



# Valuation Newsletter

Quarterly update – Q1 2022

Sixth edition

Capital market pulse

---

May 2022



# Foreword

We are delighted to publish the sixth 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 World Bank MENA economic update<sup>1</sup> published in April 2022, MENA region's economies are estimated to grow by 5.2% in 2022, the fastest rate since 2016. However, uncertainty reigns with the unpredictable course of the war in Ukraine and the scientific uncertainty about the evolutionary path of the Covid-19 virus.

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 31 March 2022
- Risk free rate movement from 31 March 2021 to 31 March 2022 in major GCC countries and the U.S
- CRP movement from 31 March 2021 to 31 March 2022 in major GCC countries and the U.S.
- Inflation forecasts for the 5 years ending 2026 in major GCC countries and the U.S.
- Trends in GCC sector multiples for leading listed companies from 31 December 2021 to 31 March 2022

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.



**Venkat Krishnaswamy**

Partner,  
Head of Advisory



**Karthik Jagadeesan**

Associate Director  
Advisory, Valuations

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.

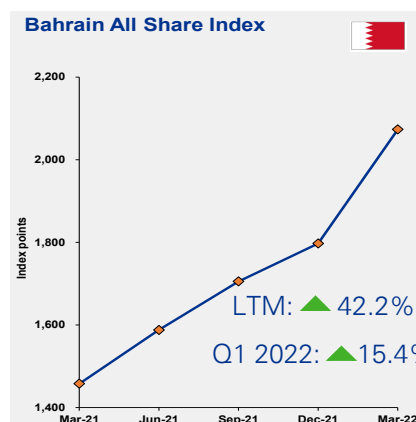
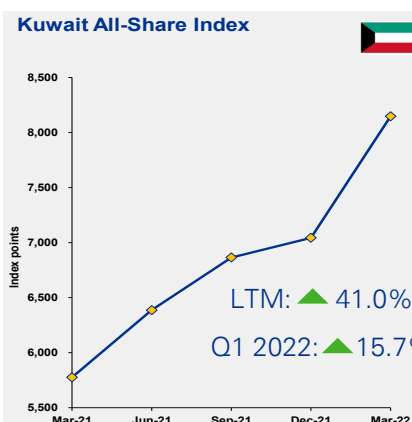
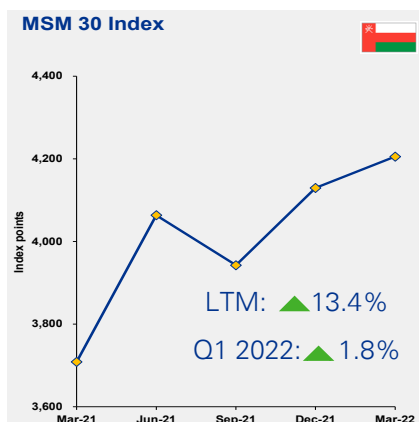
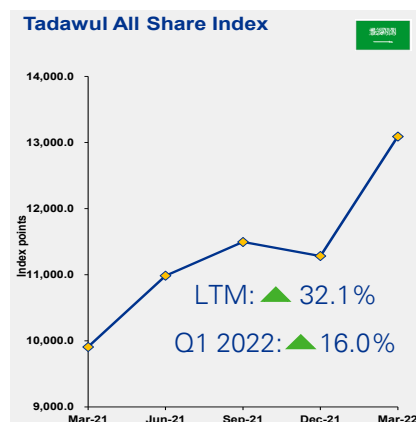
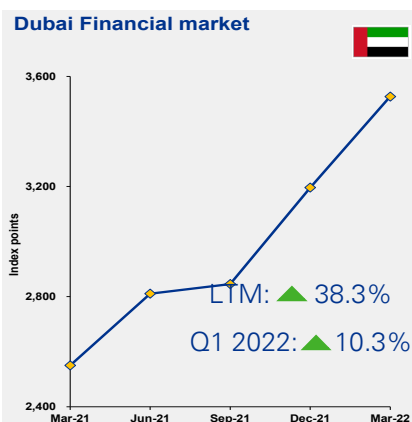
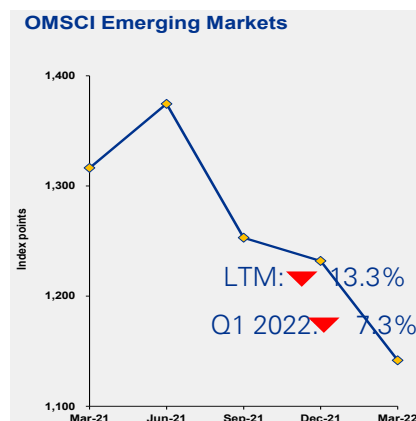
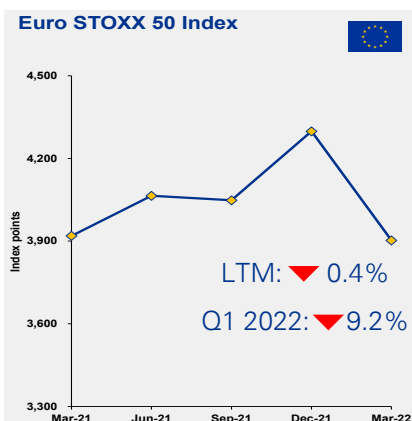
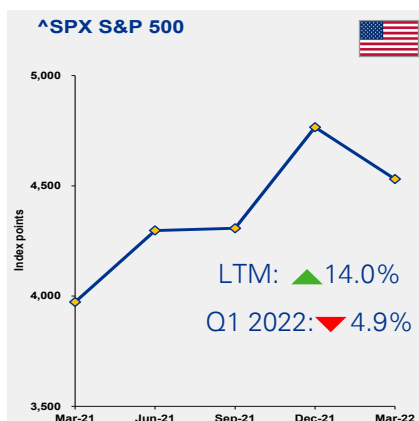
<sup>1</sup>Link to the update: <https://www.worldbank.org/en/region/mena/publication/mena-economic-update-forecasting-growth-in-the-middle-east-and-north-africa-in-times-of-uncertainty>

# Financial market indicators

Global markets have been **volatile in Q1'2022** as **uncertainty reigns** over the outlook for monetary policy, inflation and economic growth.

The **MSCI emerging-markets** and **S&P 500** fell by 7.3% and 4.9% respectively in Q1'2022 amid concerns around **Federal Reserve tightening** and **geopolitical tensions over Ukraine**. Similarly, the **European stocks 50** fell in March 2022 by 9.2% as **global investors fled risk assets** due to fears over inflation.

However, for GCC countries **recovery in global oil demand, increase in international oil prices** kept the market momentum positive in general.



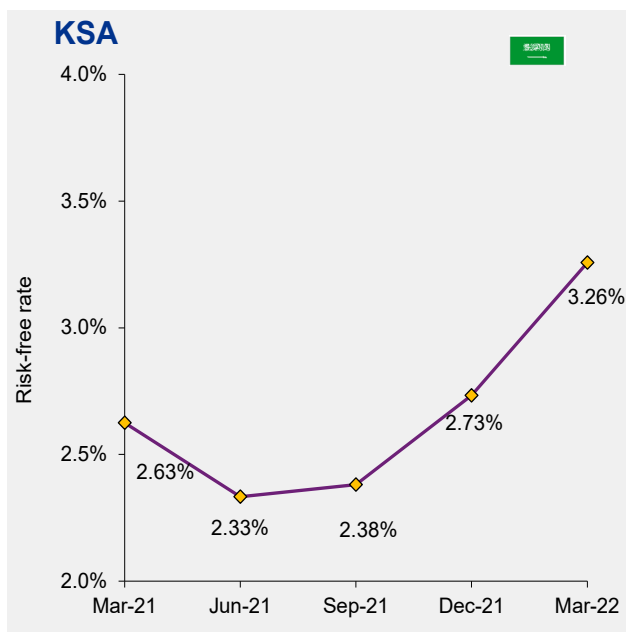
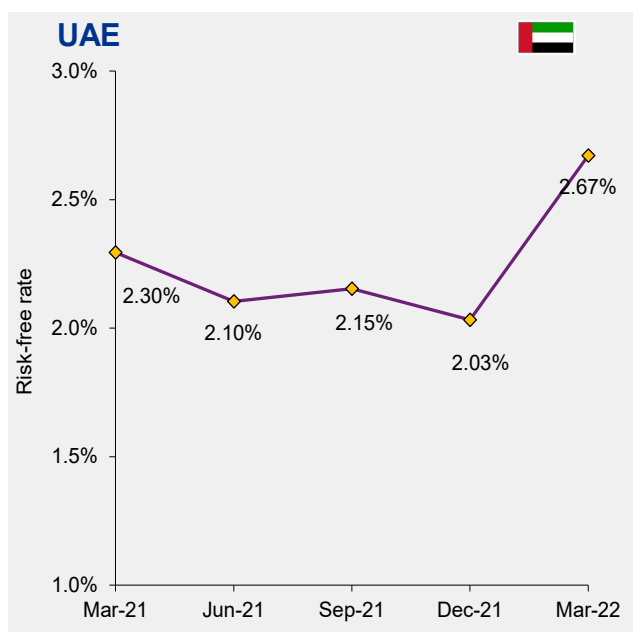
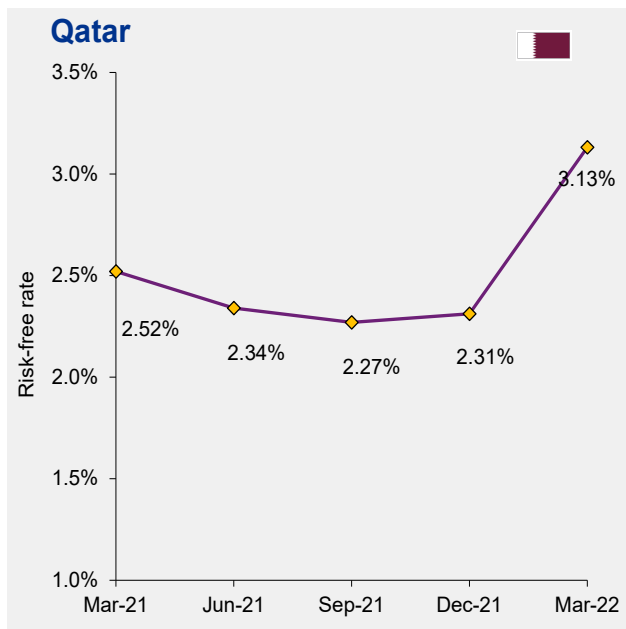
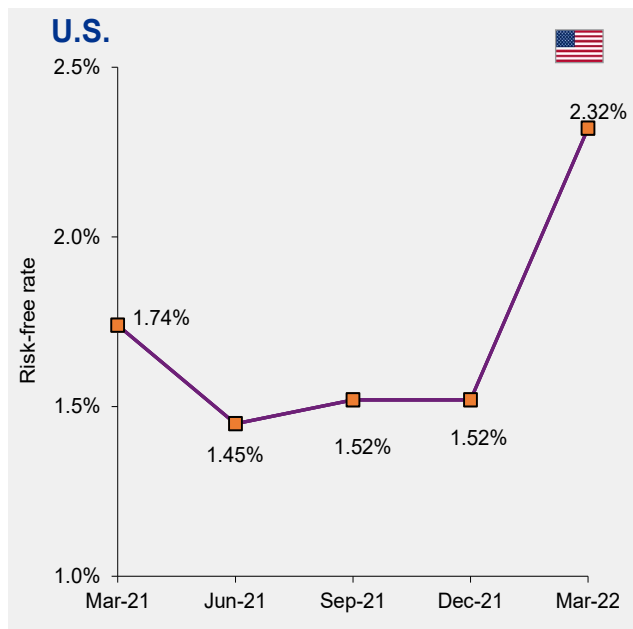
LTM – refers to the % change in the respective Index from Mar 21 to Mar 22 ; Q1 2022 - refers to the % change in the respective Index from Dec 21 to Mar 22 ;



# 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.

**Increase** in **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 1.52% in Dec. 21 to 2.32% in Mar. 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.

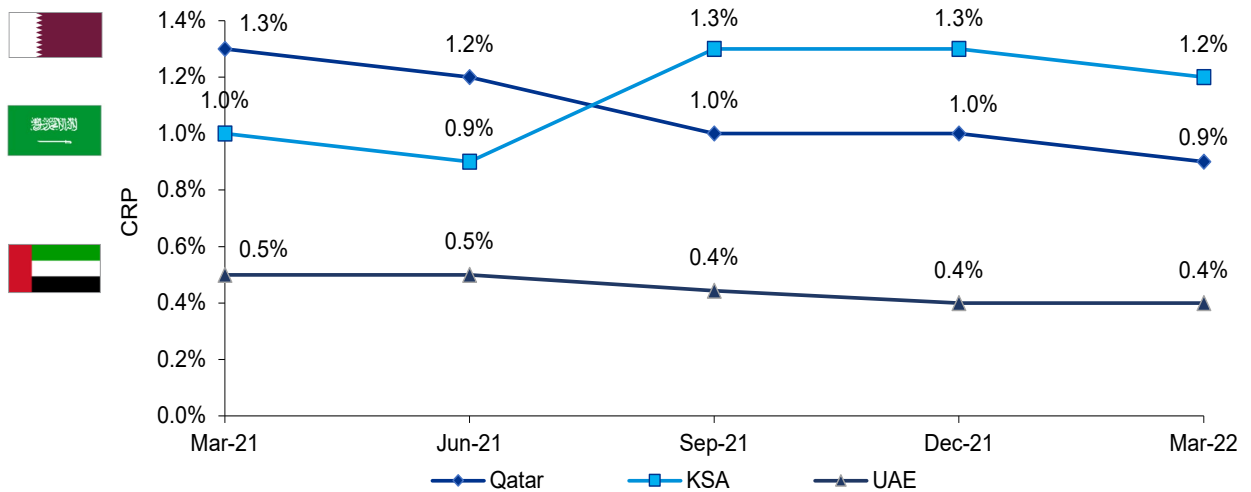
Source: Capital IQ, U.S. Treasury



© 2022 KPMG LLC, a limited liability company registered with Qatar Financial Centre Authority (QFCA), State of Qatar and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

# 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 **March 2021** to **March 2022** are indicated in the below chart <sup>1</sup>.

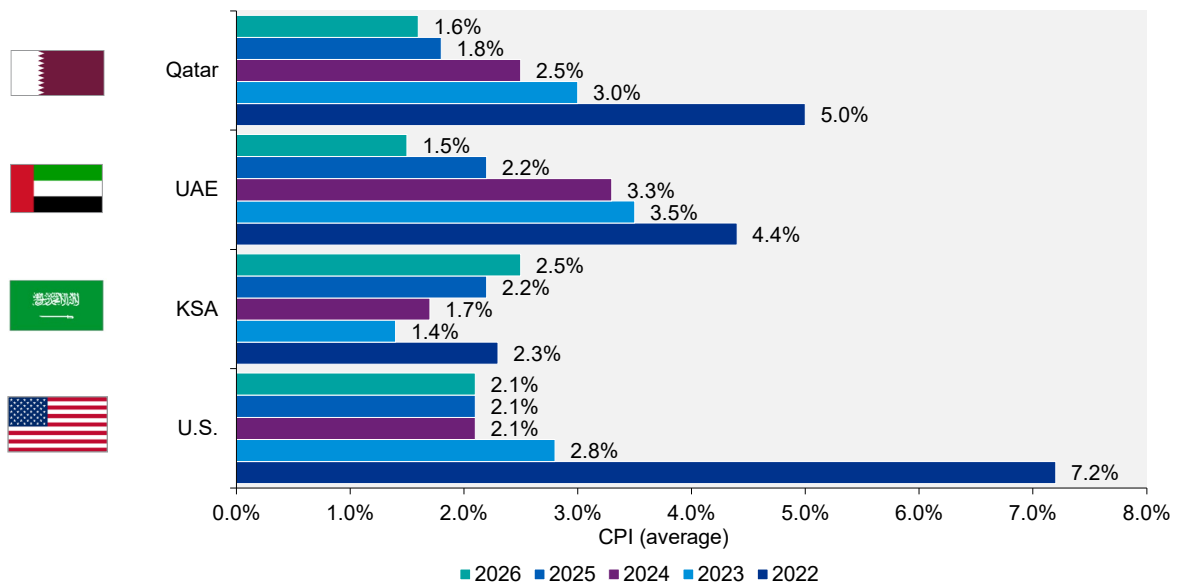


<sup>1</sup> CRP for Saudi Arabia increased in September 2021 due to re-evaluation of bond pairing, The Saudi Arabia USD bond [XS1508675417, maturity date - Oct 2026] was replaced by a new Saudi Arabia USD bond [US80413TAH23, maturity date - April 2030]

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.

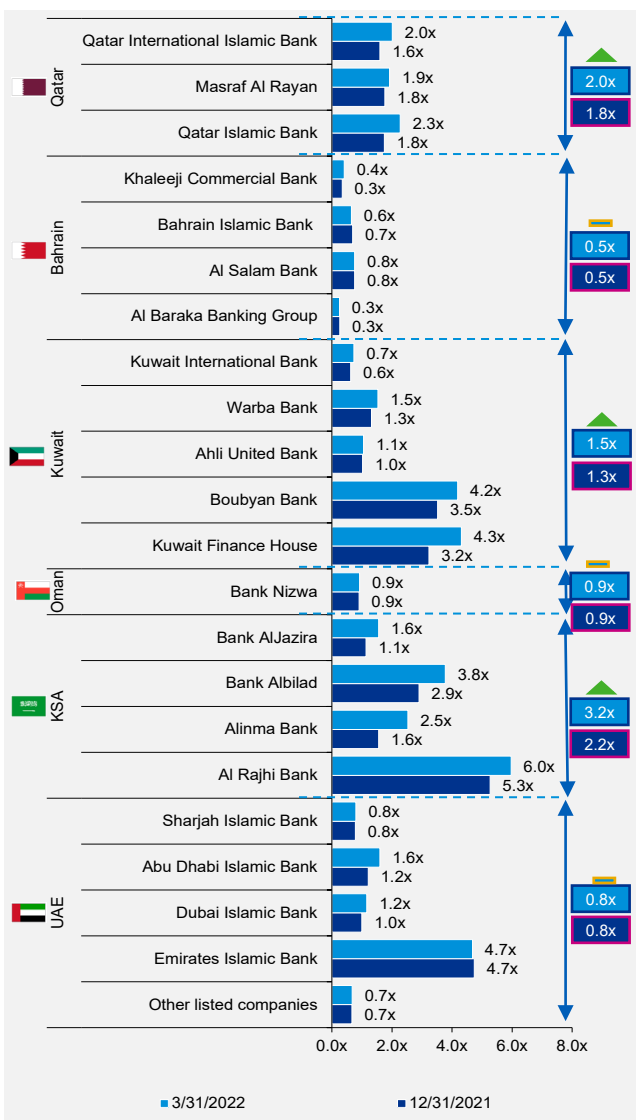


Source: EIU, latest available forecasts



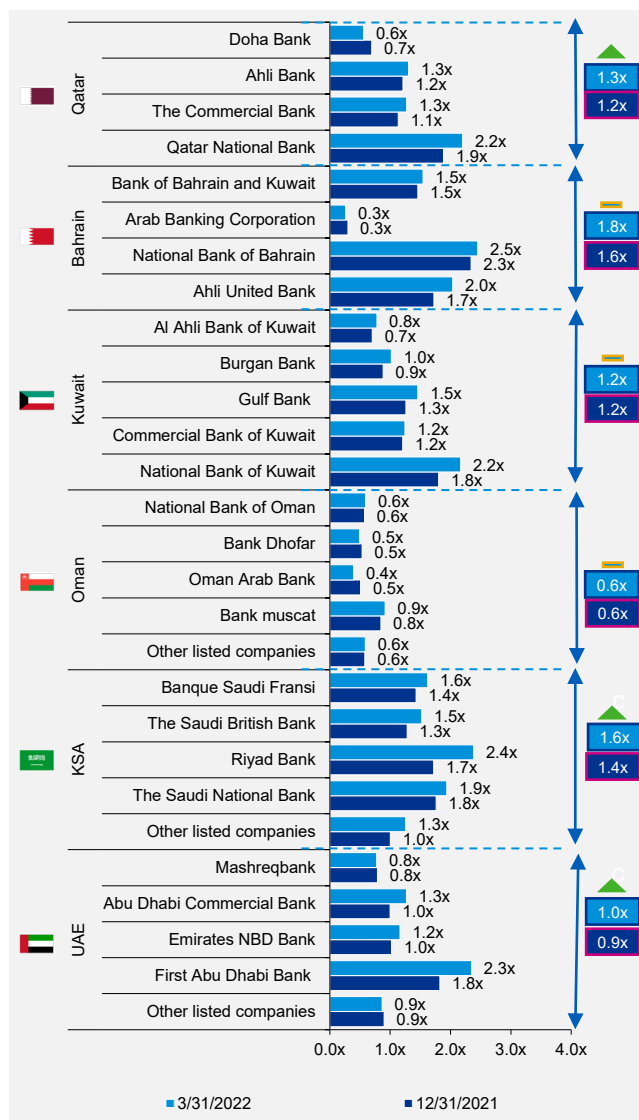
# GCC Islamic Banks

Median Price-to-book multiple increased from 1.0x to 1.2x from Dec. 2021 to Mar. 2022



# GCC Conventional Banks

Median Price-to-book multiple increased from 0.9x to 1.2x from Dec. 2021 to Mar. 2022

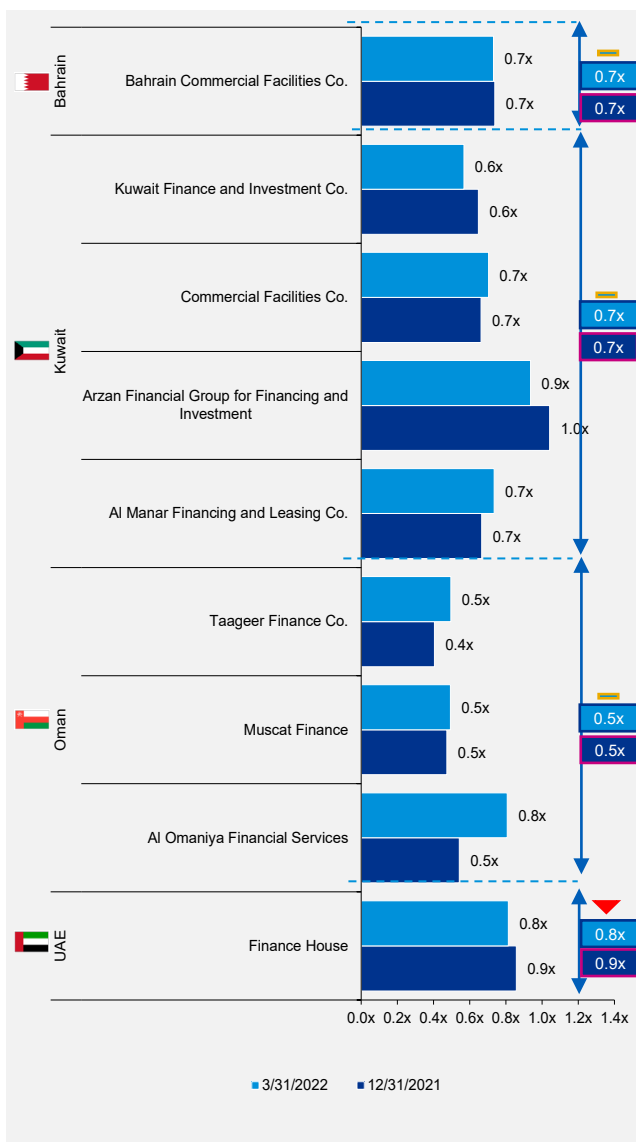


Price refers to market capitalization plus preferred equity as on 31 Mar. 2022 and 31 Dec. 2021. Book value refers to equity to parent company. Certain companies would have been excluded from the above chart as these would have reflected outlier multiples as of the date of preparation of the newsletter.

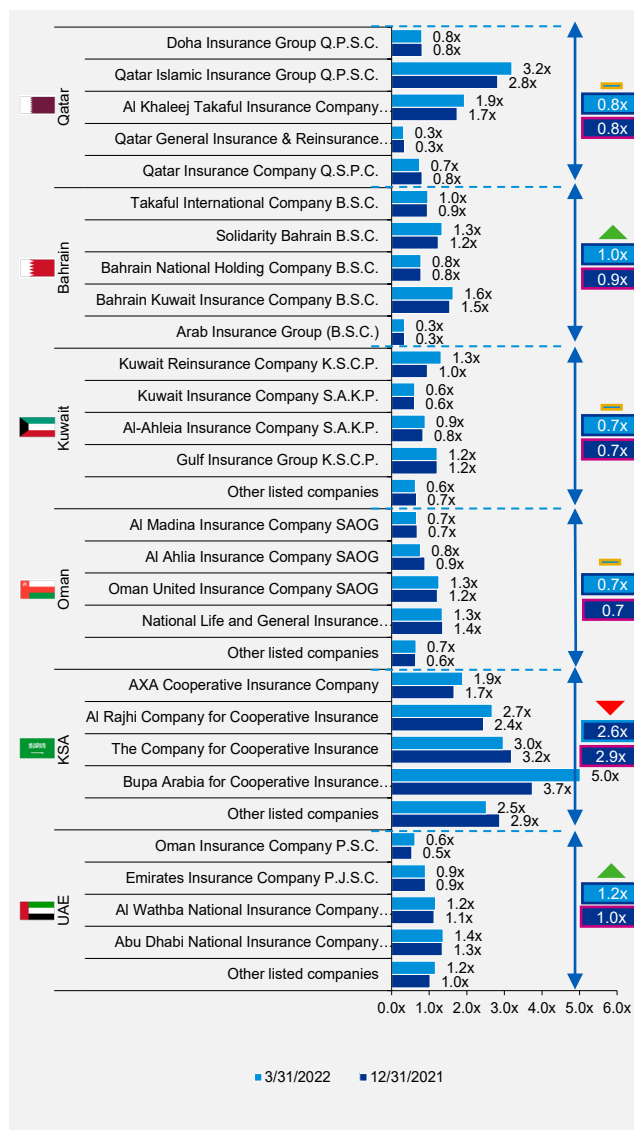
- Median P/BV multiple as of 31 March 2022
- Median P/BV multiple as of 31 December 2021
- ▲ Increase in multiple, ▼ Decrease in multiple, ▬ No change in multiple

# GCC Consumer finance    GCC Insurance

Median Price-to-book multiple remain unchanged, 0.7x from Dec. 2021 to Mar. 2022



Median price-to-book multiple increased from 1.2x to 1.3x from Dec. 2021 to Mar. 2022



Price refers to market capitalization plus preferred equity as on 31 March 2022 and 31 December 2021. 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 2022
- Median P/BV multiple as of 31 December 2021
- ▲ Increase in multiple, ▼ Decrease in multiple, ▬ No change in multiple

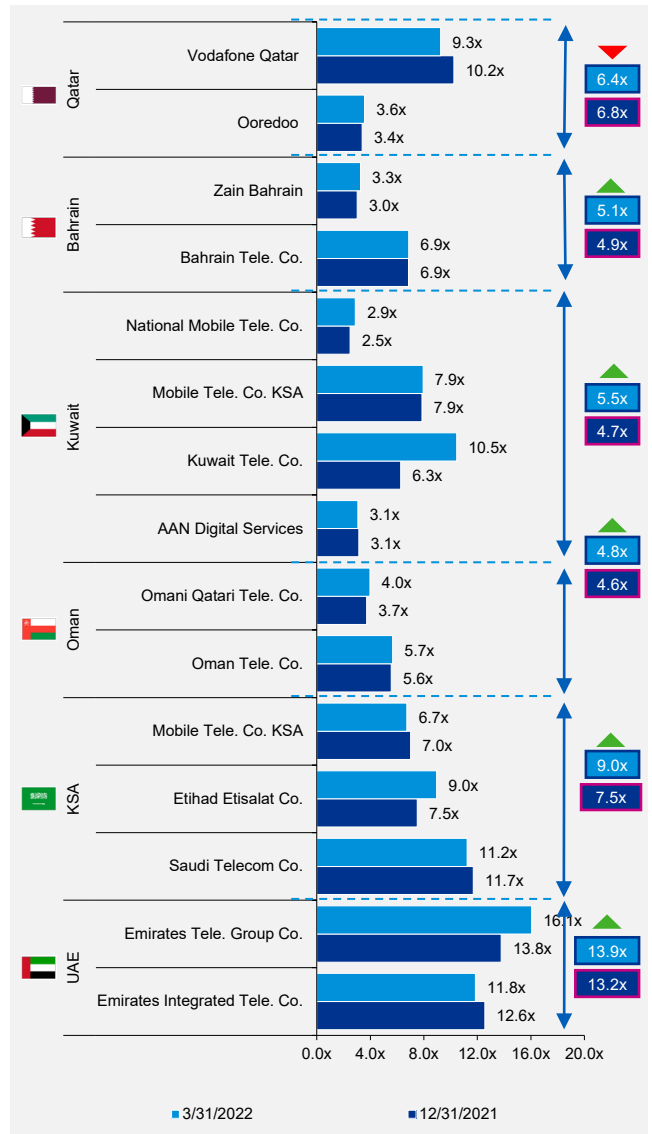
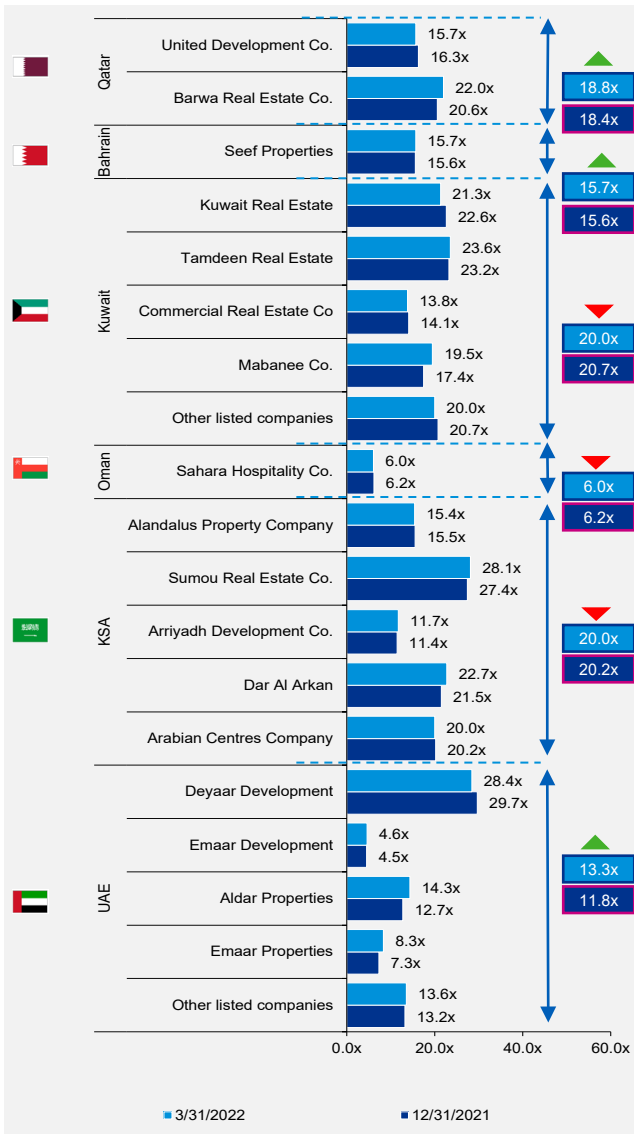


# GCC Real estate

Median EV/EBITDA multiple increased from 18.1x to 18.3x from Dec. 2021 to Mar. 2022

# GCC Telecom

Median EV/EBITDA multiple remain unchanged, 6.9x from Dec. 2021 to Mar. 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 EV/EBITDA multiple as of 31 March 2022
- Median EV/EBITDA multiple as of 31 December 2021
- ▲ 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.



## **Venkat Krishnaswamy**

Partner, FCA  
Head of Advisory

T: + 974 5554 1024  
E: [kvenkatesh@kpmg.com](mailto:kvenkatesh@kpmg.com)



## **Karthik Jagadeesan**

Associate Director, ACA, CPA

Advisory

T: +974 3366 6391  
E: [kjagadeesan@kpmg.com](mailto:kjagadeesan@kpmg.com)

## **Contributor**



## **Nikita Mangal**

Consultant, ACA

E: [nikitamangal@kpmg.com](mailto:nikitamangal@kpmg.com)

Sources used: Capital IQ

[home.kpmg/qa](https://home.kpmg/qa)



The information contained herein is of a general nature and is not intended to address the circumstances of any 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..

© 2022 KPMG LLC, a limited liability company registered with Qatar Financial Centre Authority (QFCA), State of Qatar 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 KPMG International.