



# Quarterly Brief

**Capital market data as of  
31 December 2023**

20<sup>th</sup> Edition of our International  
Valuation Newsletter  
Q4 2023

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[kpmg.sk](http://kpmg.sk)

# Preface

## Dear reader,

During the last quarter of 2023, the global crisis landscape has continued relatively unchanged. Military conflicts persist in Ukraine, the Gaza Strip, and Yemen. Despite the mostly global consensus on the existence of the climate crisis, there remains much disagreement on the measures necessary to tackle it. The upcoming election year around the world is adding additional political uncertainty. Amidst all the geopolitical concerns, after numerous increases to counter inflation, central banks appear to be assessing potential policy rate cuts in light of the appearance of inflation to be flattening. Equity markets worldwide experienced positive performance, some of them even reached new highs at the end of 2023, reflecting investor optimism after a rollercoaster ride in the fourth quarter. The advancements and potential applications of artificial intelligence continue to offer unprecedented opportunities for society. In this unpredictable environment, it is crucial to have well-founded value analyses that provide a solid foundation for decision-making.

In that context, we are pleased to present our Quarterly Brief, a publication that offers objective market data, which will keep readers abreast of the latest developments in the relevant financial markets.

We are confident that the Quarterly Brief will continue to be a valuable resource for valuation experts and readers alike, providing them with the necessary insights to make informed decisions in their daily activities.

We wish you all the best in these persistently volatile times and look forward to discussing your questions regarding valuation trends and practices.

Yours faithfully



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We provide a selection of key financial market data covering:

- Comparison of major stock market performance for the 12 months ending 31 December 2023
- S&P Eurozone BMI Index sector multiples
- Risk-free rates for major currencies
- Country risk premiums and inflation forecasts for the BRIC countries

### Major stock market performance: A clear recovery in the last quarter of the year

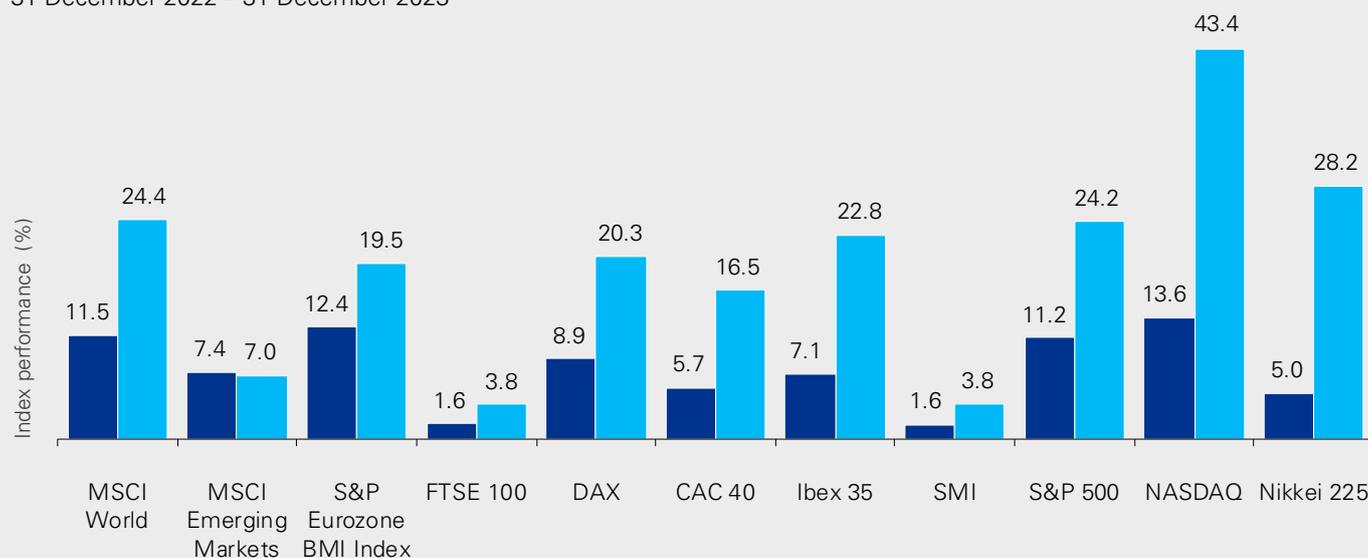
Capital markets have continued their period of growth over the past twelve months, showing double-digit growth rates

for most indices since December 2022. Conversely, the MSCI Emerging Markets Index, the SMI as well as the FTSE 100 Index have demonstrated only moderate year-over-year growth rates of 7.0%, 3.8% and 3.8%, respectively.

Additionally, it is pertinent to analyze the quarter-on-quarter statistics of the listed indices, as each demonstrates momentum in improvement in comparison to the preceding quarter. Notably, the Nasdaq Index outperforms the other indices with a substantial increase of 13.6%, while the FTSE 100 Index exhibits a comparatively modest positive performance of 1.6%.

## Performance of leading indices

31 December 2022 – 31 December 2023



Source: Capital IQ

■ QoQ ■ YoY

**S&P Eurozone BMI Index sector multiples**

The recent performance of the indices as elaborated above is indicative of a positive trend, which is also reflected in the multiples of individual sectors. The majority of the sectors exhibits an improvement in value, measured in EV/EBITDA multiples, with Real Estate (+1.2x), Information Technology (+1.2x), and Health Care (+0.7x) sectors leading the way. Notably, the Communication Services (-0.2x) and Energy (-0.1x) sectors experience a minimal decline from the previous quarter EV/EBITDA multiples.

When compared with the EV/EBITDA multiples, the EV/revenue multiples demonstrate only minimal changes. This implies that many industries are facing high cost pressure, with expenses rising faster than revenues. A possible explanation could be the adverse impact of the emerging inflation and rising resource prices to the cost-to-income ratios of the majority of companies. From a competitive point of view, as these costs could not be passed entirely onto customers, companies may face decreased profitability.



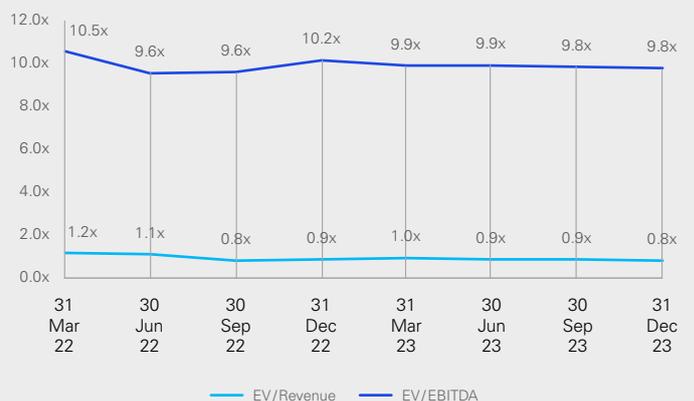
**Communication Services**



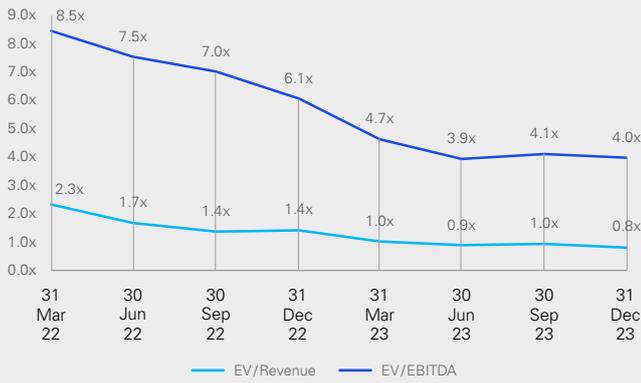
**Consumer Discretionary**



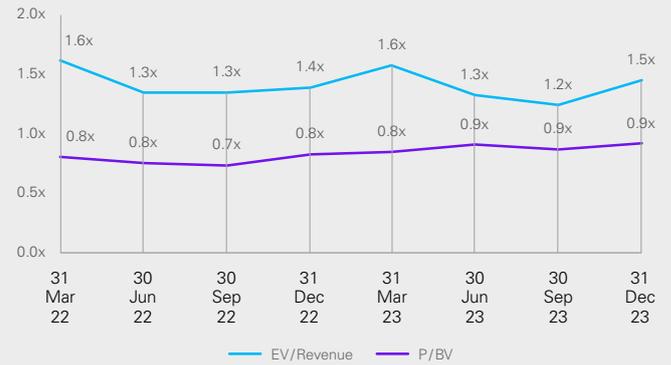
**Consumer Staples**



### Energy



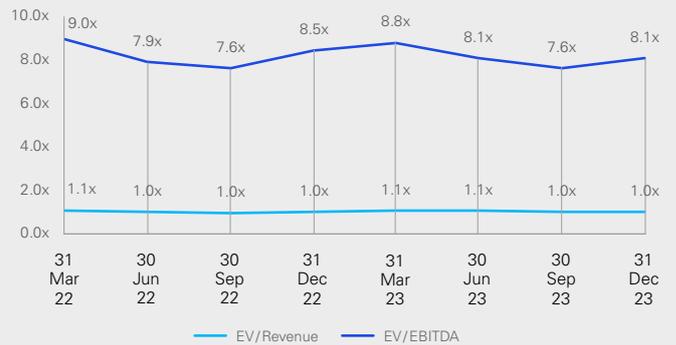
### Financials



### Health Care



### Industrials



### Information Technology



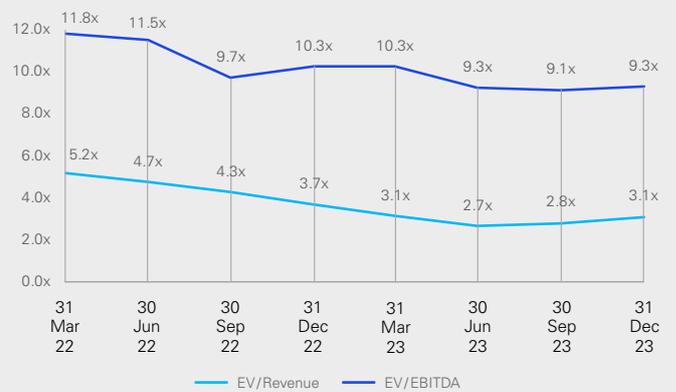
### Materials



### Real Estate



### Utilities



Source: Capital IQ, KPMG analysis

Note: Multiples are analyzed based on the latest information available as of the assessment date for the respective edition of the Quarterly Brief newsletter. Changes in index composition, revised financial information and newly available information as of the respective assessment date may cause multiples to change.

## Risk-free rates: Is an easing of monetary policy on the horizon?

After many central banks worldwide tightened their belts towards austerity by raising interest rates in response to rising inflation, the beginning of another ease in monetary policy (i.e., declining interest rates) may be on the horizon considering recent inflation data. KPMG has derived present

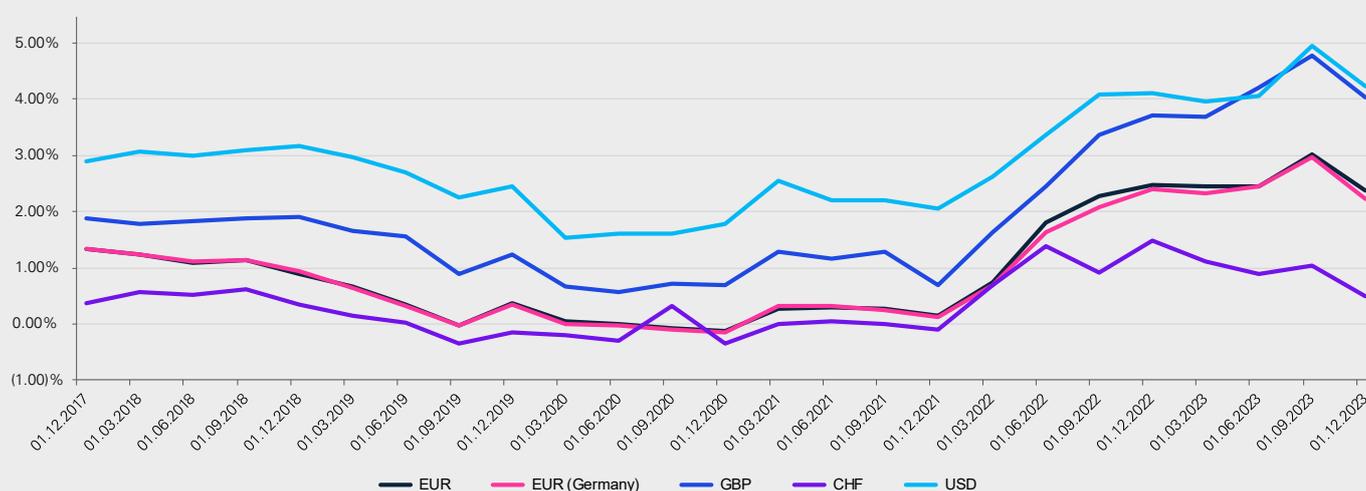
value-equivalent uniform interest rates, which are shown in the table below. Conceptually, these interest rates are derived from a yield curve that is based on observable interest rate parameters defined by central banks. As of 31 December 2023, the United States had the highest interest rate among major economies, followed by the United Kingdom, Eurozone, Germany, and Switzerland.

Risk-free rates								
	 EUR	 EUR	 GBP	 CHF	 USD			
30.09.2017	1.40%	1.38%	2.05%	0.45%	3.04%			
31.12.2017	1.34%	1.34%	1.89%	0.36%	2.89%			
31.03.2018	1.25%	1.24%	1.79%	0.56%	3.08%			
30.06.2018	1.09%	1.12%	1.83%	0.51%	3.00%			
30.09.2018	1.13%	1.15%	1.87%	0.61%	3.10%			
31.12.2018	0.90%	0.94%	1.91%	0.35%	3.17%			
31.03.2019	0.67%	0.65%	1.65%	0.15%	2.96%			
30.06.2019	0.35%	0.33%	1.56%	0.02%	2.71%			
30.09.2019	(0.03)%	(0.03)%	0.88%	(0.36)%	2.25%			
31.12.2019	0.37%	0.34%	1.25%	(0.16)%	2.46%			
31.03.2020	0.06%	0.01%	0.68%	(0.20)%	1.54%			
30.06.2020	0.01%	(0.02)%	0.56%	(0.29)%	1.60%			
30.09.2020	(0.08)%	(0.11)%	0.72%	0.32%	1.61%			
31.12.2020	(0.13)%	(0.14)%	0.70%	(0.36)%	1.78%			
31.03.2021	0.26%	0.32%	1.29%	(0.01)%	2.55%			
30.06.2021	0.29%	0.31%	1.17%	0.05%	2.20%			
30.09.2021	0.26%	0.25%	1.29%	–	2.21%			
31.12.2021	0.14%	0.12%	0.70%	(0.10)%	2.05%			
31.03.2022	0.75%	0.69%	1.63%	0.70%	2.62%			
30.06.2022	1.80%	1.64%	2.45%	1.38%	3.38%			
30.09.2022	2.27%	2.07%	3.36%	0.92%	4.09%			
31.12.2022	2.47%	2.39%	3.72%	1.48%	4.12%			
31.03.2023	2.44%	2.32%	3.68%	1.11%	3.96%			
30.06.2023	2.45%	2.45%	4.20%	0.90%	4.07%			
30.09.2023	3.02%	2.97%	4.78%	1.03%	4.95%			
31.12.2023	2.37%	2.22%	4.04%	0.50%	4.24%			

Source: KPMG analysis

Note: Risk-free rates are determined as a present value-equivalent uniform interest rate based on the yield curve of the respective central bank (Svensson model)

## Risk-free rates over time



### Country risk premium: Factors remain largely stable – Russia remains unclear

In the last quarter of 2023, the political and economic environment in the BRIC countries remained unchanged. Brazil again shows a slight improvement in risk with a decrease of 0.2%-points, while India's CRP continues to increase slightly by 0.1%-point.

Due to the ongoing military aggression against Ukraine, the availability of reliable data concerning country risk for Russia remains a challenge. As such, no meaningful values can be indicated.

Country risk premium					
	31.12.2022	31.03.2023	30.06.2023	30.09.2023	31.12.2023
 <b>Brazil</b>	2.7%	2.7%	2.7%	2.5%	2.3%
 <b>Russia</b>	n/a	n/a	n/a	n/a	n/a
 <b>India</b>	1.9%	2.0%	2.1%	2.2%	2.3%
 <b>China</b>	0.7%	0.7%	0.7%	0.7%	0.7%

Source: KPMG CRP study  
Note: Based on a two-year analysis

### Growth rates: Inflation to reflect deteriorated global economic outlook

*Inflation forecasts are one of the typical indicators that can be used to assess the long-term growth rate for the terminal value calculation. The inflation rates for Brazil, Russia, India and China are based on the Economist Intelligence Unit's inflation forecast for the years 2023 to 2028. The expected inflation can be measured through several parameters. For our presentation, we consider the GDP deflator. It is calculated as the difference between nominal and real GDP and measures the change in prices for all the goods and services produced in an economy.*

The present geopolitical and macroeconomic circumstances are significantly influencing inflation expectations on a global scale. Attitudes across the world, with a particular focus on BRIC countries, are being influenced by various geopolitical and macroeconomic events. The result is a hazy picture of the future but still an elevated level of expected inflation rates.

Inflation forecast							
	2023	2024	2025	2026	2027	2028	
 <b>Brazil</b>	5.2%	3.0%	3.0%	2.7%	2.9%	2.8%	
 <b>Russia</b>	11.7%	7.4%	2.7%	2.4%	2.5%	2.4%	
 <b>India</b>	2.4%	2.4%	3.0%	2.1%	2.0%	1.3%	
 <b>China</b>	0.9%	1.7%	0.9%	1.1%	1.2%	1.1%	

Source : Economist Intelligence Unit

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