



Valuation Newsletter

Quarterly update – Q1 2021

Second edition

Capital market pulse

April 2021

Foreword

We are delighted to launch the second edition of KPMG's quarterly Valuation newsletter covering Gulf Cooperation Council (GCC) trading multiples for leading listed companies and comparing these with the previous quarter. This report provides industry participants with succinct trends, key sector multiples and indicators across the GCC.

Though the global and GCC markets witnessed recovery after a steep decline during the peak of the pandemic in March 2020, the second wave of COVID-19 is hitting the global economy, many countries have announced new restrictions and markets may continue to remain volatile until the uncertainty recedes. However, development of vaccines and inoculation drives have had a positive influence on the market sentiments in general.

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 last 12 months
- Risk free rate movement during last 12 months for major GCC countries and U.S.
- Quarterly trends in GCC sector multiples

Like the previous edition, we have looked at five sectors - **Banks, Telecom, Real estate & hospitality and Healthcare** in the second edition 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.

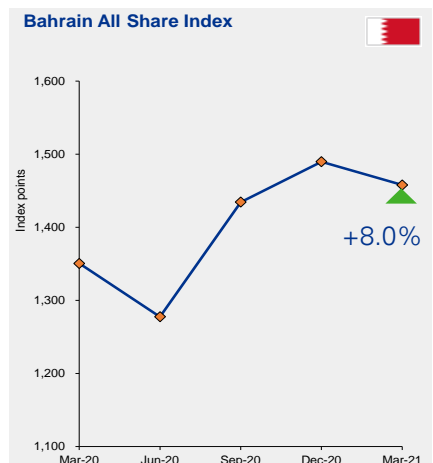
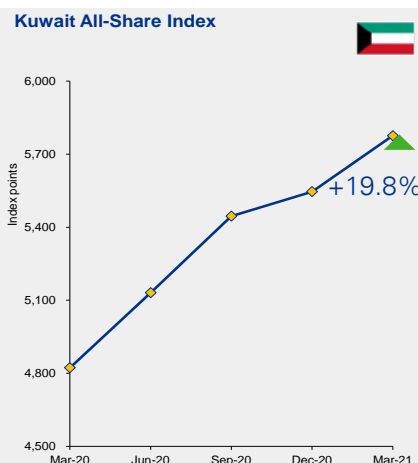
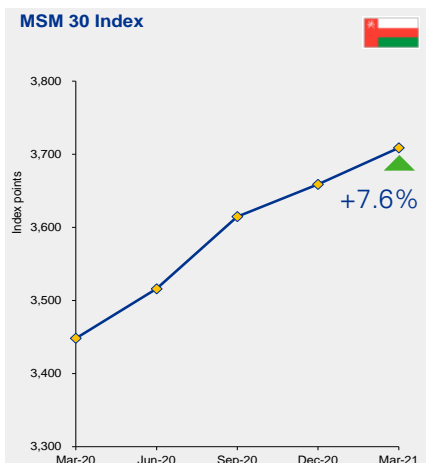
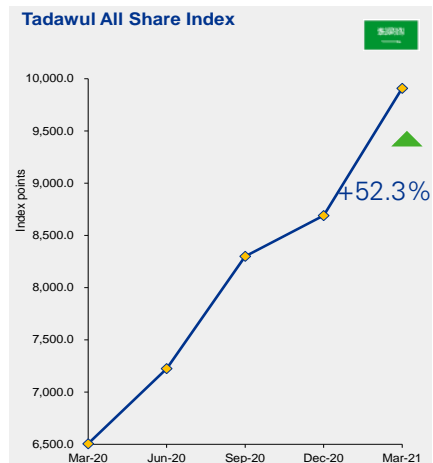
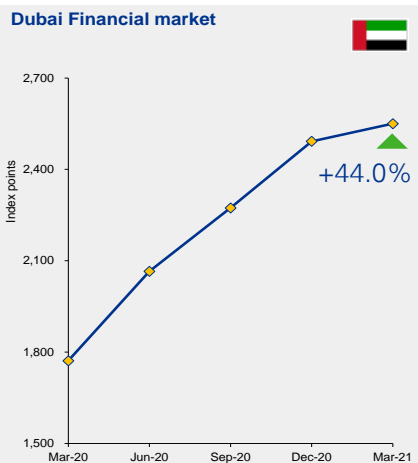
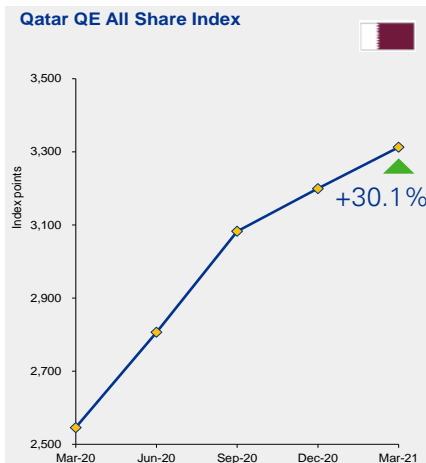
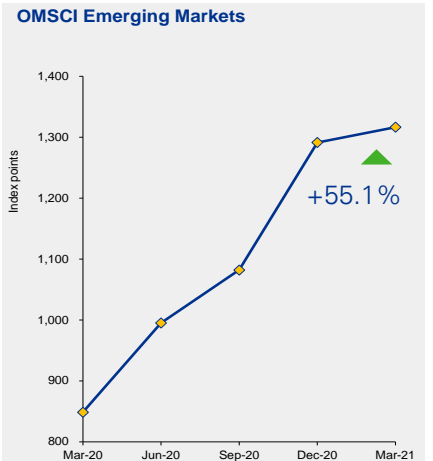
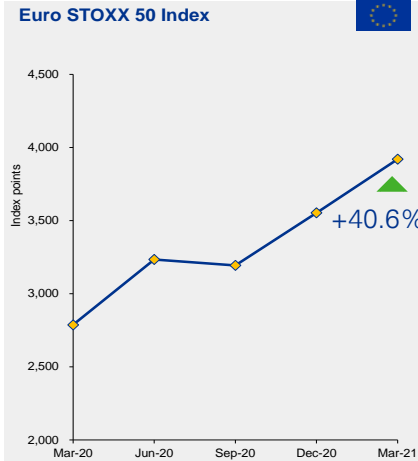
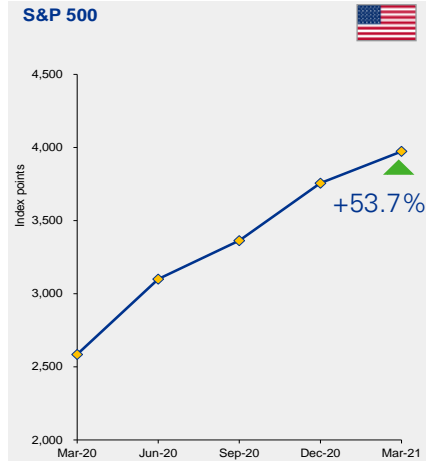


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Financial market indicators

Major indices around the world **reflected growth trajectory due to government actions and roll out of vaccines** after a plunge during the peak of COVID – 19 pandemic in March 2020. Such **momentum** has been **maintained**; however, **outlook will depend on efficacy of vaccines against emerging variants of the virus and preparedness of nations to face any adversity**.

A **positive** development for the Qatari market is that the cabinet approved a **draft law** ¹ to allow **100% foreign ownership of listed companies**. This is expected to further attract significant foreign investors in the coming years.



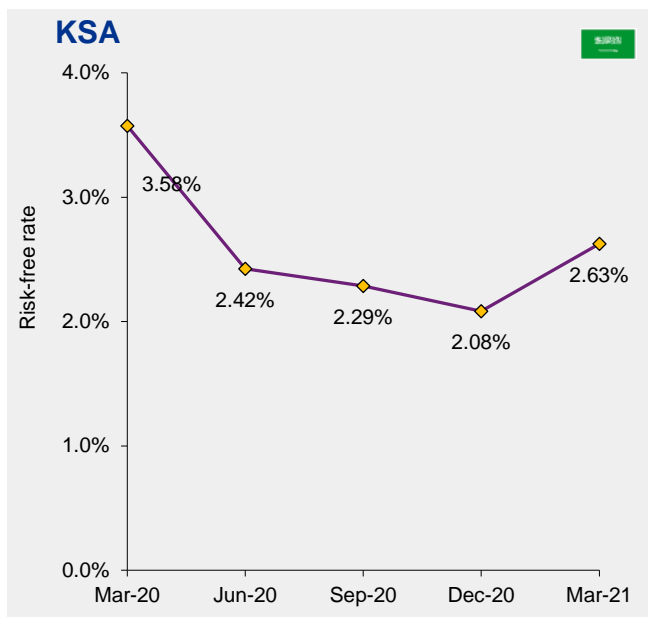
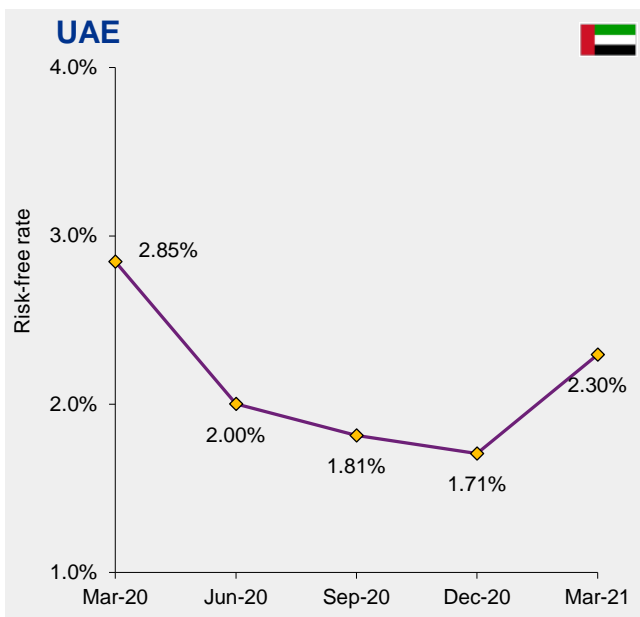
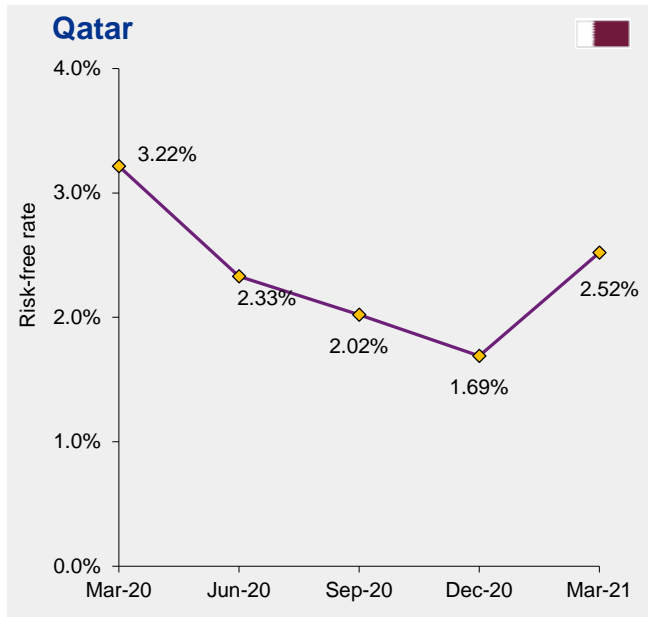
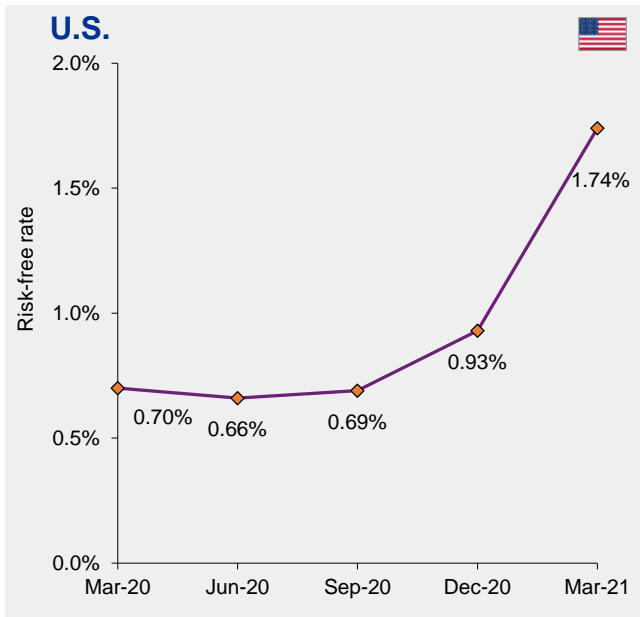
1 <https://hukoomi.gov.qa/en/news/cabinet-approves-draft-law-allows-non-qatari-to-own-100-of-the-capital-of-shareholding-companies>



Risk-free rates

The **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.

The outbreak of COVID 19 caused the central bank of US to loosen their monetary policy, sending risk free rates further down. For the US, **lowest interest rates** were **observed in 2020** and have **rebounded** since, reflecting an expectation of economic recovery. Similar sentiment was reflected in yields of GCC government bonds.



Note: We have considered the yield of nearest 10 years USD denominated government bond available
 Source: Capital IQ, U.S. Treasury



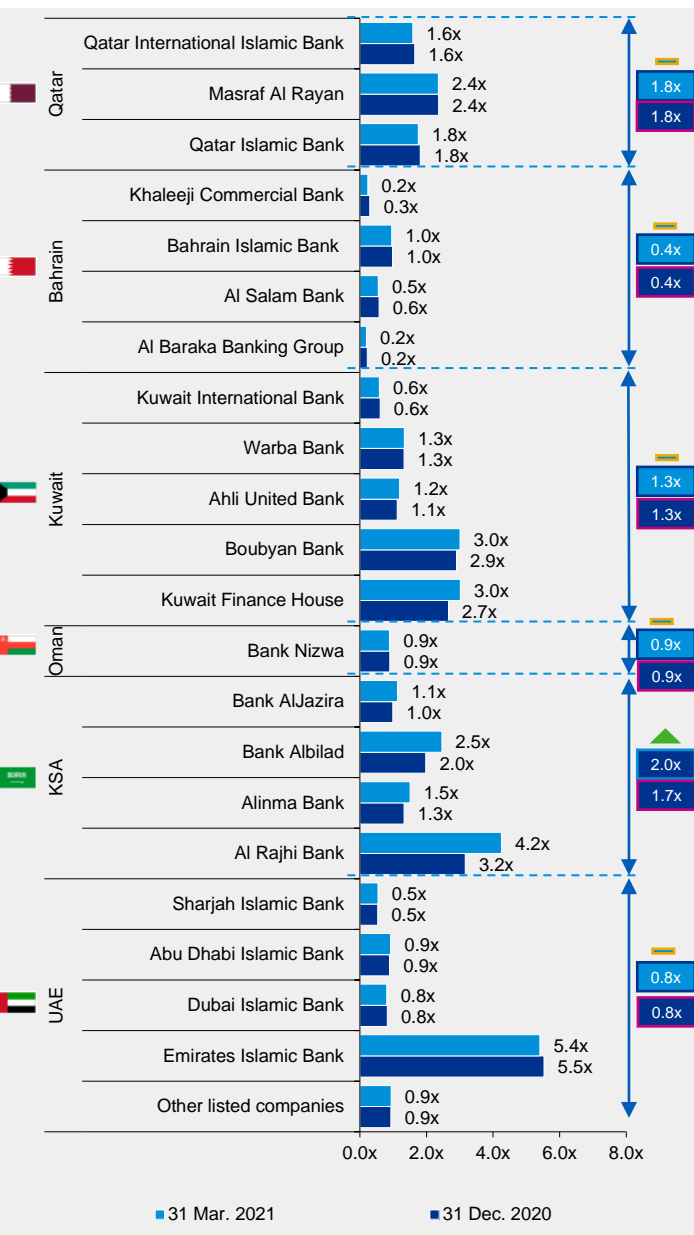
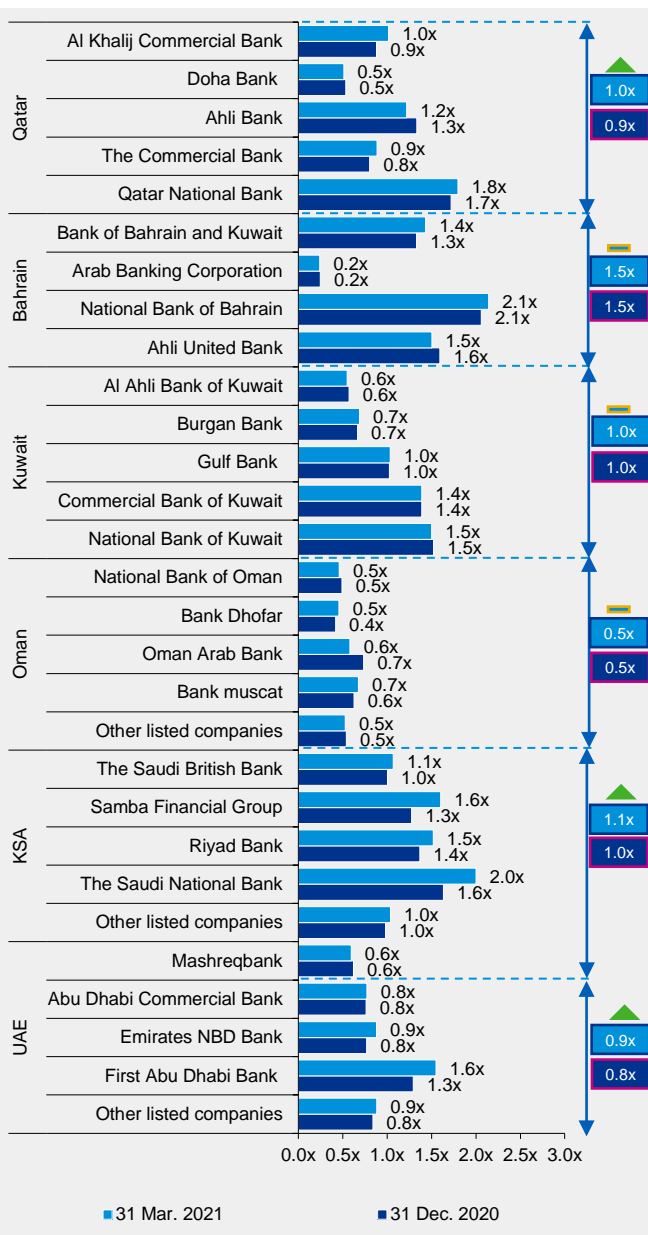
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GCC Conventional Banks

GCC Islamic Banks

Median Price-to-book multiple increased ▲ **from 0.8x to 0.9x from December 2020 to March 2021**

Median Price-to-book multiple increased ▲ **from 1.1x to 1.2x from December 2020 to March 2021**

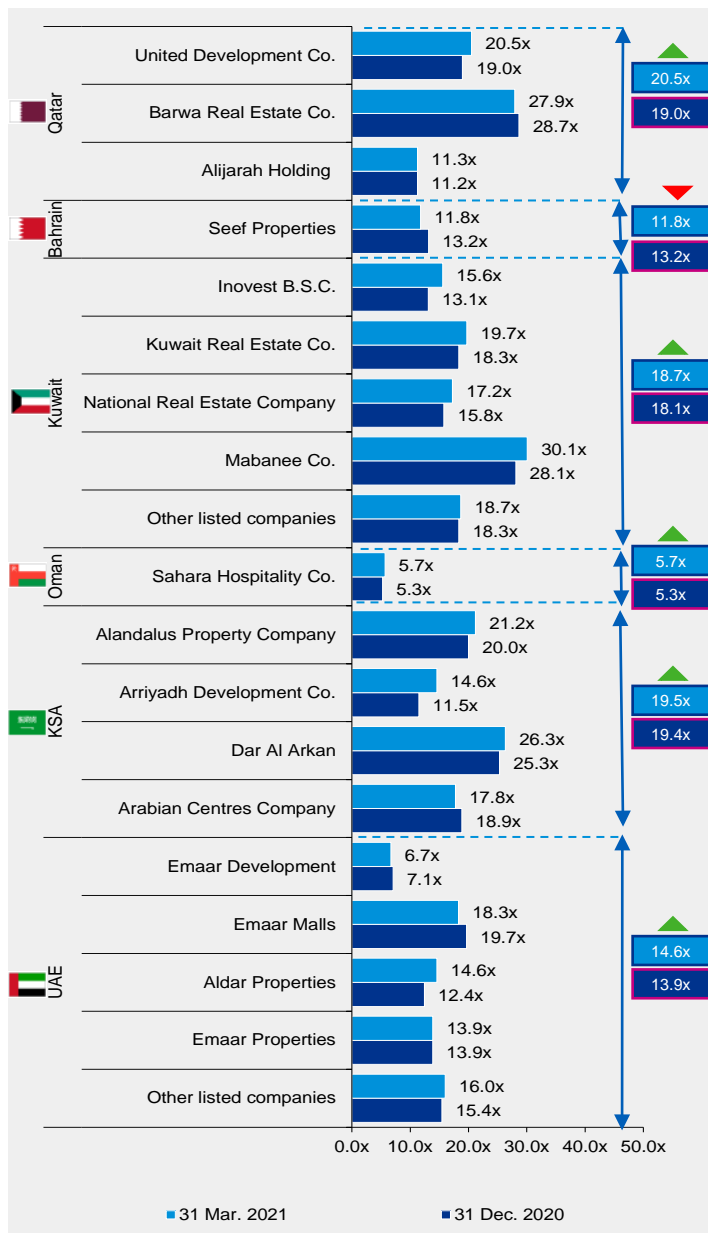


Price refers to market capitalization plus preferred equity as on 31 March 2021 and 31 December 2020. Book value refers to equity to parent company. Certain companies would have been excluded from the above chart as these would have reflected outlier multiples as of the date of preparation of the newsletter.

- Median P/BV multiple as of 31 March 2021
- Median P/BV multiple as of 31 December 2020
- ▲ Increase in multiple, ▼ Decrease in multiple, ▬ No change in multiple

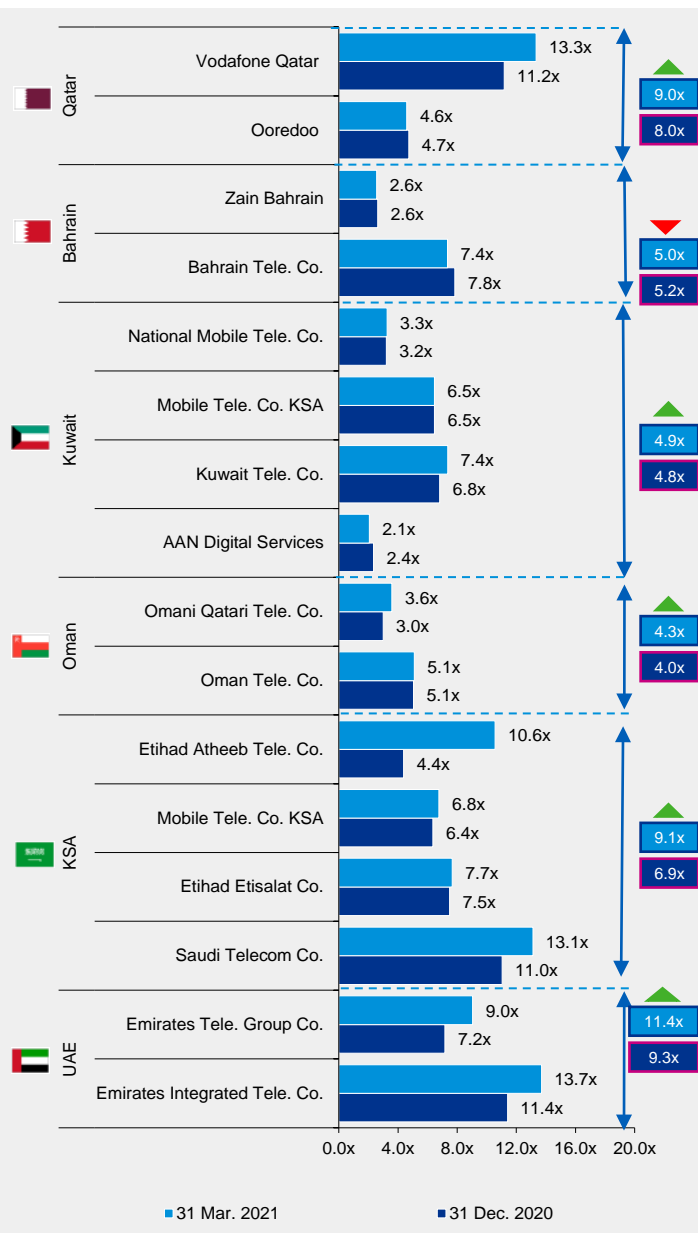
GCC Real estate

Median EV/EBITDA multiple increased ▲ from 16.3x to 17.0x from December 2020 to March 2021



GCC Telecom

Median EV/EBITDA multiple increased ▲ from 6.4x to 7.1x from December 2020 to March 2021



*"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 EV/EBITDA multiple as of 31 March 2021

■ Median EV/EBITDA multiple as of 31 December 2020

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

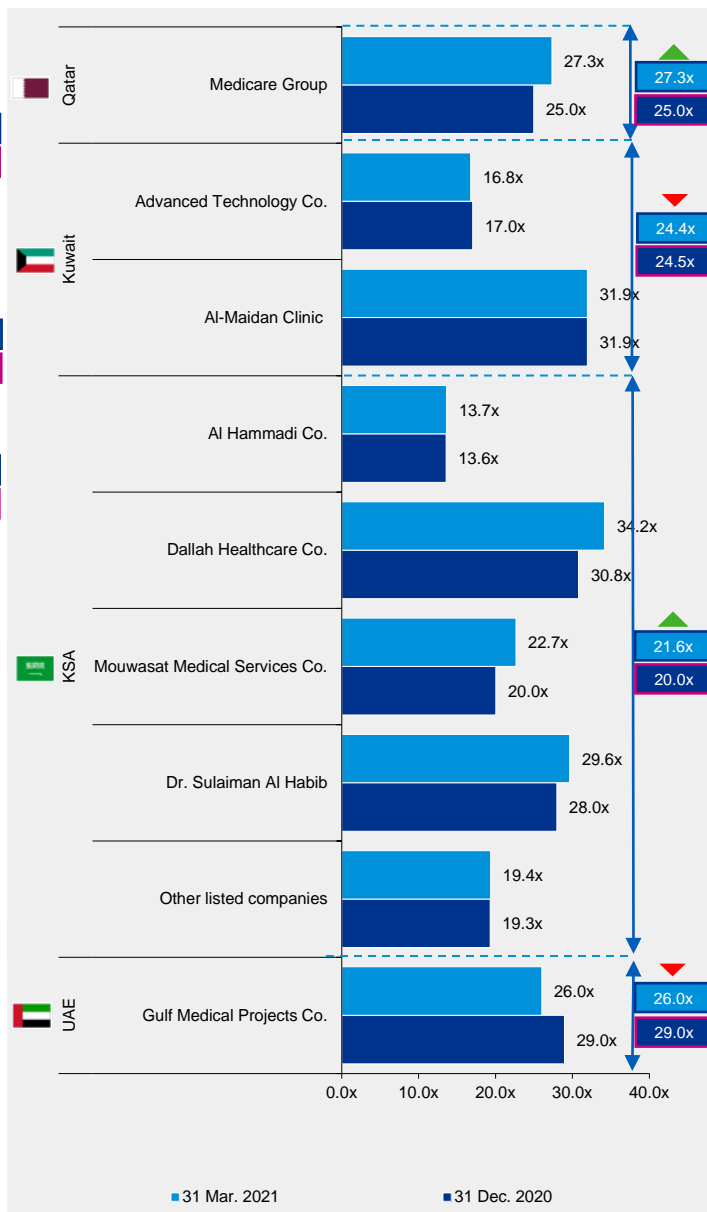
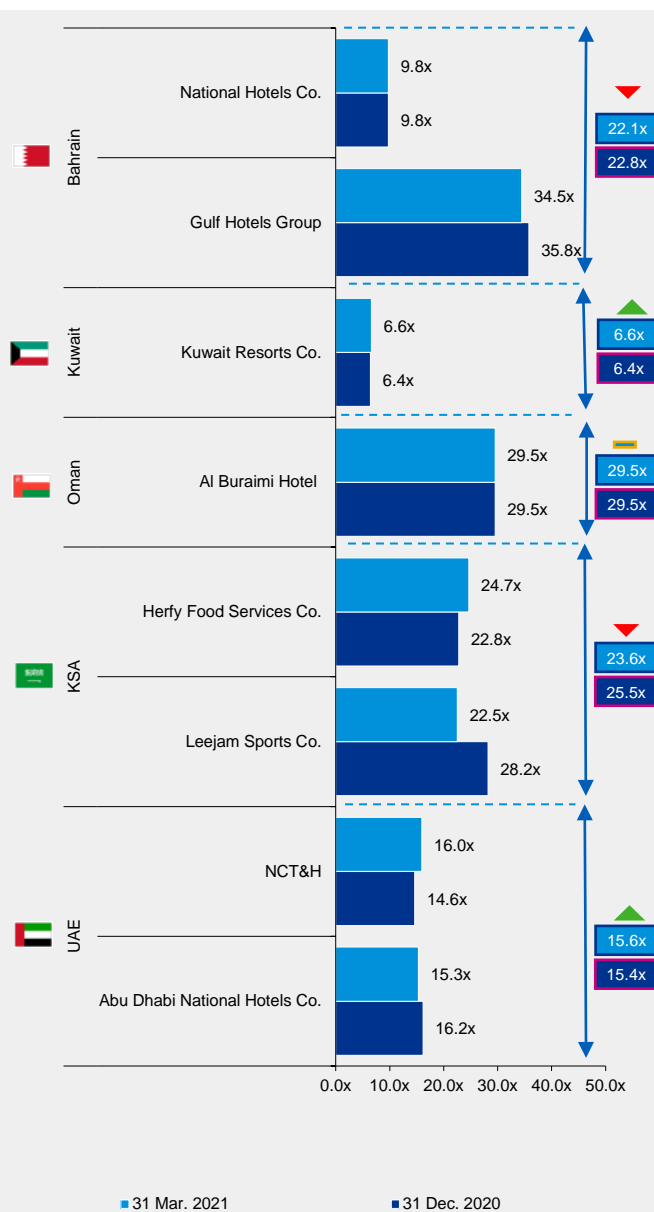


GCC Hospitality

Median EV/EBITDA multiple decreased ▼ from 19.5x to 19.2x from December 2020 to March 2021

GCC Health care

Median EV/EBITDA multiple increased ▲ from 21.3 to 22.7x from December 2020 to March 2021



* 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. *Under **hotels, Restaurants and Leisure**, no listed company in Qatar. *Under **health care providers and services**, no listed company in Oman and Bahrain.

*Hospitality includes Hotels, restaurants and leisure. *Health care includes Health care providers and services

■ Median EV/EBITDA multiple as of 31 March 2021
 ■ Median EV/EBITDA multiple as of 31 December 2020

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



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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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Sources used: Capital IQ

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