



Valuation Newsletter

Quarterly update – Q3 2023

Tenth edition

Capital Market Pulse

November 2023



Foreword

We are pleased to publish the tenth 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 October 2023¹, the Qatar National Vision 2030 will form the basis for the economic policies in Qatar during FY2024-28, which will help generate promising business environment with higher investment and employment opportunities. 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 2.2% 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 September 2023
- Risk free rate movement from 30 September 2022 to 30 September 2023 in major GCC countries and the U.S
- CRP movement from 30 September 2022 to 30 September 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.



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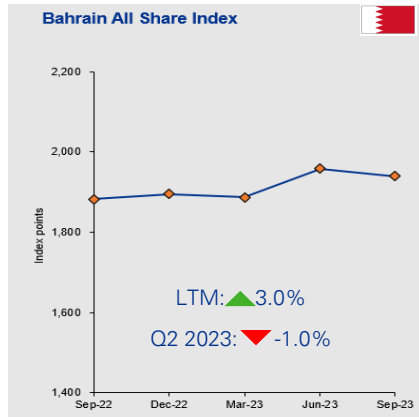
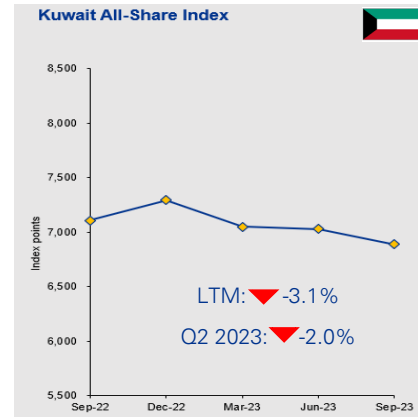
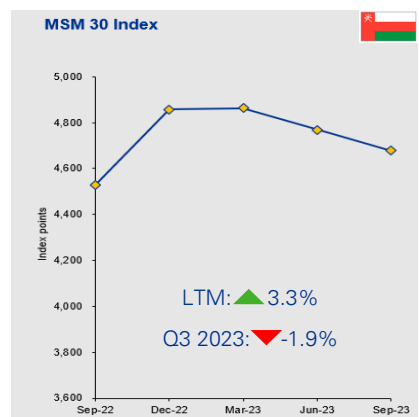
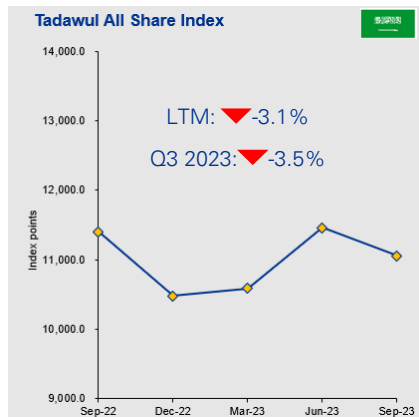
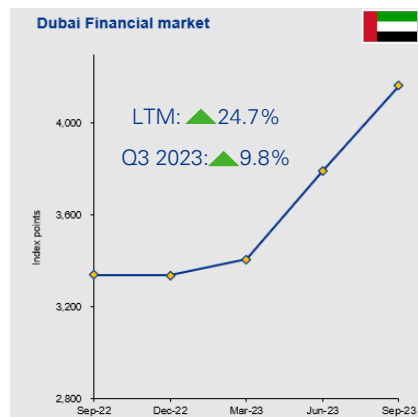
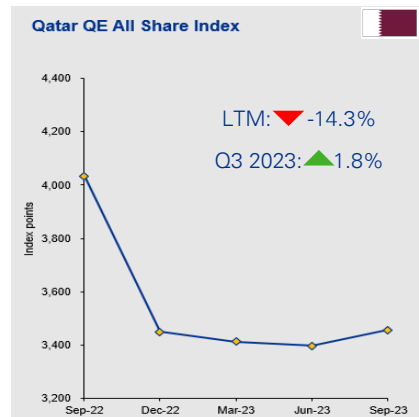
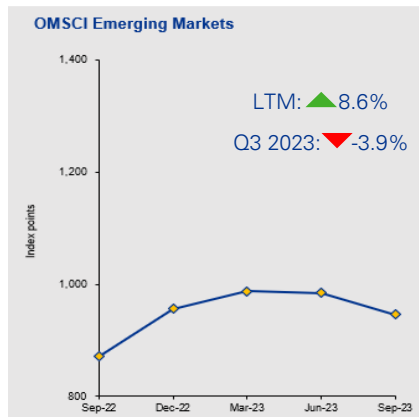
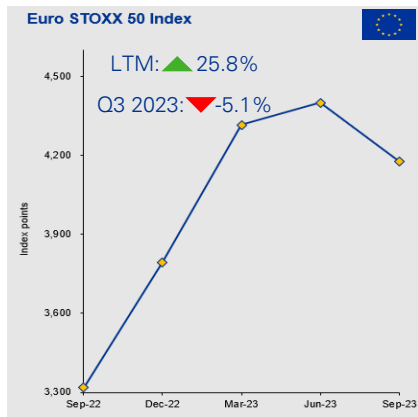
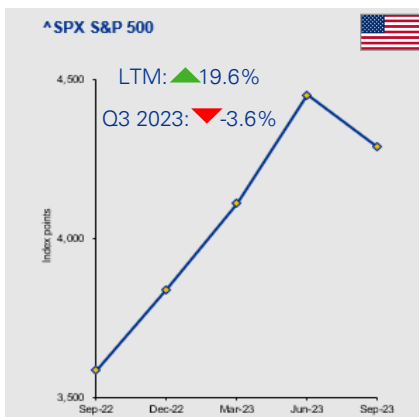
Disclaimer: As the markets have been volatile some sector multiples would reflect extremities and hence readers are advised to use their discretion, judgment while considering these multiples for their analysis and decision-making purposes.

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

Financial market indicators

After strong start in first half of 2023, **worldwide indices have shown a decline in the third quarter of 2023** due to rising bond yields and the apprehension that interest rates might not decline for an extended period, along with risk of a recession and decline in consumer spending

GCC markets, barring Qatar and Dubai witnessed a decline in the indices from the second quarter of 2023 primarily driven by global cues as explained above, with the focus on investor fears linked with the inflation and no relief on the rate cuts

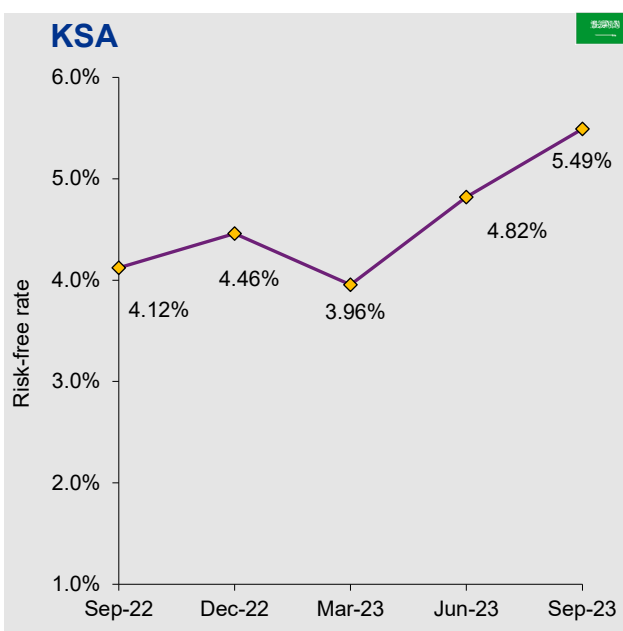
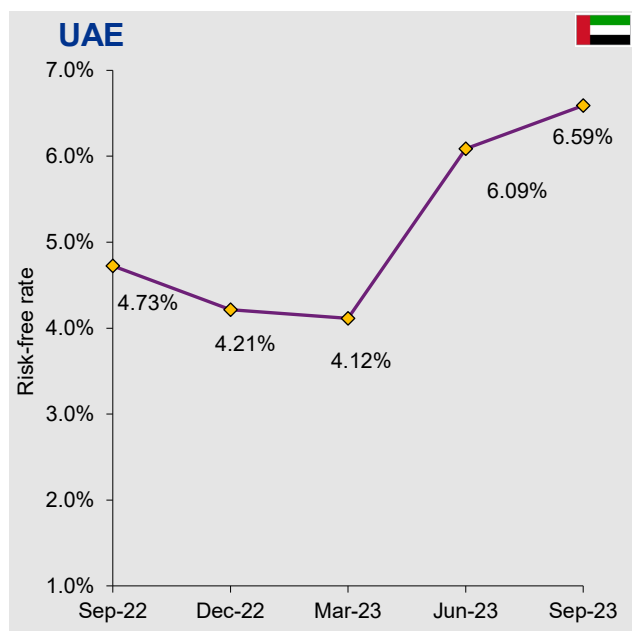
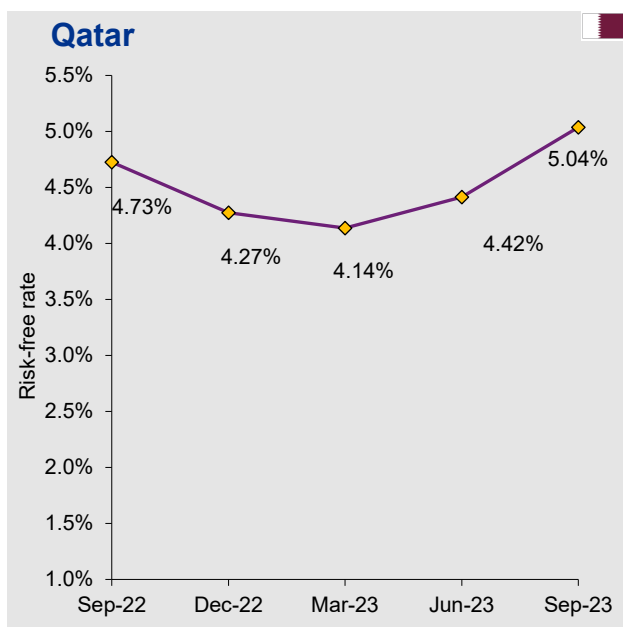
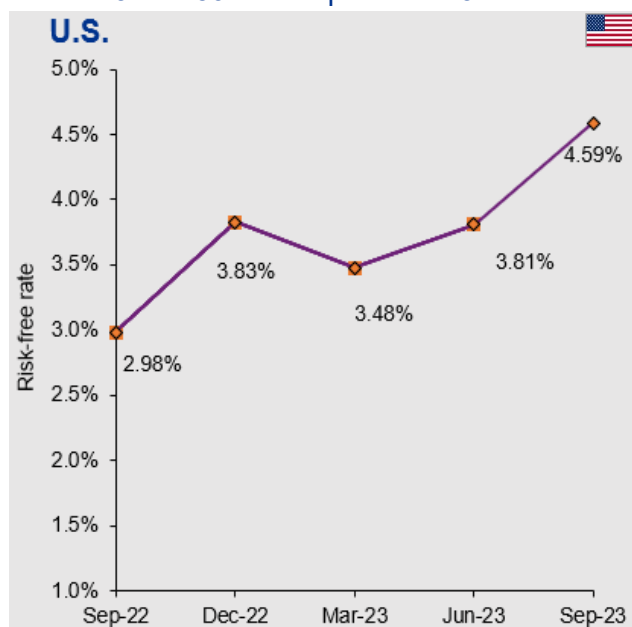


LTM: Period between September 2022 and September 2023; Q3: Period between June 2023 (Q2) and September 2023 (Q3)

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.

With no relief from inflation globally, the risk-free rates have shown a rising trend in the past 6 months starting from March 23. The increase in global inflation 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 March 23 to 4.59% in September 23.



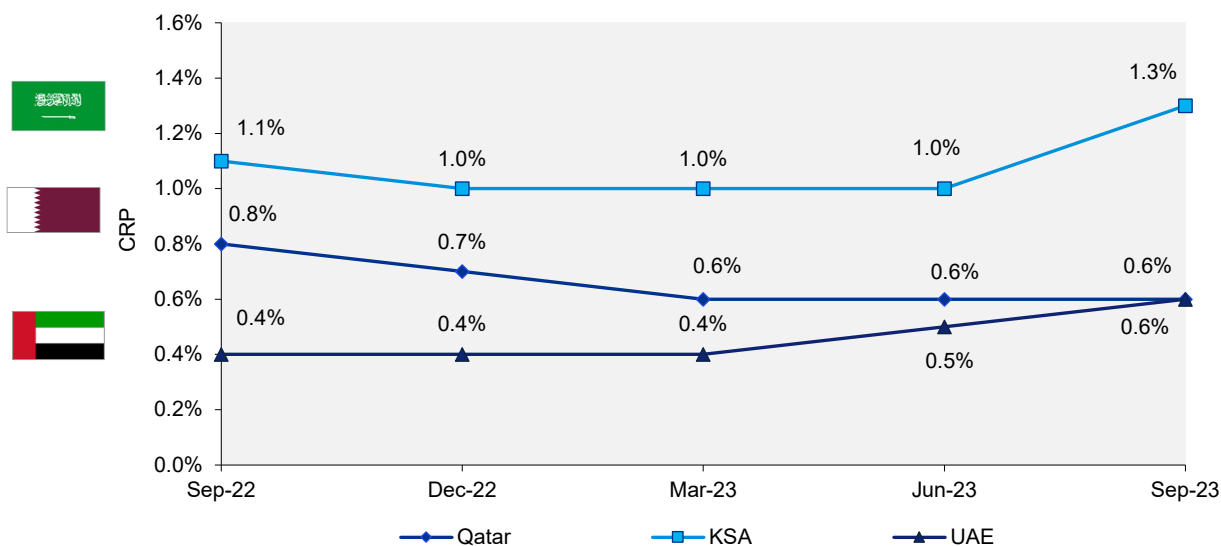
Note: We have used the yield of nearest 10 years USD denominated government bond available and do not depict the exact risk free rate. Further, to determine the risk-free rate specific to the GCC countries in their local currency a long term inflation differential adjustment over long term US inflation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

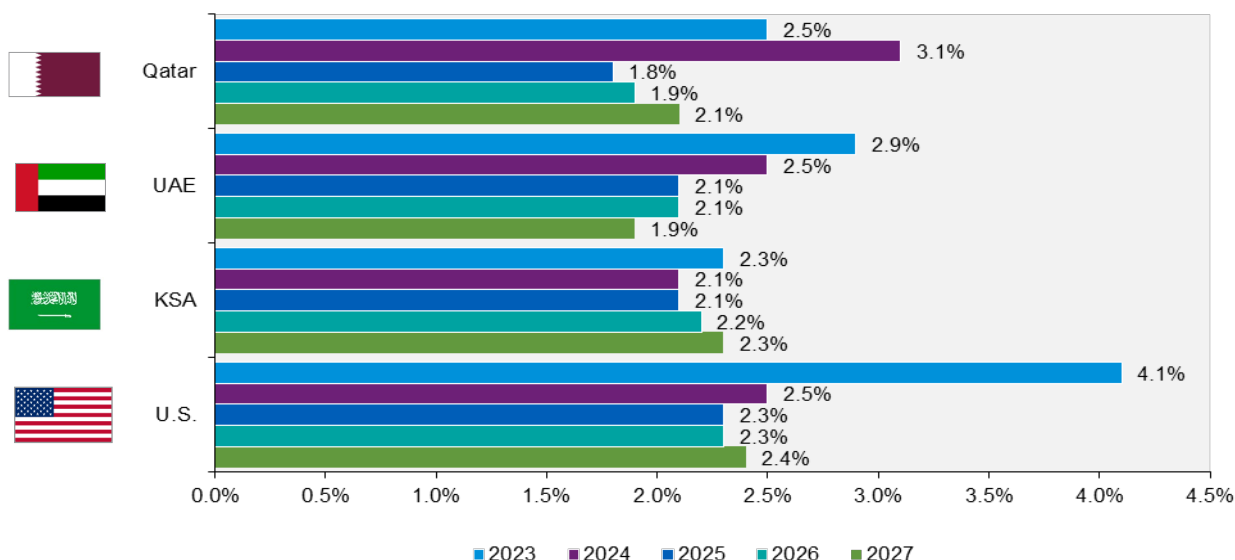
Major GCC countries CRP from **September 2022 to September 2023** are indicated in the below chart.



Source: KPMG CRP study

Inflation forecast

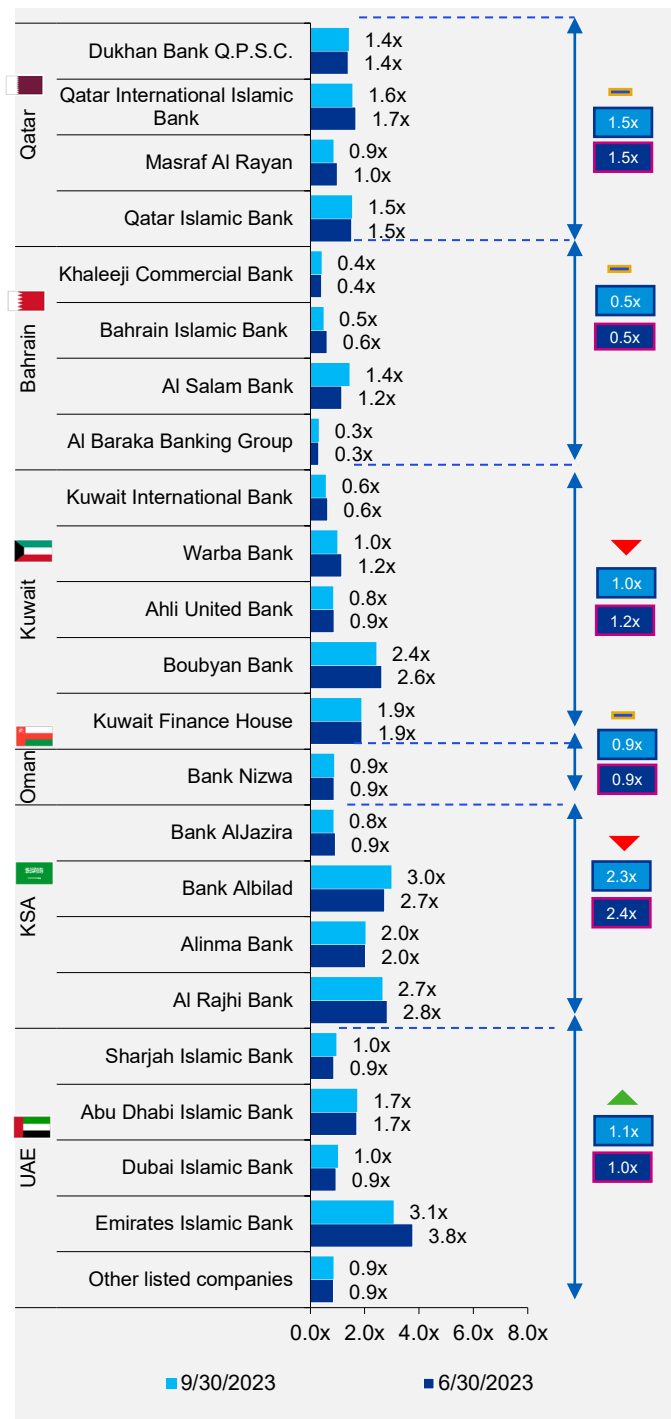
Inflation forecast for a country can be used as **long-term growth rate of the country for terminal value calculation**. We have considered **consumer price index ('CPI')** that examines the **weighted average of prices** of a basket of consumer goods and services.



Source: Economic Intelligence Unit, April 2023

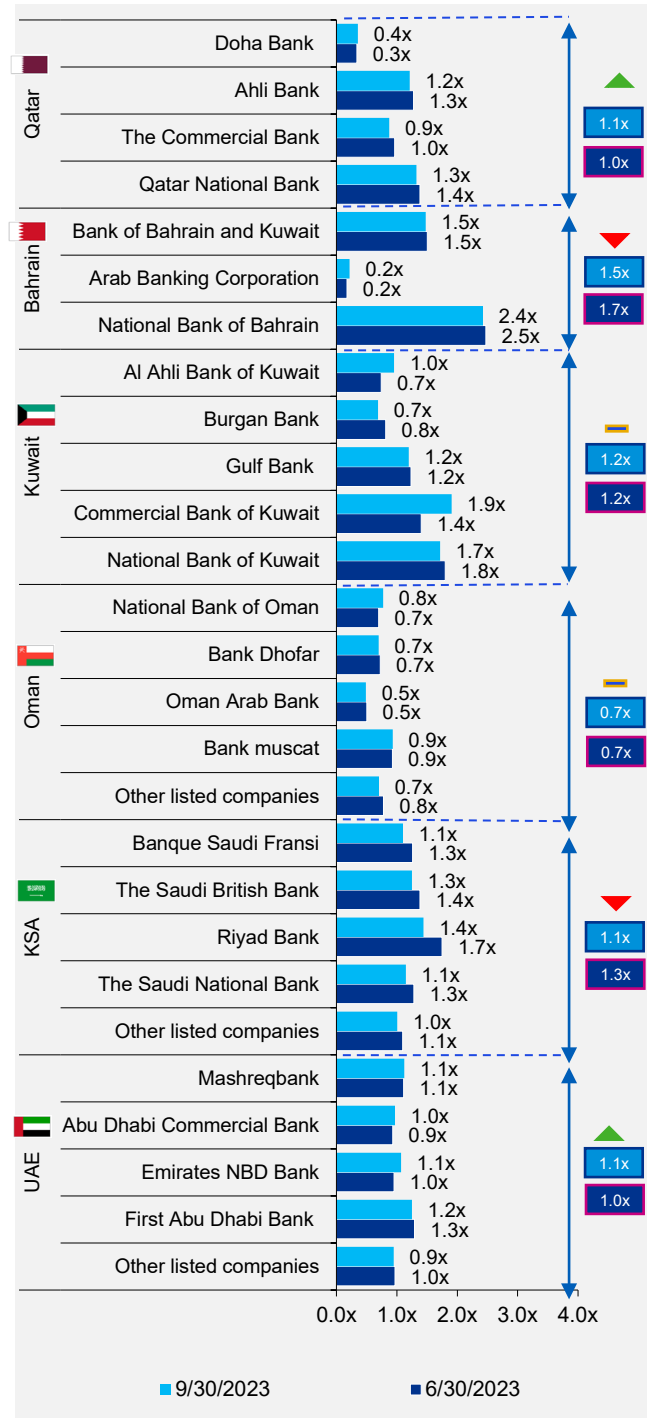
GCC Islamic Banks

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



GCC Conventional Banks

Median price-to-book multiple increased from 1.0x to 1.1x from June 2023 to September 2023



Price refers to market capitalization plus preferred equity as on 30 September 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 September 2023
 ■ Median P/BV multiple as of 30 June 2023
▲ Increase in multiple,
 ▼ Decrease in multiple,
 ▬ No change in multiple

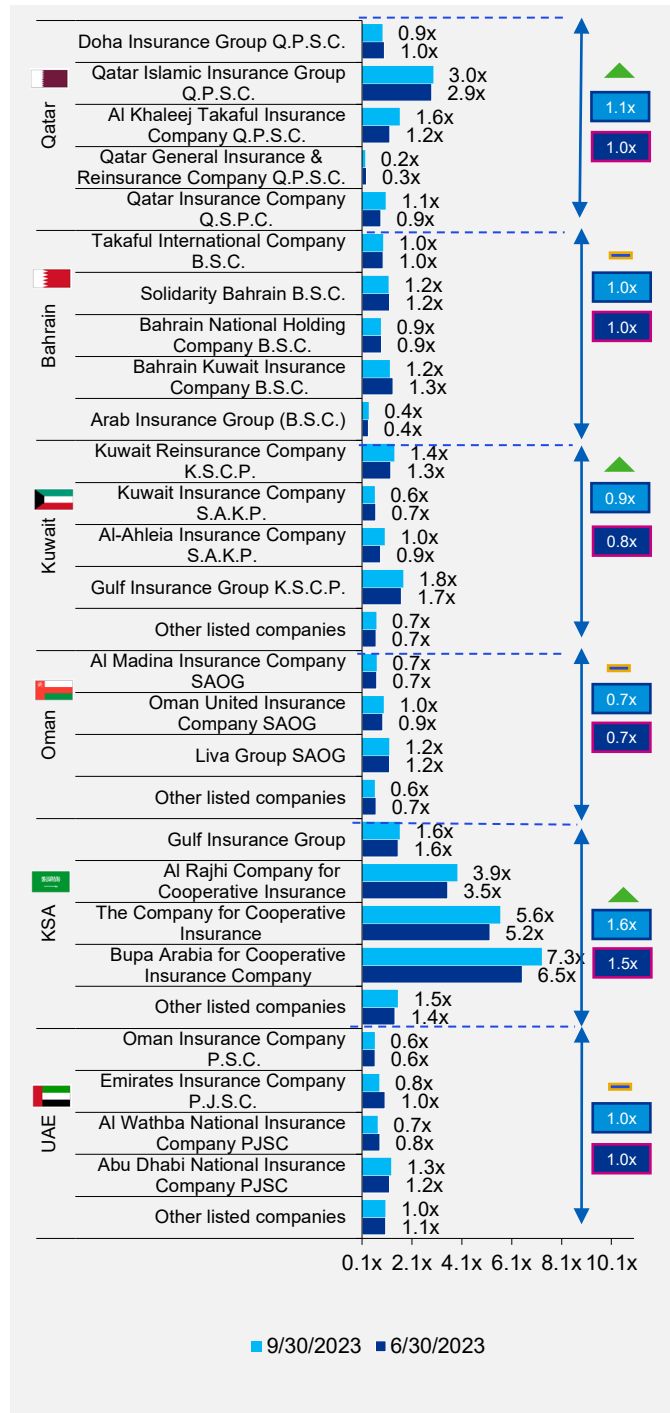
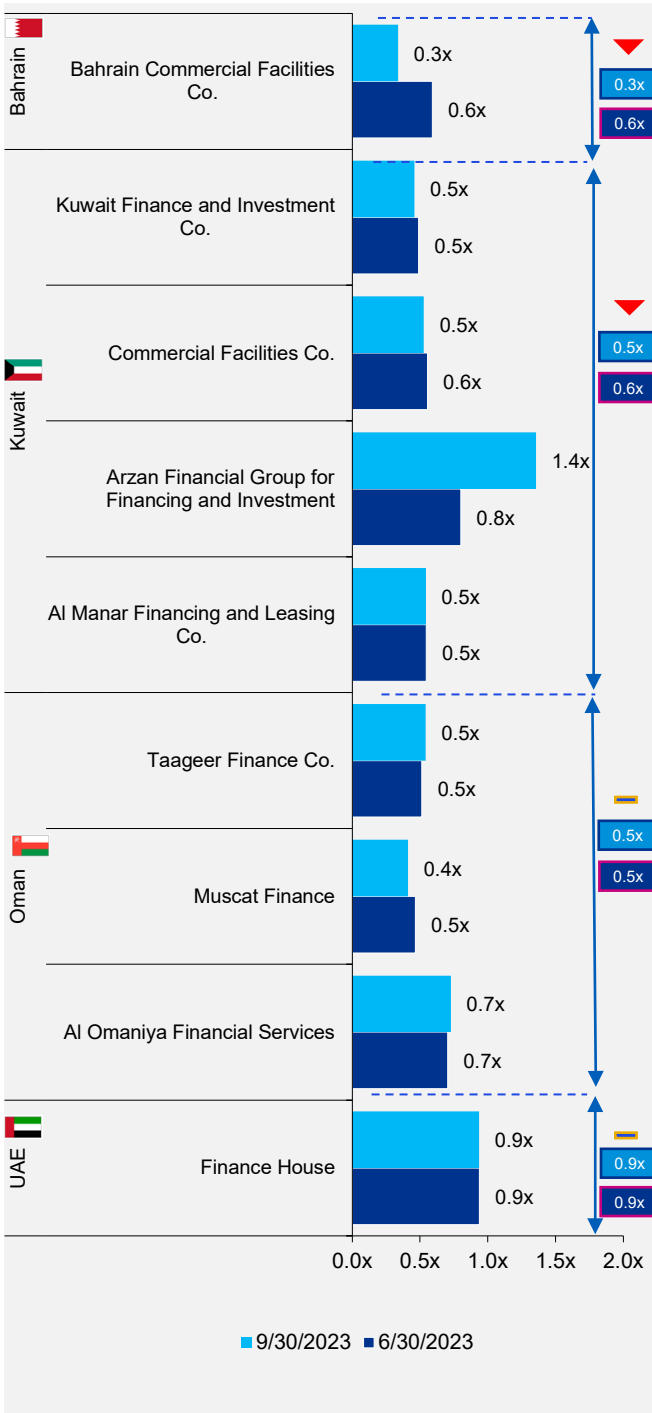


GCC Consumer Finance

GCC Insurance

Median price-to-book multiple decreased from 0.6x to 0.5x from June 2023 to September 2023

Median price-to-book remains unchanged at 1.2x from June 2023 to September 2023

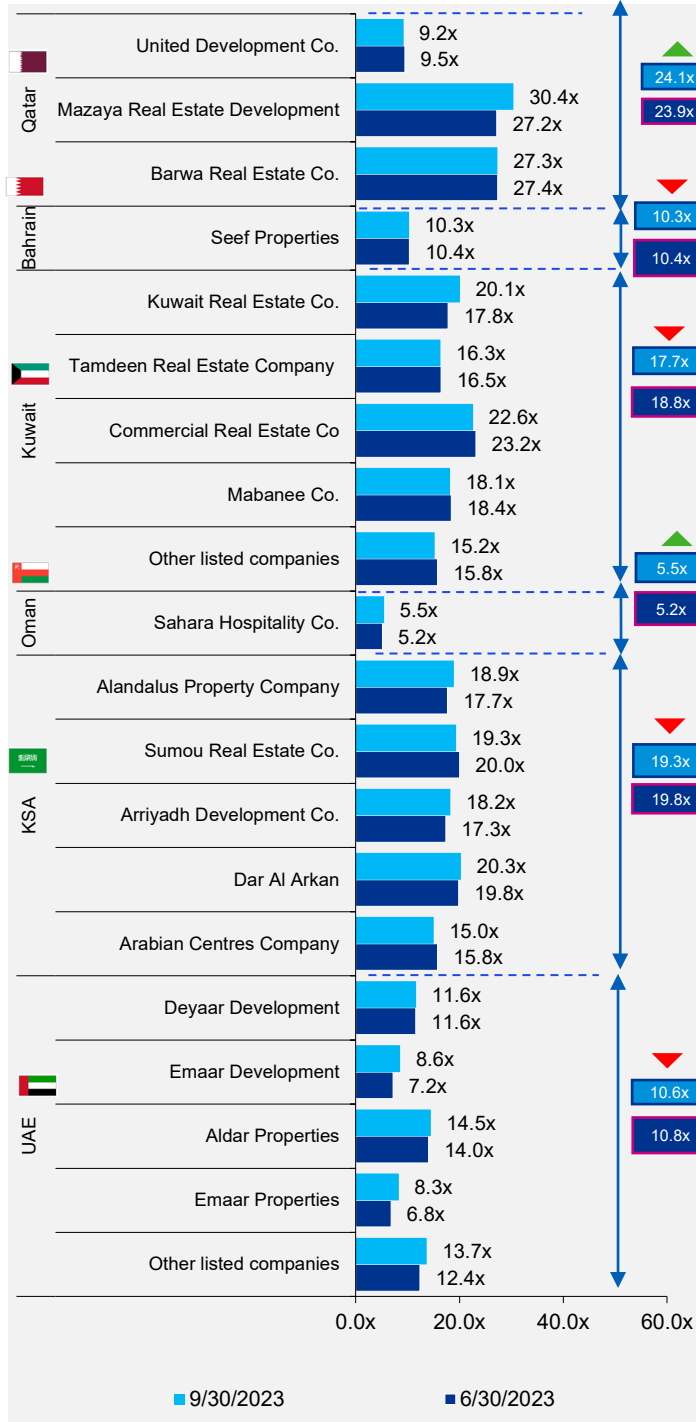


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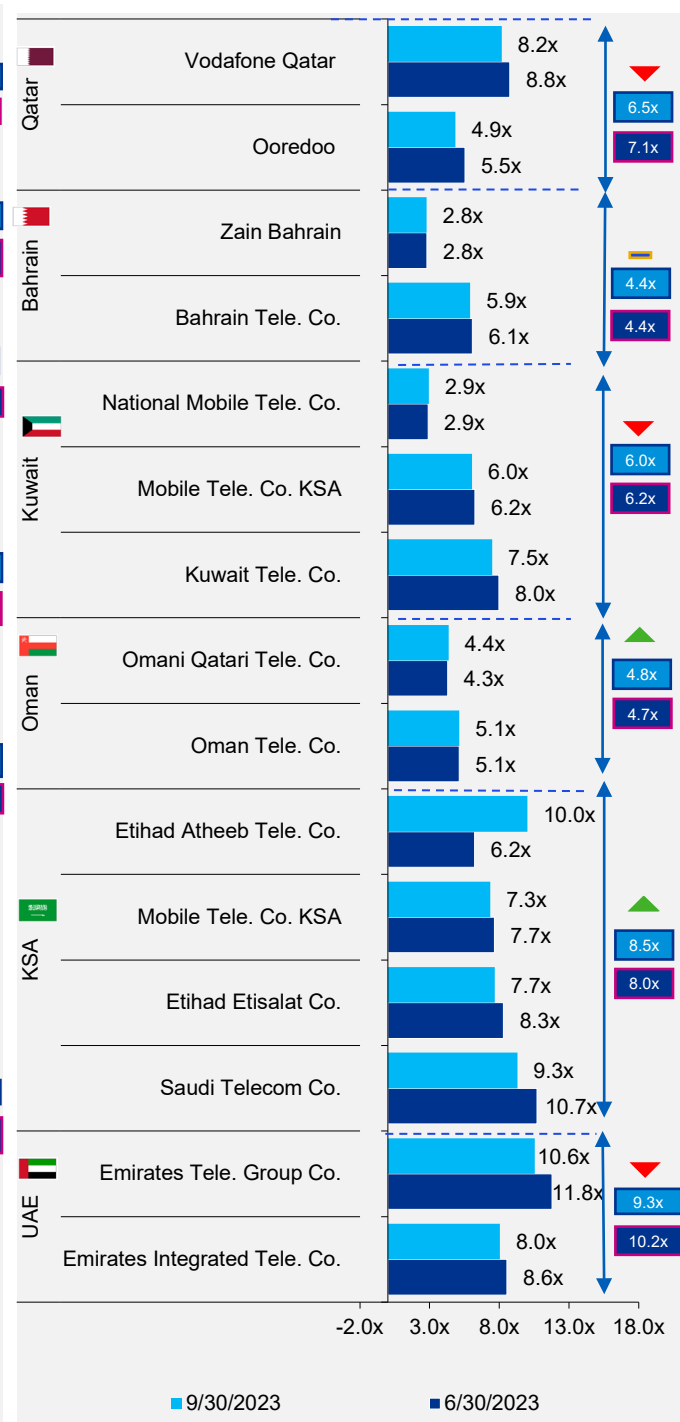
GCC Real Estate

Median EV/EBITDA multiple increased from 17.7x to 17.8x from June 2023 to September 2023



GCC Telecom

Median EV/EBITDA multiple increased from 6.2x to 7.3x from June 2023 to September 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

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■ Median P/BV multiple as of 30 June 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.



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Document Classification: KPMG Public