KPMG

Quarterly Brief

Capital market data as of 31 December 2024

March 2025
kpmg.at/dealadvisory

Preface

Dear reader,

The last quarter of 2024 rounded off a year of remarkable technical breakthroughs as evidenced by Google's new quantum computer and SpaceX's success in recapturing its Starship rocket. Together with the continued success rally of artificial intelligence (prominently displayed with Nvidia's stock return of 171% by year-end), these developments, may have contributed toward the Dow Jones Industrial Average index soaring to a new all-time high of 43,000 points in October.

2024 was a pivotal election year. In the fourth quarter Donald Trump secured his re-election as the 47th president of the United States. However, the political scene also witnessed several unexpected changes towards the end of the year: In Germany, Chancellor Olaf Scholz lost the vote of confidence, leading to the dissolution of his coalition. In France, the political landscape was shaken as Emanuel Macron's government failed to secure support for its proposed reforms leading to a call for early elections. The year ended with a significant turn of events in the Middle East, as the Assad regime in Syria was overthrown after 25 years, leaving the nation with a mix of hope and uncertainty for the future.

According to Copernicus, 2024 was the first year during which the average global temperature exceeded the 1.5C threshold set in the Paris Agreement. Extreme weather events like Hurricanes Milton and Helene or the floods in Valencia in the last three months affected people globally.

In other news, Notre Dame's bells rang out for the first time since the disastrous fire in 2019, Rafael Nadal ended his career after 23 years and 22 Grand-Slams titles, Taylor Swift concluded her record-breaking Eras Tour with USD 2.1 billion in ticket sales and "brat" was named as word of the year.

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 December 2024
- 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

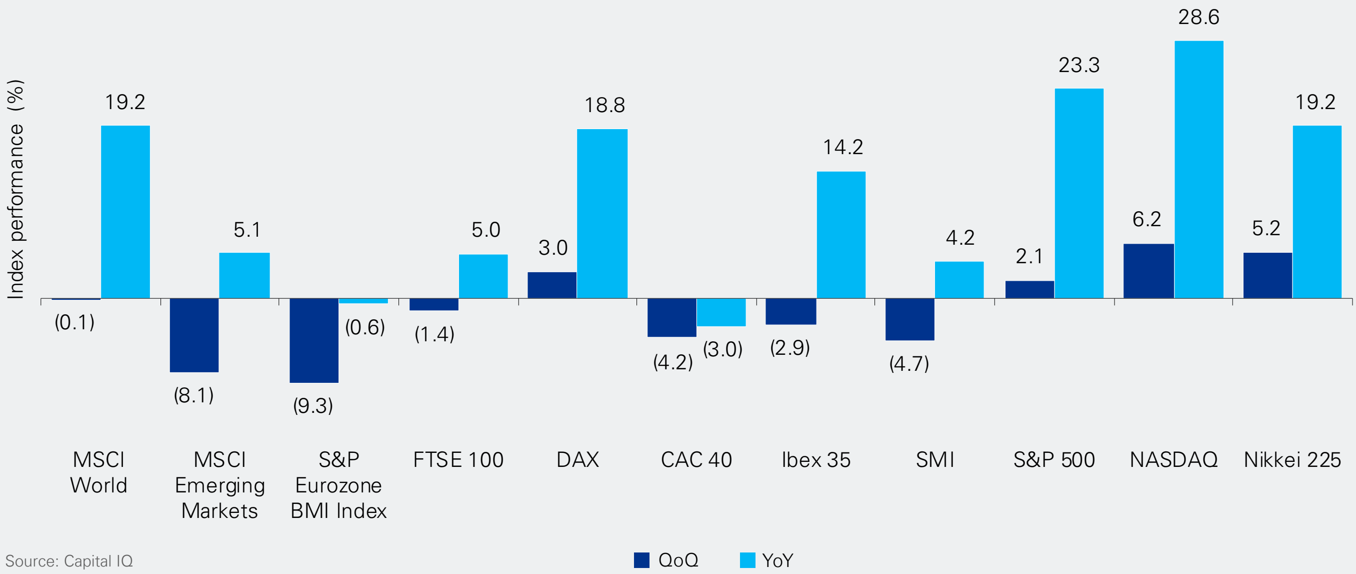
Major stock market performance: US dominance and French crisis

In 2024, leading global markets surged above or close to 20%, despite ongoing global challenges and geopolitical tensions. With 23.3% (S&P 500) and 28.6% (NASDAQ), US equities achieved the strongest performance driven by the continued outperformance of tech stocks. Also, Japan's Nikkei 225, the German DAX Index, and the Spanish Ibex 35 stand out with 19.2%, 18.8%, and 14.2% year over year, respectively. In contrast, the French leading CAC 40 Index mirrors the country's political instability and shows an underperformance of (3.0)%. This also partly affects the S&P Eurozone BMI Index, with around one third of French constituents.

Looking at the quarter-on-quarter performance, the picture is mixed with several indices indicating an underperformance in the last three months. Most notably, negative returns in the Eurozone (-9.3%) and Emerging markets (-8.1%) reflecting a weaker quarter in countries like France and Spain but also tougher economic conditions in China compared to our last Quarterly Brief.

Performance of leading indices

1 January 2024 - 31 December 2024



Source: Capital IQ

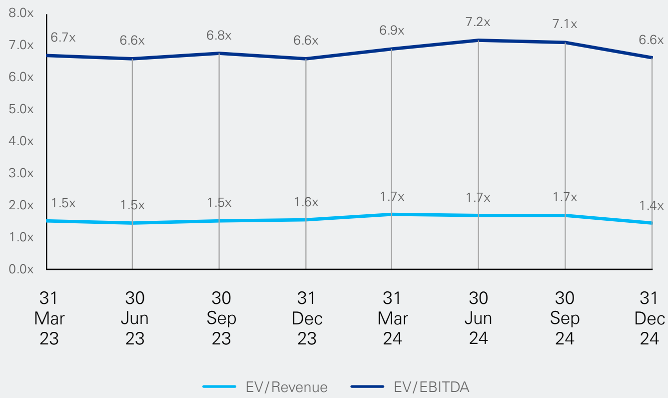
S&P Eurozone BMI Index sector multiples: Cooling down towards end of the year?

During the fourth quarter of 2024, EV/EBITDA multiples across all sectors covered have decreased slightly compared to the previous quarter. An exception of this trend is the Energy sector, which shows a multiple improvement compared to the last quarter. Compared to the prior year the EV/EBITDA multiple for the Eurozone Energy sector improved by 0.6x. This might be driven by preferable regulation adjustments in several European countries to account for increased operational and financial costs.

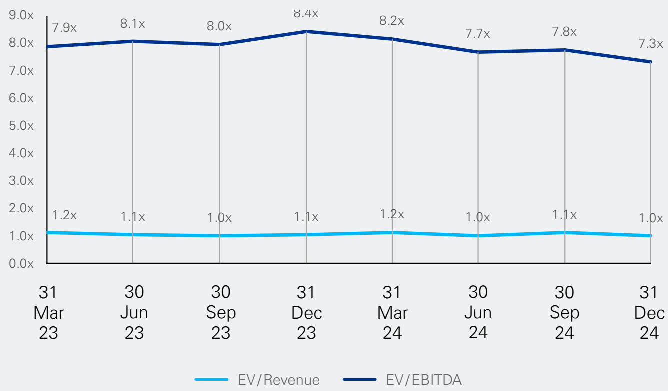
Also, investments in energy transition projects start to payoff for energy companies leading to improved financial results. However, it is important to note that this depends distinctly on the geography, and individual factors of each company. Therefore, it is necessary to evaluate each company's situation 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.

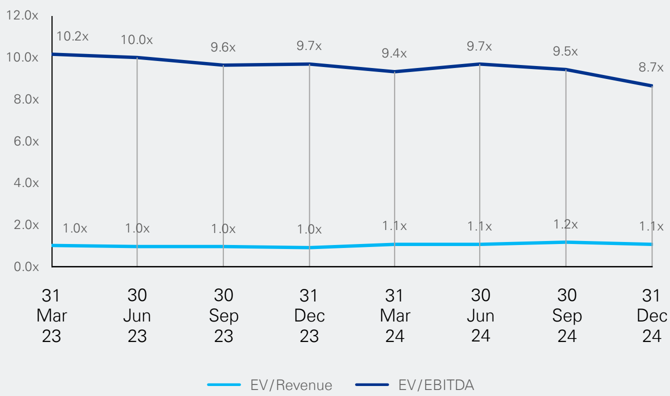
Communication Services



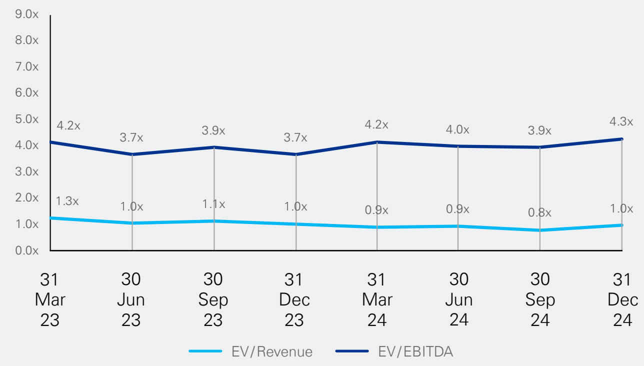
Consumer Discretionary



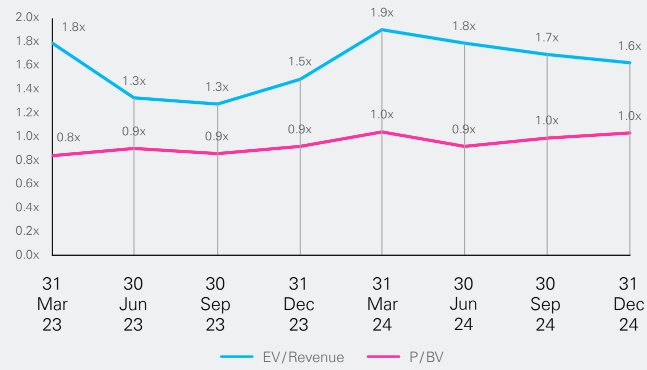
Consumer Staples



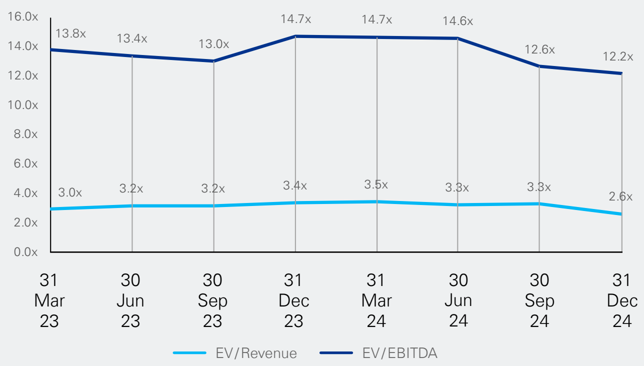
Energy



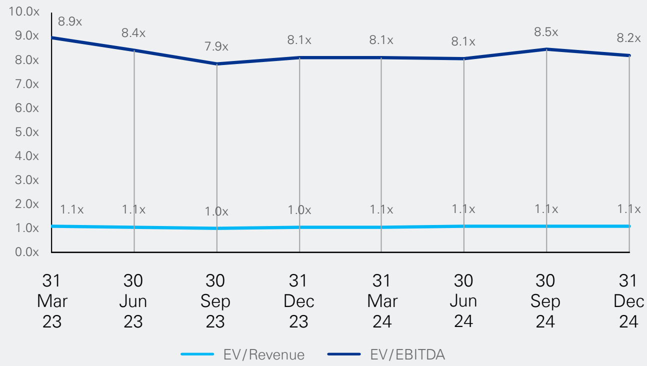
Financials



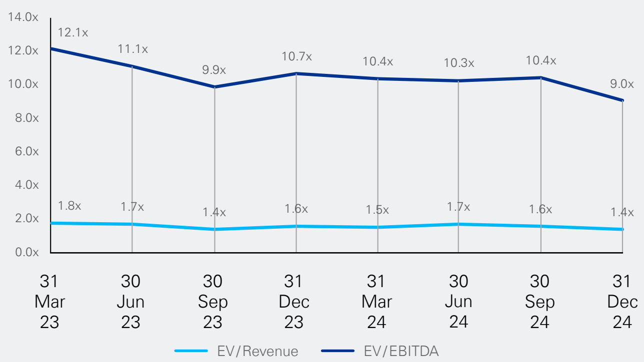
Health Care



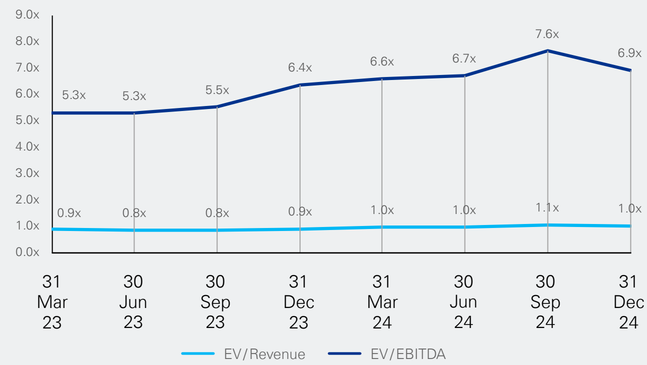
Industrials



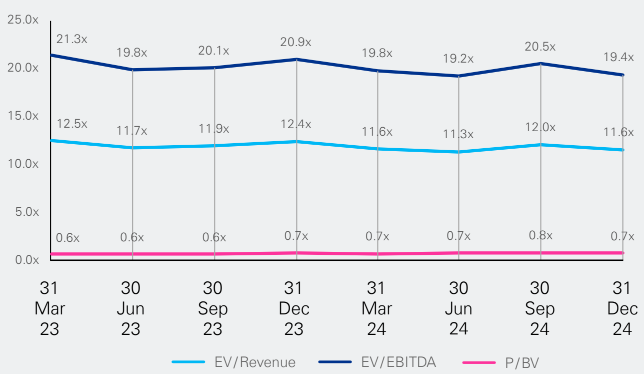
Information Technology



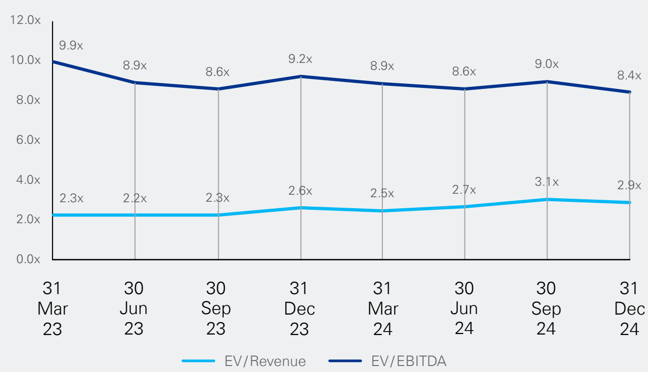
Materials



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

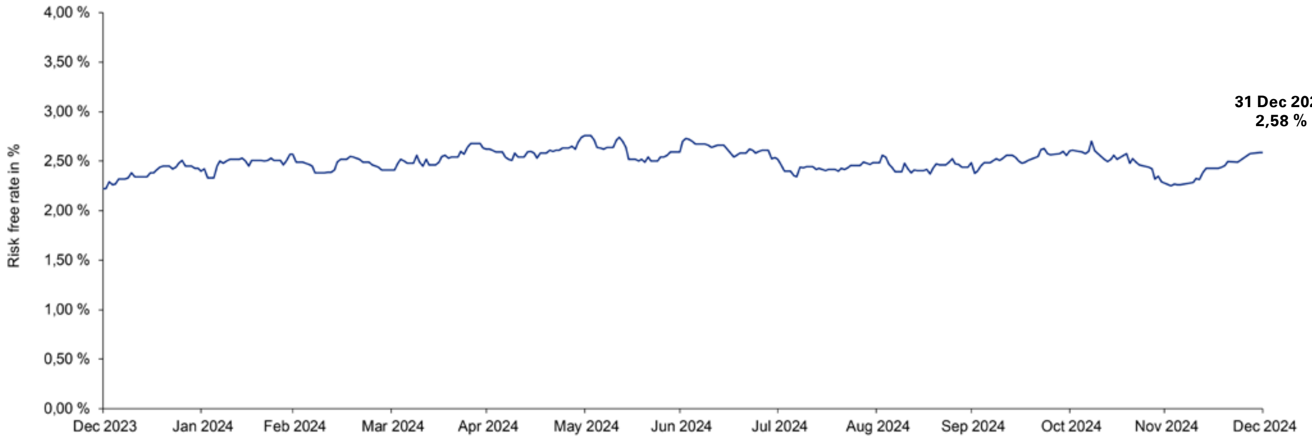
The risk-free rate can generally be broken down into two key components that seek to compensate the investor: the first for expected inflation and the second for deferred consumption. The risk-free rate is considered to be free of risks except for risks embedded in the underlying currency and risks related 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 zerobonds, 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 December 2024.

Risk-free rate (30y spot rate)

last 12 months as of 31 December 2024



Source: Deutsche Bundesbank; KPMG analysis.

The risk-free rate (30-year spot rate of German zerobonds) as of 31 December 2024 amounts to 2.58 percent.

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.

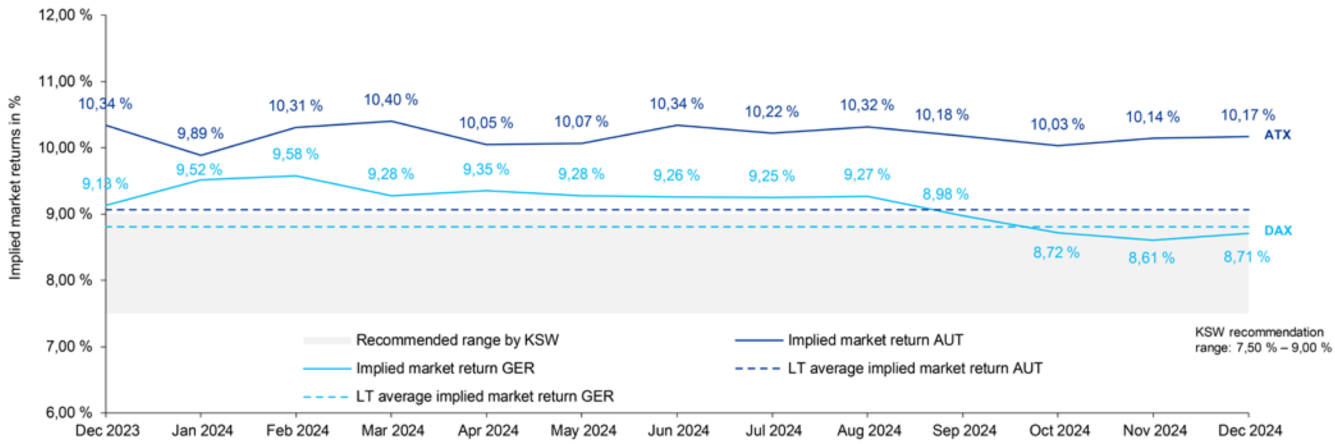
According to the recommendation of the Expert Group on Business Valuation of the Austrian Chamber of Tax Advisors and Auditors dated 28 November 2017, the market risk premium should be based on currently expected (implied) market returns and recommends a range for the expected market return between 7.5 percent and 9.0 percent. However, note that The the Expert Group published a practical note dated 5 October 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 December 2024.

Implied market returns (ATX Prime)

last 12 months as of 31 December 2024



Source: S&P Capital IQ; KPMG analysis.
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 December 2024 of 7.00 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 equity risk premium

Date	Risk-free rate	Recommended MRP
Dec 31, 2023	2,22 %	7,50 %
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 %

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 zerobonds 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 December 2024.

Recommended risk-free rate and country risk premium

	Inflation adjusted risk-free rate	Country risk premium
Brazil	4,18 %	3,30 %
Russia	4,28 %	n/a
India	4,38 %	2,85 %
China	2,38 %	1,50 %
South Africa	4,78 %	4,05 %

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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