Quarterly Brief

Capital market data as of 31 March 2025

May 2025
kpmg.at/dealadvisory

Preface

Dear reader,

The first quarter of 2025 has been marked by bold shifts in U.S. foreign policy, sweeping economic moves, and cultural events. In January, President Donald Trump issued Executive Order 14169, initiating a 90-day freeze on all U.S. foreign development assistance programs, aiming to reevaluate their alignment with American values and geopolitical interests.

In March 2025, the U.S. administration intensified its economic stance by imposing a 25% tariff on all imports from Canada and Mexico, along with a 20% tariff on imports from China. In response, both Canada and China announced immediate retaliatory measures. The move, positioned as part of a broader strategy to reduce the U.S. trade deficit, triggered concern across global markets and reignited fears of a renewed escalation in global trade tensions.

Meanwhile, Elon Musk continued to shape the narrative of American innovation. In March, his AI company xAI acquired the social media platform X in a $45 billion all-stock deal, signalling a new era of AI-infused social media. Musk's short-term government role as head of the Department of Government Efficiency is set to conclude in May, in line with the 130-day rule which limits the duration of temporary federal appointments. Vice President J.D. Vance confirmed that Musk will continue as a senior advisor to the administration.

On the international stage, Bulgaria and Romania officially joined the Schengen Area in March, lifting land border controls and marking a significant step in EU integration. In Southeast Asia, tragedy struck on March 28 as a powerful 7.7 magnitude earthquake and a 6.4 aftershock devastated central Myanmar.

In cultural news, the 67th Grammy Awards were headlined by Beyoncé, who won both Album of the Year and Best Country Album for *Cowboy Carter.*

We are pleased to present another edition of our Quarterly Brief, a publication that offers objective market data, which will keep readers abreast of the latest developments in the relevant financial markets.

We wish you all the best and look forward to discussing your questions regarding valuation trends and practices in 2025.

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 31 March 2025
- S&P Eurozone BMI Index sector multiples
- Risk-free rate for Austria
- Equity risk premium for Austria
- Country risk premiums and inflation adjusted risk-free rates for the BRICS countries

Major stock market performance: Strong uncertainties in U.S. and Japan

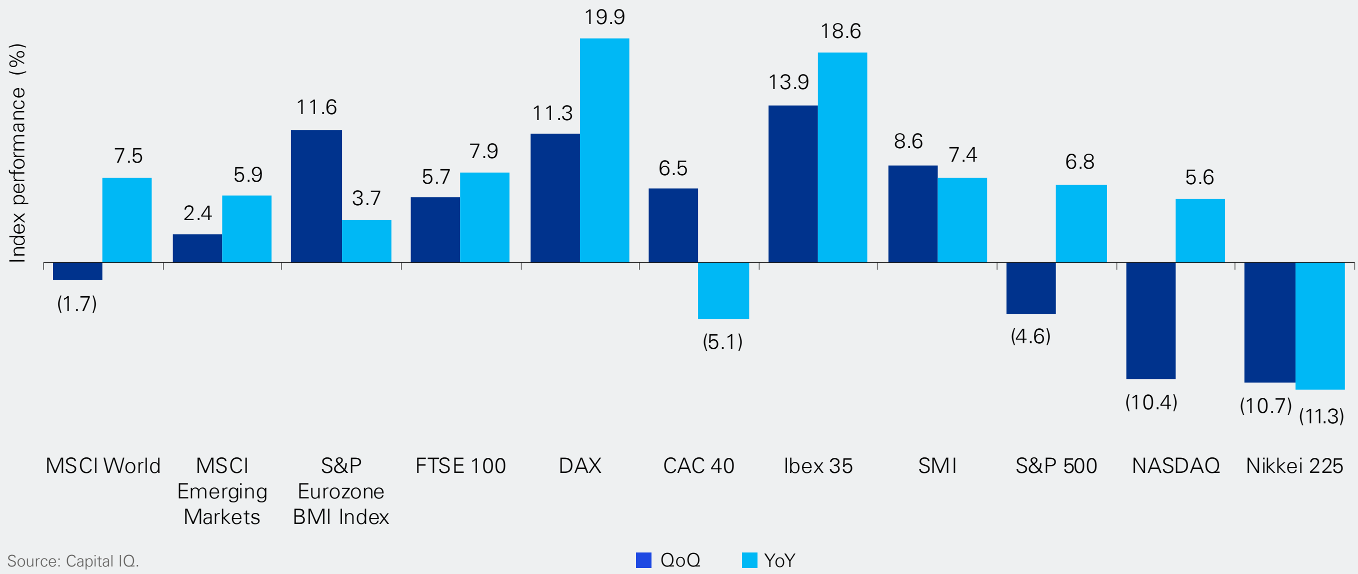
In 2025, the majority of leading global markets continued to deliver solid returns, with several indices recording double-digit gains despite ongoing geopolitical tensions and economic uncertainties. Germany's DAX rose by 19.9% and Spain's IBEX 35 gained 18.6% year-over-year, supported by resilient corporate earnings, easing inflation, and renewed investor optimism around a potential soft landing for the Eurozone economy.

In contrast, France's CAC 40 underperformed, declining by 5.1% year-over-year, likely reflecting heightened political uncertainty and more cautious investor sentiment. The broader S&P Eurozone BMI posted a modest year-over-year gain of 3.7%. However, the strong quarter-over-quarter performance of 11.6% of the same indicates that the first quarter of 2025 was particularly robust, likely marking a rebound from the previous downturn.

U.S. markets showed more muted gains, with the NASDAQ up by 5.6% and the S&P 500 up by 6.8%, both year-over-year. Japan's Nikkei 225 on the contrary registered a year-to-date return of (11.3)% and a quarter-over-quarter return of (10.7)%, marking a strong decrease compared to previous year and previous quarter as the weakening yen and global headwinds weighed on sentiment.

Performance of leading indices

1 April 2024 - 31 March 2025



Source: Capital IQ.

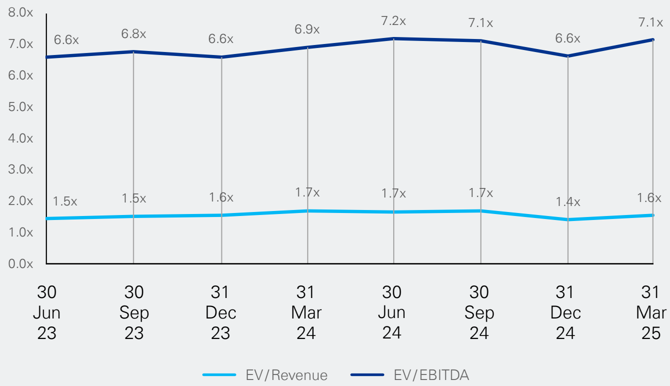
S&P Eurozone BMI Index sector multiples: Sector divergence amid gradual recovery

During the first quarter of 2025, EV/EBITDA multiples across most covered sectors continued to decline slightly compared to the previous quarter. One exception to this trend is the Energy sector, which showed an improvement in multiples, likely driven by stronger commodity prices and improved earnings visibility. The Materials sector is also showing a strong recovery, following a notable decline in the previous quarter. In addition, Communication Services, Consumer Discretionary, and Financials are beginning to rebound, supported by improving macroeconomic indicators, easing inflationary pressures, and growing investor confidence.

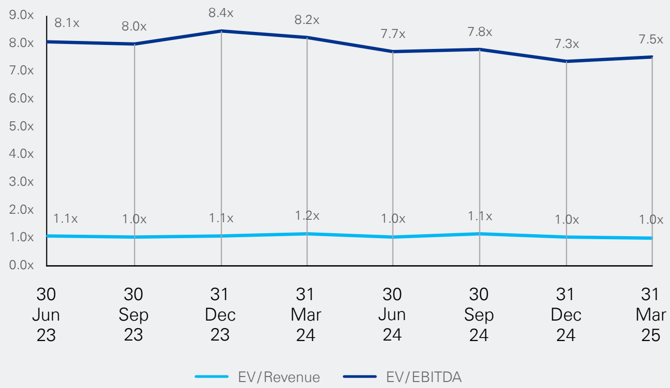
However, it is important to note that interpretation of developments in multiples depends distinctly on the geography, and individual factors of each company. Therefore, it is necessary to evaluate each company's situation individually.

By comparison, the EV/revenue multiples have remained fairly constant compared to the previous quarter. This implies a direct link between revenue and the enterprise value anticipated by the market.

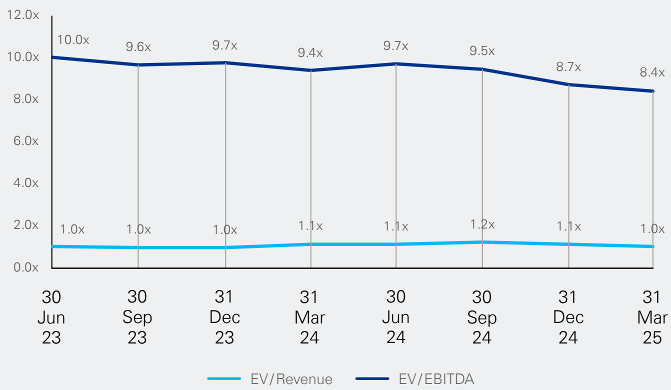
Communication Services



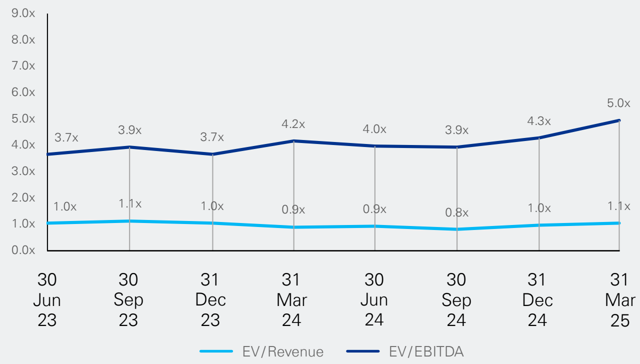
Consumer Discretionary



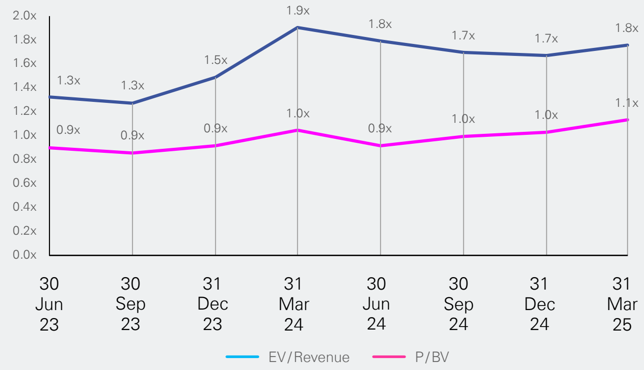
Consumer Staples



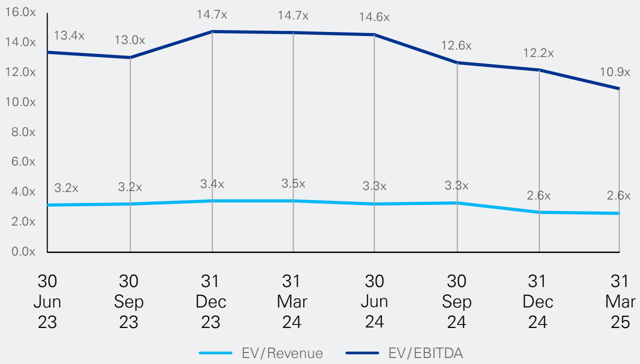
Energy



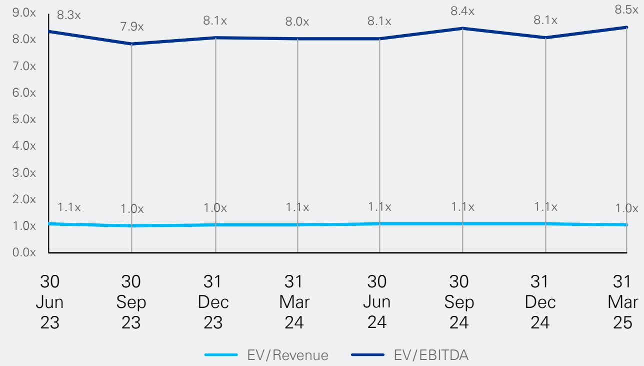
Financials



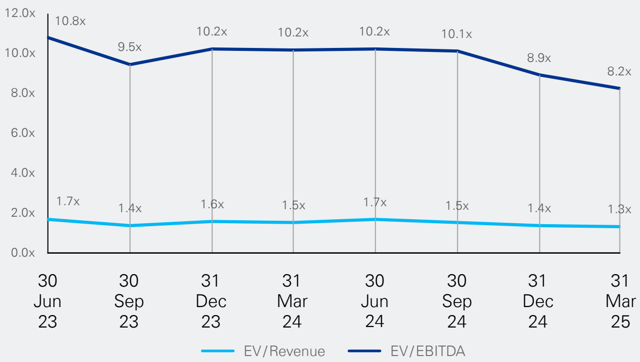
Health Care



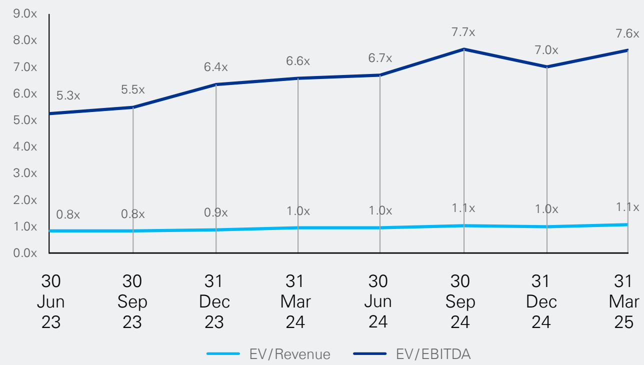
Industrials



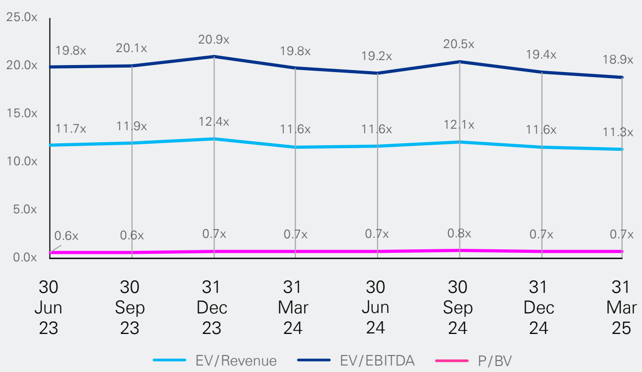
Information Technology



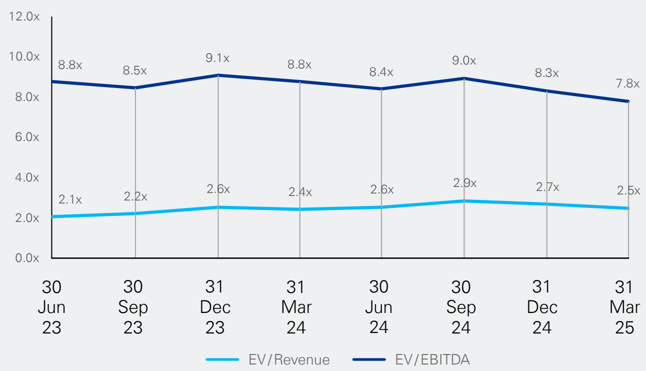
Materials



Real Estate



Utilities



Source: Capital IQ, KPMG analysis

Note: 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 rate for Austria

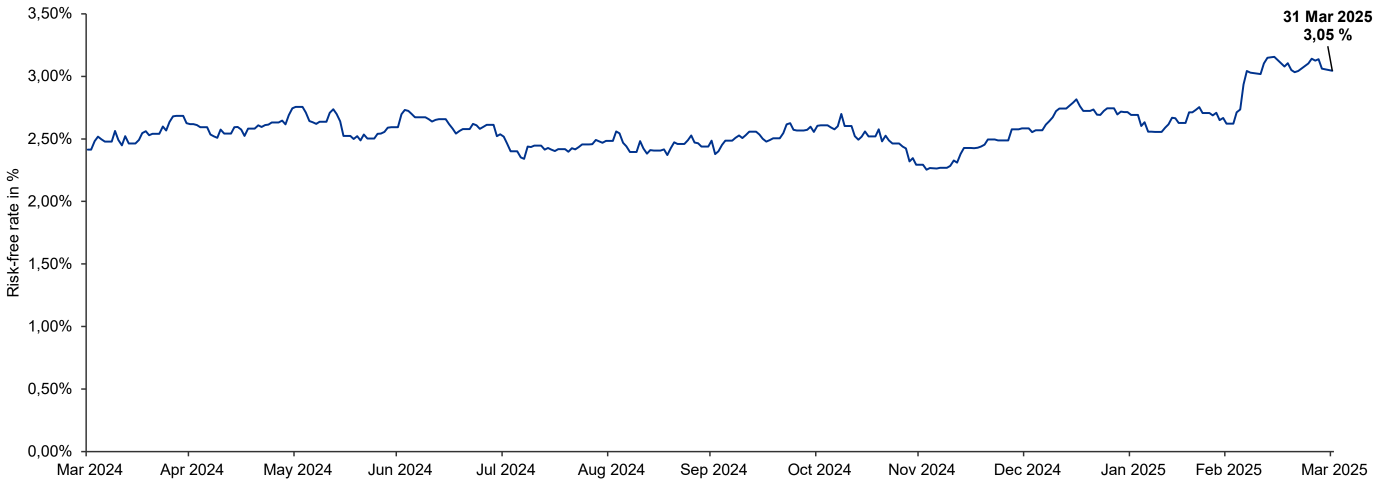
The risk-free rate can generally be broken down into two key components that seek to compensate the investor: the first for expected inflation and the second for deferred consumption. The risk-free rate is considered to be free of risks, except for risks embedded in the underlying currency and risks those related to investments in the particular country (including general political, legal, regulatory and tax risks, as well as the risk of a moratorium). As no investment is truly risk-free, the risk-free rate is typically approximated by reference to the yield on long-term debt instruments issued by presumably financially healthy governments.

As a risk-free rate we recommend using the spot rate of zero bonds , denominated in Euro with a maturity of 30 years applying the Svensson yield curve and data from Deutsche Bundesbank, as of the valuation date. This approach is also in line with the Austrian Professional Guidelines for the Valuation of Businesses (KFS/BW 1) and respective recommendations.

The graph below summarizes the development of the above-mentioned risk-free rate over the last months as of 31 March 2025.

The risk-free rate (30-year spot rate of German zero bonds) **as of 31 March 2025 amounts to 3.05 percent.**

Risk-free rate (30y spot rate)
last 12 months as of 31 March 2025



Source: Deutsche Bundesbank; KPMG Analysis.

Equity risk premium for Austria

The equity risk premium represents a compensation for the higher risk of investing in a company compared to a (theoretically) risk-free security, e.g. government bonds. According to finance theory – i.e. CAPM – the equity risk premium refers to the excess return of the equity market, i.e. the difference between the expected return on the market portfolio, which represents the portfolio of a typified fully diversified investor, and the return of a risk-free investment.

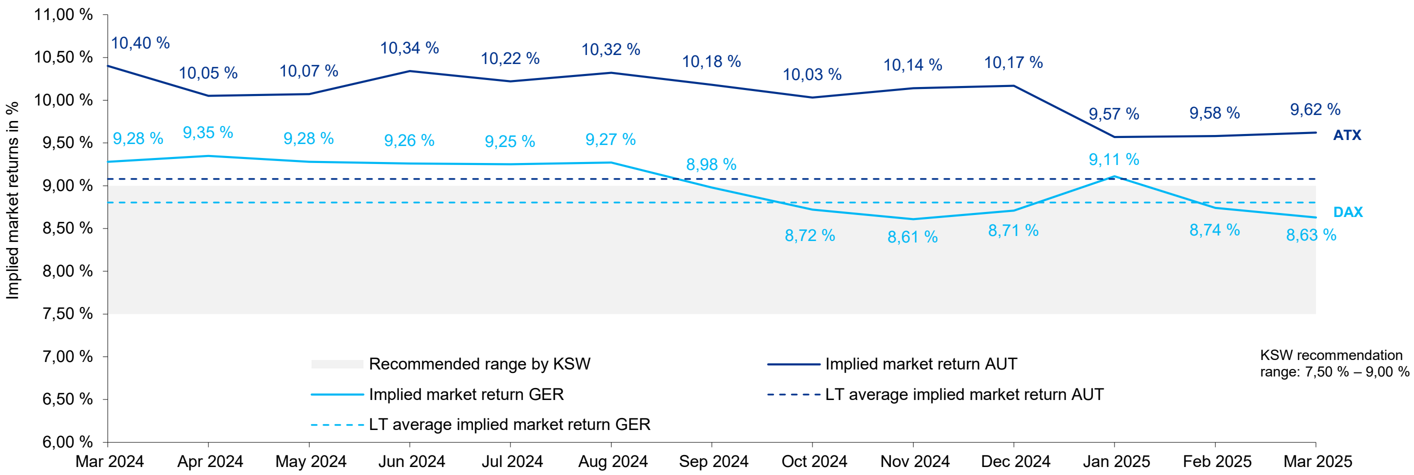
According to the recommendation of the Expert Group on Business Valuation of the Austrian Chamber of Tax Advisors and Auditors dated 28 November 28th, 2017, the market risk premium should be based on currently expected (implied) market returns and recommends a range for the expected market return between 7.5 percent and 9.0 percent. However, note that the Expert Group published a practical note dated 5 October 5th, 2022, stating that in light of the then recent capital market developments, it was seen as appropriate to apply market returns above the upper limit of the recommended range.

We built a comprehensive model and have been calculating and analyzing implied market returns for major capital markets over the past years.

The graph below summarizes the development of the above-mentioned implied market return for Austria (ATX Prime) as well as Germany (DAX) over the last months as of 31 March 2025.

Implied market returns (ATX Prime)

last 12 months as of 31 March 2025



Source: S&P Capital IQ; KPMG aAnalysis.
Note: Long-term average refers to the period 01/2017 to today.
Note: For details on the methods and assumptions of our model please refer to our Valuation Newsletter 2018 Q1.

Considering the current level of the implied market return for Austria and Germany in connection with the high inflation rates and uncertainties in the political and economic environment, the current level of the risk-free rate and the updated recommendation by the Expert Group, we recommend using a **market risk premium for the Austrian capital market as of 31 March 2025 of 6.50 percent.**

The table below summarizes the risk-free rate and our corresponding market risk premium for Austria for the last twelve months. These parameters might be used for valuations of companies within the Austrian market.

Recommended risk-free rate and market risk premium

Date	Risk-free rate	Recommended MRP
Mar 31, 2024	2,41 %	7,50 %
Jun 30, 2024	2,59 %	7,00 %
Sep 30, 2024	2,49 %	7,00 %
Dec 31, 2024	2,58 %	7,00 %
Mar 31, 2025	3,05 %	6,50 %

Source: S&P Capital IQ, Deutsche Bundesbank; KPMG analysis.

Country risk premiums and inflation adjusted risk-free rates for the BRICS countries

The country risk premium is a measure of risk faced by businesses when investing in sovereign states. It reflects a number of risks including economic, financial, political and institutional. The country risk premium is effectively the risk of low probability, high impact events that could lead to significant losses in investment values. These types of risk are at the forefront of many investors' thinking now more than ever due to a number of major economic and geopolitical events such as the events in Eastern Europe and the Middle East, all of which have led to previously stable countries becoming much riskier. KPMG's valuation practice has been analyzing and measuring country risk for 15 years and covers more than 150 sovereign states in a proprietary KPMG analyst model.

Our recommendations for the risk-free rate (30-year spot rate of German zero bonds plus inflation spread of the respective country compared to Germany) and the country risk premiums for Brazil, Russia, India, China and South Africa compared to Germany are set out below as of 31 March 2025.

Recommended risk-free rate and country risk premium

	Inflation adjusted risk-free rate	Country risk premium
Brazil	4,45 %	3,30 %
Russia	4,85 %	n/a
India	4,85 %	2,85 %
China	2,65 %	1,35 %
South Africa	5,25 %	5,25 %

Source: S&P Capital IQ; Analysis: KPMG.
Note: In the light of the current political and economic developments in Russia, we cannot give a general recommendation for the Russian country risk premium.

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