

4 NOVEMBER 2021

THAILAND / COMMERCE

# SRI TRANG GLOVES (THAILAND)

## REDUCE

FROM HOLD

## STGT TB

TARGET PRICE	THB26.00
CLOSE	THB28.50
UP/DOWNSIDE	-8.8%
PRIOR TP	THB39.00
CHANGE IN TP	-33.3%
TP vs CONSENSUS	-27.5%

## Time to trim ahead of new normal

### ASPs to decline at a faster rate than we had anticipated

We expect STGT's net profit growth to slow down at a faster rate than we had previously anticipated, given the high global vaccination rate and continued decline in the death rate from Covid-19 despite the rising new infection cases, as global herd immunity has gradually alleviated the demand for rubber gloves. While the higher sales volumes from STGT's organic capacity expansion could partly offset the impact of the lower margins from the decline in its average selling prices (ASPs), we think STGT's earnings will significantly shrink in 2022-23 in the post-Covid era. We project a 'normalised' net profit level of THB10b-12b annually.

### Slower net profit momentum continues in 3Q21

We expect STGT's net profit to decline q-q to THB5.1b in 3Q21, down 30% q-q but up 16% y-y, while we forecast its net profit growth to plunge by 58% y-y in 2022 and 8% y-y in 2023, mainly due to a sharp decline in its ASPs that should be partly offset by sales volume growth. We project its margins across the board to weaken in 2022-23 from the peak levels in 2021, with its gross margin declining from 61.5% in 2021 to 40% in 2023 and its net profit margin dropping from 48.9% in 2021 to 27.3% in 2023.

### ASP downtrend accelerates due to lower pricing power

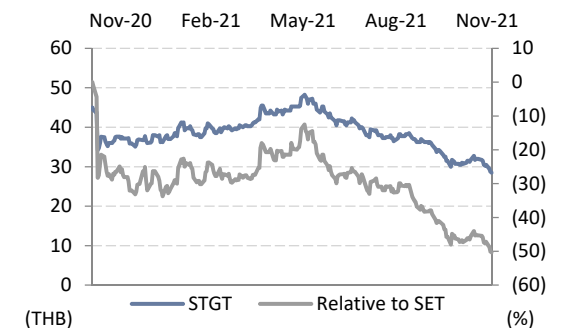
The most significant factor leading to our more bearish view on STGT's earnings outlook in 4Q21-2023 comes from our projected decline in its weighted average ASPs, which we estimate to plunge from USD63.9/1,000 pieces (ptp) in 2021 down to USD29.9/ptp in 2023, still higher than USD17/ptp at the pre-Covid 2019 level. The demand from the higher-margin markets in the US and Europe has gradually normalised to the level of the sellers, leading to STGT having much weaker pricing power for nitrile gloves than in 2020-1H21 when the Covid-19 pandemic was on the rise and causing higher global death rates.

### Downgrade to REDUCE; TP cut to THB26

We downgrade STGT to REDUCE from Hold and cut our target price from THB39, previously based on 7x 2022E P/E, down to THB26, now based on 6.1x 2022E P/E, justified by the average 8x 2022E P/E of STGT's peers in Malaysia due to STGT's higher sales volumes of low-margin natural rubber gloves vs its nitrile-producing peers in Malaysia. We revise down our EPS forecasts for 2021-23 by 2.2-25.2% to reflect our lower ASP assumptions for all glove types.

### KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	30,405	59,739	44,195	40,975
Net profit	14,401	29,223	12,191	11,175
EPS (THB)	5.04	10.21	4.26	3.91
vs Consensus (%)	-	8.1	(5.0)	3.2
EBITDA	16,675	33,066	15,439	14,869
Core net profit	14,302	29,223	12,191	11,175
Core EPS (THB)	5.00	10.21	4.26	3.91
Chg. In EPS est. (%)	-	(2.2)	(23.9)	(25.2)
EPS growth (%)	1,712.3	104.0	(58.3)	(8.3)
Core P/E (x)	5.7	2.8	6.7	7.3
Dividend yield (%)	9.2	21.1	10.5	10.5
EV/EBITDA (x)	3.8	1.6	4.5	5.1
Price/book (x)	2.6	1.5	1.6	1.5
Net debt/Equity (%)	(56.4)	(51.1)	(25.3)	(10.7)
ROE (%)	79.2	67.2	23.1	21.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.3)	(25.0)	(36.3)
Relative to country (%)	(7.7)	(28.3)	(51.7)
Mkt cap (USD m)	2,450		
3m avg. daily turnover (USD m)	17.1		
Free float (%)	30		
Major shareholder	STA & Sincharoenkul family (65%)		
12m high/low (THB)	49.00/28.25		
Issued shares (m)	2,861.56		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

While we project STGT's net profit to accelerate in 2021-23, we think the decelerating net profit growth outlook should lead to a valuation derating and lower share price. There are three key factors to support our REDUCE thesis. First, a slowdown in the once strong industry demand growth in the wake of Covid-19 should lead to lower demand growth for rubber gloves in 2022-23. Second, the once favourable demand-supply balance due to the rising demand from Covid-19 should gradually turn into an oversupply in 2022 onward. Third, STGT's capacity and market expansions should further strengthen its position against its once dominant competitors in Malaysia.

We project STGT's net profit to grow by 104% y-y in 2021 but expect it to drop by 58% y-y in 2022 due to the lower ASPs that should be partly offset by the capacity expansions of STGT's plants at Hat Yai (+3.6b pieces y-y) and at Trang (+5.6b pieces y-y); both new plants had commercial operation dates (CODs) in Feb-20.

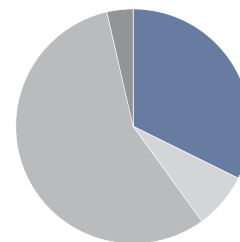
## Company profile

Sri Trang Gloves (Thailand) is a leading producer of rubber gloves in Thailand and global markets, with its highest product mix in natural rubber gloves.

[www.sritranggloves.com](http://www.sritranggloves.com)

## Principal activities (revenue, 2020)

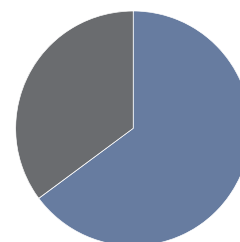
- Natural rubber powdered gloves - 34.8 %
- Natural rubber powder-free gloves - 8.3 %
- Nitrile gloves - 60.8 %
- Natural rubber products business - -3.9 %



Source: Sri Trang Gloves (Thailand)

## Major shareholders

- STA & Sincharoenkul family - 64.9 %
- Others - 35.2 %



Source: Sri Trang Gloves (Thailand)

## Catalysts

With three unfavourable drivers – declining demand growth, oversupply, and a sharp drop in ASPs – we believe STGT, as one of the world's top five producers of rubber gloves, will see decelerating net profit growth momentum in 2021-23.

## Risks to our call

The upside risks to our P/E-based TP for STGT include 1) a higher-than-expected demand for rubber gloves; 2) lower prices of concentrated natural and synthetic latex and crude; and 3) exchange rate volatility.

## Event calendar

Date	Event
Nov 2021	3Q21 results announcement

## Key assumptions

	2021E	2022E	2023E
Average utilisation rate (%)	88	94	94
Sales volume (m pieces)	31,398	43,568	48,875
ASP - powdered (USD/1,000 pieces)	56.0	30.8	26.2
ASP – powder-free (USD/1,000 pieces)	66.6	36.6	31.1
ASP - nitrile (USD/1,000 pieces)	68.7	37.8	32.1
ASP - blended (USD/1,000 pieces)	63.9	35.2	29.9
Concentrated latex price (THB/kg)	57.0	45.0	40.0
Synthetic latex price (THB/kg)	50.0	55.0	40.0
Exchange rate (THB/USD)	32.0	32.0	32.0

Source: FSSIA estimates

## Earnings sensitivity

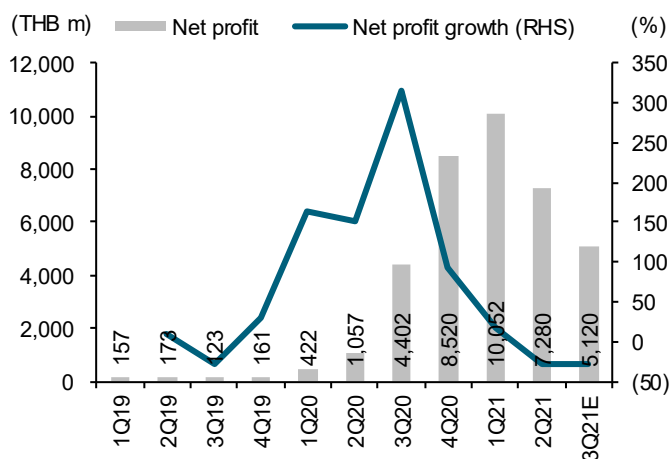
- For every 1% change in THB/USD exchange rate, we estimate a 1.4% change in 2021 EPS, all else being equal.
- For every 1% increase in latex price, we estimate 2021 EPS would fall 0.7%, and vice versa, all else being equal.
- For every 1% increase in utilisation rate, we estimate 2021 EPS would rise 1.5%, and vice versa, all else being equal.
- For every 1% increase in ASP, we estimate 2021 EPS would rise by 0.8%, and vice versa, all else being equal.

Source: FSSIA estimates

## The higher the vaccination rate, the lower the ASPs

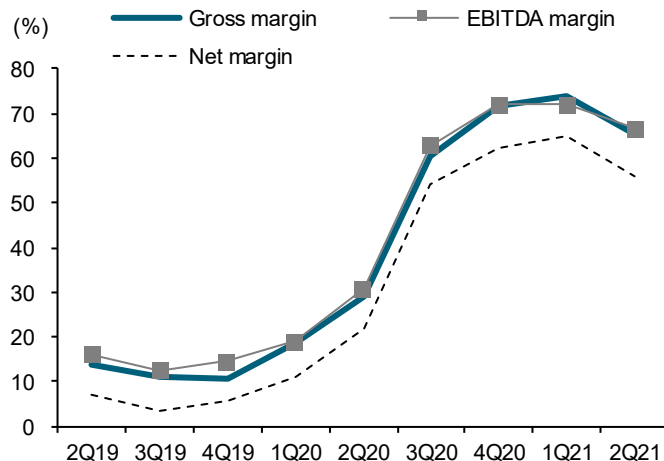
We expect STGT's net profit growth to slow down at a faster rate than our previous anticipation, given the global high vaccination rate and continued drops in the death rate despite the rising new infection cases as the impact of global herd immunity has gradually alleviated the demand.

**Exhibit 1: Net profit vs net profit growth**



Sources: STGT; FSSIA estimates

**Exhibit 2: Gross margin vs EBITDA margin vs net margin**



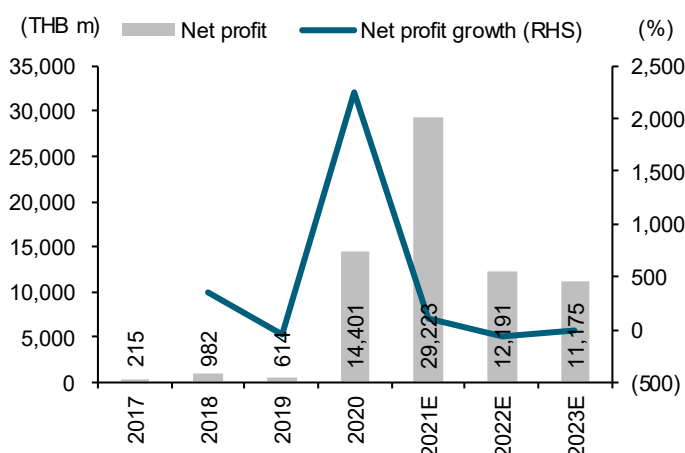
Source: STGT

We expect STGT's net profit to decline q-q to THB5.1b in 3Q21, down 30% q-q but up 16% y-y, while we forecast its net profit growth to plunge by 58% y-y in 2022 and 8% y-y in 2023, mainly due to a sharp decline in its ASPs that should be partly offset by sales volume growth.

We project its margins across the board to weaken in 2022-23 from the peak levels in 2021, with its gross margin declining from 61.5% in 2021 to 40% in 2023 and its net profit margin dropping from 48.9% in 2021 to 27.3% in 2023.

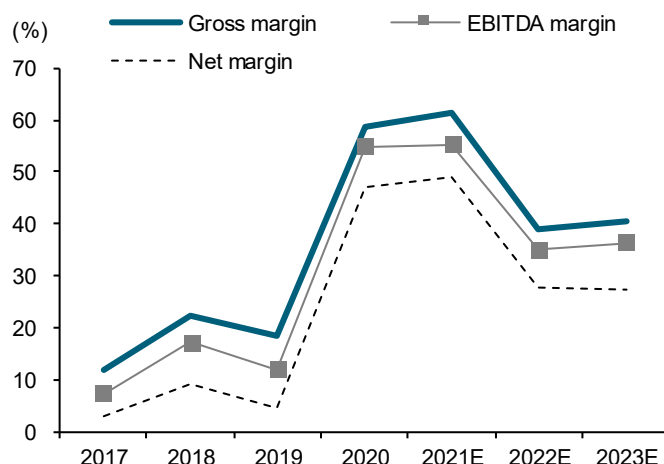
While our projected gross and net profit margins in 2022-23 are higher than the pre-Covid levels of 12% for its gross margin and 4.6% for its net profit margin in 2019, we think the pace of the margin declines to the 'new normal' margin and demand levels in the post-Covid era will eventually reach disappointingly lower levels than we had previously expected thanks to the faster-than-expected vaccination rate globally.

**Exhibit 3: Net profit vs net profit growth**



Sources: STGT; FSSIA estimates

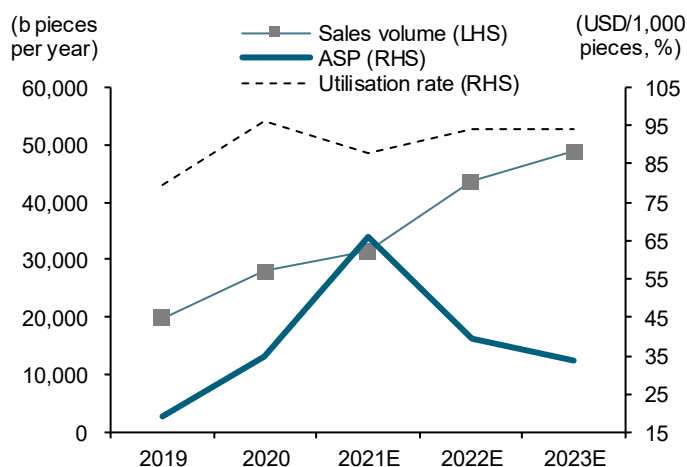
**Exhibit 4: Gross margin vs EBITDA margin vs net margin**



Sources: STGT; FSSIA estimates

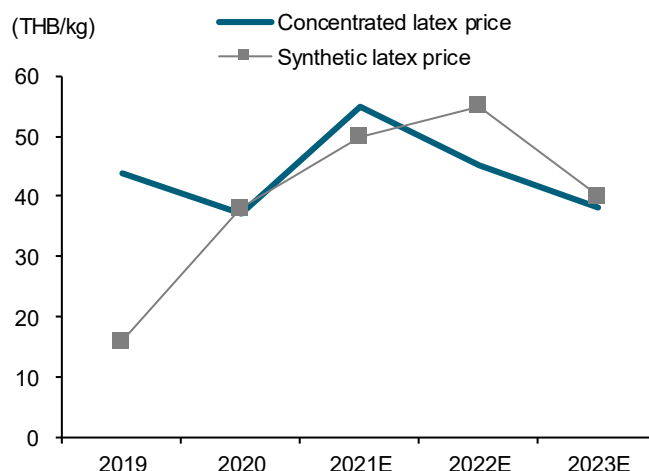
**ASP downtrend accelerates.** The most significant factor leading to our more bearish view on STGT's earnings outlook in 4Q21-2023 comes from our projected decline in its weighted average ASPs, which we estimate to plunge from USD63.9/ptp in 2021 down to USD29.9/ptp in 2023, still higher than USD17/ptp at the pre-Covid 2019 level.

**Exhibit 5: Sales volume and ASP assumptions**



Sources: STGT; FSSIA estimates

**Exhibit 6: Raw material price assumptions for concentrated latex and synthetic latex**



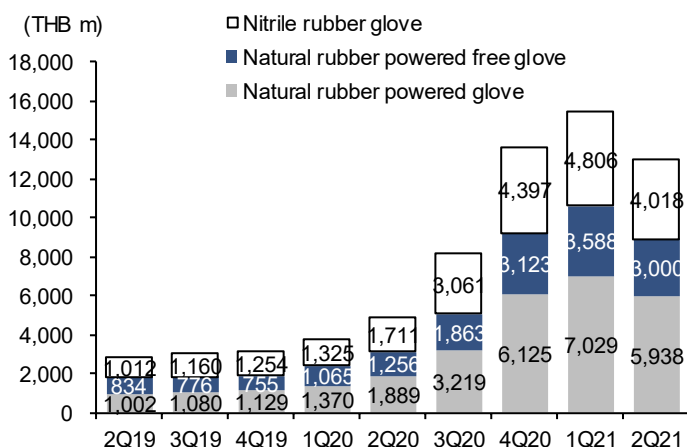
Sources: STGT; FSSIA estimates

**Lower pricing power for nitrile gloves led to declining ASP.** The demand from the US and European markets – which have command much higher ASPs than the Asian and African markets given the higher purchasing power for high-margin nitrile synthetic rubber gloves for both medical and industrial consumption – has already normalised to the level of the sellers.

According to management, STGT, along with other nitrile glove producers in Malaysia, now have much weaker pricing power for nitrile gloves than in 2020-1H21 when the Covid-19 pandemic was on the rise and causing higher global death rates.

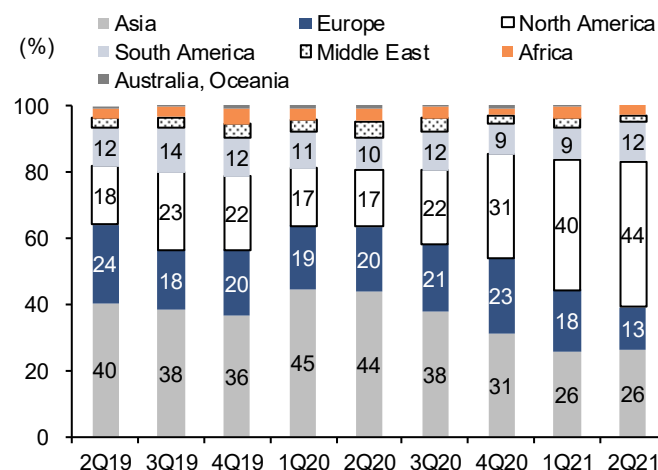
Meanwhile, we expect the prices of STGT's two raw materials – concentrated latex and synthetic latex – to subside from their peak levels in 2021, thanks to the rising supplies for both natural and synthetic rubbers.

**Exhibit 7: Revenue breakdown by product**



Source: STGT

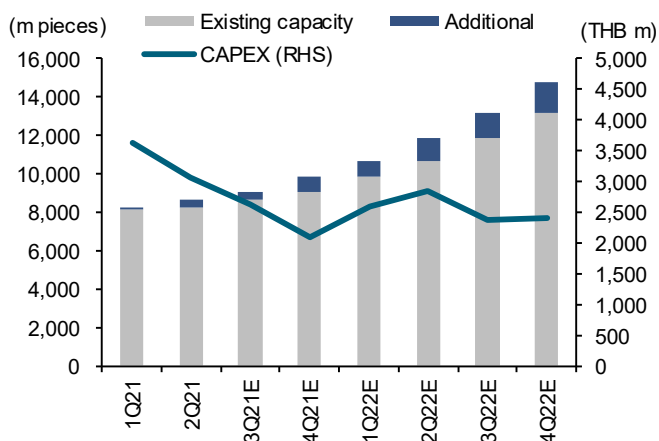
**Exhibit 8: Revenue breakdown by geography (%)**



Source: STGT

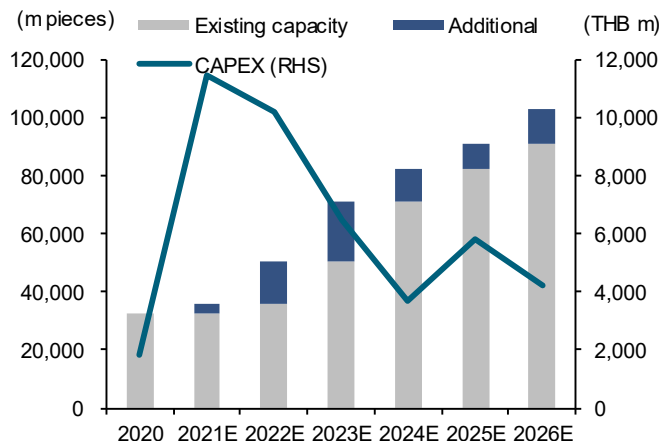
While the higher sales volumes from STGT's organic capacity expansion could partly offset the impact of the lower margins from the decline in its ASPs, we think STGT's earnings will significantly shrink in 2022-23 in the post-Covid era. We project a 'normalised' net profit level of THB10b-12b annually, supported by its capacity growth and sustainable ASP levels of over USD20/ptp. STGT has a committed plan to expand its capacity from 8.3b pieces per annum (ppa) in 1Q21 to 14.8b ppa in 4Q22.

Exhibit 9: Quarterly capacity growth



Source: STGT

Exhibit 10: Annual capacity growth vs CAPEX



Source: STGT

### 3Q21E/9M21E results preview

We expect STGT to post a 3Q21 net profit of THB5.1b, down 30% q-q but up 16% y-y. We estimate its core net profit to drop to THB4.9b, down 34% q-q but up 7% y-y. Key expectations are:

- A lower aggregate ASP to USD65/ptp, down from USD72.7/ptp in 2Q21, due to the much lower ASP for nitrile gloves;
- A sales volume of 7.4b pieces, up from 5.7b pieces in 2Q21, as a result of having no forced shutdowns of its plants, unlike the shutdowns in 2Q21 due to Covid-19 infections;
- A lower EBITDA margin to 57.7% in 3Q21, down from 65.4% in 2Q21 and 60.9% in 3Q20, due to the lower ASPs and higher raw material costs.

Exhibit 11: Summary of 3Q21E/9M21E operations

	3Q20	2Q21	3Q21E		9M20	9M21E	Chg.	2021E	
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	(THB m)
<b>Revenue</b>	<b>8,142</b>	<b>12,968</b>	<b>10,236</b>	<b>(21.1)</b>	<b>25.7</b>	<b>16,759</b>	<b>38,637</b>	<b>130.5</b>	<b>59,739</b>
Operating costs	(3,182)	(4,486)	(4,325)	(3.6)	35.9	(9,628)	(12,977)	34.8	(26,673)
<b>EBITDA</b>	<b>4,960</b>	<b>8,482</b>	<b>5,911</b>	<b>(30.3)</b>	<b>19.2</b>	<b>7,132</b>	<b>25,660</b>	<b>259.8</b>	<b>33,066</b>
EBITDA margin (%)	60.9	65.4	57.7	<i>nm</i>	<i>nm</i>	42.6	66.4	<i>nm</i>	55.4
Depn & amort.	(289)	(303)	(325)	7.2	12.6	(780)	(922)	18.2	(1,685)
<b>EBIT</b>	<b>4,672</b>	<b>8,179</b>	<b>5,586</b>	<b>(31.7)</b>	<b>19.6</b>	<b>6,351</b>	<b>24,738</b>	<b>289.5</b>	<b>31,382</b>
Interest expense	(32)	(31)	(30)	(4.6)	(6.3)	(110)	(94)	(14.5)	(208)
Interest & invt inc	9	28	23	(18.9)	<i>na</i>	10	75	<i>na</i>	-
Other income	121	40	45	12.8	(62.7)	168	128	(23.9)	80.0
Associates' contrib	-	-	-	<i>na</i>	<i>na</i>	-	-	<i>na</i>	-
Exceptionals	30	(82)	(52)	(36.5)	<i>na</i>	17	(352)	<i>na</i>	-
<b>Pretax profit</b>	<b>4,800</b>	<b>8,133</b>	<b>5,572</b>	<b>(31.5)</b>	<b>16.1</b>	<b>6,437</b>	<b>24,494</b>	<b>280.5</b>	<b>31,253</b>
Tax	(398)	(853)	(452)	(47.0)	13.6	(556)	(2,043)	267.1	(2,030)
Tax rate (%)	8.3	10.5	8.1	<i>nm</i>	<i>nm</i>	8.6	8.3	<i>nm</i>	6.5
Minority interests	-	-	-	<i>na</i>	<i>na</i>	-	-	<i>na</i>	-
<b>Net profit</b>	<b>4,402</b>	<b>7,280</b>	<b>5,120</b>	<b>(29.7)</b>	<b>16.3</b>	<b>5,881</b>	<b>22,452</b>	<b>281.8</b>	<b>29,223</b>
Non-recurring	(128)	(120)	253	<i>na</i>	<i>na</i>	(147)	(121)	<i>na</i>	-
<b>Core net profit</b>	<b>4,530</b>	<b>7,400</b>	<b>4,867</b>	<b>(34.2)</b>	<b>7.4</b>	<b>6,028</b>	<b>22,573</b>	<b>274.5</b>	<b>29,223</b>
EPS (THB)	1.54	2.55	1.79	(29.7)	16.3	2.06	7.86	281.8	10.21
Core EPS (THB)	1.59	2.59	1.70	(34.2)	7.4	2.11	7.90	274.5	10.21

Sources: STGT; FSSIA estimates

## Downgrade to REDUCE, TP cut to THB26

We revise down our EPS forecasts for 2021-23 by 2.2-25.2%, to reflect our 3.1-12.3% lower ASPs for all glove types, while maintaining our sales volume and raw material price assumptions.

### Exhibit 12: Key changes in assumptions

	Current			Previous			Change		
	2021E (THB m)	2022E (THB m)	2023E (THB m)	2021E (THB m)	2022E (THB m)	2023E (THB m)	2021E (%)	2022E (%)	2023E (%)
Revenue	59,739	44,195	40,975	60,549	48,672	45,086	(1.3)	(9.2)	(9.1)
Gross profit	36,710	17,207	16,508	37,480	21,460	20,619	(2.1)	(19.8)	(19.9)
Operating profit	31,382	13,073	11,866	32,102	17,147	15,813	(2.2)	(23.8)	(25.0)
Net profit	29,223	12,191	11,175	29,875	16,028	14,937	(2.2)	(23.9)	(25.2)
EPS (THB/share)	10.21	4.26	3.91	10.44	5.60	5.22	(2.2)	(23.9)	(25.2)
<b>Key assumptions</b>									
Average utilisation rate (%)	88	94	94	88	94	94	0.0	0.0	0.0
Sales volume (m pieces)	31,398	43,568	48,875	31,398	43,568	48,875	0.0	0.0	0.0
ASP - powdered (USD/1,000 pieces)	56.0	30.8	26.2	56.0	33.6	28.5	0.0	(8.3)	(8.3)
ASP - powder-free (USD/1,000 pieces)	66.6	36.6	31.1	69.6	41.8	35.5	(4.3)	(12.3)	(12.3)
ASP - nitrile (USD/1,000 pieces)	68.7	37.8	32.1	71.7	43.0	36.6	(4.2)	(12.2)	(12.2)
ASP - blended (USD/1,000 pieces)	63.9	35.2	29.9	66.0	39.6	33.6	(3.1)	(11.2)	(11.2)
Concentrated latex price (THB/kg)	57.0	45.0	40.0	57.0	45.0	40.0	0.0	0.0	0.0
Synthetic latex price (THB/kg)	50.0	55.0	40.0	50.0	55.0	40.0	0.0	0.0	0.0
Exchange rate (THB/USD)	32.0	32.0	32.0	32.0	32.0	32.0	0.0	0.0	0.0

Note: Change of items in percentage terms are represented in ppt change

Sources: STGT; FSSIA estimates

We downgrade STGT to REDUCE from Hold and cut our target price from THB39, previously based on 7x 2022E P/E, down to THB26, now based on 6.1x 2022E P/E, to reflect our EPS forecast cuts. We think our 6.1x 2022E P/E is reasonable in comparison with the average 8x 2022E P/E of STGT's peers in Malaysia, reflecting STGT's higher sales volumes of low-margin natural powdered and powder-free gloves vs its nitrile-producing peers in Malaysia.

### Exhibit 13: Peer comparisons

Company	BBG code	Rec	Share Price (LCY)	Target price (LCY)	Up side (%)	Market Cap (USD m)	3Y EPS CAGR (%)	PE		ROE		PBV		EV / EBITDA	
								21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)	21E (x)	22E (x)
<b>THAILAND</b>															
Sri Trang Gloves Thailand	STGT TB	REDUCE	28.5	26	(9)	2,450	(7.9)	2.8	6.7	67.2	23.1	1.5	1.6	1.6	4.5
<b>Thailand avg</b>						<b>2,450</b>	<b>(7.9)</b>	<b>2.8</b>	<b>6.7</b>	<b>67.2</b>	<b>23.1</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>	<b>4.5</b>
<b>MALAYSIA</b>															
Top Glove Corp Bhd	TOPG MK	NA	2.49	NA	NA	4,797	(10.1)	2.3	11.6	111.6	25.2	2.1	2.7	1.6	7.2
Hartalega Holdings Bhd	HART MK	NA	5.71	NA	NA	4,695	35.7	6.4	5.3	90.5	62.8	5.2	3.0	3.6	3.0
Kossan Rubber Industries	KRI MK	NA	2.44	NA	NA	1,498	(21.6)	2.0	9.7	88.0	14.2	1.4	1.3	0.9	3.9
Supermax Corp Bhd	SUCB MK	NA	1.89	NA	NA	1,190	3.7	1.4	4.0	127.9	25.1	1.3	0.9	0.3	0.8
<b>Malaysia avg</b>						<b>12,181</b>	<b>4.1</b>	<b>3.8</b>	<b>8.2</b>	<b>102.1</b>	<b>38.3</b>	<b>3.1</b>	<b>2.5</b>	<b>2.2</b>	<b>4.5</b>
<b>Rubber products under coverage</b>						<b>2,450</b>	<b>(7.9)</b>	<b>2.8</b>	<b>6.7</b>	<b>67.2</b>	<b>23.1</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>	<b>4.5</b>
<b>Average (all)</b>						<b>14,631</b>	<b>(7.3)</b>	<b>3.6</b>	<b>8.0</b>	<b>96.3</b>	<b>35.8</b>	<b>2.9</b>	<b>2.3</b>	<b>2.1</b>	<b>4.5</b>

Share prices as of 3 November 2021

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Sri Trang Gloves (Thailand)

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	11,994	30,405	59,739	44,195	40,975
Cost of goods sold	(9,766)	(12,531)	(23,029)	(26,988)	(24,467)
<b>Gross profit</b>	<b>2,228</b>	<b>17,875</b>	<b>36,710</b>	<b>17,207</b>	<b>16,508</b>
Other operating income	-	-	-	-	-
Operating costs	(793)	(1,199)	(3,644)	(1,768)	(1,639)
<b>Operating EBITDA</b>	<b>1,435</b>	<b>16,675</b>	<b>33,066</b>	<b>15,439</b>	<b>14,869</b>
Depreciation	(789)	(1,072)	(1,685)	(2,366)	(3,003)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>646</b>	<b>15,604</b>	<b>31,382</b>	<b>13,073</b>	<b>11,866</b>
Net financing costs	(105)	58	(208)	(217)	(233)
Associates	0	0	0	0	0
Recurring non-operating income	109	186	80	80	80
Non-recurring items	67	99	0	0	0
<b>Profit before tax</b>	<b>718</b>	<b>15,946</b>	<b>31,253</b>	<b>12,936</b>	<b>11,713</b>
Tax	(104)	(1,546)	(2,030)	(745)	(538)
<b>Profit after tax</b>	<b>614</b>	<b>14,401</b>	<b>29,223</b>	<b>12,191</b>	<b>11,175</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>614</b>	<b>14,401</b>	<b>29,223</b>	<b>12,191</b>	<b>11,175</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(67)</b>	<b>(99)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>547</b>	<b>14,302</b>	<b>29,223</b>	<b>12,191</b>	<b>11,175</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.28	5.00	10.21	4.26	3.91
Reported EPS	0.31	5.04	10.21	4.26	3.91
DPS	0.11	2.63	6.00	3.00	3.00
Diluted shares (used to calculate per share data)	1,980	2,858	2,862	2,862	2,862
<b>Growth</b>					
Revenue (%)	9.2	153.5	96.5	(26.0)	(7.3)
Operating EBITDA (%)	(24.0)	1,061.7	98.3	(53.3)	(3.7)
Operating EBIT (%)	(48.7)	2,314.8	101.1	(58.3)	(9.2)
Recurring EPS (%)	(88.9)	1,712.3	104.0	(58.3)	(8.3)
Reported EPS (%)	(87.4)	1,525.4	102.6	(58.3)	(8.3)
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	12.0	55.3	58.6	33.6	33.0
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	12.0	54.8	55.4	34.9	36.3
Operating EBIT margin (%)	5.4	51.3	52.5	29.6	29.0
Net margin (%)	4.6	47.0	48.9	27.6	27.3
Effective tax rate (%)	14.5	9.7	6.5	5.8	4.6
Dividend payout on recurring profit (%)	39.8	52.4	58.8	70.4	76.8
Interest cover (X)	7.2	(270.6)	151.0	60.7	51.2
Inventory days	61.5	67.7	68.2	81.9	92.9
Debtor days	53.8	39.1	49.8	113.8	163.8
Creditor days	49.6	72.3	80.4	96.5	109.5
Operating ROIC (%)	5.4	103.3	(31.3)	(8.2)	(5.6)
ROIC (%)	6.1	100.5	(30.5)	(8.1)	(5.6)
ROE (%)	16.0	79.2	67.2	23.1	21.6
ROA (%)	5.3	50.5	50.9	17.5	16.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Natural rubber powdered gloves	4,270	10,581	21,854	13,387	11,369
Natural rubber powder-free gloves	3,205	2,530	8,499	8,748	8,834
Nitrile gloves	4,519	18,472	15,402	10,029	7,528
Natural rubber products business	0	(1,178)	13,984	12,031	13,243

Sources: Sri Trang Gloves (Thailand); FSSIA estimates

## Financial Statements

### Sri Trang Gloves (Thailand)

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	547	14,302	29,223	12,191	11,175
Depreciation	789	1,072	1,685	2,366	3,003
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	133	(1,739)	(5,585)	(4,851)	(4,597)
<b>Cash flow from operations</b>	<b>1,469</b>	<b>13,635</b>	<b>25,323</b>	<b>9,707</b>	<b>9,580</b>
Capex - maintenance	(3,180)	(3,181)	(9,283)	(8,129)	(8,129)
Capex - new investment	(133)	(1,150)	0	0	0
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	432	3,726	0	0	0
<b>Cash flow from investing</b>	<b>(2,881)</b>	<b>(606)</b>	<b>(9,283)</b>	<b>(8,129)</b>	<b>(8,129)</b>
Dividends paid	(218)	(5,715)	(5,715)	(17,169)	(8,585)
Equity finance	0	0	0	0	0
Debt finance	1,819	(748)	0	500	500
Other financing cash flows	(181)	17,042	60	58	58
<b>Cash flow from financing</b>	<b>1,420</b>	<b>10,578</b>	<b>(5,655)</b>	<b>(16,611)</b>	<b>(8,027)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>8</b>	<b>23,607</b>	<b>10,384</b>	<b>(15,033)</b>	<b>(6,576)</b>
Free cash flow to firm (FCFF)	(1,217.81)	13,171.00	16,247.94	1,794.74	1,684.56
Free cash flow to equity (FCFE)	225.61	29,322.43	16,099.20	2,136.41	2,009.03
<b>Per share (THB)</b>					
FCFF per share	(0.43)	4.60	5.68	0.63	0.59
FCFE per share	0.08	10.25	5.63	0.75	0.70
Recurring cash flow per share	0.67	5.38	10.80	5.09	4.95
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	10,561	16,887	26,170	34,299	42,428
Less: Accumulated depreciation	(1,999)	(7,365)	(9,050)	(11,416)	(14,419)
<b>Tangible fixed assets (net)</b>	<b>8,562</b>	<b>9,521</b>	<b>17,120</b>	<b>22,883</b>	<b>28,009</b>
<b>Intangible fixed assets (net)</b>	<b>221</b>	<b>221</b>	<b>221</b>	<b>221</b>	<b>221</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	581	24,189	34,573	19,540	12,965
A/C receivable	1,612	4,907	11,381	16,171	20,611
Inventories	1,612	3,034	5,575	6,534	5,923
Other current assets	507	1,009	1,982	1,466	1,360
<b>Current assets</b>	<b>4,312</b>	<b>33,138</b>	<b>53,511</b>	<b>43,711</b>	<b>40,859</b>
Other assets	121	413	413	413	413
<b>Total assets</b>	<b>13,216</b>	<b>43,293</b>	<b>71,265</b>	<b>67,227</b>	<b>69,502</b>
Common equity	4,402	31,697	55,265	50,345	52,994
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>4,402</b>	<b>31,697</b>	<b>55,265</b>	<b>50,345</b>	<b>52,994</b>
Long term debt	5,846	5,525	5,525	6,025	6,525
Other long-term liabilities	195	245	245	245	245
<b>Long-term liabilities</b>	<b>6,041</b>	<b>5,771</b>	<b>5,771</b>	<b>6,271</b>	<b>6,771</b>
A/C payable	1,393	3,573	6,567	7,697	6,977
Short term debt	1,218	790	790	790	790
Other current liabilities	163	1,462	2,872	2,125	1,970
<b>Current liabilities</b>	<b>2,773</b>	<b>5,825</b>	<b>10,229</b>	<b>10,611</b>	<b>9,737</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,216</b>	<b>43,293</b>	<b>71,265</b>	<b>67,227</b>	<b>69,502</b>
Net working capital	2,176	3,914	9,499	14,350	18,947
Invested capital	11,079	14,070	27,253	37,866	47,590
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	2.22	11.09	19.31	17.59	18.52
Tangible book value per share	2.11	11.02	19.24	17.52	18.44
<b>Financial strength</b>					
Net debt/equity (%)	147.3	(56.4)	(51.1)	(25.3)	(10.7)
Net debt/total assets (%)	49.0	(41.3)	(39.7)	(18.9)	(8.1)
Current ratio (x)	1.6	5.7	5.2	4.1	4.2
CF interest cover (x)	4.4	(521.3)	78.2	10.9	9.6
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>103.2</b>	<b>5.7</b>	<b>2.8</b>	<b>6.7</b>	<b>7.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>94.1</b>	<b>5.2</b>	<b>2.5</b>	<b>6.1</b>	<b>6.7</b>
Reported P/E (x)	91.9	5.7	2.8	6.7	7.3
Dividend yield (%)	0.4	9.2	21.1	10.5	10.5
Price/book (x)	12.8	2.6	1.5	1.6	1.5
Price/tangible book (x)	13.5	2.6	1.5	1.6	1.5
EV/EBITDA (x) **	43.8	3.8	1.6	4.5	5.1
EV/EBITDA @ target price (x) **	40.4	3.4	1.4	4.0	4.6
EV/invested capital (x)	5.7	4.5	2.0	1.8	1.6
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Sri Trang Gloves (Thailand); FSSIA estimates



## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PG	PHOL	PLANB
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

## Disclaimer:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAHA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

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### ANALYST(S) CERTIFICATION

Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

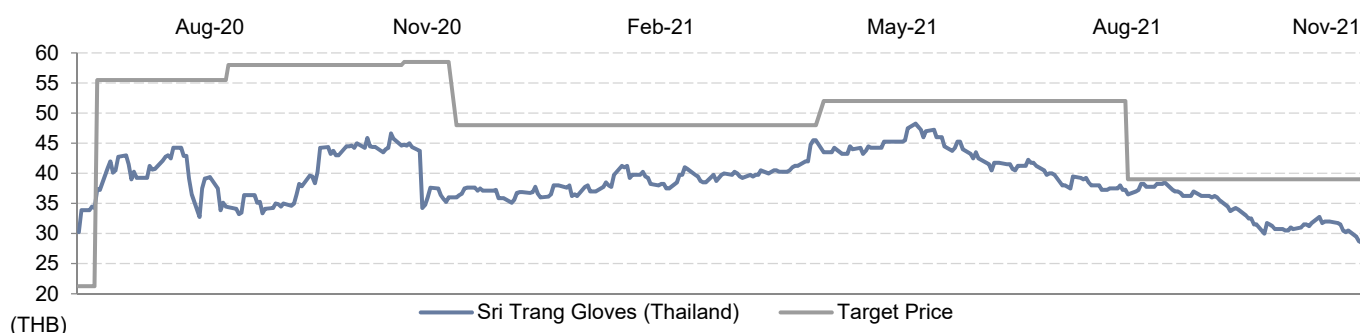
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### History of change in investment rating and/or target price

#### Sri Trang Gloves (Thailand) (STGT TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Jul-2020	BUY	21.25	27-Aug-2020	BUY	58.00	17-Feb-2021	BUY	48.00
08-Jul-2020	BUY	55.50	02-Nov-2020	BUY	58.50	09-Apr-2021	BUY	52.00
15-Jul-2020	BUY	55.50	20-Nov-2020	BUY	48.00	05-Aug-2021	HOLD	39.00
29-Jul-2020	BUY	55.50	21-Jan-2021	BUY	48.00			
18-Aug-2020	BUY	55.50	21-Jan-2021	BUY	48.00			

Suwat Sinsadok started covering this stock from 01-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sri Trang Gloves (Thailand)	STGT TB	THB 28.50	REDUCE	The upside risks to our P/E-based TP for STGT include 1) a higher-than-expected demand for rubber gloves; 2) lower prices of concentrated natural and synthetic latex and crude; and 3) exchange rate volatility.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 03-Nov-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.