

An abstract graphic of a wavy line composed of many thin, overlapping lines in shades of blue, purple, and pink, flowing across the top half of the page.

Industry multiples in the GCC

Q1 2024

Foreword

We are pleased to present the inaugural edition of the Industry multiples in the Gulf Cooperation Council (GCC) publication, examining the implied multiples of leading listed companies across key sectors including banking, education, energy, healthcare, hospitality, insurance, real estate, telecommunications, transport and logistics, and utilities.

Our aim from this series is to provide a comprehensive analysis of how implied multiples of the key industries in the GCC region have changed quarter-over-quarter, and shed light on the economic landscape. This publication explores key sectors using equity and enterprise value multiples, including insight into market performance. As part of our analysis, we have derived the Enterprise Value to Revenue, Enterprise Value to EBITDA, Price to Earnings, and Price to Book Value multiples as applicable.

Given that the GCC capital market public float and depth of trading is in the development phase, we have carefully conducted our analysis to ensure that the indicative multiples offer the best representation of each industry.

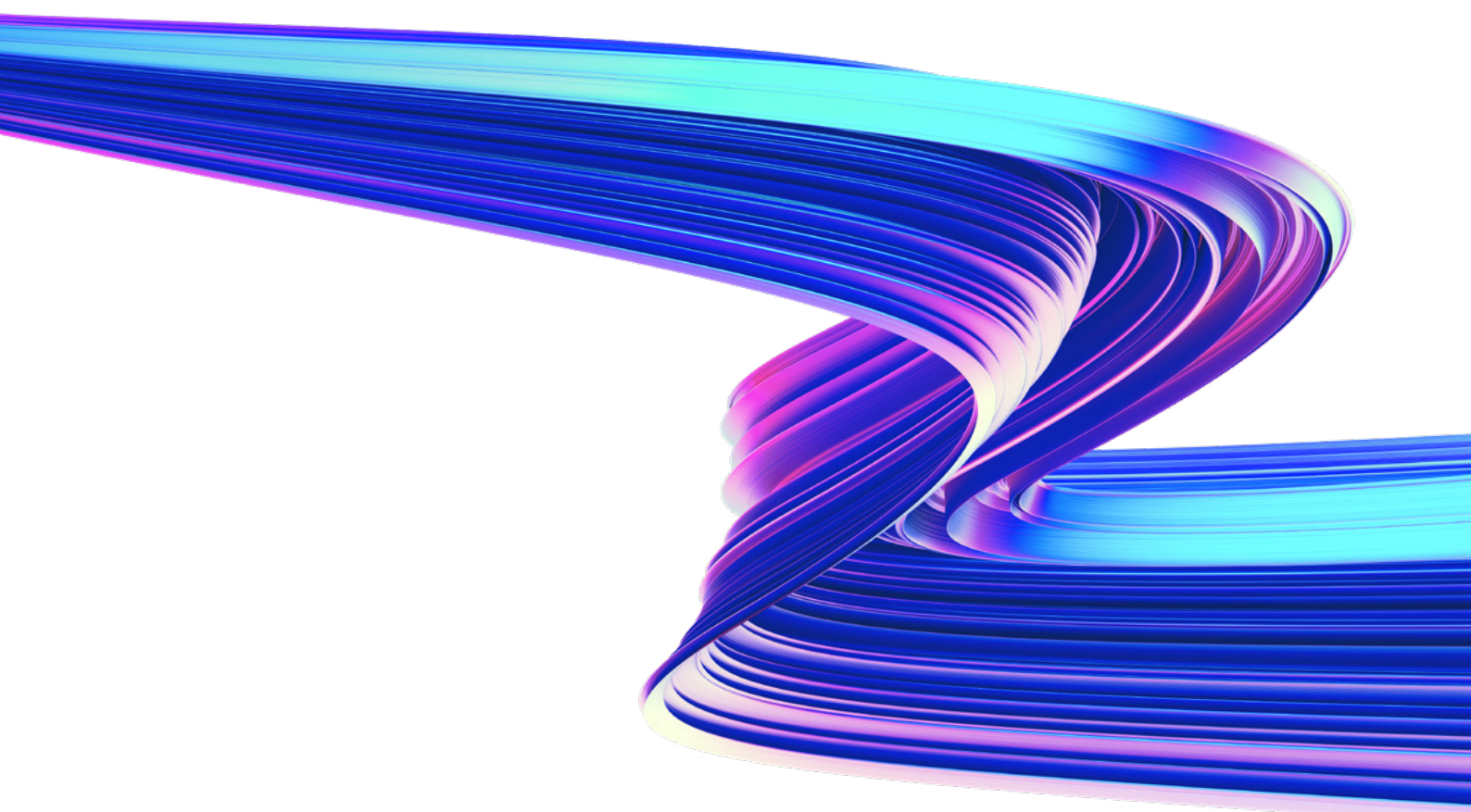
We would be delighted to further discuss the topics in this publication with you. Please contact me or our featured authors if you have any queries.



Elias Daou

Head of Valuations

Corporate Finance
KPMG Lower Gulf



Industry multiples

Q1'24 GCC

The GCC region comprises six countries, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia (KSA) and the United Arab Emirates (UAE). Below is a comparative snapshot of Q1'24 multiples with the corresponding quarter, Q1'23 for select industries.

Snapshot Q1'24

	EV/Revenue		EV/EBITDA		P/E		P/B	
	Q1'24	Q1'23	Q1'24	Q1'23	Q1'24	Q1'23	Q1'24	Q1'23
Education	5.0x	4.3x	17.9x	14.9x	29.5x	26.9x	3.7x	2.6x
Energy	4.0x	3.4x	16.4x	12.9x	22.9x	15.7x	2.7x	2.2x
Healthcare	4.9x	4.4x	23.4x	23.2x	34.5x	29.0x	4.8x	4.2x
Hospitality	2.8x	2.3x	14.6x	14.6x	25.3x	20.5x	4.6x	5.3x
Telecommunication	2.1x	2.2x	6.4x	6.5x	14.2x	16.2x	1.9x	2.0x
Transport and Logistics	6.6x	3.4x	13.3x	11.6x	20.9x	19.0x	3.1x	2.4x
Utilities	7.6x	7.0x	17.5x	16.5x	25.6x	24.2x	3.1x	2.7x
Banks	na	na	na	na	11.0x	14.3x	1.1x	1.2x
Insurance	na	na	na	na	16.3x	20.5x	1.8x	1.5x
Real Estate	na	na	na	na	19.5x	22.3x	1.5x	1.5x

Industry multiples

Below are the quarter-on-quarter movements of the industry multiples for the countries in the GCC region.

EV/EBITDA

	Q1'24	Q1'23	Q4'23	Q3'23	Q2'23
Education	17.9x	14.9x	18.2x	17.4x	16.7x
Energy	16.4x	12.9x	18.8x	22.0x	15.9x
Healthcare	23.4x	23.2x	21.1x	23.3x	21.8x
Hospitality	14.6x	14.6x	16.5x	16.3x	14.9x
Telecommunication	6.4x	6.5x	6.6x	7.0x	6.6x
Transport and Logistics	13.3x	11.6x	12.3x	10.7x	10.7x
Utilities	17.5x	16.5x	16.2x	17.1x	16.1x

EV/Revenue

	Q1'24	Q1'23	Q4'23	Q3'23	Q2'23
Education	5.0x	4.3x	5.1x	5.0x	4.6x
Energy	4.0x	3.4x	4.1x	4.4x	3.5x
Healthcare	4.9x	4.4x	4.5x	5.1x	4.7x
Hospitality	2.8x	2.3x	3.0x	2.7x	2.4x
Telecommunication	2.1x	2.2x	2.2x	2.4x	2.3x
Transport and Logistics	6.6x	3.4x	5.5x	5.0x	3.7x
Utilities	7.6x	7.0x	7.0x	7.1x	6.8x

P/E

	Q1'24	Q1'23	Q4'23	Q3'23	Q2'23
Education	29.5x	26.9x	29.2x	28.0x	28.9x
Energy	22.9x	15.7x	22.7x	23.9x	19.9x
Healthcare	34.5x	29.0x	34.1x	34.7x	31.2x
Hospitality	25.3x	20.5x	27.0x	24.2x	23.1x
Telecommunication	14.2x	16.2x	14.2x	16.0x	15.7x
Transport and Logistics	20.9x	19.0x	18.6x	19.0x	19.0x
Utilities	25.6x	24.2x	23.7x	23.1x	20.1x
Banks	11.0x	14.3x	11.5x	12.4x	12.8x
Insurance	16.3x	20.5x	17.5x	21.4x	23.3x
Real Estate	19.5x	22.3x	22.4x	21.4x	21.2x

P/B

	Q1'24	Q1'23	Q4'23	Q3'23	Q2'23
Education	3.7x	2.6x	3.6x	3.5x	3.0x
Energy	2.7x	2.2x	2.7x	2.6x	2.5x
Healthcare	4.8x	4.2x	4.4x	4.7x	4.4x
Hospitality	4.6x	5.3x	5.0x	5.7x	6.5x
Telecommunication	1.9x	2.0x	2.0x	2.1x	2.0x
Transport and Logistics	3.1x	2.4x	2.6x	3.0x	2.8x
Utilities	3.1x	2.7x	2.6x	2.8x	2.6x
Banks	1.1x	1.2x	1.1x	1.1x	1.1x
Insurance	1.8x	1.5x	1.9x	1.8x	1.6x
Real Estate	1.5x	1.5x	1.5x	1.5x	1.4x

Banks

Over the past four quarters, the sector has experienced an increase in earnings driven by higher interest margins and a rising gross domestic product (GDP). However, the share price has not grown in tandem reflecting lower P/E multiples.

Education

The education sector has seen notable growth over the past four quarters, driven by rising GDP, increasing population, an emphasis on Science Technology Engineering Mathematics (STEM) education within the GCC, and heightened governmental focus on education in Saudi Arabia, the UAE, and Oman. This has resulted in an overall increase in multiples.

Energy

The decrease in enterprise value multiples in the energy sector over the last three quarters was a result of an oil output cut by the Organization of the Petroleum Exporting Countries (OPEC) to raise global oil prices. We have included petrochemical and oil and gas storage, and transportation as part of the energy sector in our analysis.

Healthcare

The increase in spending supported by sectoral realignment and the post-pandemic surge has benefitted the healthcare sector, resulting in an increase in multiples, especially the market capitalization multiples. Enterprise value multiples were rangebound due to lower sales growth in recent quarters.

Hospitality

Rising tourism and travel spendings, advanced infrastructure and the increase in GDP are fueling growth in the GCC region's hospitality industry. Q1'24 experienced a slowdown due to Ramadan.

Insurance

The sector is booming due to compulsory health insurance in GCC countries, although the rapid income growth compared to market capitalization lowered the P/E multiple.

Real estate

The real estate sector witnessed a decrease due to late-cycle stabilization and demand-supply calibration in the GCC countries which lowered the P/E multiple.

Transport and logistics

The sector thrived over the last four quarters due to the ongoing expansion of online shopping and local economic diversification strategies, resulting in an increase in all the multiples.

Other sectors

including telecommunication and utilities have been range-bound during the last four quarters.

Implied ratios

We have calculated the implied EBITDA margins and implied ROE using the enterprise value multiples and market capitalization multiples. Below are the quarter-on-quarter movements of the implied ratios for the countries in the GCC region.

Implied ROE

	Q1'24	Q1'23	Q4'23	Q3'23	Q2'23
Education	12.4%	9.5%	12.5%	12.5%	10.3%
Energy	11.9%	14.2%	11.7%	10.8%	12.3%
Healthcare	14.0%	14.5%	12.9%	13.5%	13.9%
Hospitality	18.2%	25.8%	18.6%	23.6%	28.0%
Telecommunication	13.6%	12.1%	13.8%	12.9%	12.8%
Transport and Logistics	15.0%	12.7%	14.2%	15.9%	14.7%
Utilities	12.1%	11.2%	10.9%	12.1%	12.8%
Banks	9.7%	8.1%	9.5%	9.0%	8.8%
Insurance	11.2%	7.6%	10.7%	8.3%	6.9%
Real Estate	7.6%	6.7%	6.9%	6.9%	6.7%

Implied EBITDA margins

	Q1'24	Q1'23	Q4'23	Q3'23	Q2'23
Education	27.9%	28.7%	28.2%	28.5%	27.5%
Energy	24.6%	26.0%	21.7%	19.8%	22.1%
Healthcare	21.1%	19.0%	21.2%	21.7%	21.6%
Hospitality	19.3%	16.0%	18.4%	16.4%	16.3%
Telecommunication	33.7%	34.8%	33.8%	33.7%	34.5%
Transport and Logistics	49.5%	29.5%	45.1%	46.4%	35.0%
Utilities	43.4%	42.7%	43.4%	41.1%	42.0%

Implied ROE = P/B multiple divided by P/E multiple; Implied EBITDA margin = EV/Revenue multiple divided by EV/EBITDA multiple.

Footnotes:

The screening criteria for computation of multiples takes into account large listed companies (by market capitalization). The criteria filters companies with a free float of less than 20% (except the top five players in each industry), companies with negative enterprise value, and outliers or non-meaningful multiples, if any. We have considered the mean of the sample sets for our analysis. Any outliers in the dataset have been excluded from our analysis. Our analysis is based on information sourced from Capital IQ and our research.

na = not applicable; Q = Quarter; EV/Revenue = Enterprise value as of quarter ending/revenue for last twelve months; EV/EBITDA = Enterprise value as of quarter ending/EBITDA for last twelve months; EBITDA = earnings before interest, taxes, depreciation and amortization; Return on equity (ROE) = net income/average total equity; P/E = share price/earnings per share; P/BV = share price/book value per share.

About KPMG Lower Gulf

For more than 50 years, KPMG Lower Gulf Limited has been providing audit, tax and advisory services to a broad range of domestic and international, public and private sector clients across all major aspects of business and the economy in the United Arab Emirates and in the Sultanate of Oman.

KPMG Lower Gulf is part of KPMG International Cooperative's global network of professional member firms. KPMG firms operate in 143 countries and territories, and in FY23, collectively employed more than 270,000 partners and people. Established in 1973, KPMG in the UAE and Oman is well connected with its global member network and combines its local knowledge with international expertise.

For more than 50 years, KPMG Lower Gulf has provided audit, tax and advisory services to public and private sector clients and continues to serve the needs of business, governments, public-sector agencies, not-for-profits and through the firms' audit and assurance practices, the capital markets. As we continue to grow, we aim to evolve and progress, striving for the highest levels of public trust in our work. KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

Our values are: Integrity: We do what is right; Excellence: We never stop learning and improving; Courage: We think and act boldly; Together: We respect each other and draw strength from our differences; For Better: We do what matters. Our Values guide our behavior day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, and all of our stakeholders.

To meet the changing needs of our clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change.

At KPMG Lower Gulf, we believe that ESG is core to sustainable growth. KPMG's Global ESG Plan details its commitments across four ESG categories: planet, people, prosperity, and governance. These four priority areas assist us in defining and managing our environmental, social, economic and governance impacts to create a more sustainable future.

Through KPMG's ESG Plan, we aim to deliver growth with purpose. We unite the best of KPMG to help our clients fulfil their purpose and deliver against the SDGs, so all our communities can thrive and prosper.

Contact us

Anshul Gupta

Partner

Head of Deals

KPMG Lower Gulf

M: +971 (0) 50 457 4134

E: anshulagupta@kpmg.com

Elias Daou

Head of Valuations

Corporate Finance

KPMG Lower Gulf

M: +971 (0) 56 683 3180

E: edaou@kpmg.com

Nigam Gandhi

Director

Corporate Finance

KPMG Lower Gulf

M: +971 (0) 50 407 9024

E: ngandhi3@kpmg.com

Rajiv Maloo

Partner

Corporate Finance

KPMG Lower Gulf

M: +971 (0) 50 935 3245

E: rmaloo2@kpmg.com

Wissam Fakhoury

Director

Corporate Finance

KPMG Lower Gulf

M: +971 (0) 50 837 4348

E: wfakhoury@kpmg.com

www.kpmg.com/ae

Follow us on:



@kpmg_lowergulf

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG Lower Gulf Limited, licensed in the United Arab Emirates, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. Designed by Creative UAE

Publication name: Industry publication

Publication number: 5134

Publication date: August 2024