



# Valuation Newsletter

Quarterly update – Q4 2023

Eleventh edition

Capital Market Pulse

February 2024



# Foreword

We are pleased to publish the eleventh 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 2024<sup>1</sup>, 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. As an alternative to Russia natural gas, Qatar plans to meet the growing demand in Europe by diverting 10-15% of its LNG exports. EIU forecasts the real GDP growth rate in Qatar to be 2.0% in FY2024. 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 2023
- Risk free rate movement from 31 December 2022 to 31 December 2023 in major GCC countries and the U.S
- CRP movement from 31 December 2022 to 31 December 2023 in major GCC countries and the U.S
- Inflation forecasts for the 5 years ending 2028 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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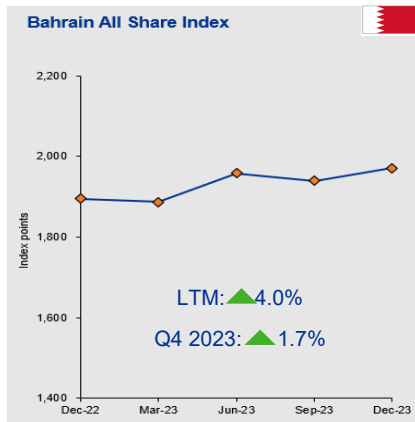
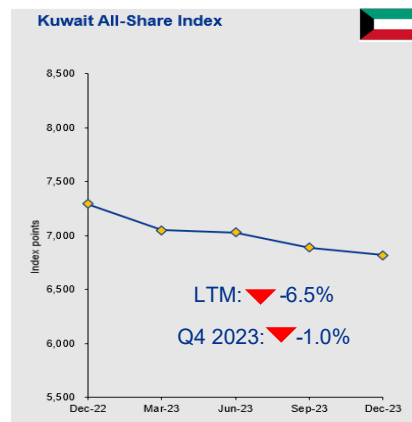
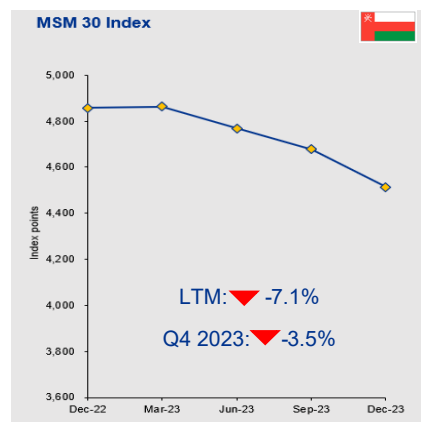
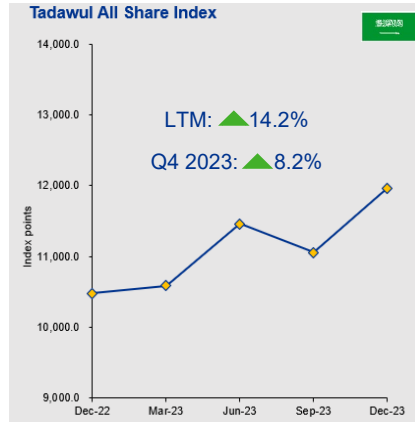
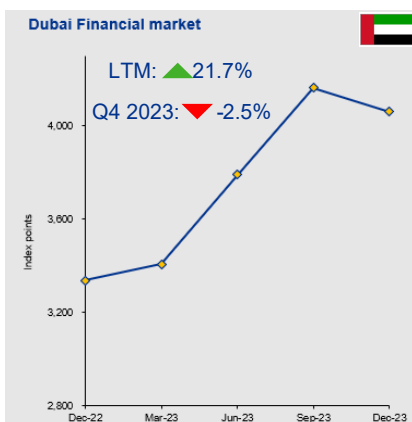
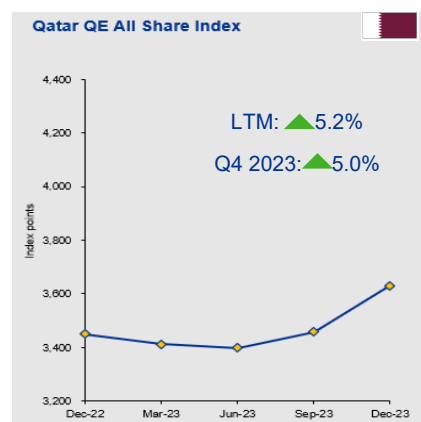
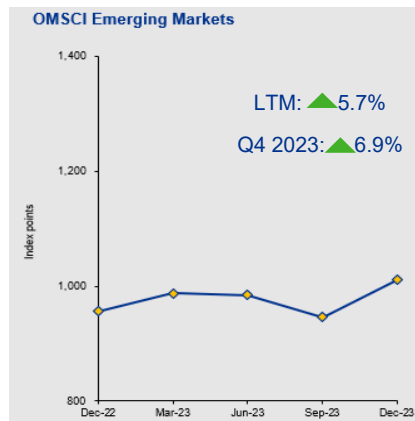
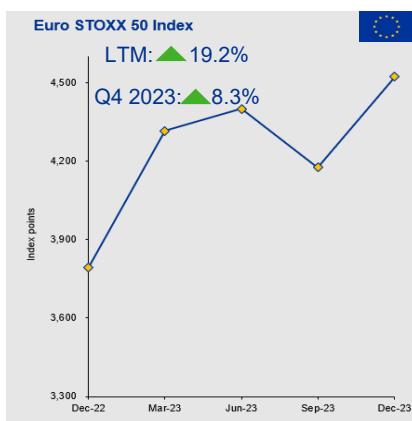
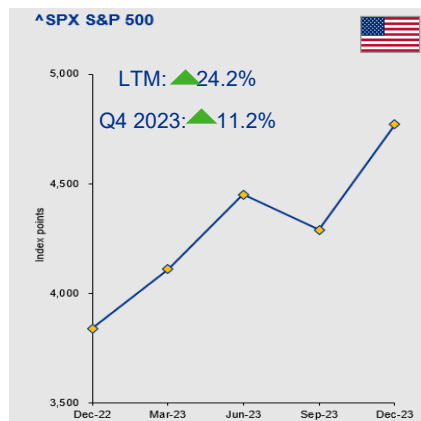
Disclaimer: As the markets have been volatile some sector multiples would reflect extremities and hence readers are advised to use their discretion, judgment while considering these multiples for their analysis and decision-making purposes.

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

# Financial market indicators

After a decline in the third quarter of 2023 there has been **an improvement in quarter four**, mainly due to the retention in inflationary pressures, decline in recessions and ongoing consumer spending

**GCC markets, barring Oman (flat in Dubai and Kuwait)** witnessed a improvement in the indices from the third quarter of 2023, primarily driven by global cues as explained above. However, there is still uncertainty of growth in 2024, with war between Israel and Hamas, disruption of shipping routes, reversal of oil production cuts, and higher interest rate challenges still loom at large.

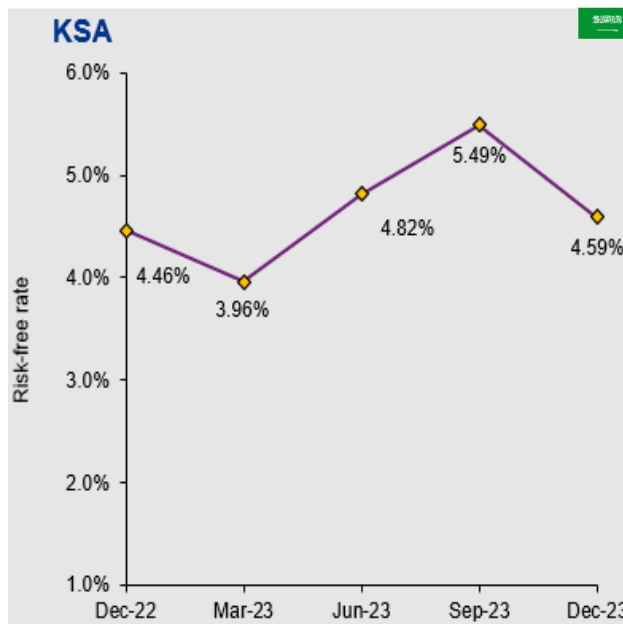
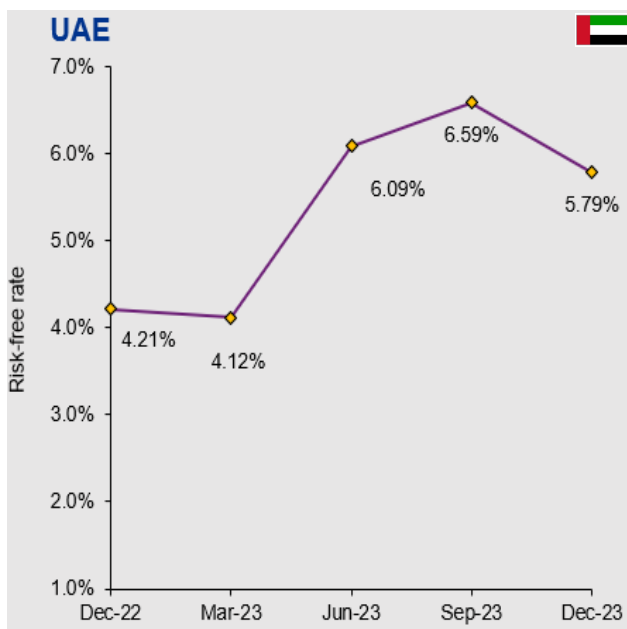
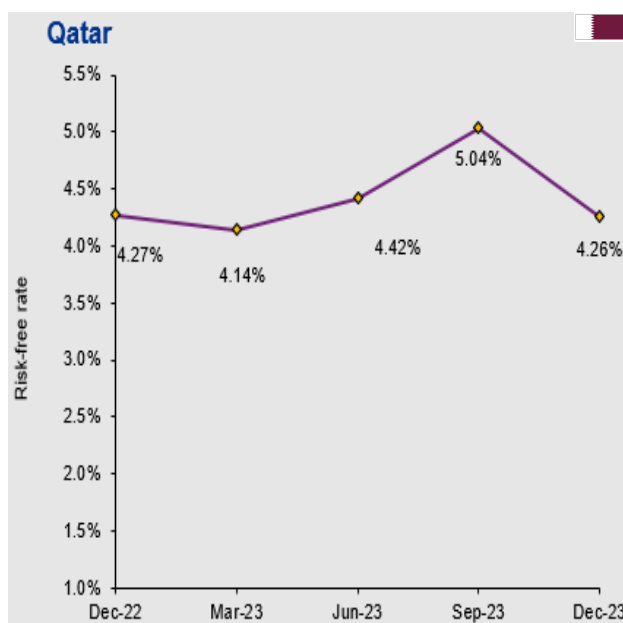
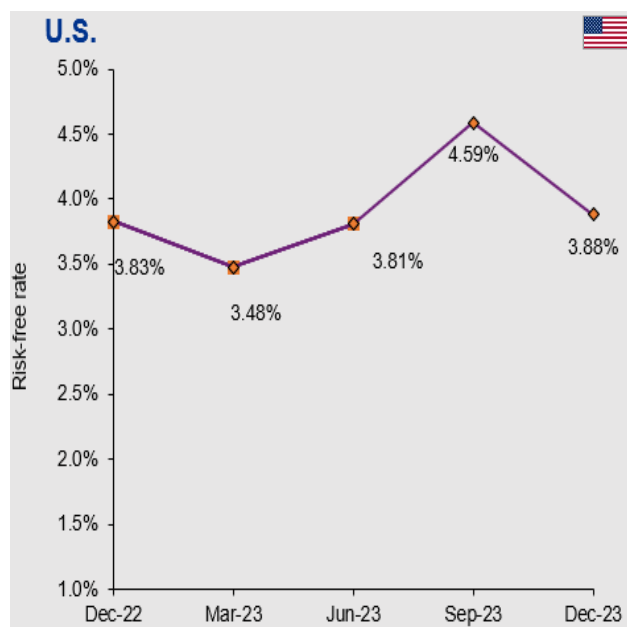


LTM: Period between December 2022 and December 2023; Q4: Period between September 2023 (Q3) and December 2023 (Q4)

# 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.

With improvement in inflation globally, the risk-free rates have shown a declining trend in quarter 4 after increasing in the previous two quarter from March 2023. Risk free rate of the U.S. decreased from 4.59% in September 23 to 3.88% in December 23.



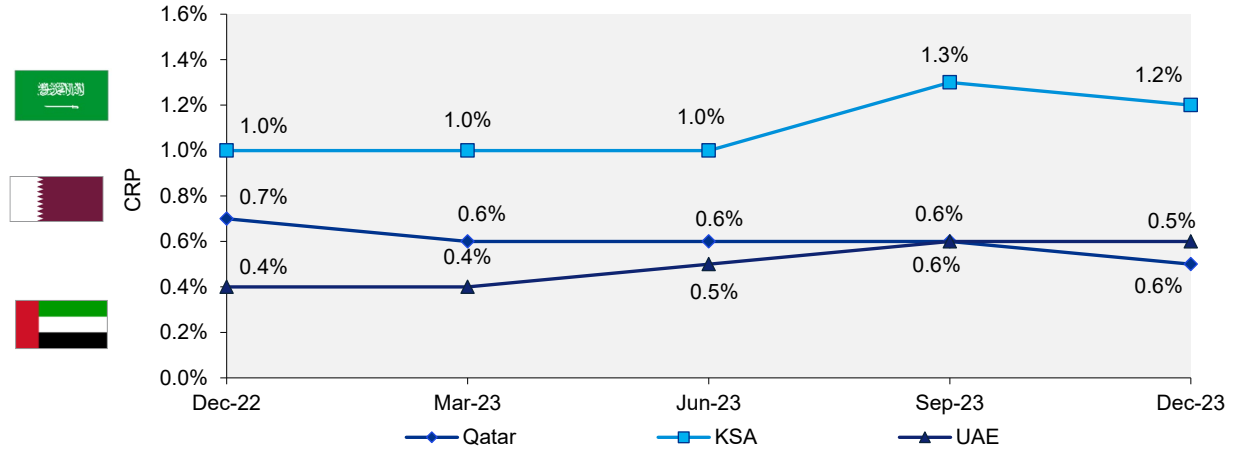
**Note:** We have used the yield of nearest 10 years USD denominated government bond available and do not depict the exact risk-free rate. Further, to determine the risk-free rate specific to the GCC countries in their local currency a long-term inflation differential adjustment over long term US inflation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

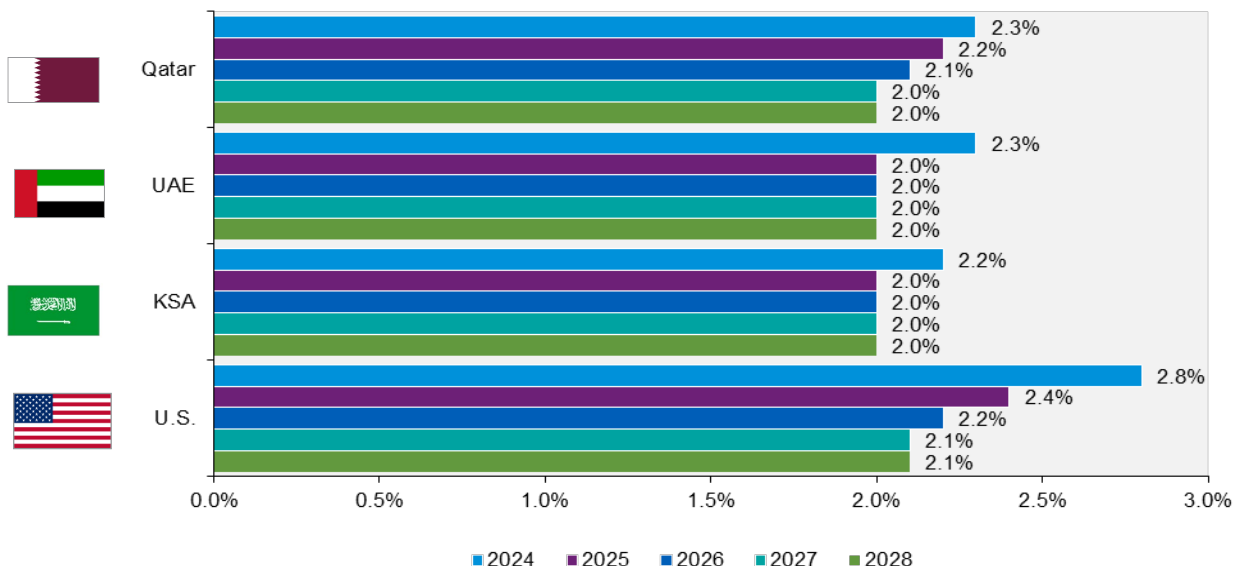
Major GCC countries CRP from **December 2022 to December 2023** are indicated in the below chart.



Source: KPMG CRP study

# Inflation forecast

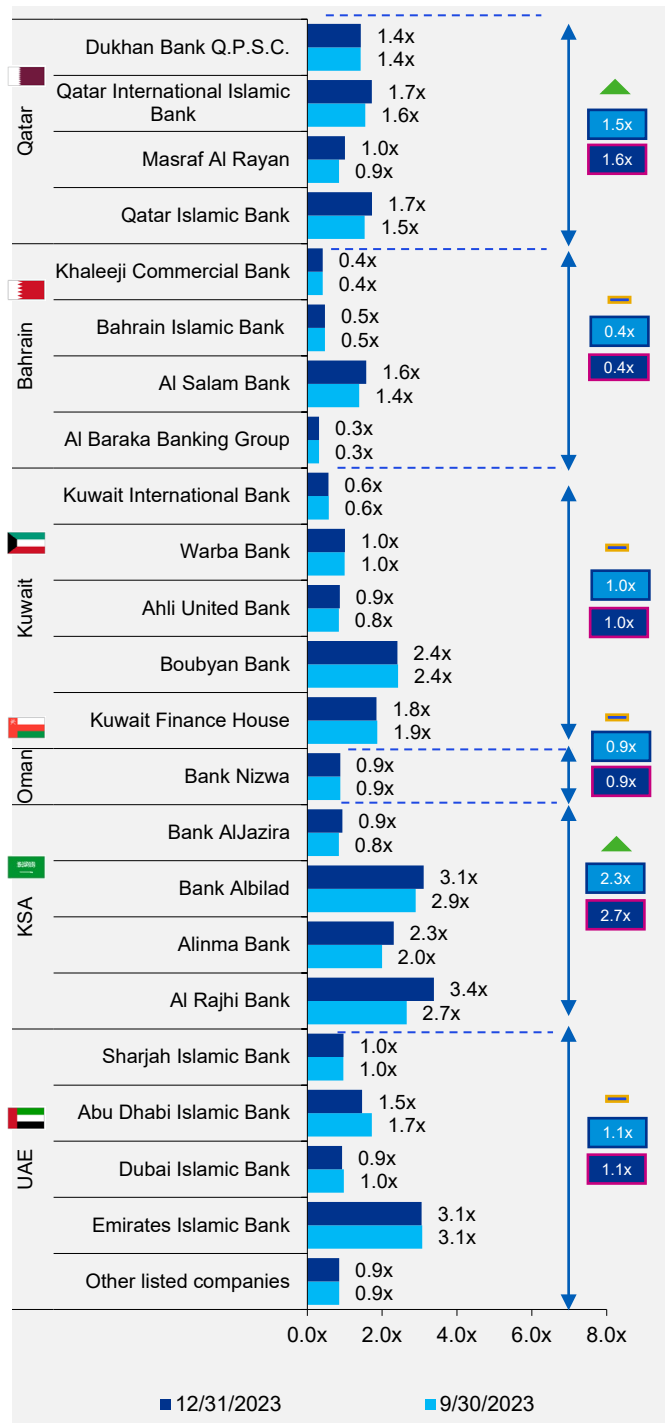
Inflation forecast for a country can be used as **long-term growth rate of the country for terminal value calculation**. We have considered **consumer price index ('CPI')** that examines the **weighted average of prices** of a basket of consumer goods and services.



Source: IMF, 2023

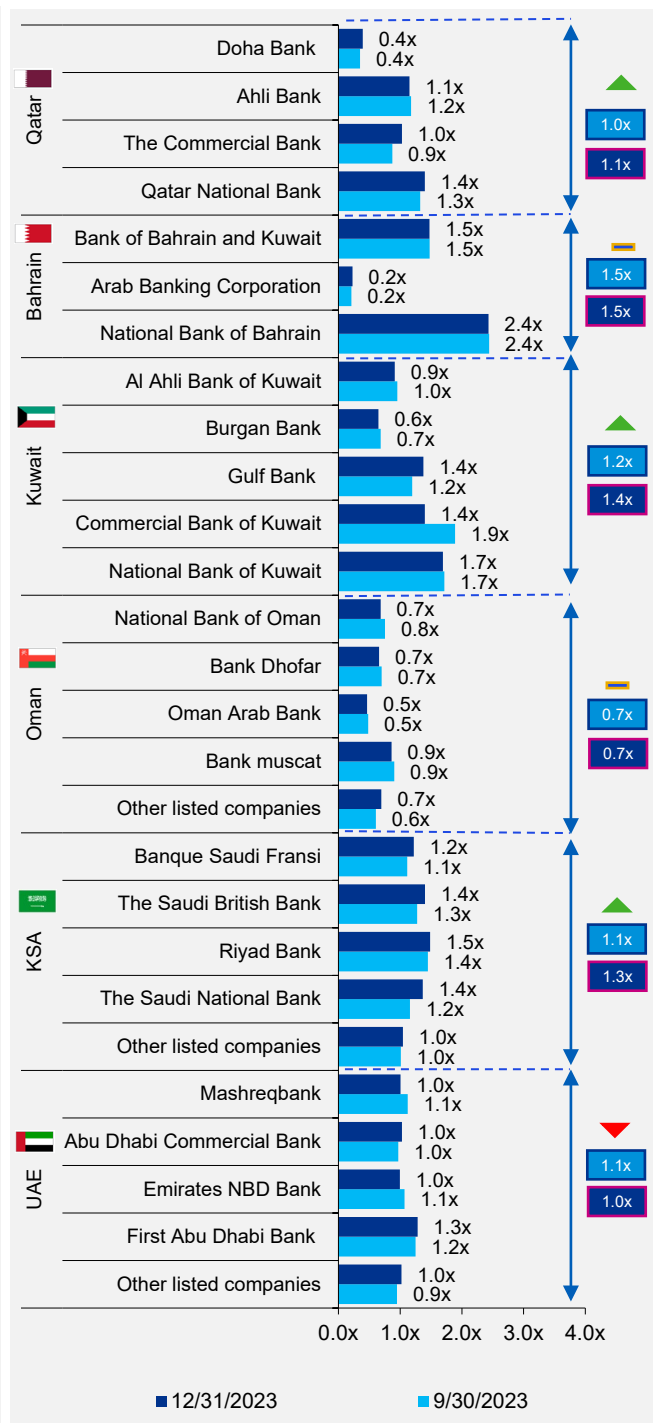
# GCC Islamic Banks

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



# GCC Conventional Banks

Median price-to-book multiple decreased from 1.1x to 1.0x from September 2023 to December 2023



Price refers to market capitalization plus preferred equity as on 31 December 2023 and 30 September 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 31 December 2023

Median P/BV multiple as of 30 September 2023

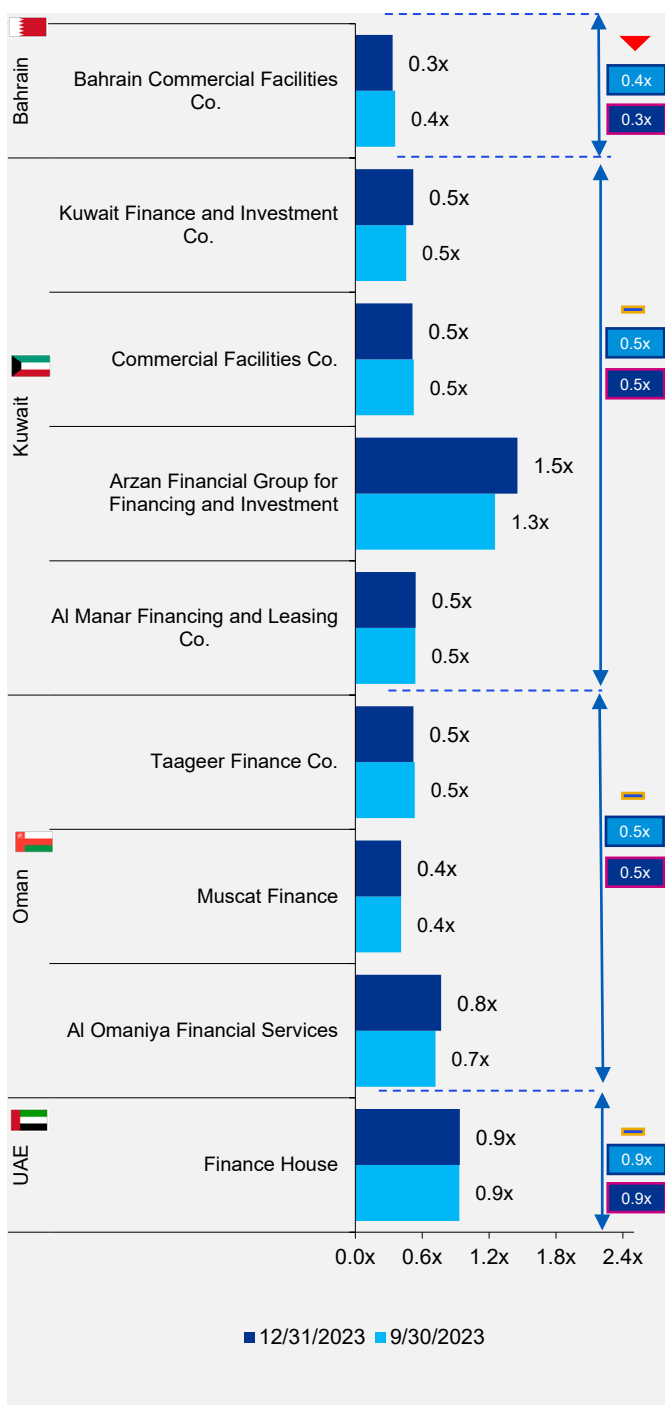
Increase in multiple

Decrease in multiple

No change in multiple

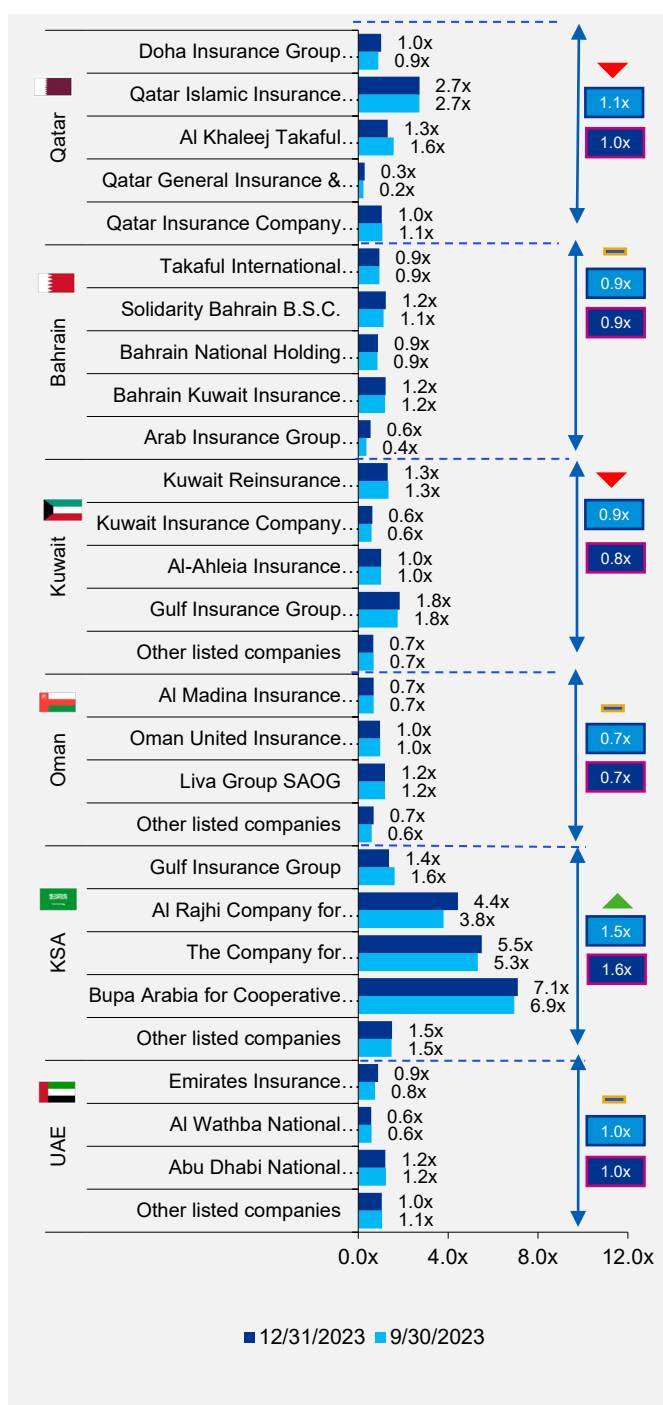
# GCC Consumer Finance

Median Price-to-book multiple remains unchanged at 0.5x from September 2023 to December 2023



# GCC Insurance

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



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Median P/BV multiple as of 31 December 2023

Median P/BV multiple as of 30 September 2023

Increase in multiple

Decrease in multiple

No change in multiple

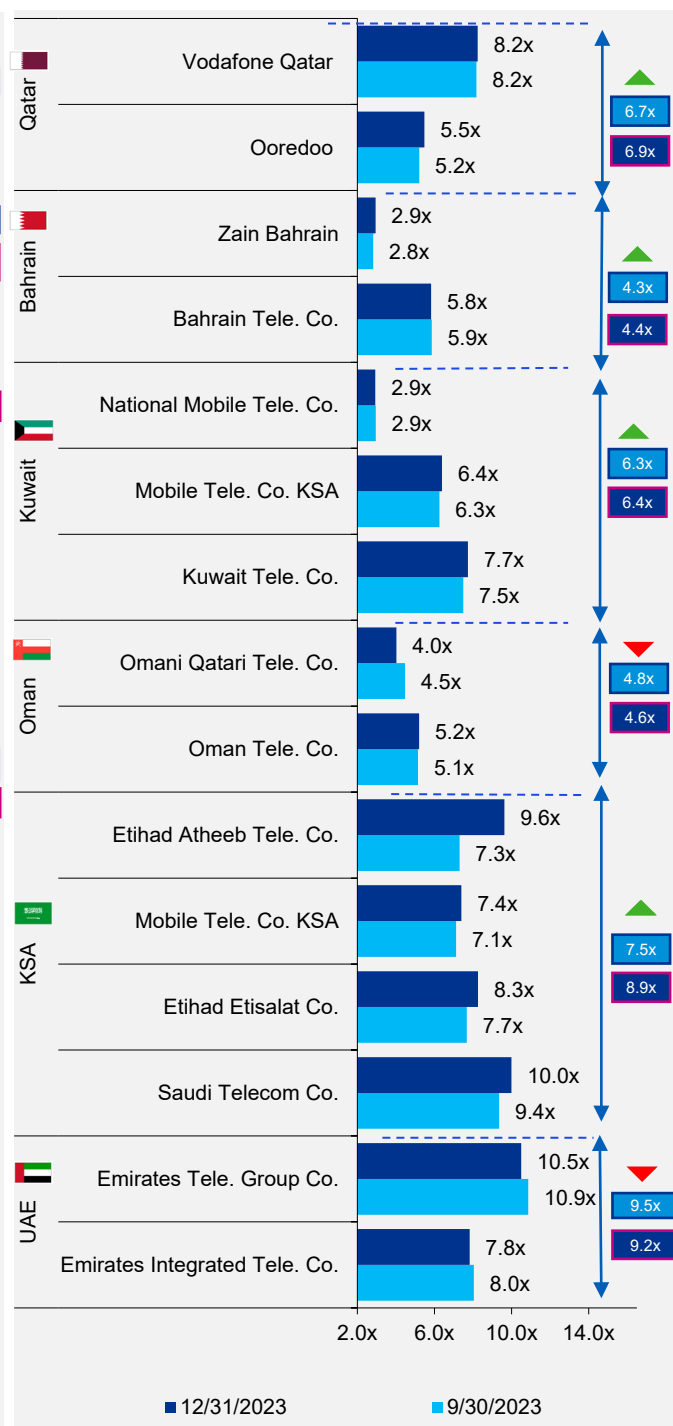
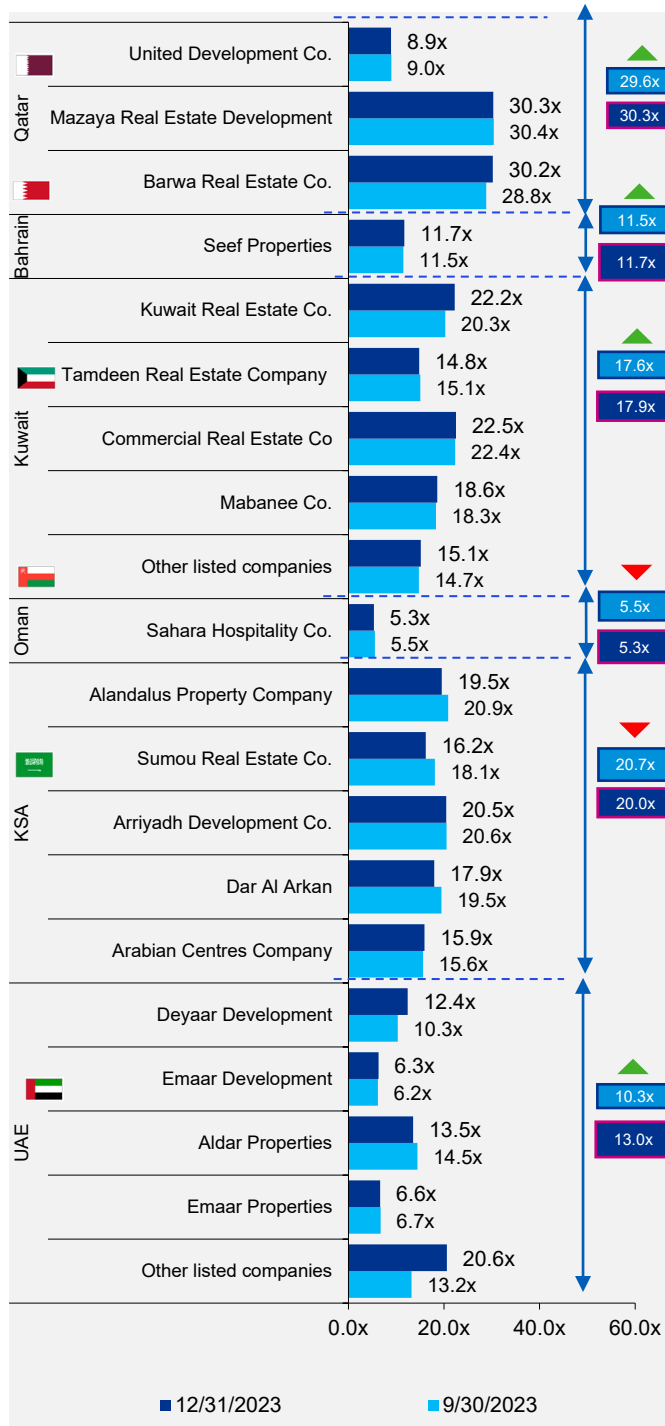


# GCC Real Estate

# GCC Telecom

Median EV/EBITDA multiple remains unchanged to **17.5x** from September 2023 to December 2023

Median EV/EBITDA multiple increased from **7.1x** to **7.4x** from September 2023 to December 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 31 December 2023

Median P/BV multiple as of 30 September 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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