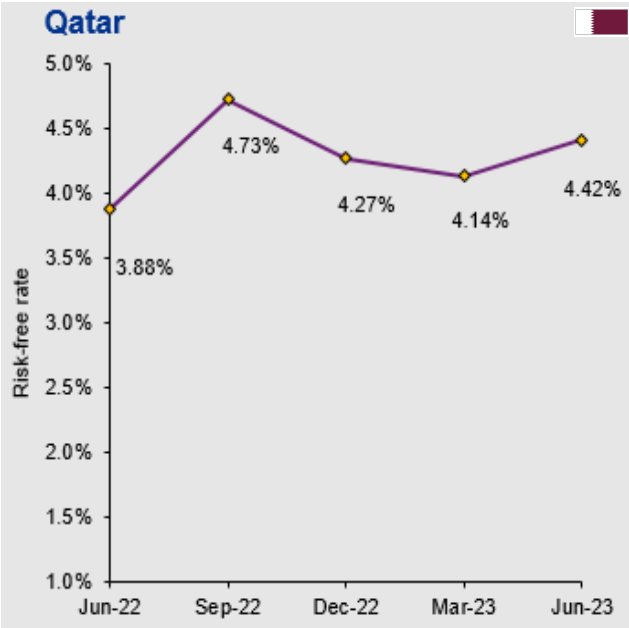
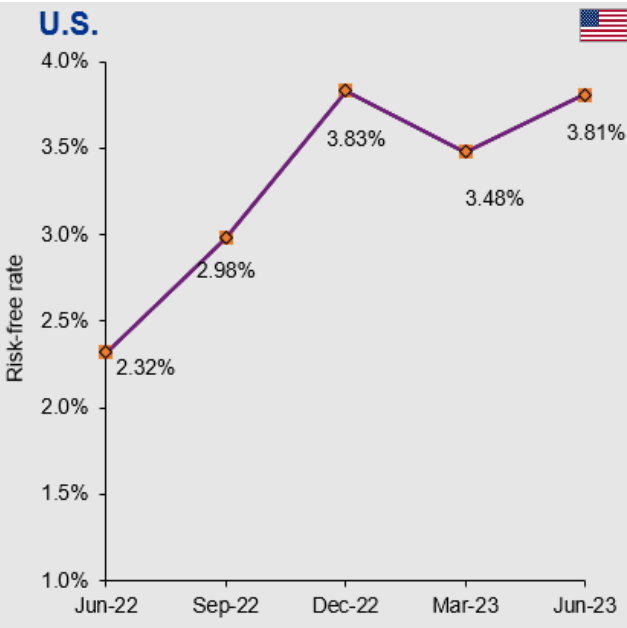


LTM: Period between June 2022 and June 2023; Q2: Period between Mar 2023 (Q1) and June 2023 (Q2)

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 3.48% in Mar. 23 to 3.81% in Jun. 23.



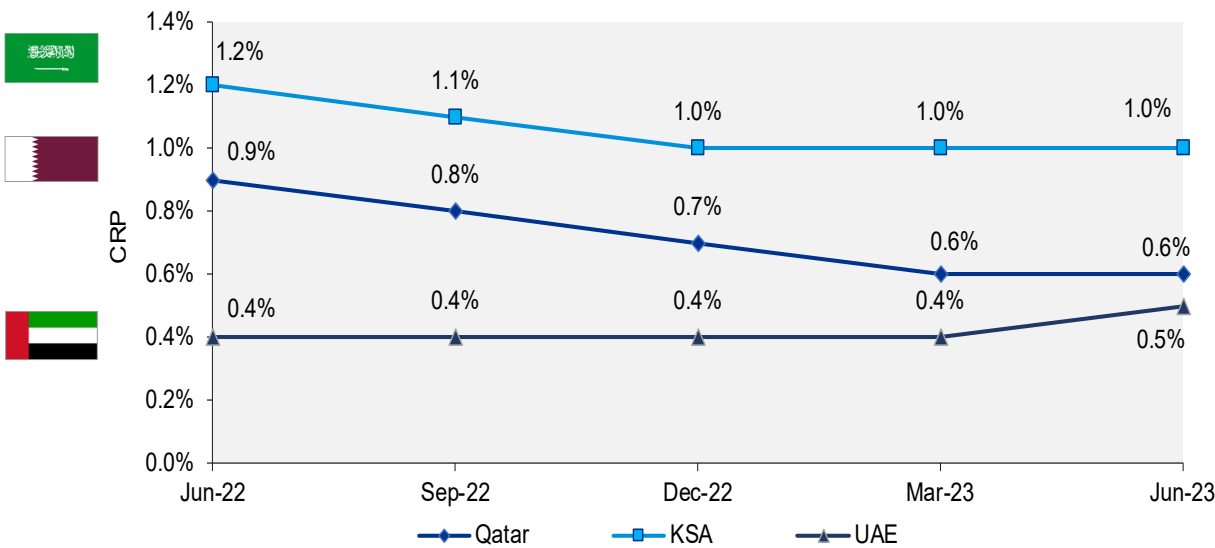
Note: We have used the yield of nearest 10 years USD denominated government bond available and do not depict the exact risk free rate. Further, to determine the risk-free rate specific to the GCC countries in their local currency a long term inflation differential adjustment over long term US inflation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

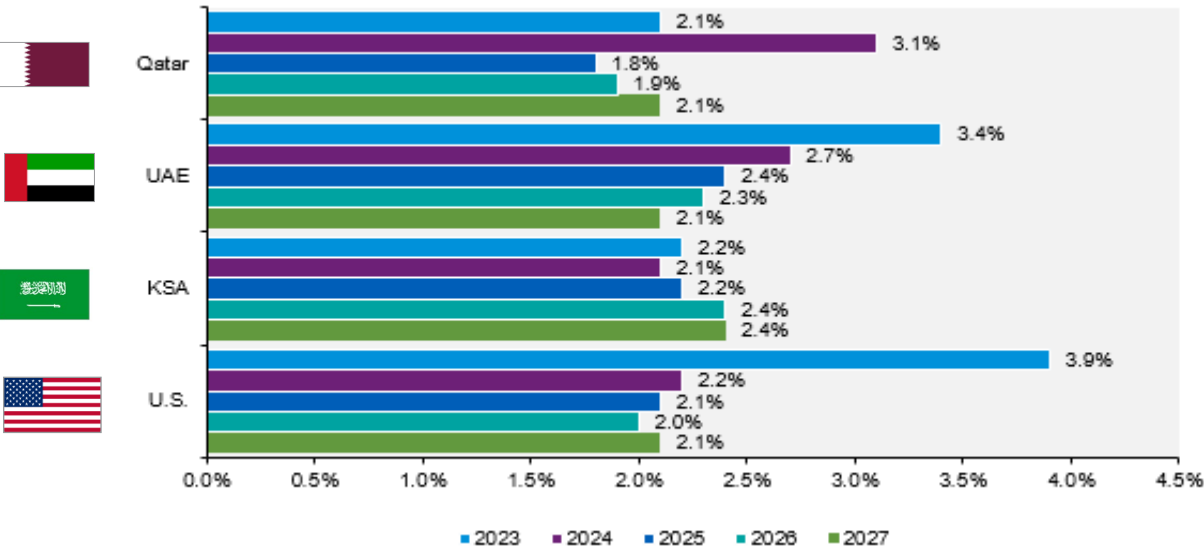
Major GCC countries CRP from **June 2022 to June 2023** are indicated in the below chart.



Source: KPMG CRP study

Inflation forecast

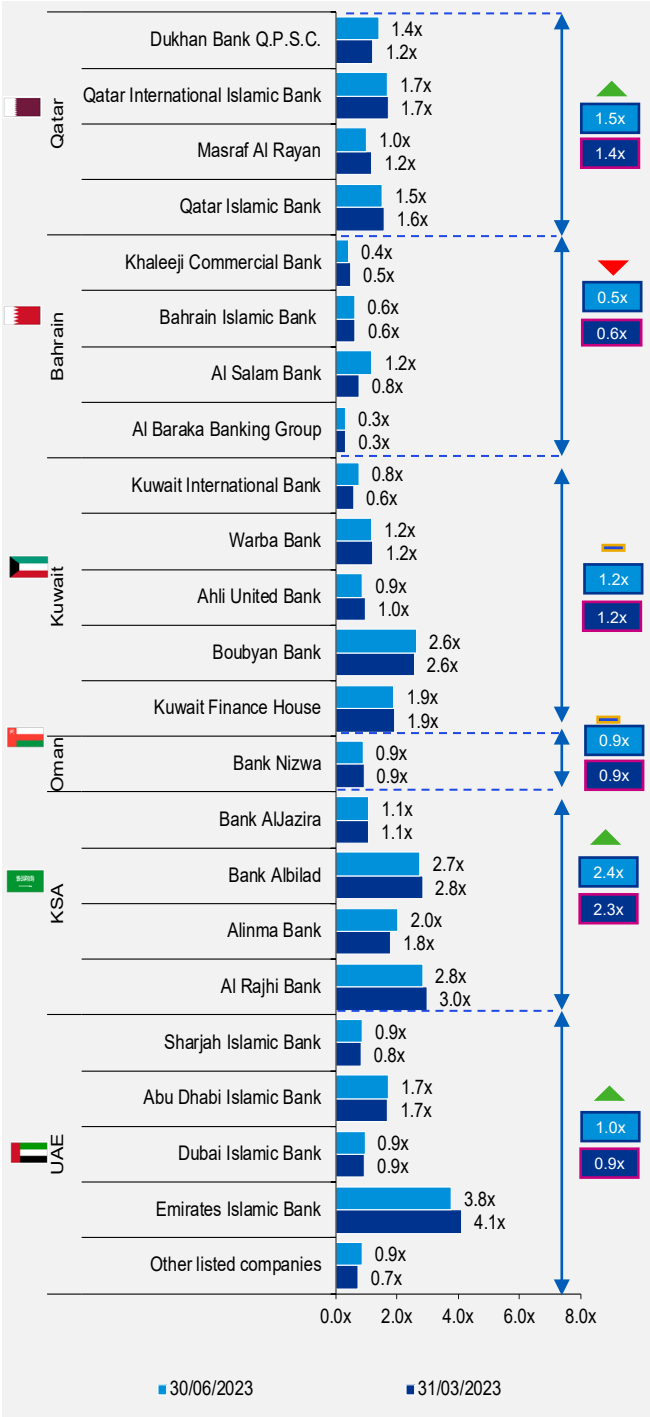
Inflation forecast for a country can be used as **long-term growth rate of the country for terminal value calculation**. We have considered **consumer price index ('CPI')** that examines the **weighted average of prices** of a basket of consumer goods and services.



Source: Economic Intelligence Unit, June 2023

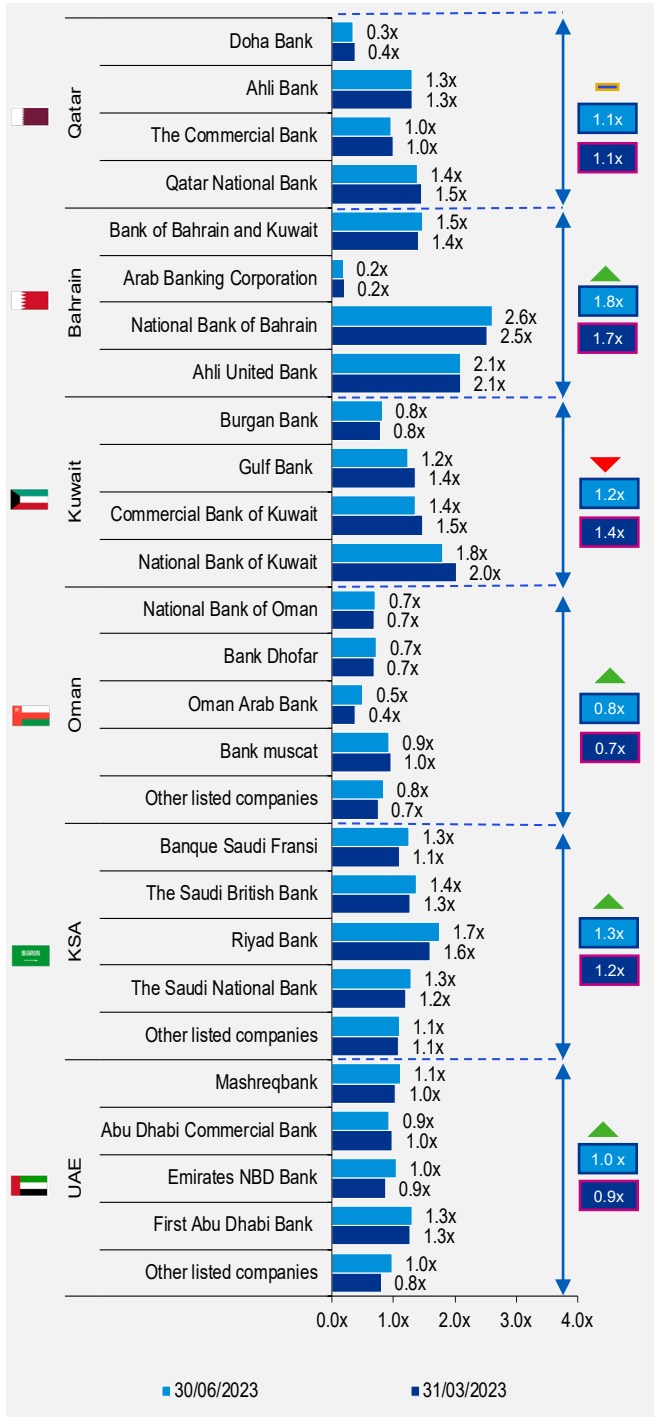
GCC Islamic Banks

Median Price-to-book multiple remains unchanged at 1.1x from Mar. 2023 to June 2023



GCC Conventional Banks

Median Price-to-book multiple remains unchanged at 1.0x from Mar. 2023 to June 2023



Price refers to market capitalization plus preferred equity as on 31 Mar. 2023 and 30 June 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 30 June 2023

Median P/BV multiple as of 31 March 2023

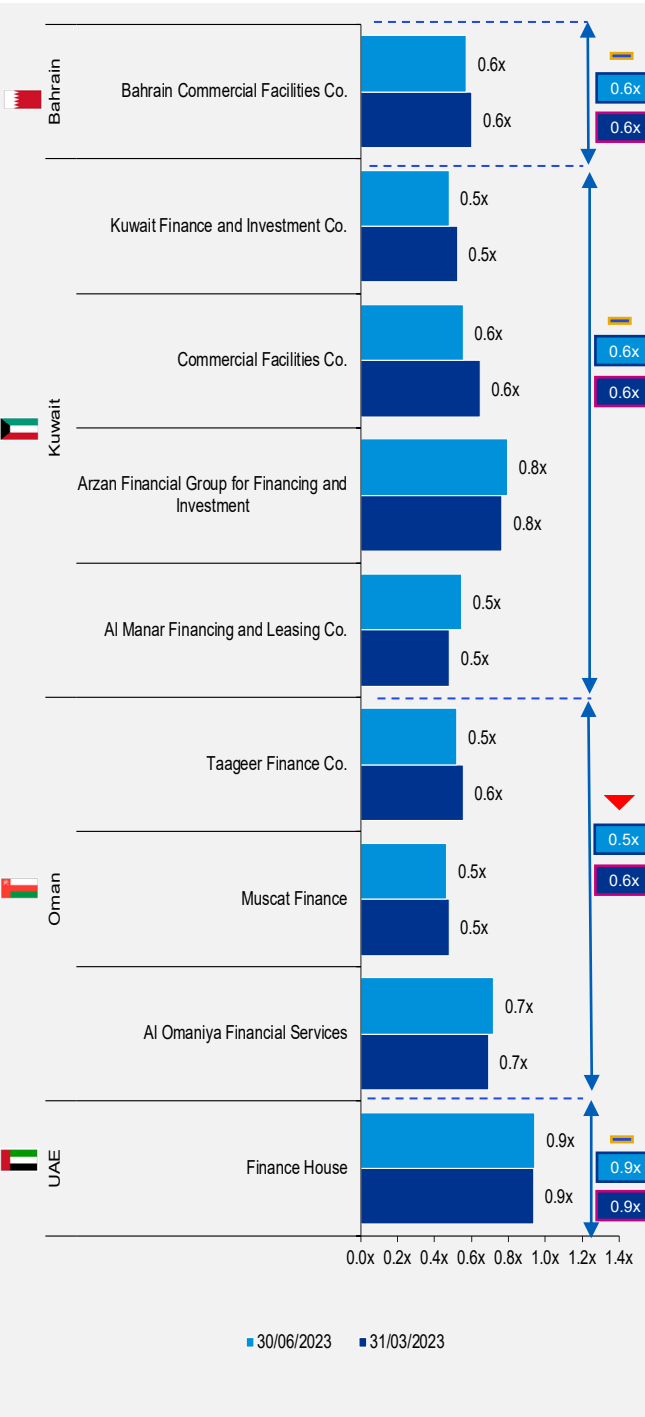
▲ Increase in multiple,

▼ Decrease in multiple,

■ No change in multiple

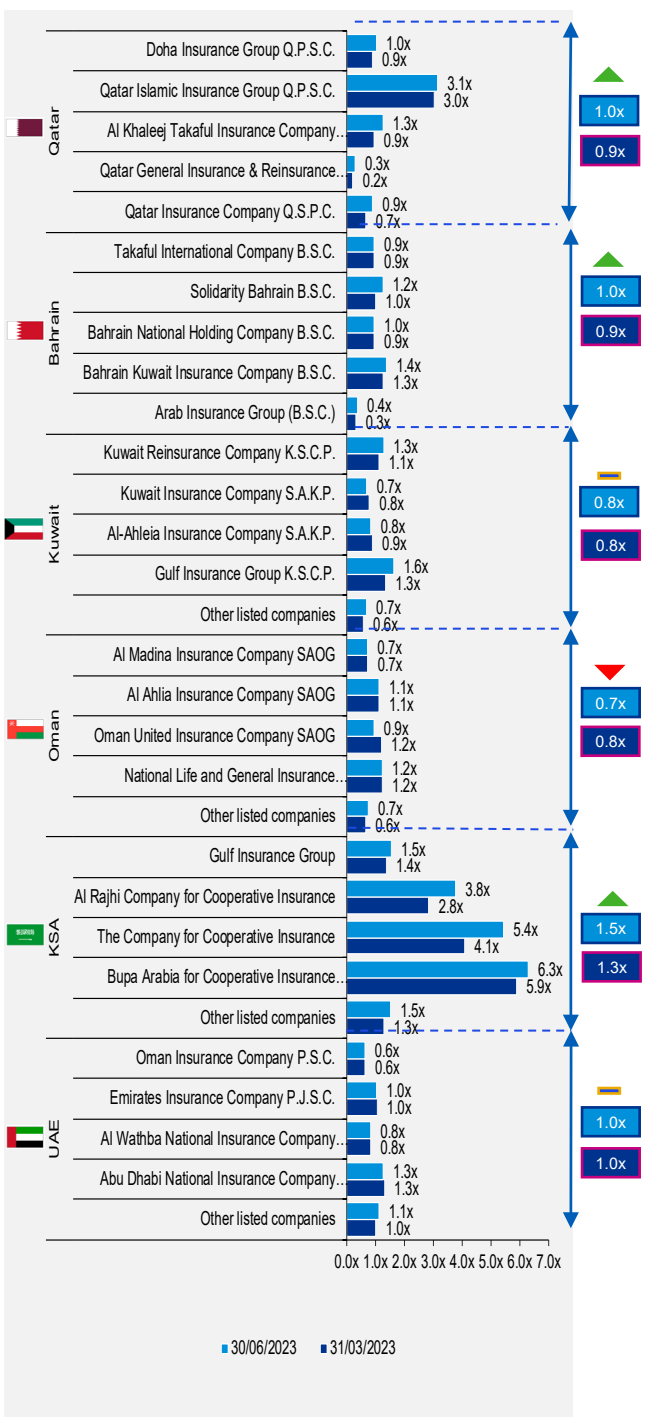
GCC Consumer Finance

Median price-to-book multiple remains unchanged at 0.6x from Mar. 2023 to Jun. 2023



GCC Insurance

Median price-to-book multiple increased from 1.1x to 1.2x from Mar. 2023 to Jun. 2023



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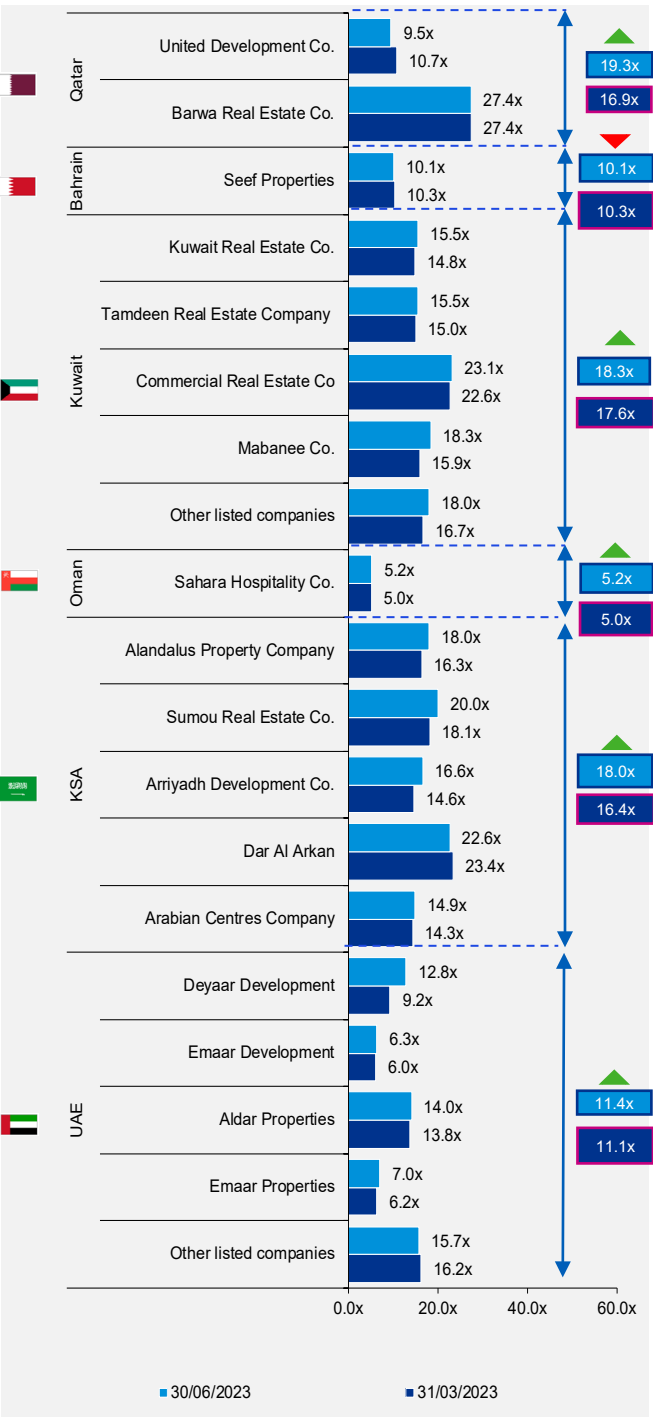
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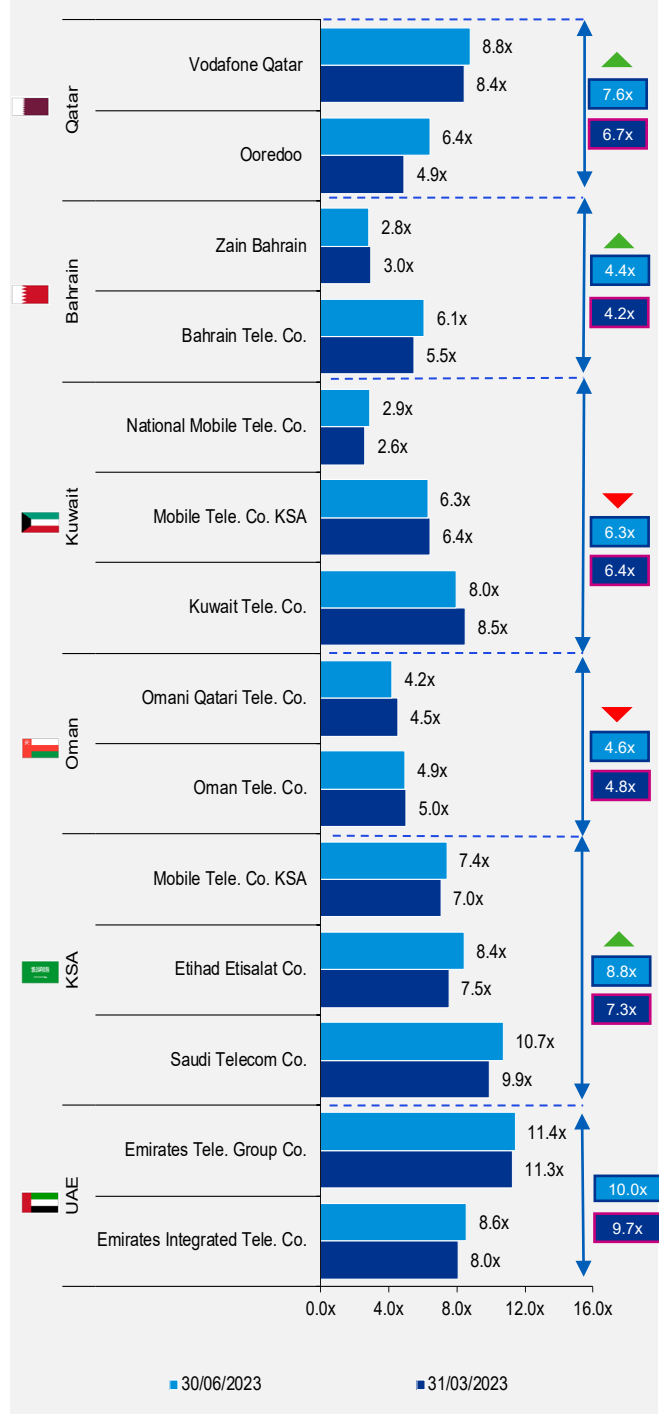
GCC Real Estate

Median EV/EBITDA multiple increased from 15.9x to 17.9x from Mar. 2023 to Jun. 2023



GCC Telecom

Median EV/EBITDA multiple increased from 7.0x to 7.4x from Mar. 2023 to Jun. 2023



*"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 30 June 2023
 Median P/BV multiple as of 31 March 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.



Venkat Krishnaswamy

Partner, FCA
Head of Advisory

T: + 974 5554 1024
E: kvenkatesh@kpmg.com



Karthik Jagadeesan

Associate Director, ACA, CPA
Advisory

T: +974 3366 6391
E: kjagadeesan@kpmg.com

Contributors



Uma Maheshwaran

Senior Consultant, CFA
E: umaheshwaran@kpmg.com

home.kpmg/qa



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