

GLOBAL POWER SYNERGY

GPSC TB

THAILAND / UTILITIES - CONVENTIONAL

HOLD

FROM BUY

TARGET PRICE	THB70.00
CLOSE	THB65.50
UP/DOWNSIDE	+6.9%
PRIOR TP	THB90.00
CHANGE IN TP	-22.2%
TP vs CONSENSUS	-14.8%

Double jeopardy for costs

- We turn negative on GPSC's net profit growth outlook in 2022 as a result of the higher-than-expected costs of gas and coal.
- We project GPSC to post a poor 1Q22 NP of THB1,231m and a core NP of THB756m on a sharp drop in earnings from SPPs.
- Downgrade to HOLD and cut our SoTP-based TP to THB70.

A victim of the hikes in gas and coal prices

We turn negative on GPSC's net profit growth outlook in 2022 as a result of the higher-than-expected costs of gas and coal, leading us to cut our EPS forecasts in 2022-24. Our 2022E EPS is now 31.5% lower than Bloomberg's consensus estimate for 2022. We believe GPSC will see weak net profits in 1H22 due mainly to the sharp rise in the gas cost given that Thailand will need to import a large amount of high-priced spot LNG to replace the gas supply shortfall from its G1 gas field.

SPP gross margins to plunge

Of GPSC's total 6.8GW of equity capacity, its SPP capacity accounted for 42.8% of its total equity operating capacity as of 2021. In 4Q21, GPSC sold most of the electricity it generated to industrial users (IUs) at 59.9% of its total electricity sales volume. Since 3Q21, GPSC has seen the gross margins of its SPPs plunge due to spikes in the costs of both coal and gas caused by rising supply risks from Russia's invasion of Ukraine. We think that over the next two quarters, high coal and gas prices could directly erode the gross margins of the electricity GPSC sells to IUs.

Expect a poor 1Q22 net profit

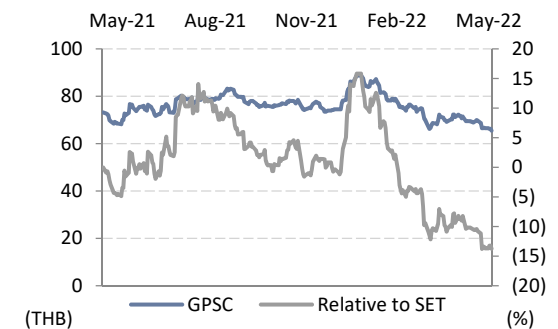
We project GPSC to post a poor 1Q22 net profit of THB1,231m, up 5% q-q but down 38% y-y. Excluding a net gain of THB0.5b from the divestment of its stake in the 20.8MW Ichinoseki Solar Power plant, we project a 1Q22 core net profit of THB756m, down 52% q-q and 68% y-y. Key points are 1) a sharp drop in earnings from its SPPs due to the higher costs of gas and coal; 2) strong sales volumes for both electricity and steam thanks to the strong demand recoveries for IUs and IPPs, and the seasonal improvement in production from its renewable energy projects; and 3) a continued net loss contribution from Avaada at THB0.3b in 1Q22 due to its high financing cost.

Downgrade to HOLD with TP cut to THB70

We downgrade GPSC to HOLD from Buy and cut our SoTP-based target price from THB90 to THB70 to incorporate the cuts in our EPS forecasts for 2022-24 due to the changes in our assumptions for higher gas and coal prices. We think GPSC is now less attractive due to our projections for weak earnings from its SPPs in 1H22 before the selling price rises sufficiently to cover the hikes in gas and coal costs by 3Q22.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	74,874	86,832	96,548	112,184
Net profit	7,319	4,868	7,676	12,263
EPS (THB)	2.60	1.73	2.72	4.35
vs Consensus (%)	-	(31.0)	(13.5)	15.3
EBITDA	22,231	14,852	18,424	23,778
Core net profit	8,907	4,868	7,676	12,263
Core EPS (THB)	3.16	1.73	2.72	4.35
Chg. In EPS est. (%)	-	(31.4)	(28.5)	(21.1)
EPS growth (%)	(0.6)	(45.3)	57.7	59.8
Core P/E (x)	20.7	37.9	24.1	15.1
Dividend yield (%)	2.3	2.7	3.1	3.1
EV/EBITDA (x)	12.7	20.4	17.1	13.5
Price/book (x)	1.7	1.7	1.7	1.6
Net debt/Equity (%)	74.6	90.9	97.2	95.6
ROE (%)	8.4	4.5	7.0	10.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.7)	(17.1)	(7.7)
Relative to country (%)	(5.4)	(15.5)	(11.1)
Mkt cap (USD m)	5,421		
3m avg. daily turnover (USD m)	27.0		
Free float (%)	25		
Major shareholder	PTTGC Plc (23%)		
12m high/low (THB)	89.75/64.25		
Issued shares (m)	2,819.73		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

Backed by the PTT Group as a major shareholder, GPSC is the fourth-largest utilities company in Thailand by market capitalisation, with its operations comprising the generation of electricity, steam and other utilities. Currently, the company has an electricity generating equity capacity of 4,750MW as of 2020 and solid expansion plans to increase its capacity to 7.1GW in 2023.

Established as a power investment arm of the PTT Group – Thailand's leading energy company – GPSC has long leveraged its solid ties with the group to expand its electricity generation capacity growth and capture domestic and international opportunities. Currently, GPSC generates electricity mainly from natural gas (80%), and most of its capacity is aimed at supporting PTT Group companies, including PTT (PTT TB, BUY, TP THB60), PTT Global Chemical (PTTGC TB, HOLD, TP THB56), Thai Oil (TOP TB, BUY, TP THB70) and IRPC (IRPC TB, BUY, TP THB5.8).

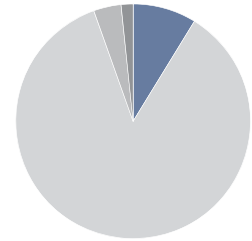
Company profile

GPSC is PTT Group's flagship power company. It operates small power producers, is an independent power producer and has a presence in renewable energy.

www.gpscgroup.com

Principal activities (revenue, 2021)

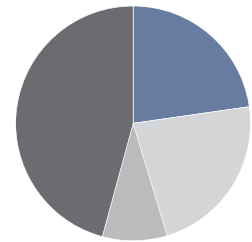
- Independent power producer - 8.7 %
- Small power producer - 85.8 %
- Very small power producer - 3.8 %
- Others - 1.6 %



Source: Global Power Synergy

Major shareholders

- PTTGC Plc - 22.7 %
- PTT Plc - 22.6 %
- TOP Plc - 8.9 %
- Others - 45.8 %



Source: Global Power Synergy

Catalysts

Higher costs of gas and coal, lower utilisation rates of power plants, and rising demand for electricity in Thailand and Japan are key potential growth drivers.

Risks to our call

The downside risks to our SoTP-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) a lower crude price; and 3) lower-than-expected demand from industrial users. Upside risks include sharp decreases in gas and coal prices.

Event calendar

Date	Event
May 2022	1Q22 results announcement

Key assumptions

	2022E	2023E	2024E
Gas cost (THB/mmbtu)	380	350	354
Coal cost (USD/tonne)	250	200	200
Tariff (THB/kWh)	3.45	3.49	3.52
Capacity (MW)	7,516	7,641	7,641
CAPEX (THB m)	(23,197)	(16,997)	(13,599)

Source: FSSIA estimates

Earnings sensitivity

- Ceteris Paribus, for every 1% increase in gas price, we estimate 2022 earnings will decline 1.1%, and vice versa.
- Ceteris Paribus, for every 1% increase in interest rate, we estimate 2022 earnings will decline 1.1%, and vice versa.

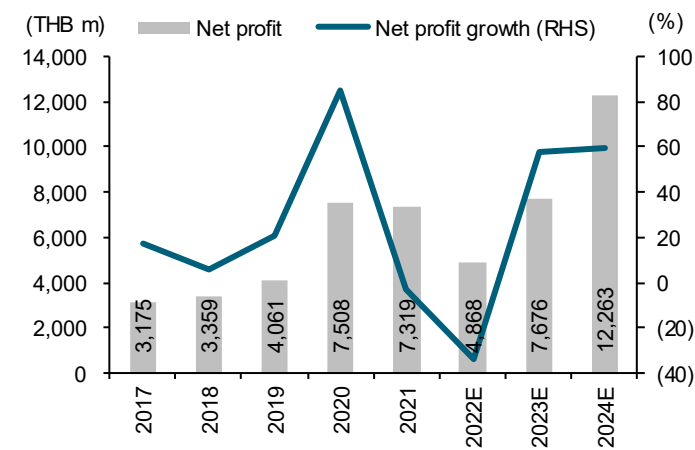
Source: FSSIA estimates

Double jeopardy for gas and coal costs

We believe GPSC, as one of Thailand’s leading small power producers (SPP), will see weak net profits in 1H22 due mainly to the sharp rise in the gas cost given that Thailand will need to import a large amount of high-priced spot LNG to replace the gas supply shortfall from the G1 gas field (formerly known as Erawan) of up to 600mmscf or 4.3mtpa of imported LNG.

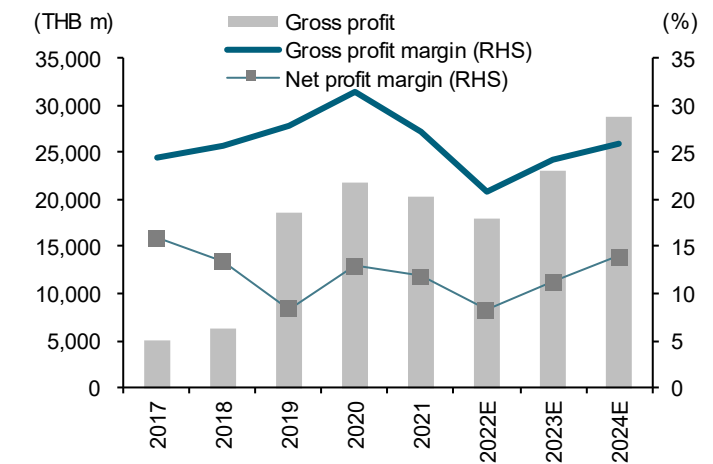
However, we expect GPSC to see stronger net profit growth momentum in 2H22 onward into 2023, driven by higher gross margins for its SPPs due to a gradual increase in electricity and steam selling prices, while the gas cost is likely to soften h-h as a result of a lower global LNG price.

Exhibit 1: Net profit and net profit growth



Sources: GPSC; FSSIA estimates

Exhibit 2: Gross profit, gross profit margin, and net profit margin



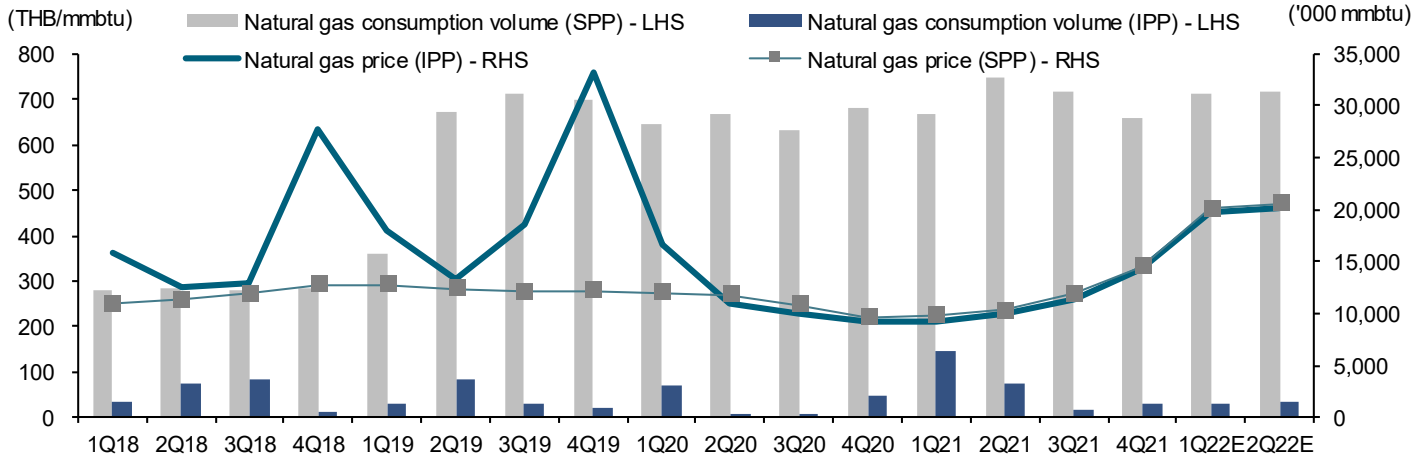
Sources: GPSC; FSSIA estimates

We turn more negative on GPSC’s net profit growth outlook in 2022 as a result of the higher-than-expected costs of gas and coal and the impacts from the unplanned shutdown of its GHECO-One independent power producer (IPP), leading us to cut our EPS forecasts in 2022-24. Our 2022E EPS is now far below Bloomberg’s consensus estimate by 31.5%.

Cost hikes lead to significant margin erosion

Following the poor gross margins seen in 3Q21 and 1Q22 due to spikes in the cost of both coal and gas caused by the rising supply risks from Russia's invasion of Ukraine, we think that over the next two quarters, GPSC will continue to face gross margin erosion for the electricity it sells to IUs as the increase in the electricity selling price will likely not be sufficient to match the rise in the costs of coal and gas.

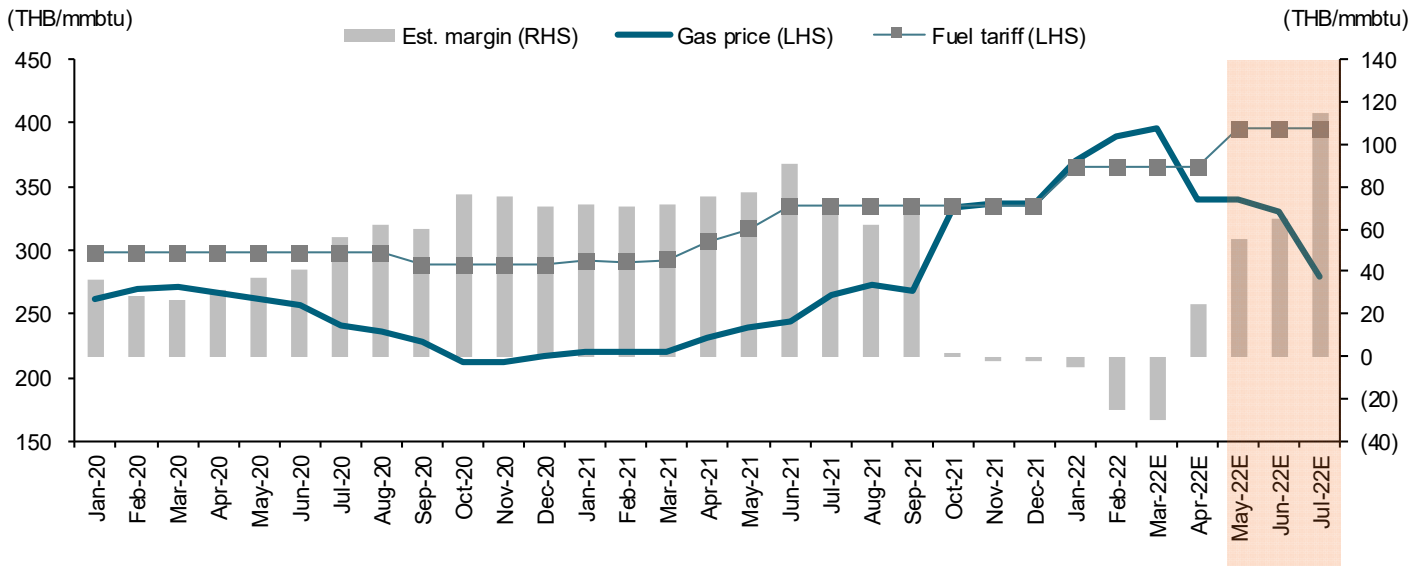
Exhibit 3: Natural gas prices and consumption volumes of GPSC's SPPs and IPPs



Sources: GPSC; FSSIA estimates

Using B.Grimm Power (BGRIM TB, BUY, TP THB44)'s estimate of the fuel tariff margin over the gas cost, we believe GPSC would similarly face a grave outlook whereby the gas cost will rise faster than the electricity tariff. However, unlike BGRIM, which uses only gas as a fuel for its SPPs, GPSC uses both gas and coal as fuels for its SPPs, potentially leading to a worse margin impact from the spikes in coal and gas costs since 3Q21.

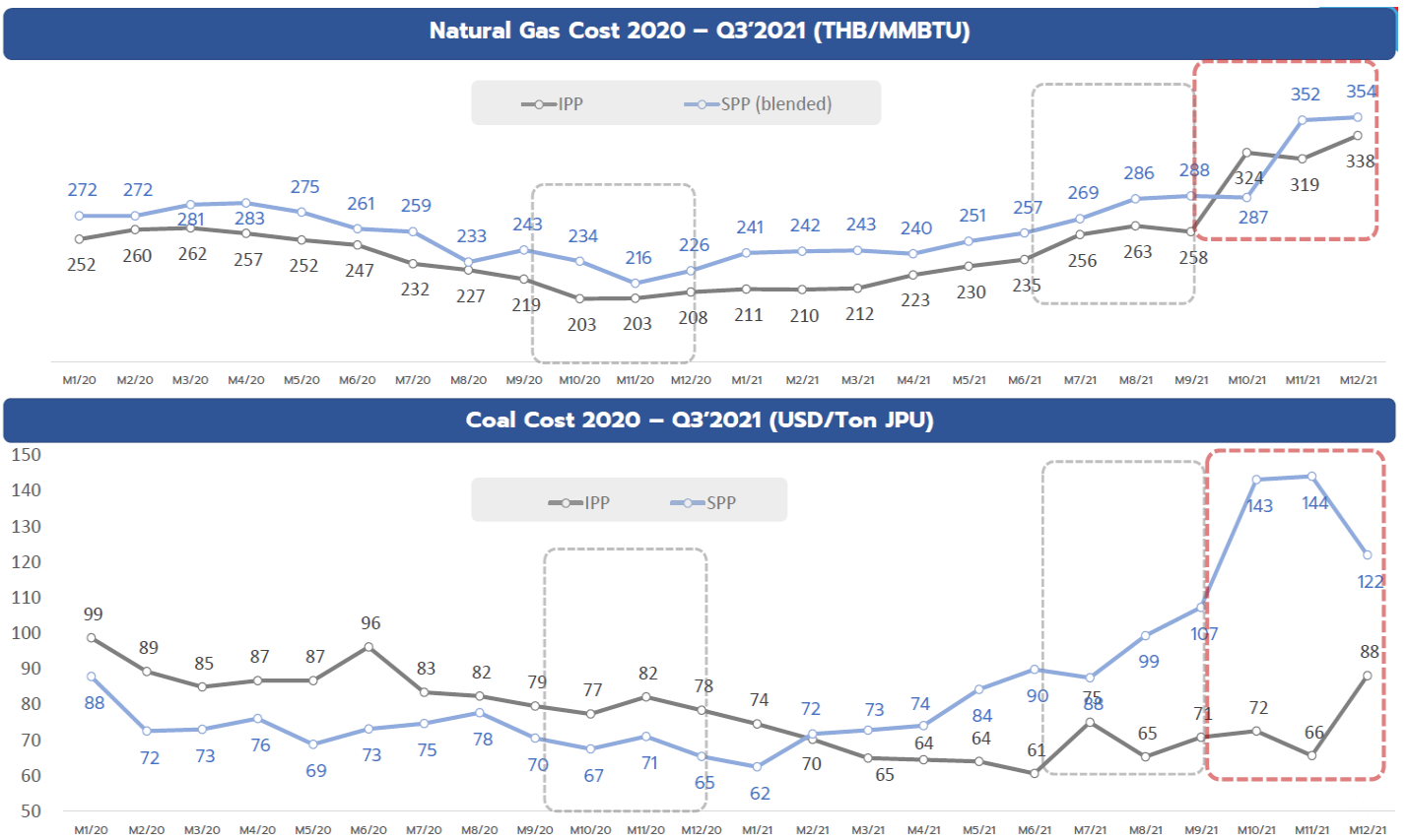
Exhibit 4: Estimated gross margin, gas price, and fuel tariff of SPPs



Sources: BGRIM; FSSIA estimates

Since 4Q21, GPSC has suffered from the sharp rises in the prices of gas and coal, which have jumped by over 30% in the past three months due to higher demand for global heating in the northern hemisphere and China's power crunch, which has snowballed global commodity prices for gas, oil, and coal, the three key fuels substitutable for one another in power generation.

Exhibit 5: Prices of gas and coal for GPSC's IPPs and SPPs



Source: GPSC

Global coal and gas prices. Worse, the rising global supply risks from Russia's invasion of Ukraine since Feb-22 has exacerbated Thailand's energy dilemma as the country needs to import more spot LNG to compensate for the gas supply shortfall from G1 of up to 600mmscfd (12% of Thailand's gas supply).

Exhibit 6: ICE Newcastle coal price index



Source: [Barchart.com](https://www.barchart.com)

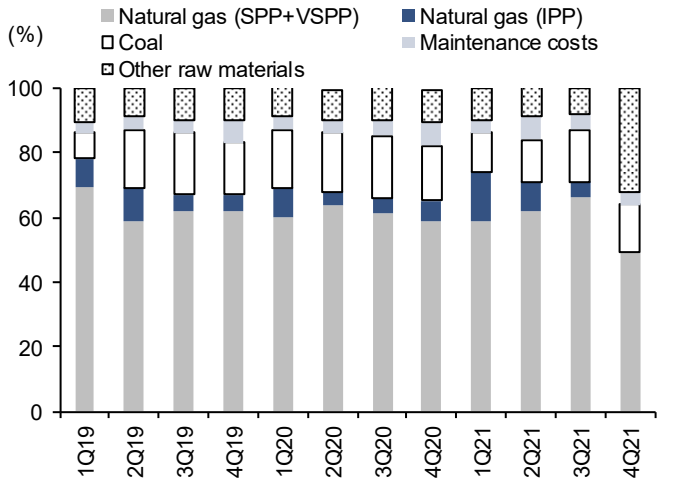
Exhibit 7: Dutch TTF gas price futures (Jun-22 (TGM22))



Source: [Barchart.com](https://www.barchart.com)

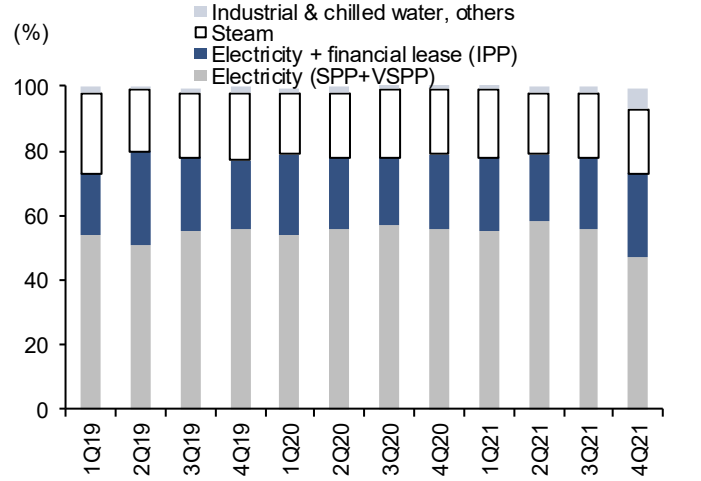
While the Newcastle coal price index (NCT) has jumped markedly, the price of the European gas price index “Title Transfer Facility” (TTF) remains in the range of €100-110/MWh, albeit far lower than its recent peak at €317/MWh on 22 Feb-22. This reflects that the global gas market is now less tight than the global coal market thanks to the supply growth from US shale gas and LNG exports. Coal, on the other hand, faces supply reductions as a result of global environmental concerns that have led to a structural decline in coal consumption for power generation.

Exhibit 8: Gas cost accounted for over 50% of total costs in 4Q21 and is projected to rise further in 1H22



Sources: GPSC; FSSIA estimates

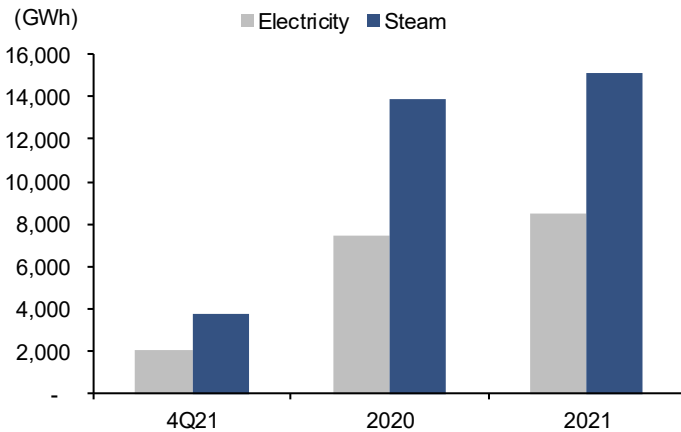
Exhibit 9: Electricity and steam sold to IUs accounted for over 70% of total revenue



Sources: GPSC; FSSIA estimates

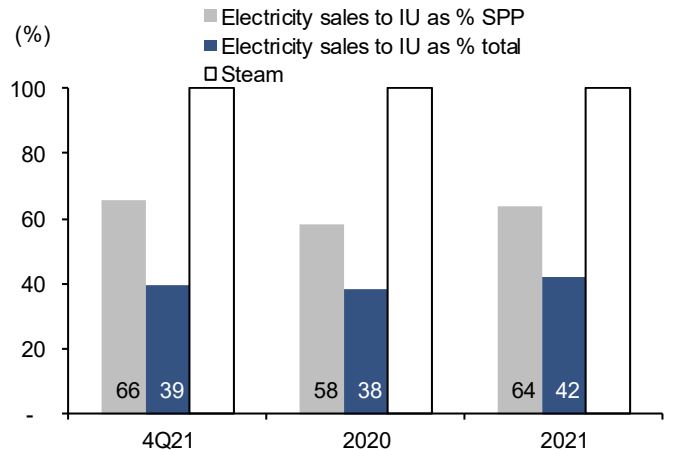
The gas volume used by GPSC to generate electricity sold to IUs represented 65.7% of its total gas cost in 4Q21, and 63.8% in 2021, up from 57.9% in 2020 as GPSC sold more of the electricity it generated to IUs in order to be aligned with the strong demand recovery.

Exhibit 10: Electricity sales volumes breakdown by product



Source: GPSC

Exhibit 11: Electricity sales volumes to IUs breakdown by product

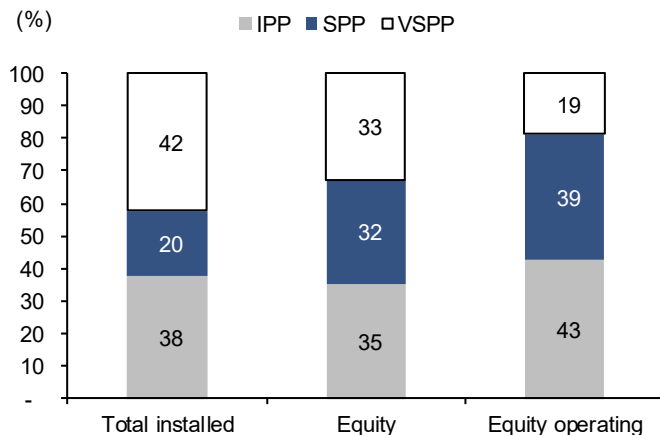
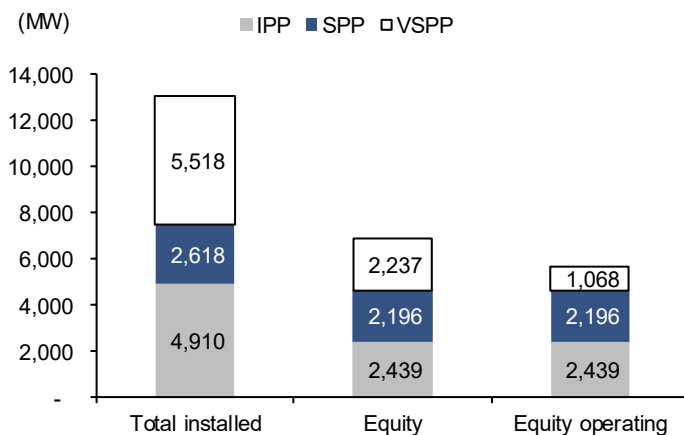


Source: GPSC

Of GPSC's total 6.8GW of equity capacity, its SPP capacity accounted for 42.8% of its total equity operating capacity as of 2021. GPSC sold most of its electricity to IUs which accounted for 59.9% of its total electricity sales volume in 4Q21 due to GPSC's focus on sales to IUs instead of its main buyer, the Electricity Generating Authority of Thailand (EGAT). Also, GPSC's IPPs ran at low utilisation rates over the same period due to EGAT's low power dispatches, which effectively penalise GPSC's ageing facilities and low operational efficiency in favour of other IPPs within the grid system.

Exhibit 12: GPSC's installed, equity, and equity operating capacity breakdown by power plant type

Exhibit 13: GPSC's installed, equity, and equity operating capacity breakdown by power plant type (%)



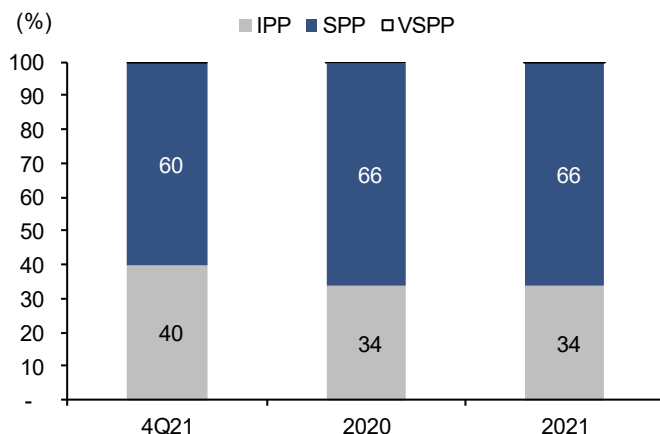
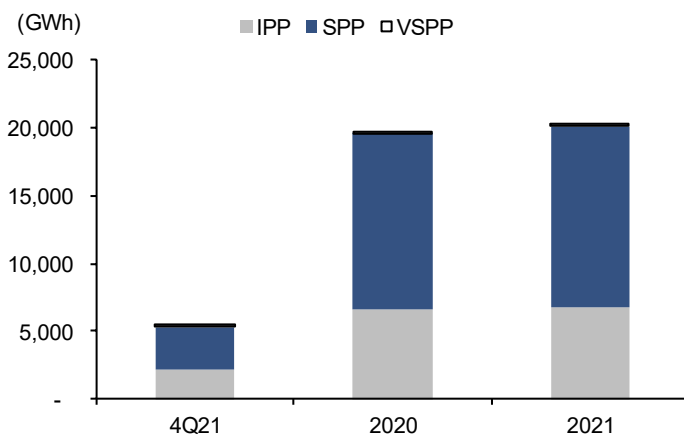
Source: GPSC

Source: GPSC

GPSC's gas-fired and coal-fired SPPs. Note that out of GPSC's total equity SPP capacity of 2.439MW at end-2021, we estimate that only 385MW or 15.8% of GPSC's total equity SPP capacity is coal-fired, comprising 1) Glow Energy CFB3 (85MW); and 2) GLOW SPP 3 (300MW). Gas-fired power plants make up the remaining 2.05GW of its equity capacity in the SPP category. Hence, GPSC faces a hit from the sharp rises in the prices of both gas and coal but will feel much more of a pinch from gas than from coal.

Exhibit 14: Electricity sales volume breakdown by power plant type

Exhibit 15: Electricity sales volume breakdown by power plant (%)

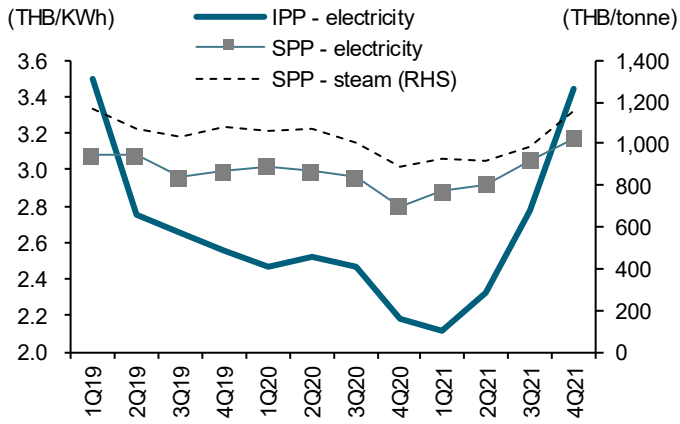


Source: GPSC

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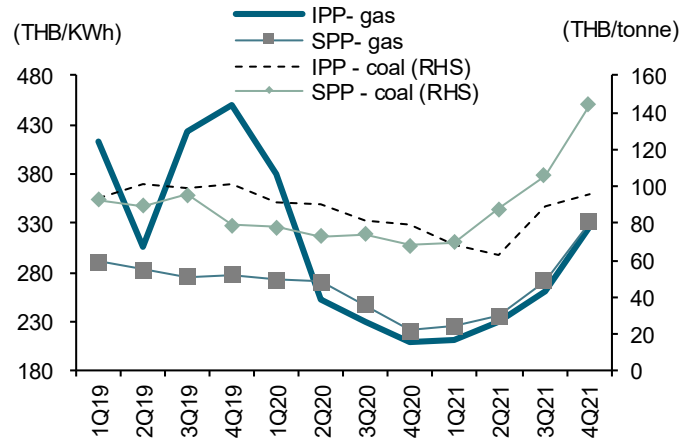
As a result of the sharp rises in the prices of coal and gas, we think the gross margins for GPSC's electricity sold to IUs will significantly shrink and likely turn negative in 1Q22 as the projected electricity tariff increase is only 1-2% vs the expectation of a 40-50% q-q rise in the prices of gas and coal for GPSC in 1Q22.

Exhibit 16: Electricity tariffs for IPPs, SPPs, and steam price for IUs



Sources: GPSC; FSSIA estimates

Exhibit 17: Coal and gas prices for IPPs and SPPs



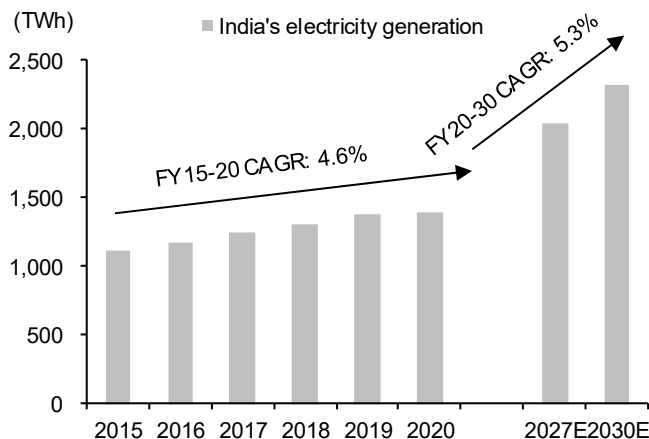
Sources: GPSC; FSSIA estimates

Avaada to remain a key drag until 2Q22

GPSC bought a 41.6% stake in Avaada Energy Private Limited (Avaada) in Jul-21 at an acquisition cost of THB14.82b. GPSC booked quarterly net losses in 3Q21 and 4Q21 due to the high financing cost that continues to outweigh the operating profitability.

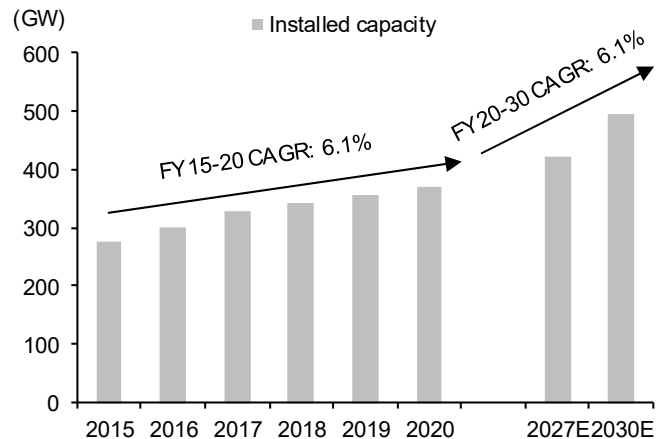
According to management, most of Avaada’s renewable solar farm projects have earned an average THB1.5/kWh electricity tariff. However, their financing costs remain high with an over 9% interest rate, leading to reported quarterly net losses in 2021 as the interest expense continued to outpace the operating profits, based on management’s guidance.

Exhibit 18: Strong underlying demand



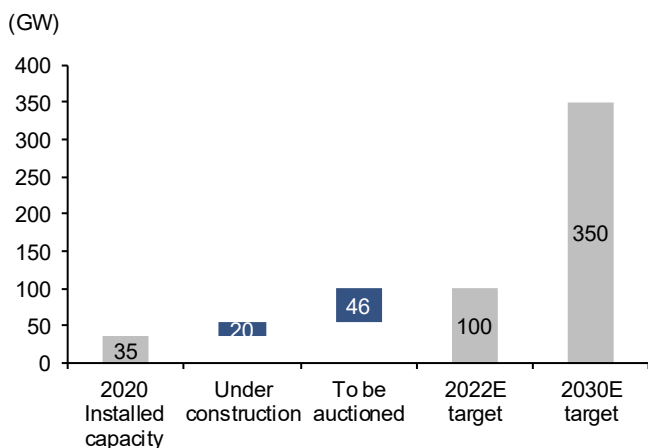
Source: GPSC

Exhibit 19: India's installed capacity



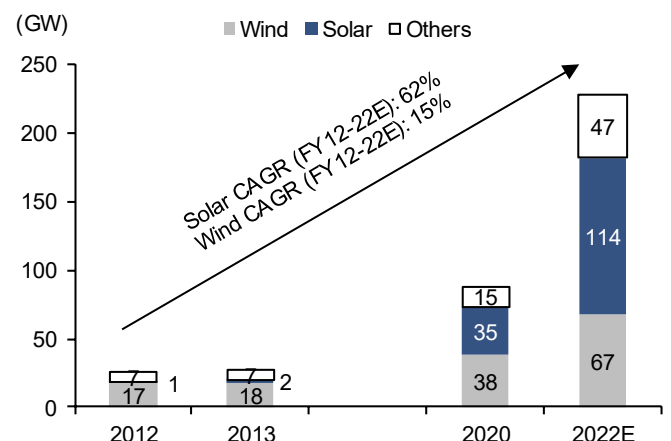
Source: GPSC

Exhibit 20: India's solar target



Source: GPSC

Exhibit 21: Capacity additions expected in India's renewable sector



Source: GPSC

Starting in 2Q22, we expect Avaada to post a quarterly net profit and contribute THB0.5b in equity income to GPSC in 2022 based on GPSC’s 41.6% stake in Avaada. However, in 2023 onward, management expects Avaada to contribute THB1b in equity income to GPSC after Avaada completes a refinancing process to reduce its interest rate by 1-2% from over 9% currently down to 7-8%, based on management’s guidance.

Avaada is a developer and operator of solar farms with a 3.7GW capacity in India, comprising 1,392MW operating (tariff INR2.62-4.5/kWh) and 2,352MW under construction, with commercial operation dates (CODs) commencing in 2021-22.

Expect poor 1Q22 results

We project GPSC to post a poor 1Q22 net profit of THB1,231m, up 5% q-q but down 38% y-y. Excluding a net gain of THB0.5b from the divestment of its stake in the 20.8MW Ichinoseki Solar Power 1 GK (ISP1) at the selling price of ¥3,860m (THB1,119m) in Feb-22, we project GPSC's 1Q22 core net profit at THB756m, down 52% q-q and 68% y-y. Key expectations are as follows:

- A sharp drop in earnings from SPPs due to the higher costs of gas and coal, which we project to jump to THB450/mmbtu in 1Q22 for gas and USD140/tonne for coal. We expect its SPPs to generate net losses of THB0.2b in 1Q22.
- Strong sales volumes for both electricity and steam thanks to the strong demand recoveries for IUs and IPPs, and the seasonal improvement in production for its renewable energy projects.
- A continued net loss contribution from Avaada at THB0.3b in 1Q22 as a result of the one-time refinancing cost.
- The operational hiccup at GHECO-One which resulted in an unplanned shutdown for two weeks in 1Q22.
- Improving equity income to THB0.3b from its 25%-owned Xaiyaburi hydropower plant project due to higher water levels.

Exhibit 22: 1Q22E operating performance

	1Q21	4Q21	----- 1Q22E -----			2021	2022E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Revenue	16,624	22,019	23,147	5.1	39.2	74,874	86,832	16.0
Operating costs	(11,714)	(18,676)	(20,402)	9.2	74.2	(54,504)	(71,498)	31.2
EBITDA	4,910	3,343	2,745	(17.9)	(44.1)	22,231	14,852	(33.2)
<i>EBITDA margin (%)</i>	30	15	12	<i>nm</i>	<i>nm</i>	30	17	<i>nm</i>
Depn & amort.	(2,053)	(2,200)	(2,199)	(0.0)	7.1	(9,232)	(7,668)	(16.9)
EBIT	2,857	1,143	546	(52.2)	(80.9)	13,000	7,185	(44.7)
Interest expense	(974)	(901)	(952)	5.7	(2.3)	(3,860)	(3,305)	(14.4)
Interest & invt inc	0	0	0	<i>nm</i>	<i>nm</i>	0	0	<i>nm</i>
Other income	270	1,944	653	(66.4)	141.6	(1,588)	0	<i>nm</i>
Associates' contrib	207	120	123	2.3	(40.6)	1,536	1,967	28.1
Exceptionals	85	(732)	1,255	<i>nm</i>	1,383.5	(55)	0	<i>nm</i>
Pretax profit	2,445	1,574	1,625	3.3	(33.5)	9,032	5,847	(35.3)
Tax	(453)	(97)	(105)	8.4	(76.8)	(1,192)	(336)	(71.8)
<i>Tax rate (%)</i>	19	6	6	<i>nm</i>	<i>nm</i>	13	6	<i>nm</i>
Minority interests	(19)	(309)	(289)	(6.3)	1,444.3	(522)	(643)	23.2
Net profit	1,973	1,168	1,231	5.4	(37.6)	7,319	4,868	(33.5)
Non recurring	386	403	(475)	<i>nm</i>	<i>nm</i>	1,588	0	<i>nm</i>
Core net profit	2,359	1,571	756	(51.9)	(68.0)	8,907	4,868	(45.3)
EPS (THB)	0.70	0.41	0.44	5.4	(37.6)	2.60	1.73	(33.5)
Core EPS (THB)	0.84	0.56	0.27	(51.9)	(68.0)	3.16	1.73	(45.4)

Sources: GPSC; FSSIA estimates

Downgrade to HOLD and cut TP to THB70

We downgrade GPSC to HOLD from Buy and cut our SoTP-based target price from THB90 to THB70 to incorporate the cuts in our EPS forecasts for 2022-24 due to the changes in our assumptions to accommodate the higher prices of gas and coal. We think GPSC is now less attractive in the Thai utility sector given the projected weak earnings from its SPPs due to the risks of continued high gas and coal costs. We expect these costs to outpace an offsetting rise in selling prices until 3Q22.

Exhibit 23: Changes in key assumptions

	Current			Previous			Change		
	2022E (THB m)	2023E (THB m)	2024E (THB m)	2022E (THB m)	2023E (THB m)	2024E (THB m)	2022E (%)	2023E (%)	2024E (%)
Revenue	86,832	96,548	112,184	85,969	95,350	110,974	1.0	1.3	1.1
Gross profit	15,335	19,594	25,245	17,877	23,112	28,861	(14.2)	(15.2)	(12.5)
Operating profit	7,185	9,862	15,226	9,744	13,403	18,865	(26.3)	(26.4)	(19.3)
Core net profit	4,868	7,676	12,263	7,100	10,733	15,549	(31.4)	(28.5)	(21.1)
EPS (THB/share)	1.73	2.72	4.35	2.52	3.81	5.51	(31.4)	(28.5)	(21.1)
Key assumptions									
Gas cost (THB/mmbtu)	380	350	354	340	294	297	11.8	18.9	18.9
Coal cost (USD/tonne)	250	200	200	200	120	120	25.0	66.7	66.7
Tariff (THB/kWh)	3.45	3.49	3.52	3.20	3.40	3.50	7.9	2.6	0.7
Capacity (MW)	7,516	7,641	7,641	7,516	7,641	7,641	0.0	0.0	0.0
CAPEX (THB m)	(23,197)	(16,997)	(13,599)	(23,197)	(16,997)	(13,599)	0.0	0.0	0.0

Sources: GPSC: FSSIA estimates

Exhibit 24: SoTP-based target price

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk free rate		2.3	Pretax cost of debt		4.0
Market risk premium		8.5	Marginal tax rate		20.0
Stock beta		1.09			
Cost of equity, Ke		11.6	Net cost of debt, Kd		3.2
Weight applied		37.2	Weight applied		62.8
WACC (%)		6.3			
DCF valuation estimate		(THB m)	(THB/share)	Comments	
Core operating assets		122,713	43.5	Include all SPPs and two hydropower plants, WACC 6%	
Investments		15,336	5.4	Estimated value for affiliates post 2015, assume EIRR of 12%	
Cash		10,754	3.8	At end-2022E	
Debt		(118,811)	(42.1)	At end-2022E	
Minorities		(10,056)	(3.6)	At end-2022E	
Residual ordinary equity - Exc. ERU		19,936	7.6		
GLOW		101,704	36.1	Excluding SPP replacement projects	
XPCL		4,621	1.6	Assume EIRR 12%, COD Oct 2019	
ERU - TOP		(1,381)	(0.5)	Assume EIRR 9.4%, COD 2023E	
GLOW SPP replacement		67,095	23.8	Including GEN phase 2, GSPP2&3, and GSPP11#1	
Avaada - solar farms (India)		5,509	2.0	Assume EIRR 15%	
CI - offshore wind farms (Taiwan)		(1,593)	(0.6)	Assume EIRR 8%	
Target price		195,891	70.0		

Sources: GPSC: FSSIA estimates

Financial Statements

Global Power Synergy

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	69,578	74,874	86,832	96,548	112,184
Cost of goods sold	(47,742)	(54,504)	(71,498)	(76,954)	(86,938)
Gross profit	21,836	20,370	15,335	19,594	25,245
Other operating income	1,402	3,236	1,151	648	650
Operating costs	(497)	(1,374)	(1,633)	(1,819)	(2,117)
Operating EBITDA	22,741	22,231	14,852	18,424	23,778
Depreciation	(8,706)	(9,232)	(7,668)	(8,561)	(8,552)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	14,035	13,000	7,185	9,862	15,226
Net financing costs	(4,022)	(3,915)	(3,305)	(4,831)	(5,011)
Associates	924	1,536	1,967	4,095	4,168
Recurring non-operating income	924	1,536	1,967	4,095	4,168
Non-recurring items	(1,454)	(1,588)	0	0	0
Profit before tax	9,483	9,032	5,847	9,126	14,383
Tax	(993)	(1,192)	(336)	(605)	(1,234)
Profit after tax	8,490	7,840	5,511	8,521	13,149
Minority interests	(982)	(522)	(643)	(845)	(886)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	7,508	7,319	4,868	7,676	12,263
Non-recurring items & goodwill (net)	1,454	1,588	0	0	0
Recurring net profit	8,962	8,907	4,868	7,676	12,263
Per share (THB)					
Recurring EPS *	3.18	3.16	1.73	2.72	4.35
Reported EPS	2.66	2.60	1.73	2.72	4.35
DPS	1.50	1.50	1.75	2.05	2.05
Diluted shares (used to calculate per share data)	2,820	2,820	2,820	2,820	2,820
Growth					
Revenue (%)	4.5	7.6	16.0	11.2	16.2
Operating EBITDA (%)	20.8	(2.2)	(33.2)	24.0	29.1
Operating EBIT (%)	19.5	(7.4)	(44.7)	37.3	54.4
Recurring EPS (%)	60.8	(0.6)	(45.3)	57.7	59.8
Reported EPS (%)	84.9	(2.5)	(33.5)	57.7	59.8
Operating performance					
Gross margin inc. depreciation (%)	18.9	14.9	8.8	11.4	14.9
Gross margin of key business (%)	18.9	14.9	8.8	11.4	14.9
Operating EBITDA margin (%)	32.7	29.7	17.1	19.1	21.2
Operating EBIT margin (%)	20.2	17.4	8.3	10.2	13.6
Net margin (%)	12.9	11.9	5.6	8.0	10.9
Effective tax rate (%)	11.6	15.9	8.7	12.0	12.1
Dividend payout on recurring profit (%)	47.2	47.5	101.4	75.3	47.1
Interest cover (X)	3.7	3.7	2.8	2.9	3.9
Inventory days	49.6	44.2	40.9	44.8	43.8
Debtor days	56.4	54.9	67.1	80.5	89.1
Creditor days	32.6	34.7	37.8	41.4	40.4
Operating ROIC (%)	10.4	(2.3)	(1.2)	(8.3)	(11.7)
ROIC (%)	5.4	(1.2)	(0.7)	(6.2)	(8.2)
ROE (%)	8.8	8.4	4.5	7.0	10.7
ROA (%)	5.2	3.3	1.7	0.9	2.3
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Independent power producer	10,695	6,550	5,188	14,534	29,560
Small power producer	55,525	64,249	77,211	77,579	78,186
Very small power producer	2,136	2,851	3,208	3,208	3,208
Others	1,222	1,224	1,225	1,227	1,229

Sources: Global Power Synergy; FSSIA estimates

Financial Statements

Global Power Synergy

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	8,962	8,907	4,868	7,676	12,263
Depreciation	8,706	9,232	7,668	8,561	8,552
Associates & minorities	924	1,536	1,967	4,095	4,168
Other non-cash items	1,317	1,318	1,318	1,319	1,319
Change in working capital	(10,510)	(4,686)	(5,827)	(6,166)	(7,421)
Cash flow from operations	9,400	16,307	9,994	15,486	18,881
Capex - maintenance	(8,706)	(9,232)	(5,868)	(6,761)	(6,802)
Capex - new investment	(1,296)	(4,398)	(17,329)	(10,236)	(6,796)
Net acquisitions & disposals	(540)	(16,535)	0	0	0
Other investments (net)	0	0	0	0	0
Cash flow from investing	(10,543)	(30,165)	(23,197)	(16,997)	(13,599)
Dividends paid	0	0	(4,371)	(4,935)	(5,780)
Equity finance	0	0	0	0	0
Debt finance	5,705	(2,683)	17,179	4,000	5,000
Other financing cash flows	(3,113)	10,045	(2,644)	(4,571)	(4,603)
Cash flow from financing	2,592	7,362	10,165	(5,505)	(5,383)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	1,450	(6,496)	(3,038)	(7,016)	(100)
Free cash flow to firm (FCFF)	2,881.11	(9,998.19)	(9,897.51)	3,319.91	10,293.72
Free cash flow to equity (FCFE)	1,449.90	(6,496.07)	1,332.75	(2,081.86)	5,679.95

Per share (THB)	2020	2021	2022E	2023E	2024E
FCFF per share	1.02	(3.55)	(3.51)	1.18	3.65
FCFE per share	0.51	(2.30)	0.47	(0.74)	2.01
Recurring cash flow per share	7.06	7.45	5.61	7.68	9.33

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	127,437	132,273	153,671	168,870	180,720
Less: Accumulated depreciation	(27,460)	(36,692)	(42,560)	(49,321)	(56,123)
Tangible fixed assets (net)	99,978	95,581	111,112	119,549	124,597
Intangible fixed assets (net)	6,072	5,116	5,116	5,116	5,116
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	11,165	27,700	27,700	27,700	27,700
Cash & equivalents	20,289	13,793	10,754	3,738	3,637
A/C receivable	9,084	13,441	18,495	24,113	30,641
Inventories	6,253	6,938	9,102	9,796	11,067
Other current assets	7,828	11,318	13,125	14,594	16,958
Current assets	43,454	45,490	51,476	52,241	62,303
Other assets	95,987	96,492	96,492	96,492	96,492
Total assets	256,656	270,379	291,896	301,098	316,208
Common equity	102,901	108,334	108,832	111,573	118,056
Minorities etc.	8,966	9,413	10,056	10,901	11,787
Total shareholders' equity	111,867	117,748	118,888	122,474	129,843
Long term debt	92,321	92,511	101,811	97,811	102,811
Other long-term liabilities	30,405	37,084	37,084	37,084	37,084
Long-term liabilities	122,726	129,595	138,895	134,895	139,895
A/C payable	3,952	6,407	8,405	9,046	10,220
Short term debt	11,993	9,121	17,000	25,000	25,000
Other current liabilities	6,118	7,508	8,708	9,682	11,250
Current liabilities	22,063	23,036	34,112	43,728	46,470
Total liabilities and shareholders' equity	256,656	270,379	291,896	301,098	316,208
Net working capital	13,096	17,782	23,609	29,775	37,196
Invested capital	226,298	242,671	264,029	278,632	291,101

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)	2020	2021	2022E	2023E	2024E
Book value per share	36.49	38.42	38.60	39.57	41.87
Tangible book value per share	34.34	36.61	36.78	37.75	40.05

Financial strength	2020	2021	2022E	2023E	2024E
Net debt/equity (%)	75.1	74.6	90.9	97.2	95.6
Net debt/total assets (%)	32.7	32.5	37.0	39.5	39.3
Current ratio (x)	2.0	2.0	1.5	1.2	1.3
CF interest cover (x)	1.7	0.5	6.6	2.7	3.5

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	20.6	20.7	37.9	24.1	15.1
Recurring P/E @ target price (x) *	22.0	22.2	40.5	25.7	16.1
Reported P/E (x)	24.6	25.2	37.9	24.1	15.1
Dividend yield (%)	2.3	2.3	2.7	3.1	3.1
Price/book (x)	1.8	1.7	1.7	1.7	1.6
Price/tangible book (x)	1.9	1.8	1.8	1.7	1.6
EV/EBITDA (x) **	12.2	12.7	20.4	17.1	13.5
EV/EBITDA @ target price (x) **	12.8	13.3	21.2	17.8	14.0
EV/invested capital (x)	1.2	1.2	1.1	1.1	1.1

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Global Power Synergy; 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	ICHI	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	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
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

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

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Suwat Sinsadok, CFA, FRM, ERP FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Global Power Synergy	GPSC TB	THB 65.50	HOLD	The downside risks to our SoTP-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) a lower crude price; and 3) lower-than-expected demand from industrial users. Upside risks include sharp decreases in gas and coal prices.
PTT PCL	PTT TB	THB 37.50	BUY	Risks to our SoTP-based valuation are the oil price and potential earnings downside from government intervention.
PTT Global Chemical	PTTGC TB	THB 50.25	HOLD	The key upside/downside risks to our EV/EBITDA-based TP are a stronger or weaker-than-expected HDPE price and HDPE-naphtha margin.
Thai Oil	TOP TB	THB 57.75	BUY	Downside risks to our EV/EBITDA-based TP are a sharp fall in oil price and weak demand for refined oil products.
IRPC PCL	IRPC TB	THB 3.48	BUY	Key risks to our positive view and EV/EBITDA-based target price are weaker-than-expected oil product demand growth and lower-than-expected PP-naphtha and SM-benzene margins.
B.Grimm Power	BGRIM TB	THB 32.00	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand, 2) a lower crude price, and 3) unplanned shutdowns of its SPPs.

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 Finansia 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 Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 05-May-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.