



Valuation Newsletter

Quarterly update – Q2 2024

Thirteenth edition

Capital Market Pulse

August 2024



Foreword

We are pleased to publish the thirteenth 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 2024, the Qatar National Vision 2030 will form the basis for the economic policies in Qatar during FY2024-28, whose goal is to create a favorable commercial climate to facilitate increased private-sector investment and job opportunities. Growing demand for natural gas in Europe will lead Qatar to redirect some of its LNG sales to the continent and leverage its position as an LNG exporter, while retaining Asia as its main export market. 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 30 June 2024
- Risk free rate movement from 30 June 2023 to 30 June 2024 in major GCC countries and the U.S
- CRP movement from 30 June 2023 to 30 June 2024 in major GCC countries and the U.S
- Inflation forecasts for the 5 years ending 2029 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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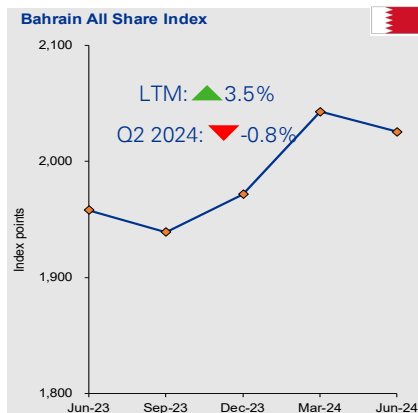
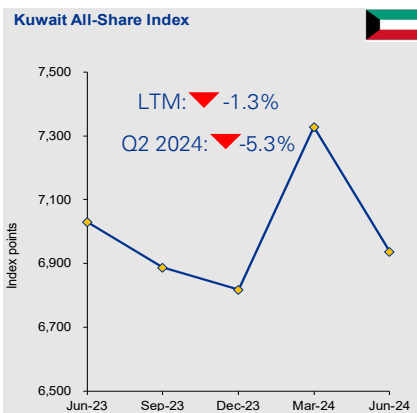
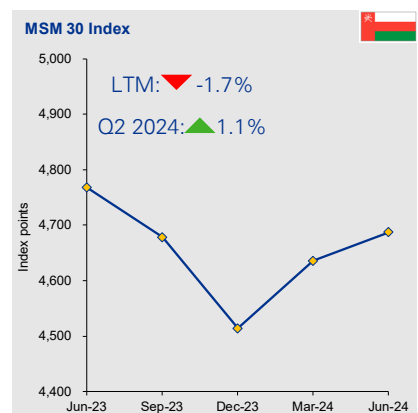
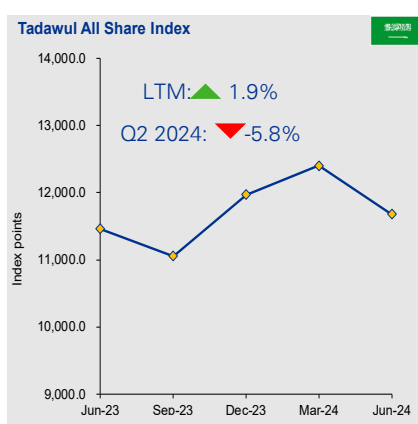
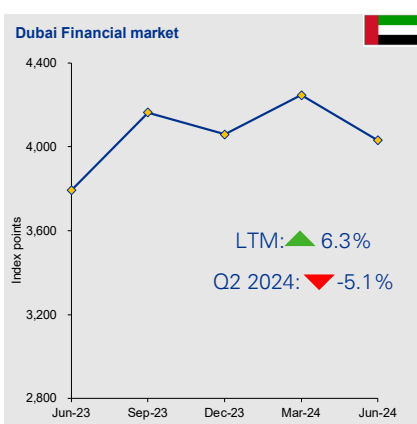
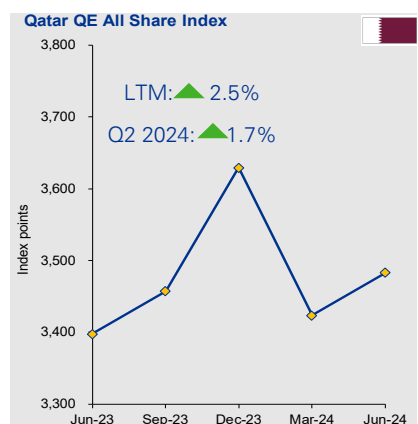
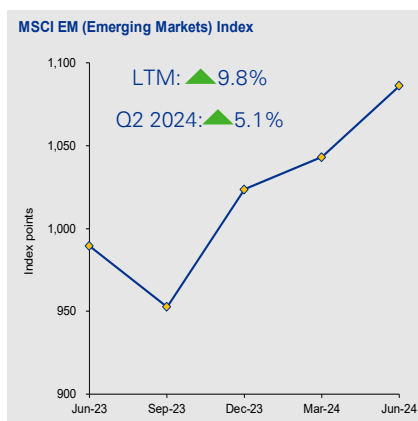
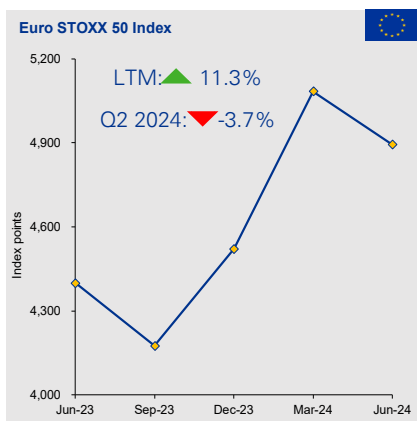
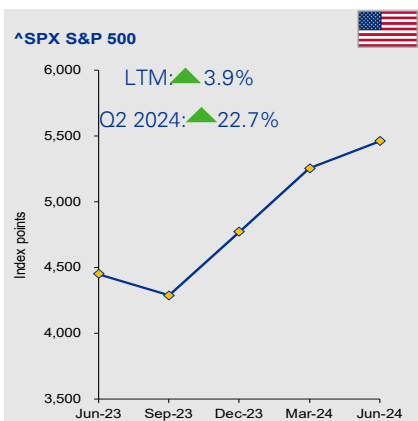
Disclaimer: As the markets have been volatile some sector multiples would reflect extremities and hence readers are advised to use their discretion, judgment while considering these multiples for their analysis and decision-making purposes.

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

Financial market indicators

During the second quarter of 2024, S&P continued to demonstrate growth, primarily driven by tech including AI, semiconductor, utility and green energy stocks. Euro Stoxx snaps a two-quarter winning streak and declined in Q2, on account of political turbulent, with France's unexpected election adding to the series of parliamentary elections scheduled in 2024, including those in Portugal, Belgium, Austria, the UK, and Romania.

GCC markets, barring Qatar and Oman, witnessed a decline during the second quarter of 2024, mainly on account of reduction in oil prices leading to oil production cuts. There is still uncertainty of growth in second half of 2024, with the inception of war between Israel and Iran, and US recession forecasts.

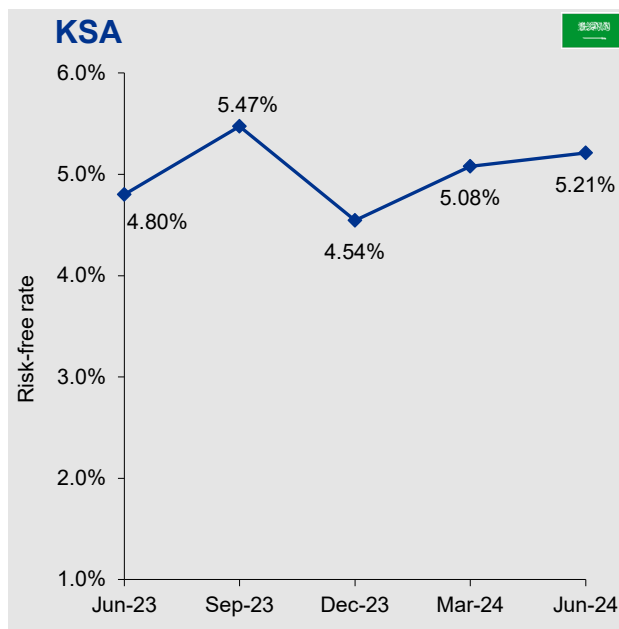
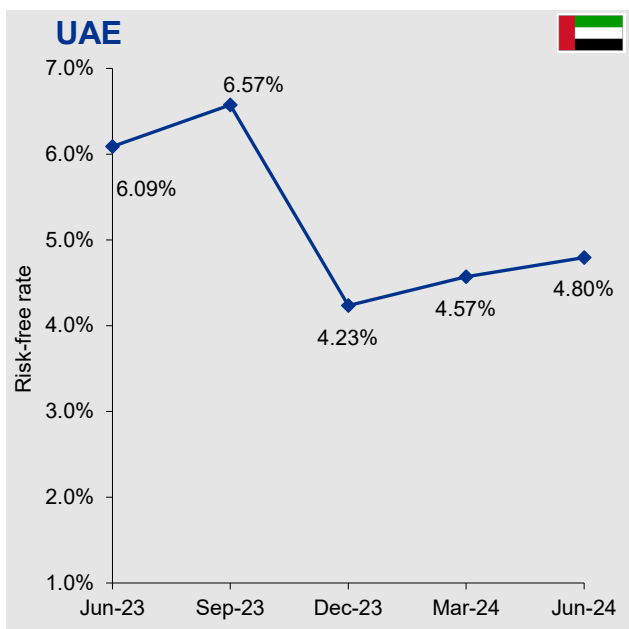
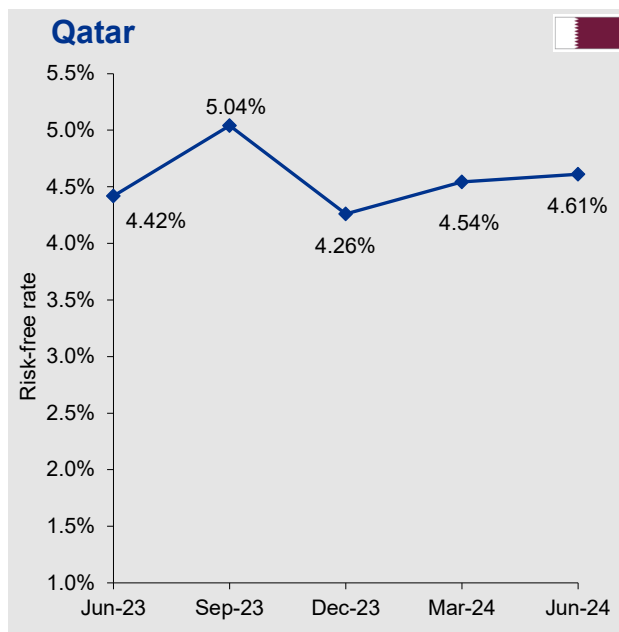
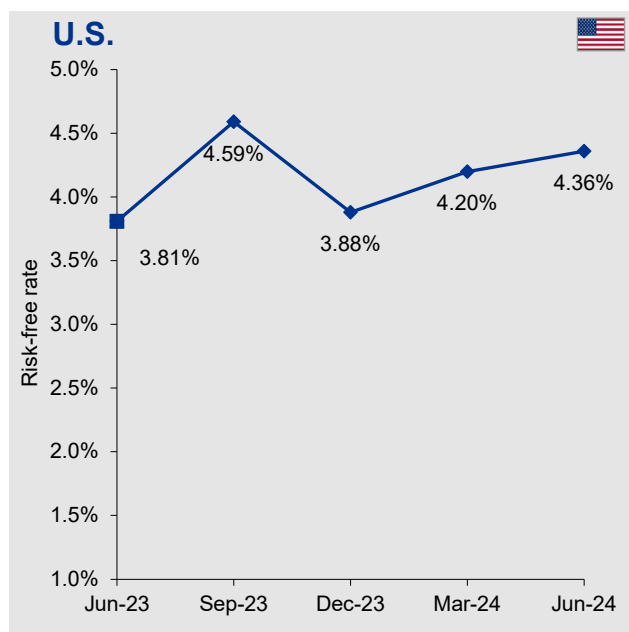


LTM: Period between June 2023 and June 2024; Q2: Period between March 2024 (Q1) and June 2024 (Q2)

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.

After showing a downturn in the last quarter of 2023, the risk-free rates started to trend upward again during the second quarter of 2024, as the expectations for Q2 rate cuts were reduced due to U.S. economic resilience and sticky inflation data.



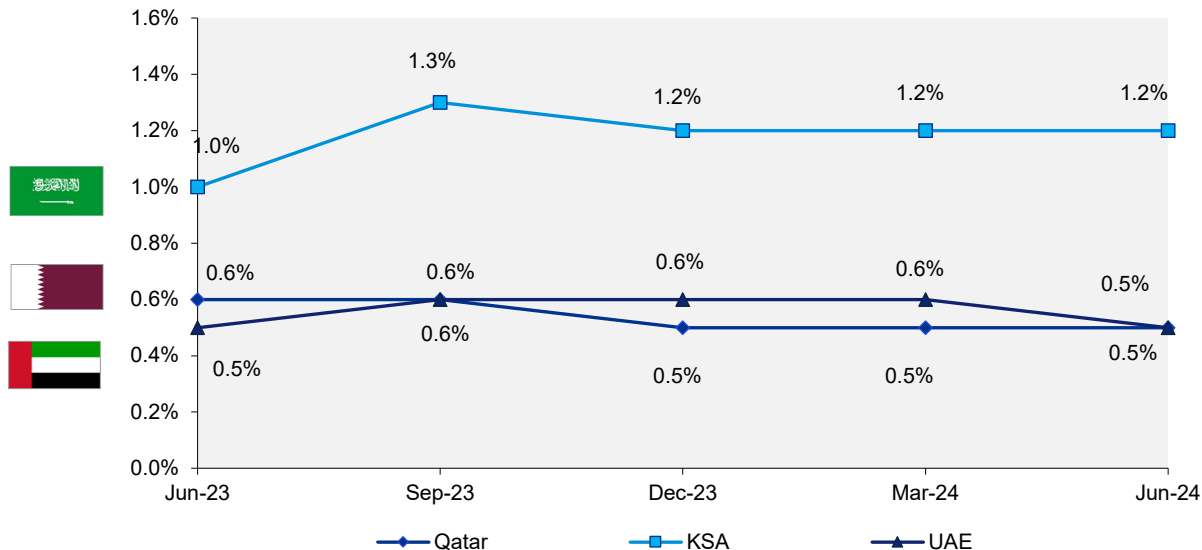
Note: We have used the yield of nearest 10 years USD denominated government bond available and do not depict the exact risk-free rate. Further, to determine the risk-free rate specific to the GCC countries in their local currency a long-term inflation differential adjustment over long term US inflation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

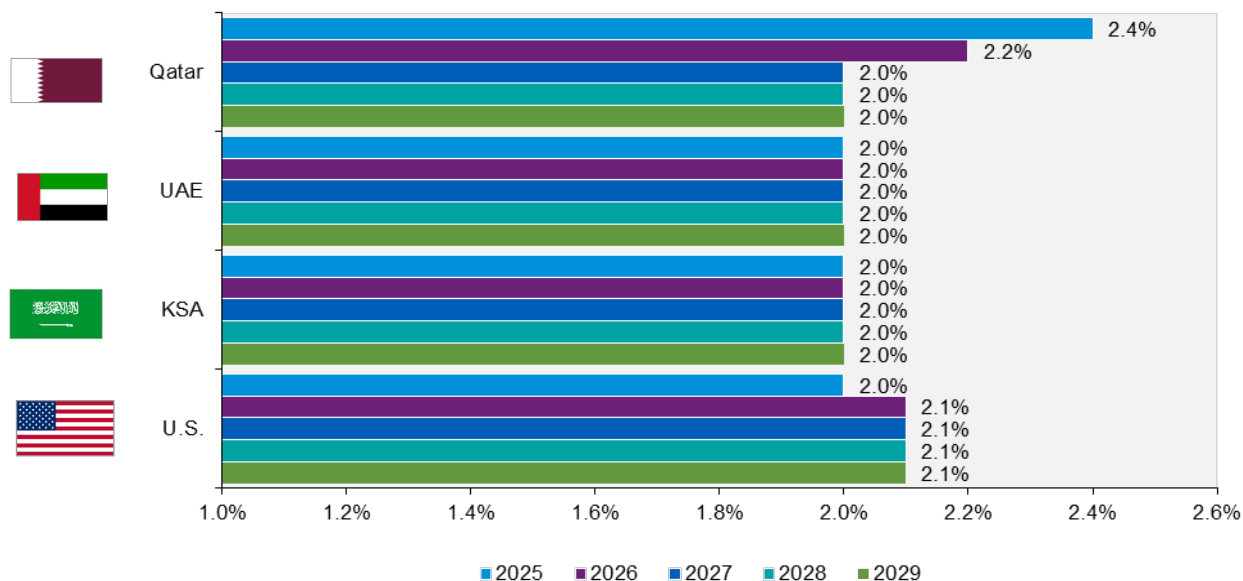
Major GCC countries CRP from **June 2023 to June 2024** are indicated in the below chart.



Source: KPMG CRP study

Inflation forecast

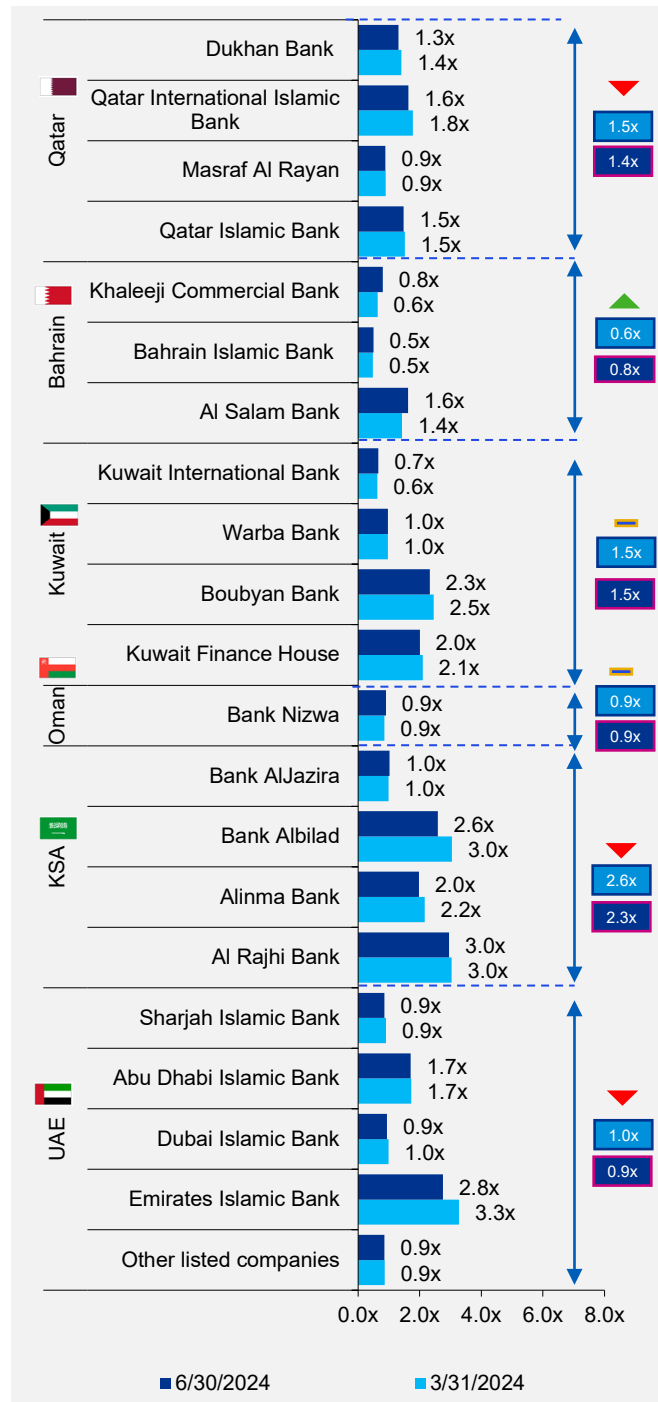
Inflation forecast for a country can be used as **long-term growth rate of the country for terminal value calculation**. We have considered **consumer price index ('CPI')** that examines the **weighted average of prices of a basket of consumer goods and services**.



Source: Capital IQ, U.S. Treasury

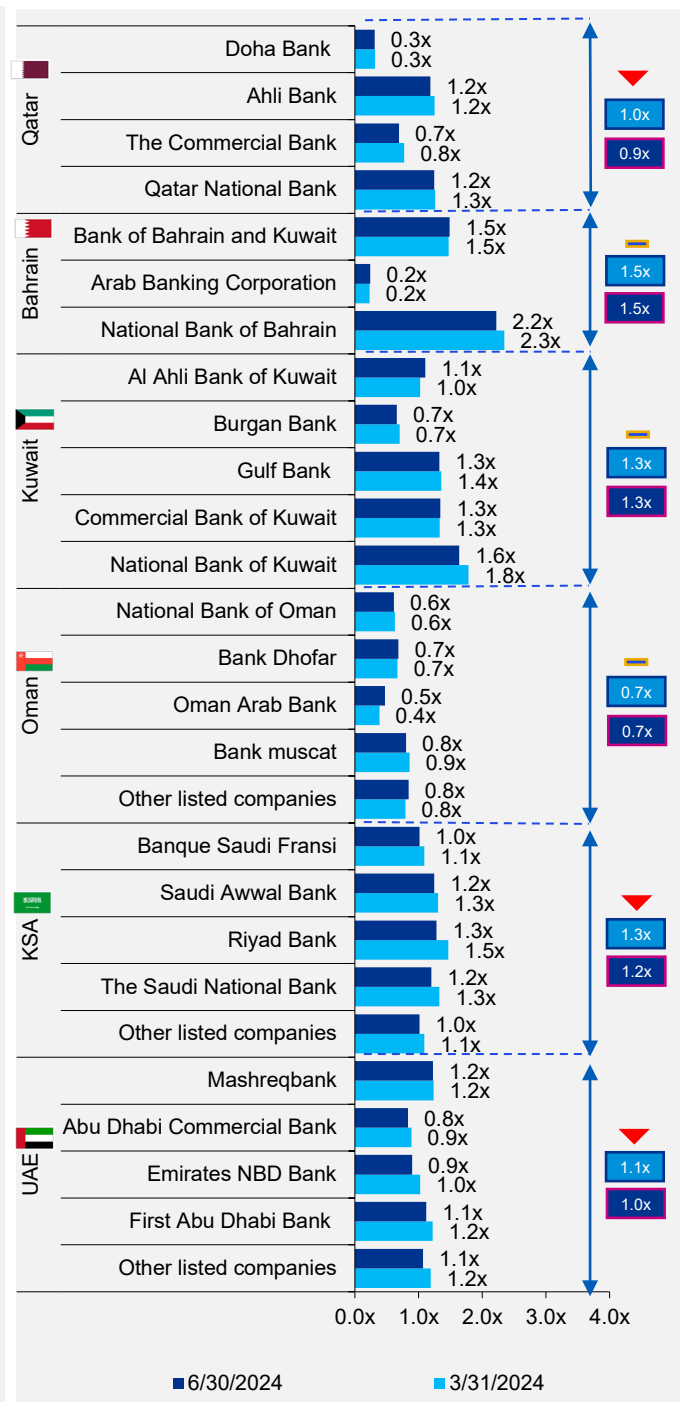
GCC Islamic Banks

Median price-to-book multiple has remained unchanged at **1.2x** from Mar 2024 to June 2024



GCC Conventional Banks

Median price-to-book multiple has remained unchanged at **1.1x** from Mar 2024 to June 2024

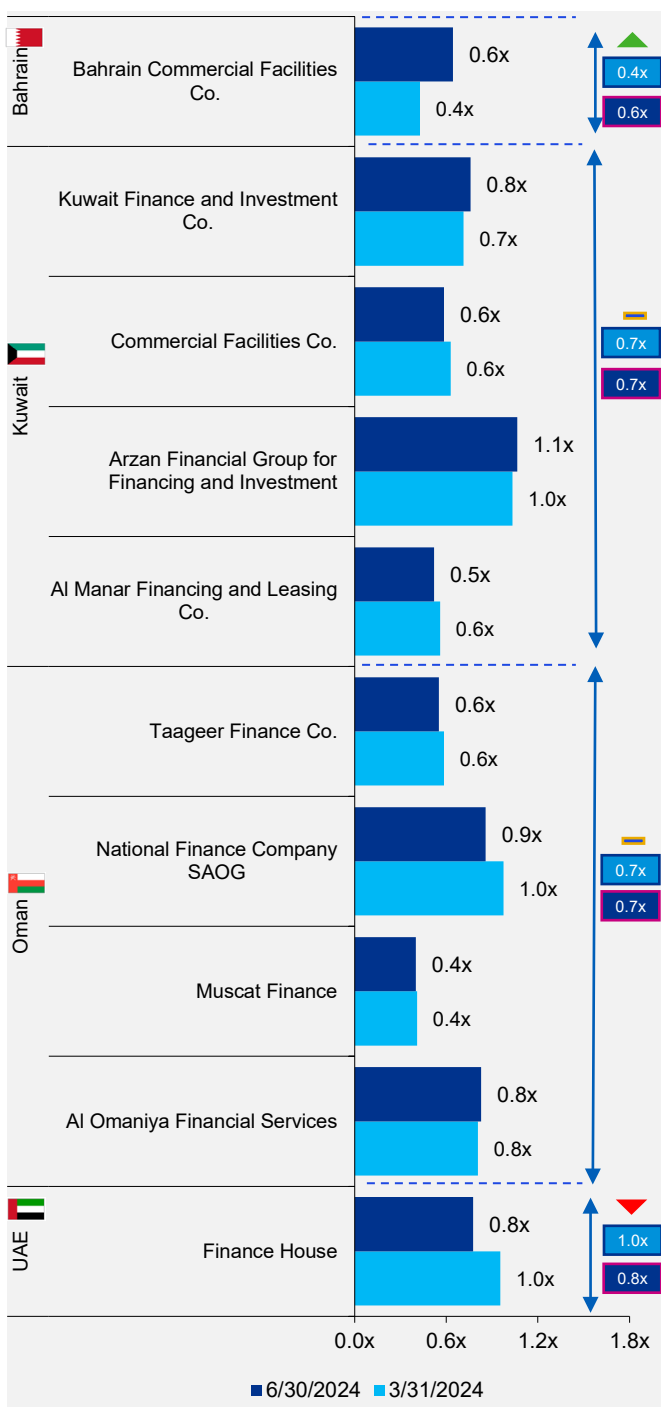


Price refers to market capitalization plus preferred equity as on 30 June 2024 and 31 March 2024. Book value refers to equity to parent company. Certain companies would have been excluded from the above chart as these would have reflected outlier multiples as of the date of preparation of the newsletter.

■ Median P/BV multiple as of 30 June 2024
 ■ Median P/BV multiple as of 31 March 2024
▲ Increase in multiple,
 ▼ Decrease in multiple,
 ▬ No change in multiple

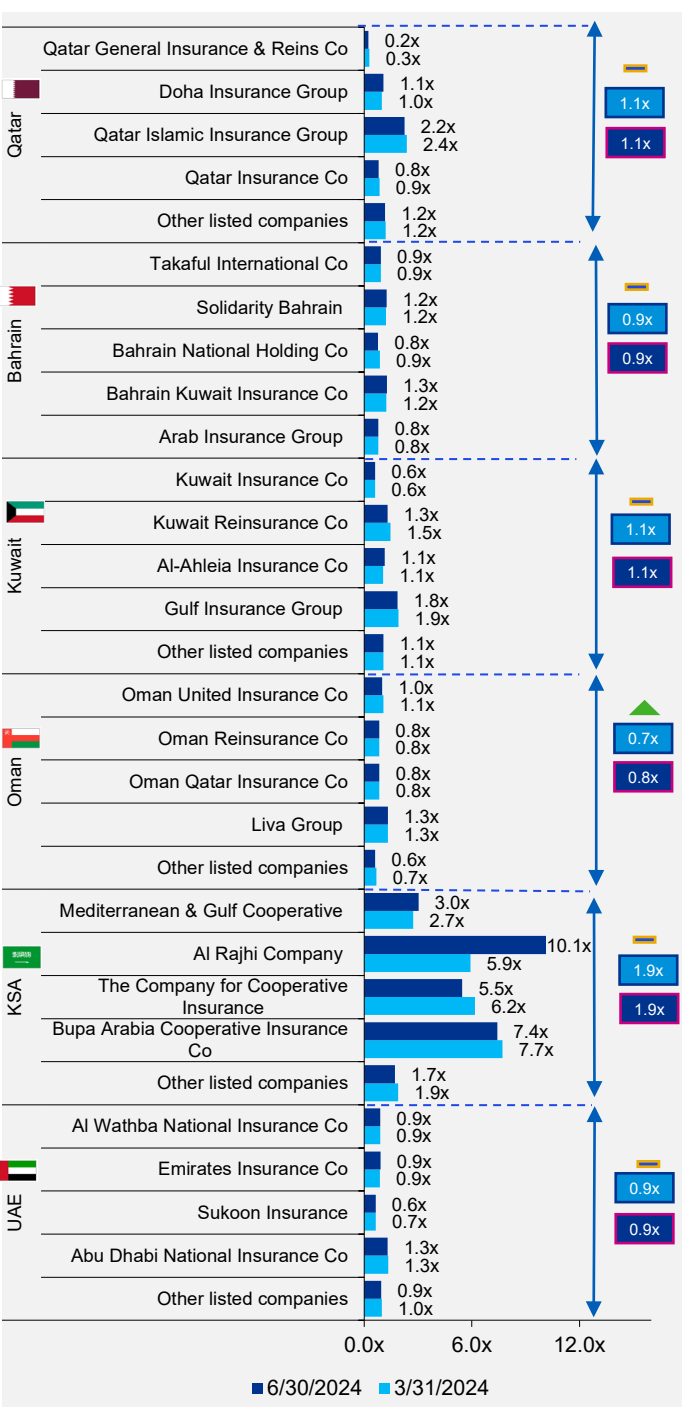
GCC Consumer Finance

Median price-to-book multiple has remained unchanged at **0.7x** from March 2024 to June 2024



GCC Insurance

Median price-to-book multiple has increased from **1.2x** to **1.3x** from March 2024 to June 2024

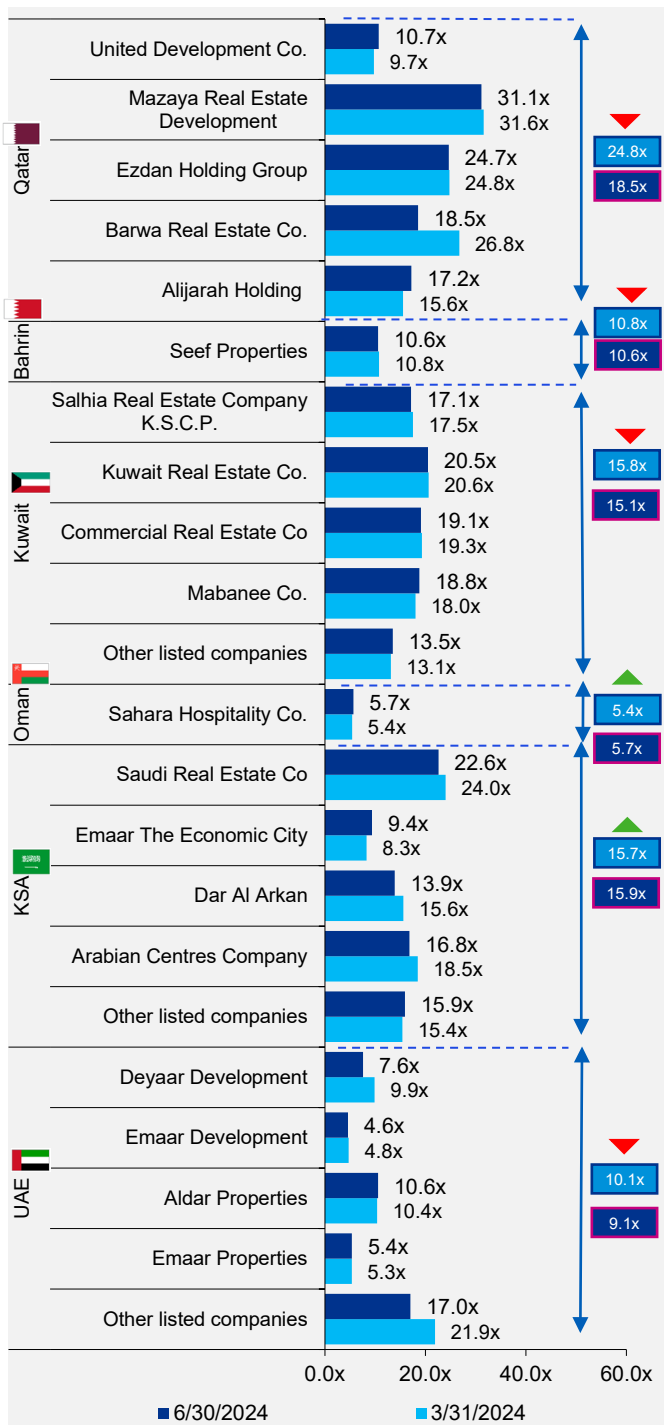


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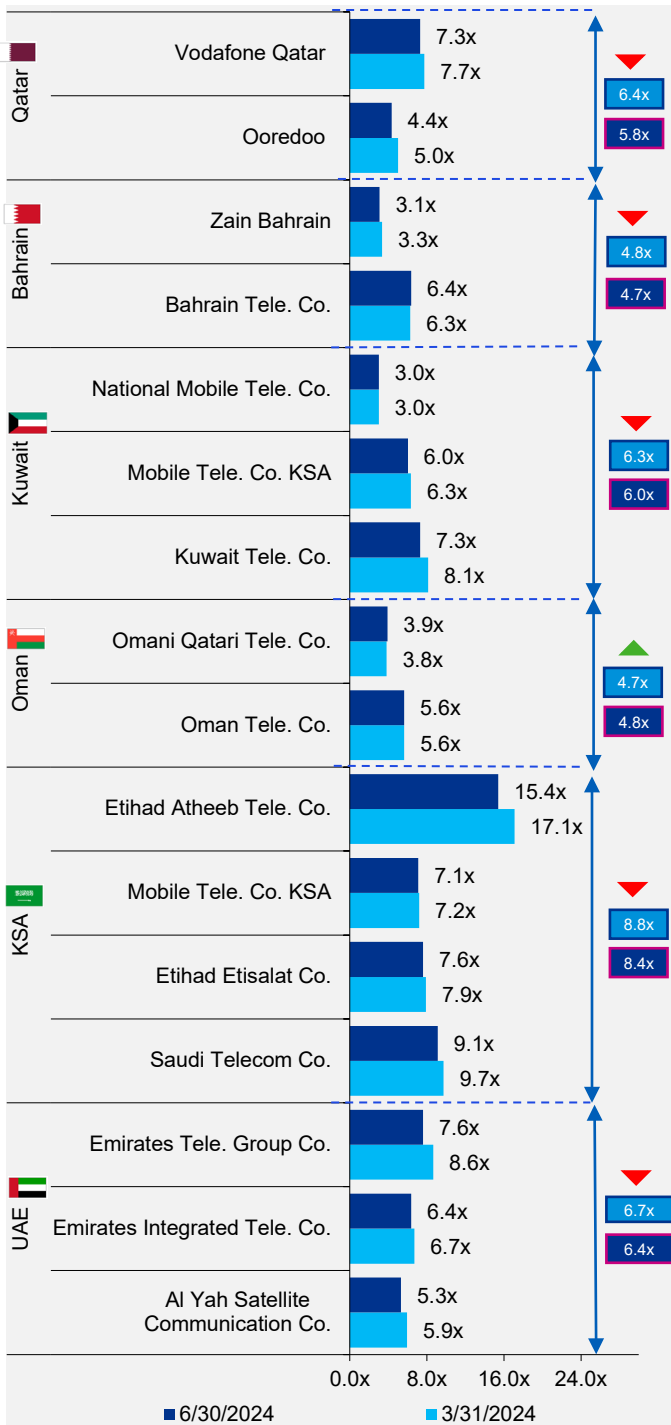
GCC Real Estate

Median EV/EBITDA multiple has decreased from 15.5x to 14.5x from March 2024 to June 2024



GCC Telecom

Median EV/EBITDA multiple has decreased from 6.5x to 6.4x from March 2024 to June 2024



**"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 2024

Median P/BV multiple as of 31 March 2024

▲ 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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