



# Quarterly Brief

**Capital market data as of  
30 September 2023**

19th Edition of our  
International Valuation  
Newsletter  
Q3 2023

**October 2023**  
[kpmg.ch/valuation](https://kpmg.ch/valuation)

# Preface

**Dear reader,**

Looking back at the past year, it's clear that vast number of events have caused significant disruptions worldwide. Global trade has been fragile and almost came to a halt due to supply chain disruptions, overshadowed by geopolitical escalations such as Russia's war against Ukraine, the escalating tensions between People's Republic of China and Republic of Taiwan and now the attack of Israel by Hamas. Additionally, there is the ever-present climate crisis and other humanitarian emergencies around the world. Inflation returned higher than expected, followed by the step increases of interest rates. Artificial intelligence appears to have reached a new era, led by generative AI such as ChatGPT. Almost every day, new challenges arise, making it even more difficult for companies to make decisions in such a constantly changing and highly uncertain environment. For this reason, well-founded value analyses that provide a solid foundation for decision-making continue to be of highest importance for all stakeholders.

Our Quarterly Brief is a publication that not only provides well-founded market data but also delves into key current topics that influence valuation analysis. In recent years, our publication has explored a range of important issues, from the impact of COVID-19 to ESG considerations, renewable energy, and geopolitical influences on valuations. By exploring these topics in depth, the Quarterly Brief offers valuable insights for valuation experts and readers alike, helping them make informed decisions in their daily activities.

That being said, the flow of exciting yet complex work for our clients has been persistently engaging us at a substantial level over the past months, limiting our ability to react in our publication to the many relevant valuation topics surfacing every day. However, our readers clearly

expressed their interest in receiving the most current market data on a regular basis. To meet this expectation while maintaining the high-quality insights of the 'Quarterly Brief', we decided that going forward, the Quarterly Brief will be issued regularly, consisting of the market data section, keeping the readers up to date on the latest developments in the relevant financial markets. Additionally, we will feature informative articles covering hot topics that impact valuations on an intermittent basis.

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 30 September 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: Slowdown after surge in growth on stock markets across the world

Capital markets have experienced a notable period of growth over the past year, with double-digit growth rates

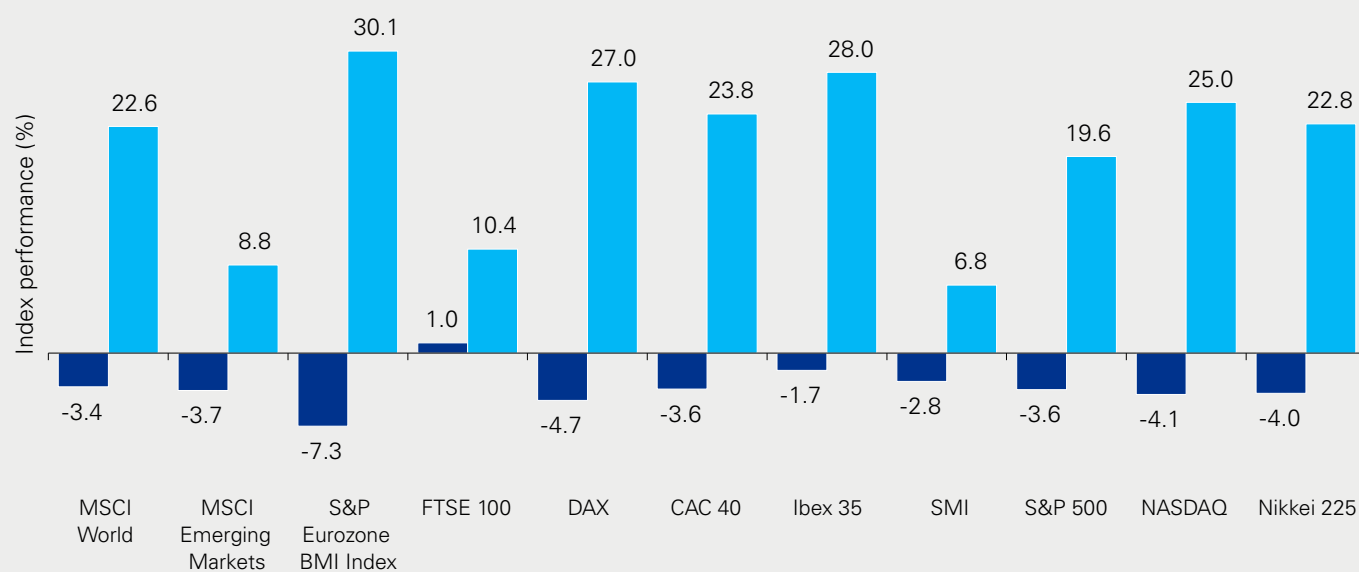
observed for most indices since September 2022.

Conversely, the MSCI Emerging Markets Index and the SMI have demonstrated only moderate year-over-year growth rates of 8.8% and 6.8%, respectively.

Despite the remarkable YoY performance, markets have experienced a downturn over the past quarter, with the Eurozone being particularly impacted. Specifically, the S&P Eurozone BMI Index has shown negative growth of -7.3%, while the FTSE 100 has only demonstrated slight growth of 1%.

## Performance of leading indices

30 September 2022 – 30 September 2023



Source: Capital IQ

■ QoQ ■ YoY

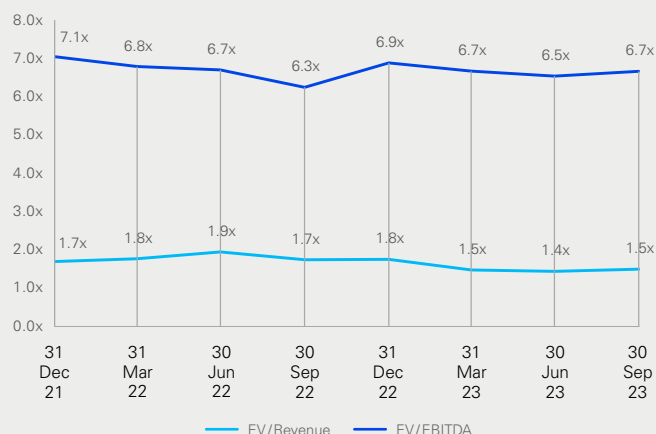


### S&P Eurozone BMI Index sector multiples

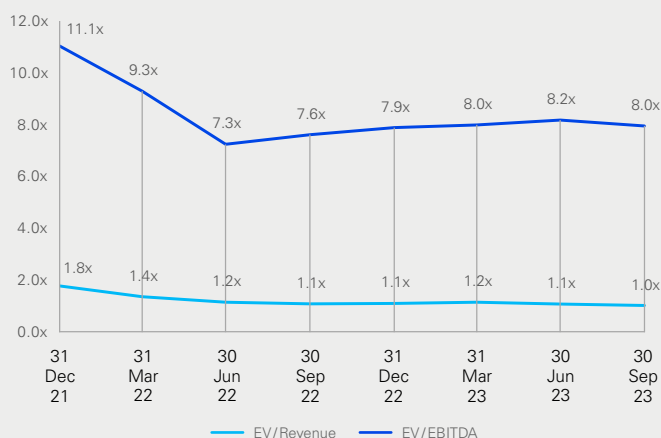
The downward trend on stock markets witnessed since June 2023 also resulted in a decline of multiples across most industries, except for four sectors: Communication Services (+0.2x), Energy (+0.2x), Materials (+0.1x), and Real Estate (+0.1x). The industries recording the most significant losses in the EV/EBITDA multiples were Health Care (-0.8x), Information Technology (-0.8x), and Industrials (-0.6x).

It is apparent that EV/EBITDA multiples underwent stronger changes in value as compared to EV/Revenue multiples. A possible reason for this trend could be the emerging inflation that affected the majority of the companies' cost to income ratios. As a result, the companies were unable to pass on the entire cost increase to their customers.

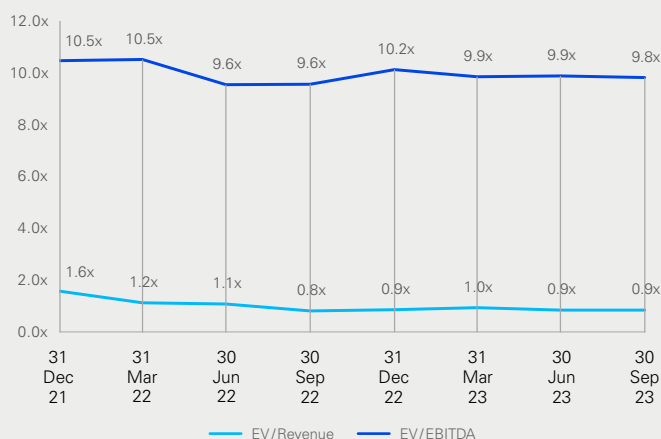
#### Communication Services



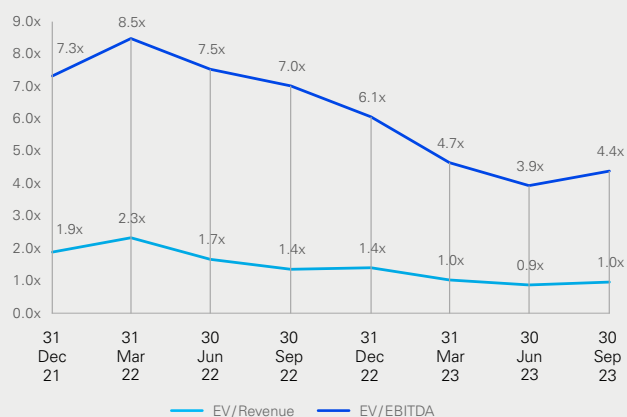
#### Consumer Discretionary



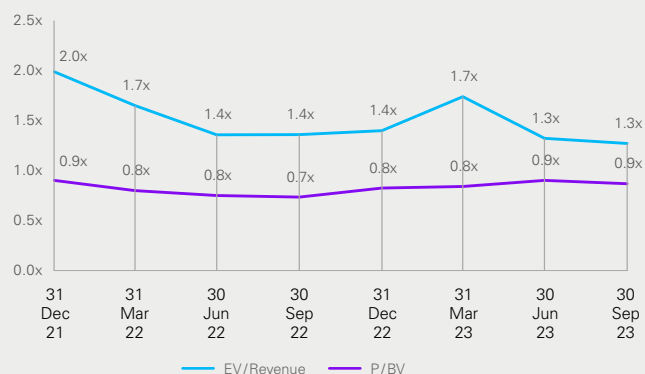
#### Consumer Staples



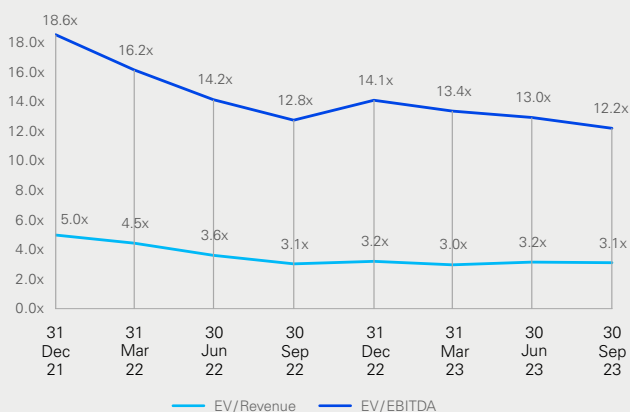
## Energy



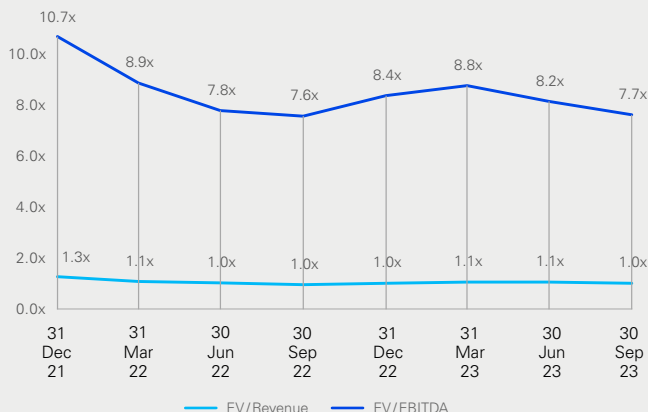
## Financials



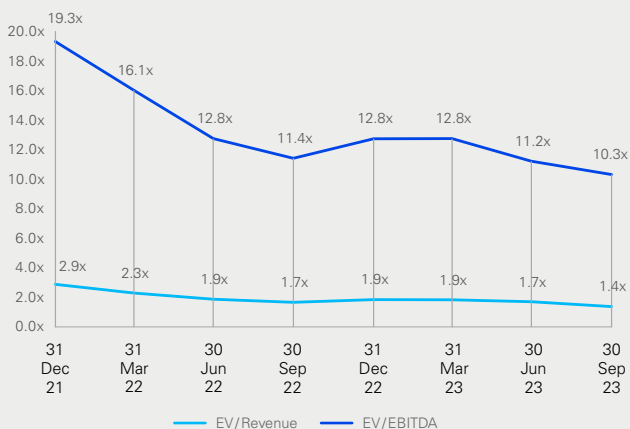
## Health Care



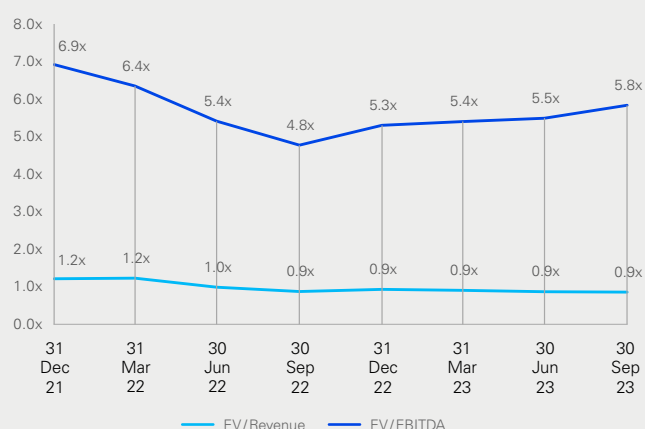
## Industrials



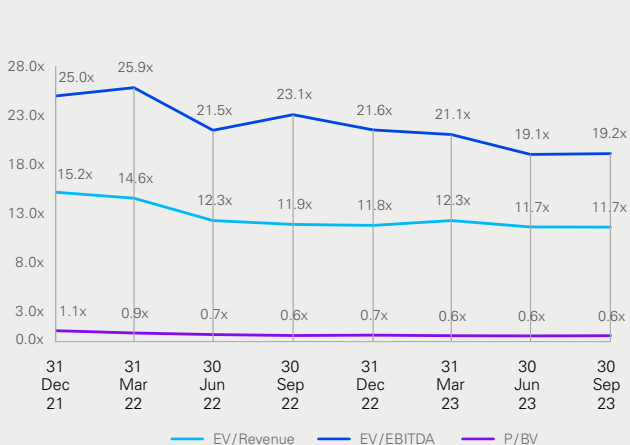
## Information Technology



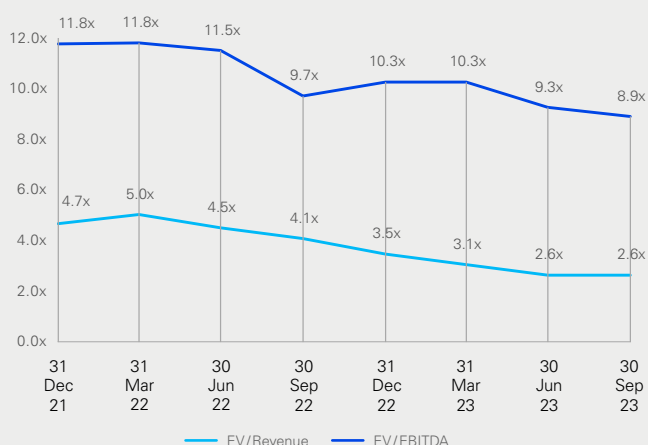
## Materials



## Real Estate



## Utilities








Source: Capital IQ, KPMG analysis

Notes: 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: Central banks further increased policy rates

Following the current surge in inflation, various central banks across the globe have increased their policy rates. KPMG has derived present value-equivalent uniform interest rates, which are shown in the table below. Conceptually, these

interest rates are derived from a uniform yield curve that is based on observable policy rate parameters defined by central banks. As of 30 September 2023, the United States had the highest interest rates among major economies, followed by the United Kingdom, Eurozone, Germany, and Switzerland.

| Risk-free rates |   |   |   |   |   |  |  |
|-----------------|---|---|---|---|---|--|--|
|                 |  EUR |  EUR |  GBP |  CHF |  USD |  |  |
| 30.06.2017      | 1.39%   | 1.33%   | 2.02%   | 0.39%   | 3.04%   |  |  |
| 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%   | 0.00%   | 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%   |  |  |

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)



### Country risk premium: Factors remain largely stable – Russia still subject to uncertainty

In the third quarter of 2023, the political and economic environment in the BRIC countries remained stable. Brazil shows a slight improvement in risk with a decrease of 0.2% points, while India's CRP increases 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  |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|
|   | 30.09.2022 | 31.12.2022 | 31.03.2023 | 30.06.2023 | 30.09.2023 |
|  | 2.7%       | 2.7%       | 2.7%       | 2.7%       | 2.5%       |
|  | n/a        | n/a        | n/a        | n/a        | n/a        |
|  | 1.9%       | 1.9%       | 2.0%       | 2.1%       | 2.2%       |
|  | 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 volatility in macroeconomics and geopolitics

*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. Outlooks across the world, with a particular focus on BRIC countries, are being influenced by various geopolitical and macroeconomic events such as Russian's war against Ukraine as well as the associated humanitarian crisis, energy shortages and disruptions in world trade. The result is a condition of uncertain and elevated level of expected inflation rates.

| Inflation forecast  |       |      |      |      |      |      |
|---|-------|------|------|------|------|------|
|   | 2023  | 2024 | 2025 | 2026 | 2027 | 2028 |
|  | 5.4%  | 3.2% | 3.4% | 3.1% | 3.1% | 3.5% |
|  | 13.7% | 5.0% | 3.4% | 2.7% | 2.8% | 3.2% |
|  | 3.0%  | 2.9% | 2.1% | 1.7% | 1.0% | 4.7% |
|  | 0.7%  | 1.4% | 1.3% | 1.1% | 1.2% | 2.3% |

Source : Economist Intelligence Unit

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