



# Valuation Newsletter

Quarterly update – Q3 2022  
Seventh edition

Capital Market Pulse

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November 2022



# Foreword

We are ecstatic to publish the seventh 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 press release made by The World Bank published in October 2022<sup>1</sup>, GCC region’s economies are estimated to grow by 6.9% in 2022. As GCC countries are major hydrocarbon exporters, they may also benefit from changes in the energy market due to the war in Ukraine.

Qatar real GDP is estimated to rise to 4.0% in 2022 due to hydrocarbon exports and government consumption. 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 2022
- Risk free rate movement from 30 September 2021 to 30 September 2022 in major GCC countries and the U.S
- CRP movement from 30 September 2021 to 30 September 2022 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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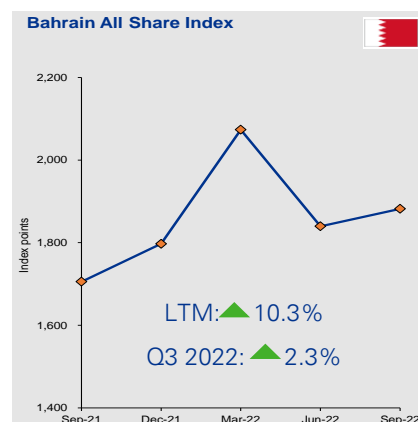
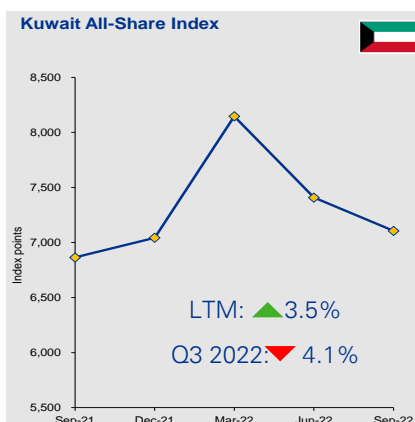
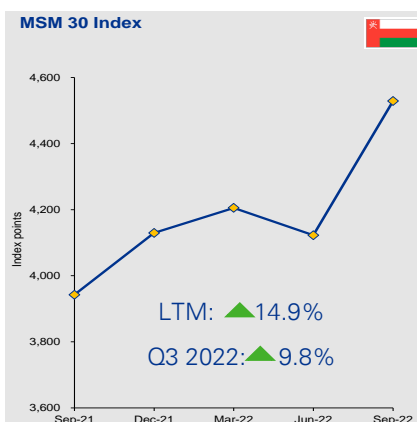
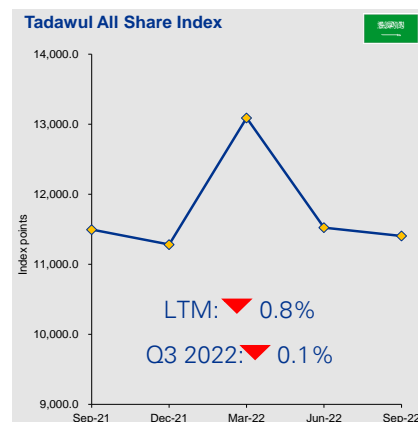
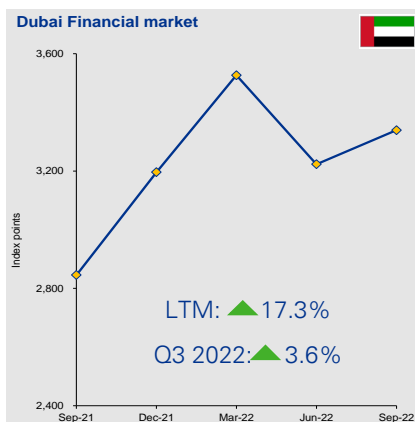
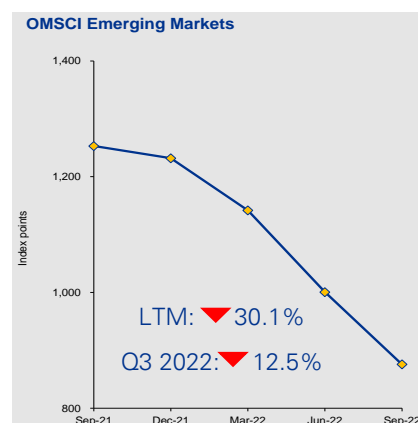
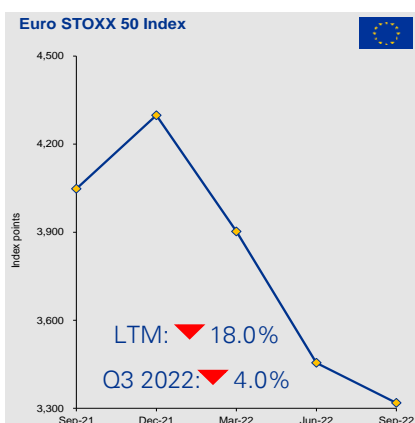
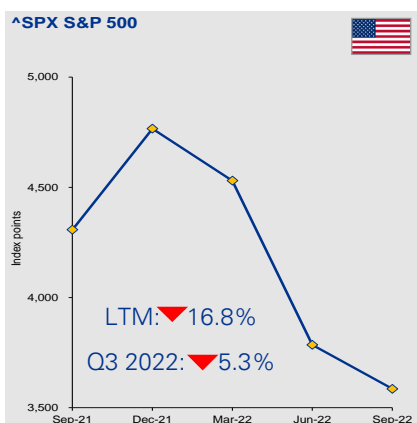
Disclaimer: As the markets have been volatile some sector multiples would reflect extremities and hence readers are advised to use their discretion, judgment while considering these multiples for their analysis and decision-making purposes.

<sup>1</sup>Source: <https://www.worldbank.org/en/news/press-release/2022/10/31/gcc-economies-expected-to-expand-by-6-9-in-2022>

# Financial market indicators

In general, **worldwide indices recorded a drop** from the first quarter of 2022 due to worries of **rising inflation, tightening of monetary policies** by central banks across the world and **Russian / Ukraine conflict** that started in February 2022.

**GCC countries echoed a similar sentiment** and recorded a drop in the second quarter of 2022 due to panic selling as investors took their cue from global markets. However, GCC countries faced a **recovery in global oil demand and an increase in international oil prices** keeping the GCC indexes in green zone in terms of LTM September 2022 performance.

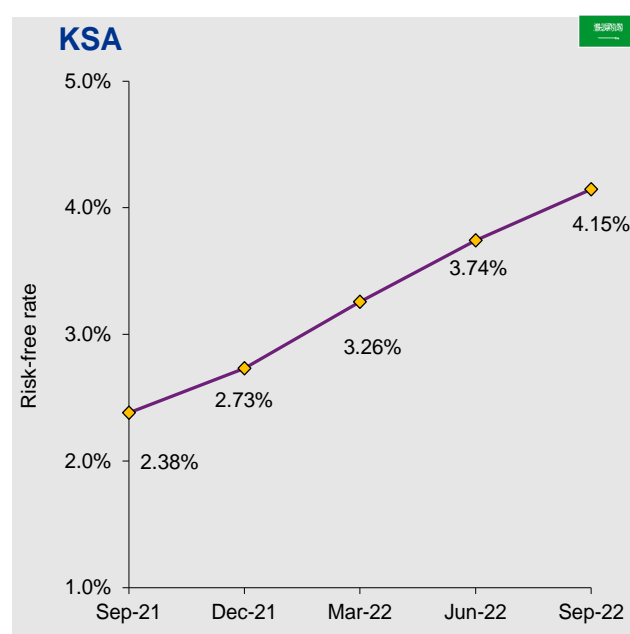
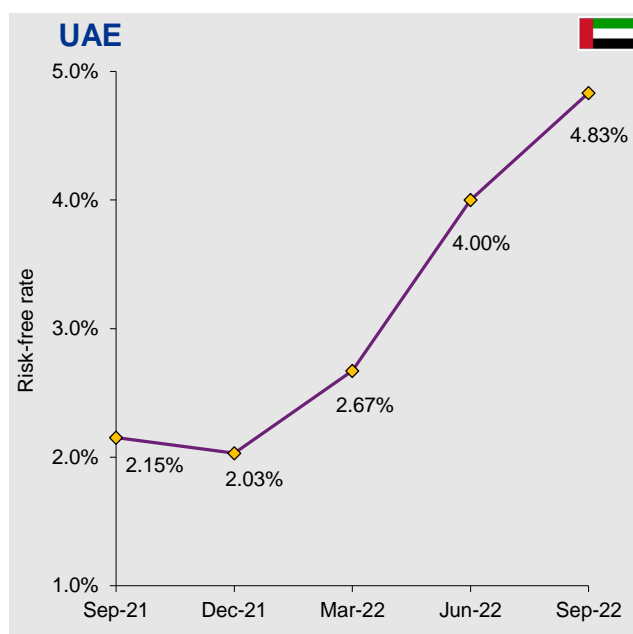
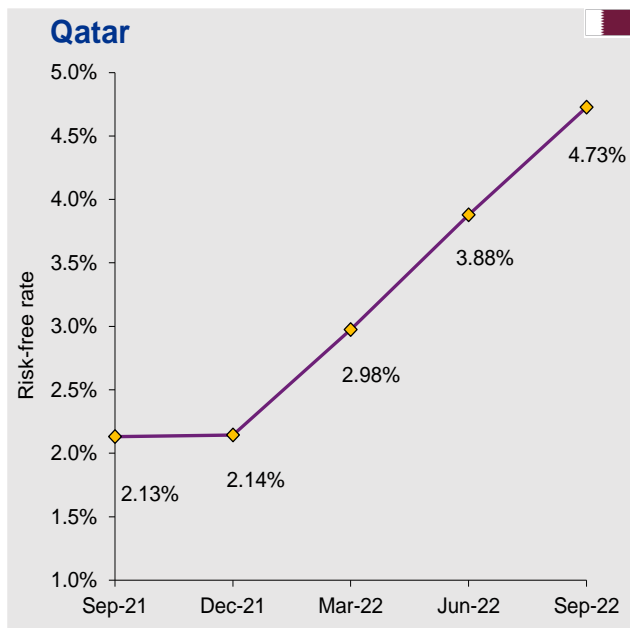
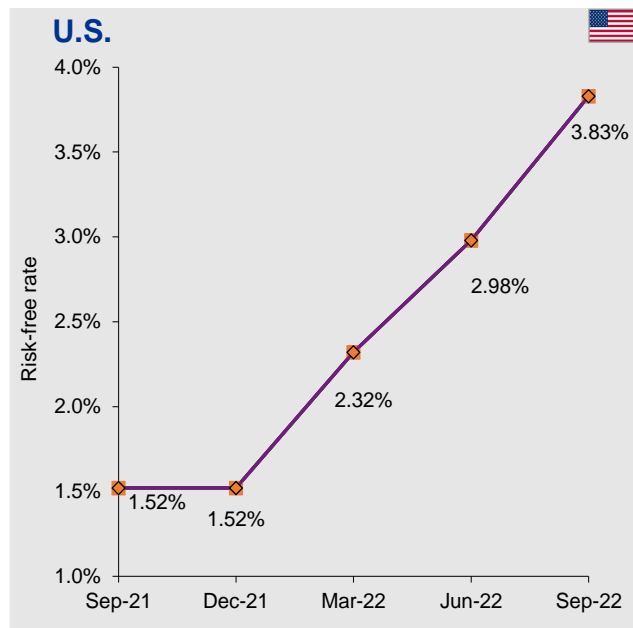


LTM: Period between Sept. 2021 and Sep.2022; Q3: Period between June 2022 (Q2) and Sept 2022 (Q3)

# 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.

**Overshooting global inflation**, particularly in the US and other advanced economies, **harden the risk-free rate** and curtail global excess liquidity. Risk free rate of the U.S. increased from 2.98% in Jun. 22 to 3.83% in Sep. 22. GCC countries had shown similar sentiments as well.



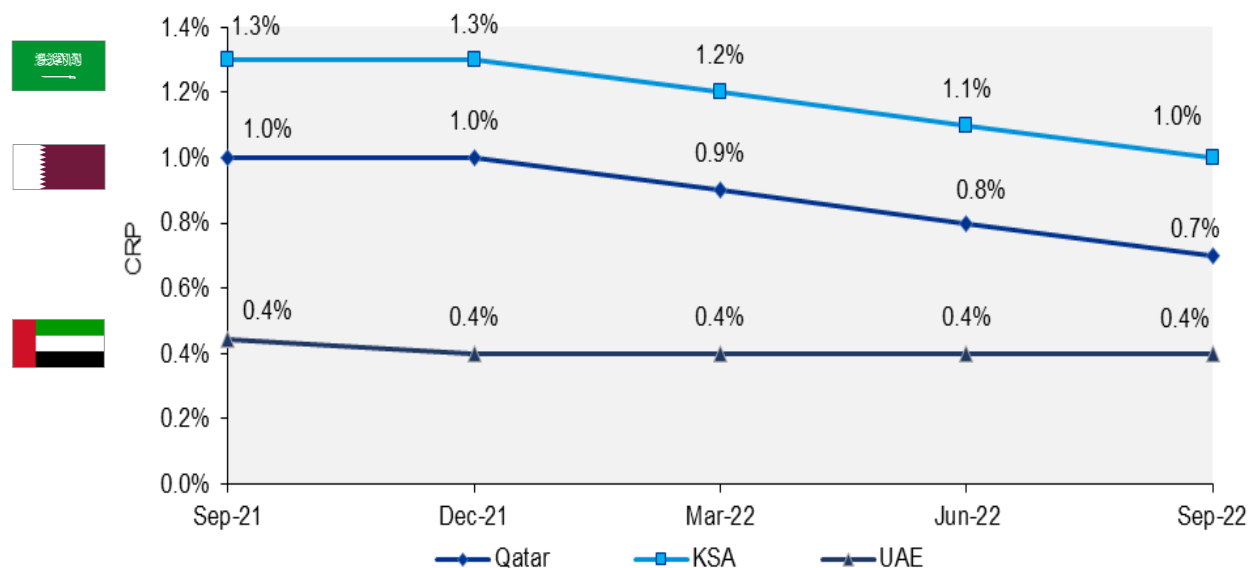
**Note:** We have used the yield of nearest 10 years USD denominated government bond available. Further, to determine the risk-free rate specific to the GCC countries in their local currency a long term inflation differential adjustment over long term US inflation rate will have to be added.

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.

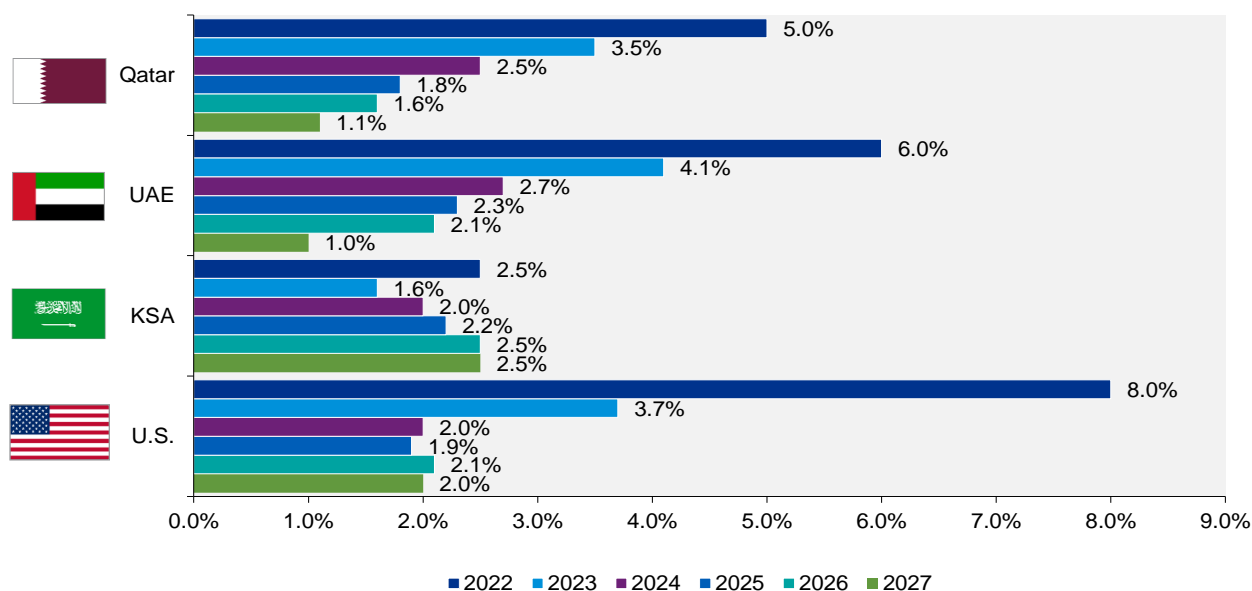
Major GCC countries CRP from **September 2021 to September 2022** are indicated in the below chart.



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**.



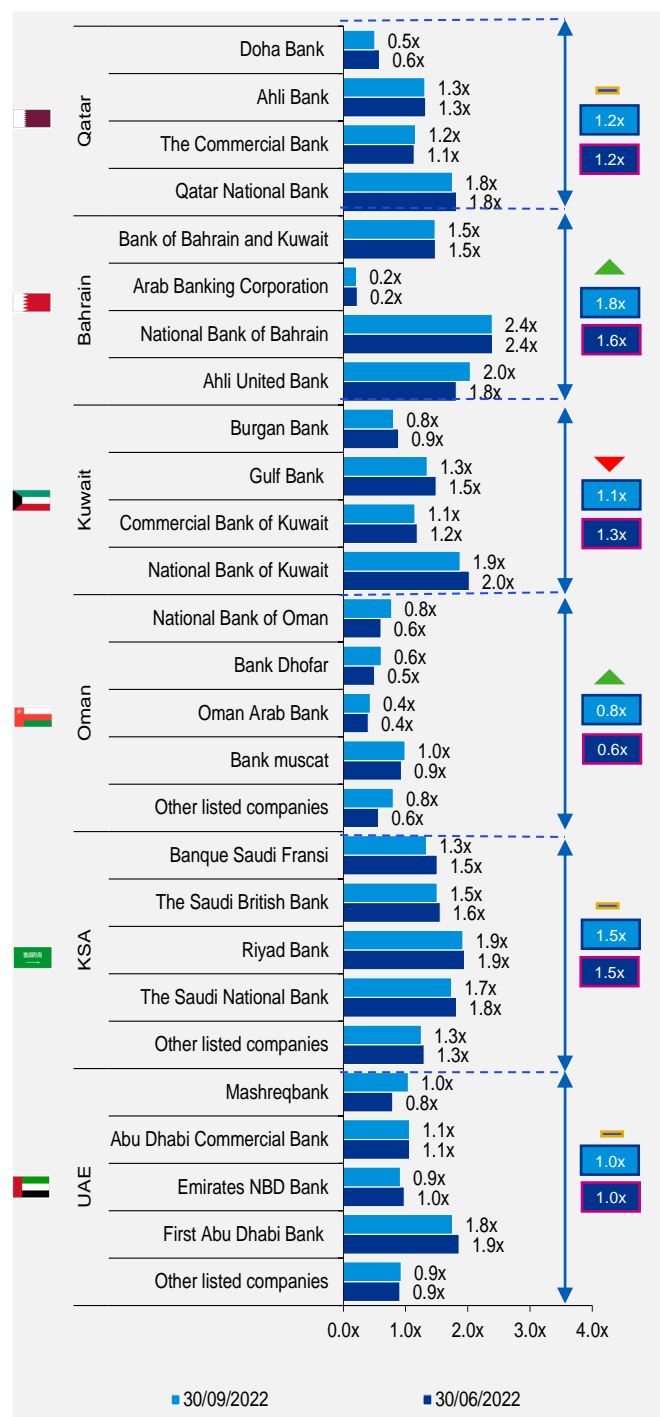
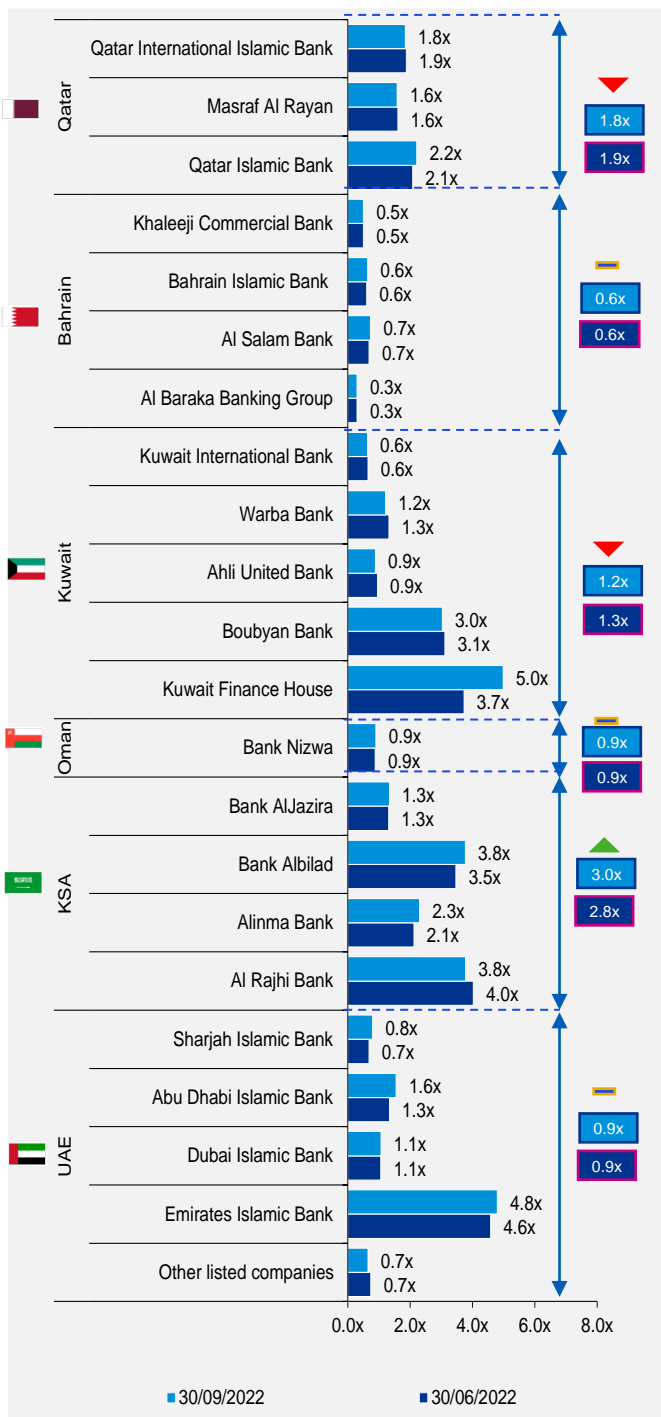
Source: EIU Database, October 2022

# GCC Islamic Banks

# GCC Conventional Banks

Median Price-to-book multiple remains unchanged at 1.1x from Jun. 2022 to Sep. 2022

Median Price-to-book multiple remains unchanged at 1.0x from Jun. 2022 to Sep. 2022



Price refers to market capitalization plus preferred equity as on 30 Sep. 2022 and 30 Jun. 2022. 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 2022 ■ Median P/BV multiple as of 30 June 2022

▲ Increase in multiple, ▼ Decrease in multiple, ▬ No change in multiple



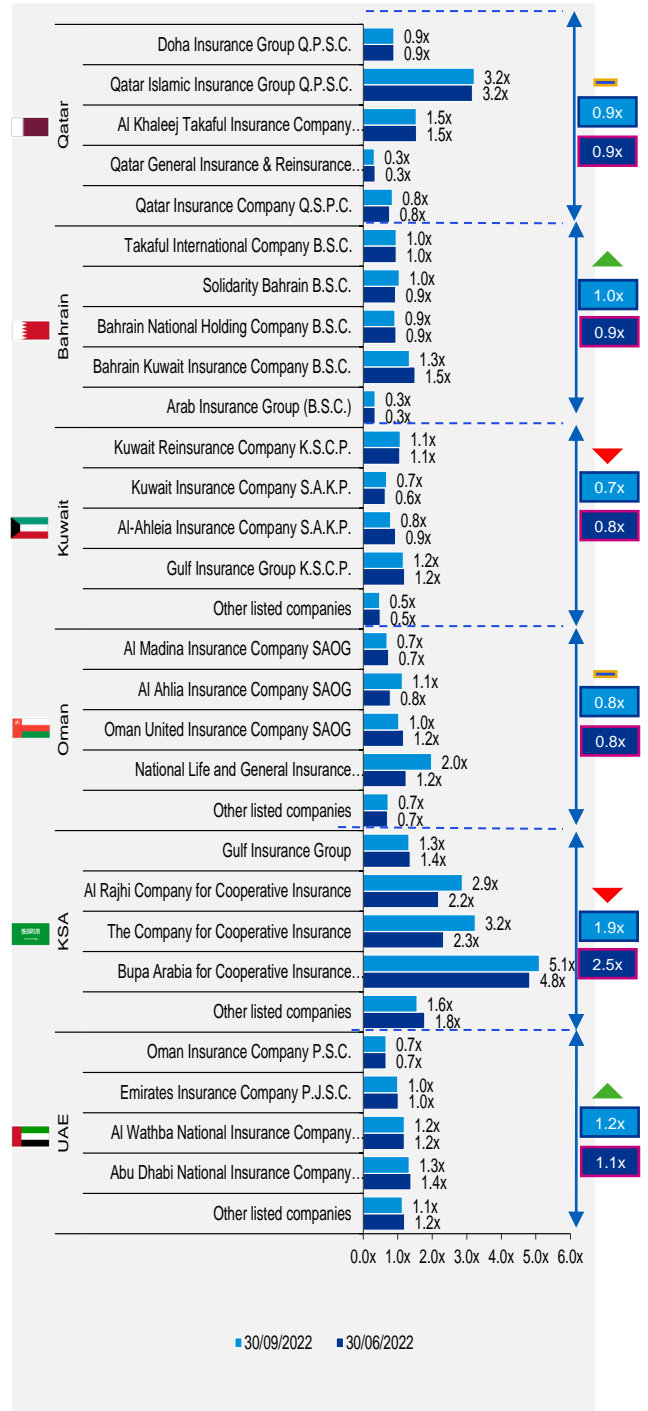
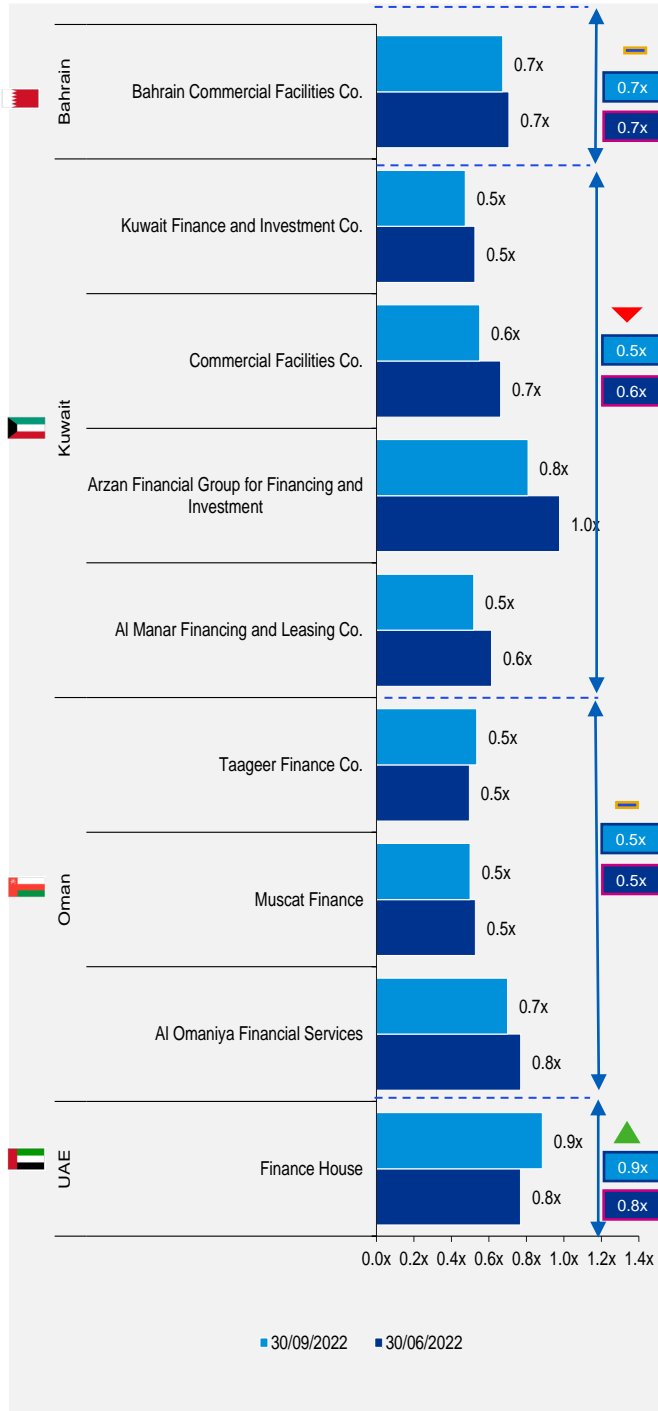


# GCC Consumer Finance

# GCC Insurance

Median price-to-book multiple decreased from 0.7x to 0.6x from Jun. 2022 to Sep. 2022

Median price-to-book multiple remains unchanged at 1.2x from Jun. 2022 to Sep. 2022



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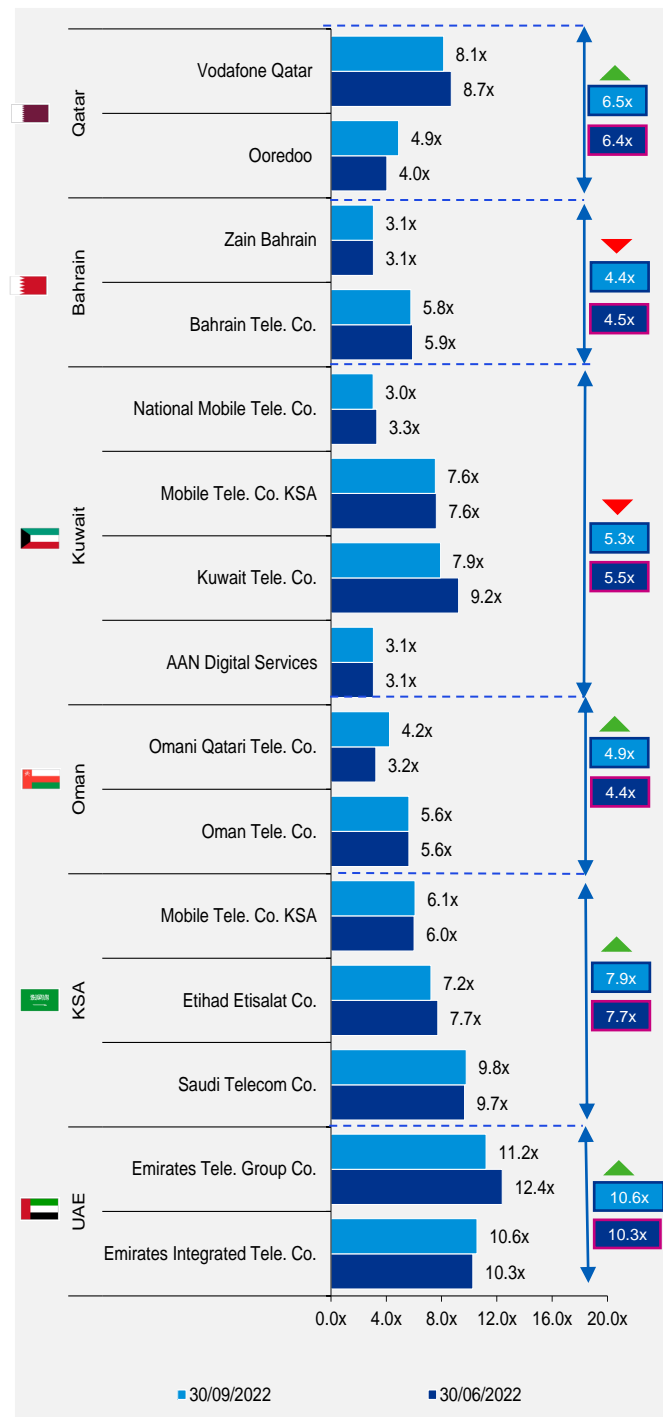
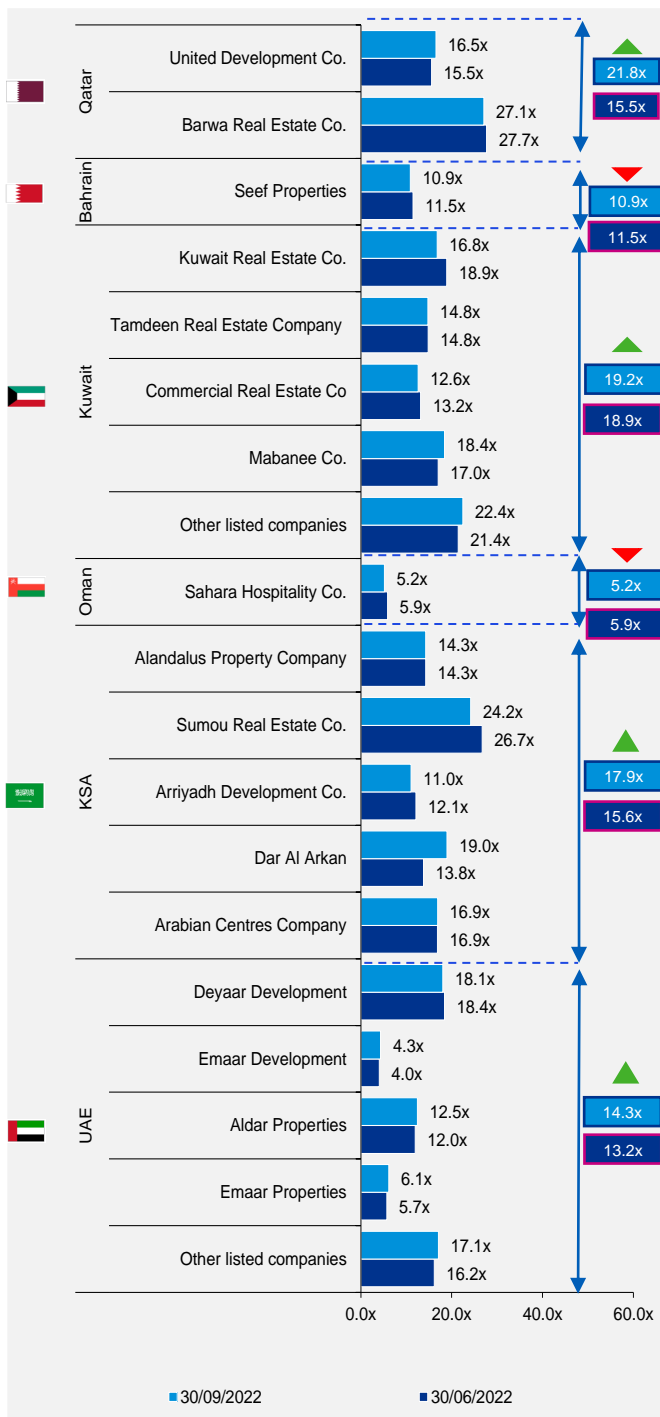
■ Median P/BV multiple as of 30 September 2022 ■ Median P/BV multiple as of 30 June 2022

▲ Increase in multiple, ▼ Decrease in multiple, ▬ No change in multiple



**Median EV/EBITDA multiple decreased from 17.0x to 18.0x from Jun. 2022 to Sep. 2022**

**Median EV/EBITDA multiple increased from 6.0x to 6.1x from Jun. 2022 to Sep. 2022**



\*"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 September 2022 ■ Median P/BV multiple as of 30 June 2022

▲ 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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