

MK RESTAURANT GROUP

THAILAND / FOOD & BEVERAGE

M TB

BUY

UNCHANGED

Sukiyaki is still hot

- Raw material costs to decline slower than our prior expectation as M has locked in duck and pork prices in advance.
- We revise down our 2023-25 net profit forecasts by 10.5%/11.7%/11.4%.
- We retain our BUY call with a new TP of THB59.

TARGET PRICE	THB59.00
CLOSE	THB51.75
UP/DOWNSIDE	+14.0%
PRIOR TP	THB66.00
CHANGE IN TP	-10.6%
TP vs CONSENSUS	-5.2%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	15,728	18,008	18,639	19,347
Net profit	1,439	2,170	2,334	2,506
EPS (THB)	1.56	2.36	2.53	2.72
vs Consensus (%)	-	9.0	(1.9)	(7.1)
EBITDA	3,867	4,715	4,921	5,142
Core net profit	1,439	2,170	2,334	2,506
Core EPS (THB)	1.56	2.36	2.53	2.72
Chg. In EPS est. (%)	-	(10.5)	(11.7)	(11.4)
EPS growth (%)	998.5	50.8	7.6	7.4
Core P/E (x)	33.1	22.0	20.4	19.0
Dividend yield (%)	2.7	3.9	4.4	4.7
EV/EBITDA (x)	10.9	8.9	8.5	8.2
Price/book (x)	3.5	3.5	3.4	3.3
Net debt/Equity (%)	(41.8)	(41.8)	(41.6)	(39.6)
ROE (%)	10.8	15.9	16.8	17.7

Declining raw material costs to be slower than expected

We have a slightly negative view from the analyst meeting on 15 March 2023. M has locked in a higher duck price by 10% y-y and a lower pork price by only 3% y-y throughout 2023. Note, duck and pork (including chicken) accounted for 40% of total raw material costs in 2022. Hence, raw material costs will decline at a slower rate than our prior expectation. However, management mentioned that if the meat prices decrease sharply in 2H23, they could negotiate with suppliers for price adjusting.

Targeting 2023 top-line growth to pre-Covid level

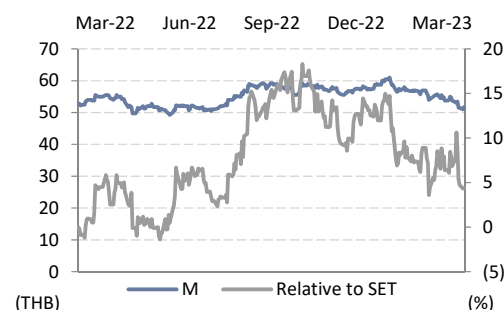
Management has set 2023 targets which include 1) total revenue growth at 15-20% y-y, in line with the pre-Covid level in 2019; and 2) targets opening 27 new branches in 2023, consisting of 10 MK, 10 Yayoi and 7 Laem Charoen Seafood (LCS) restaurants. In addition, the company plans to establish a joint venture company for expanding the LCS brand into Malaysia. We expect to see its first branch in Malaysia within 2023.

Revising down our forecasts, but still expect solid growth

We revise down our 2023-25 net profit forecasts by 10.5%/11.7%/11.4% due to 1) gross margin cuts by 1-1.2% in the same period to reflect the slower-than-expected decline in raw material costs; and 2) higher 2023-25E SG&A to sales by 0.5-1.0% to 52.5% to reflect higher utility costs and employee expenses. However, our 2023E net profit still sees solid growth at 51% y-y to THB2.17b. In 1Q23, we assume net profit will grow both q-q and y-y as there is no extra bonus expense. We expect 1Q23 SSSG at 13-14% y-y, due to the low base from 1Q22. Even though the duck price has risen by 10% in 2023, after negotiating with suppliers, we believe it could be offset by a higher ASP by 4% since 10 February 2023.

Maintain BUY call with new TP of THB59

We cut our TP to THB59 from THB66, based on 25x 2023E P/E. Though our estimate cuts reflect increased risk, we think M's growth remains strong. We still view M in a positive light. Besides, we are impressed by its strong balance sheet with 1) a low D/E of 0.46x; 2) high cash and cash equivalents of THB7.78b (THB8.4/share) at end-2022; and 3) a 2023E ROE at 15.9% (vs 1% in 2021 and 10.8% in 2022). Therefore, we retain our BUY rating on M on the back of the stock's upside of 14%.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.3)	(9.6)	(2.4)
Relative to country (%)	(0.9)	(7.7)	3.6
Mkt cap (USD m)	1,389		
3m avg. daily turnover (USD m)	2.1		
Free float (%)	36		
Major shareholder	Thirakomen Family (37%)		
12m high/low (THB)	61.50/49.25		
Issued shares (m)	920.88		

Sources: Bloomberg consensus; FSSIA estimates


Sureeporn Teewasuwet

 sureeporn.t@fssia.com
 +66 2646 9972

Investment thesis

We think M is one of the leading chain restaurant companies in Thailand. Although the chain restaurant business is highly competitive, in our view, M has an edge based on its superior distribution and store networks, as well as its product quality and service.

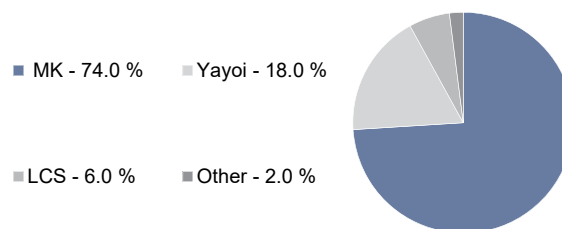
Looking ahead, M plans to continuously expand both locally and abroad within its various restaurant brands. We are impressed by the company's track record of profitability and its balance sheet, which we think is among the strongest both locally and internationally. Its M&A strategy could create growth opportunities in the future. Furthermore, its management strategy has traditionally been conservative and aimed at maximising return on equity.

Company profile

M opened its first Sukiyaki branch in Thailand in 1984 and first branch in Japan in 1994. M celebrated its 100th branch in 2000 and 400th in 2013. Other brands in its portfolio include Yayoi Japanese restaurant, Hakata Ramen, Miyazaki, Laem Charoen Seafood, and Na Siam Thai restaurants.

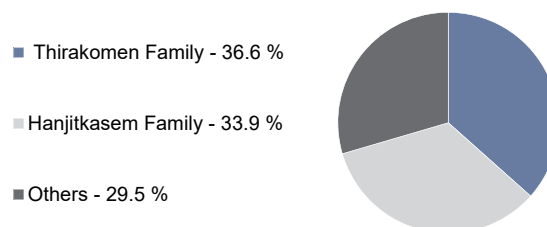
www.mkrestaurant.com

Principal activities (revenue, 2022)



Source: MK Restaurant Group

Major shareholders



Source: MK Restaurant Group

Catalysts

Potential catalysts for M's earnings growth in 2023 are 1) revenue growth driven by a tourism recovery; 2) its new store expansion plan; and 3) a decline in raw material costs which could offset higher utility costs.

Risks to our call

Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) potential rises in raw material costs; 3) a lower-than-expected new store expansion; and 4) a minimum wage increase and labour shortages.

Event calendar

Date	Event
May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
SSSG (%)	10.0	2.0	2.0
New stores (no.)	25	25	20
Total stores (no.)	735	760	780
GPM (%)	65.5	66.0	66.5
SG&A to sales (%)	52.5	52.5	52.5

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in SSSG, we estimate 2023 net profit to rise by 0.8%, and vice versa, all else being equal.
- For every 0.5% increase in GPM, we estimate 2023 net profit to rise by 3%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 3%, and vice versa, all else being equal.

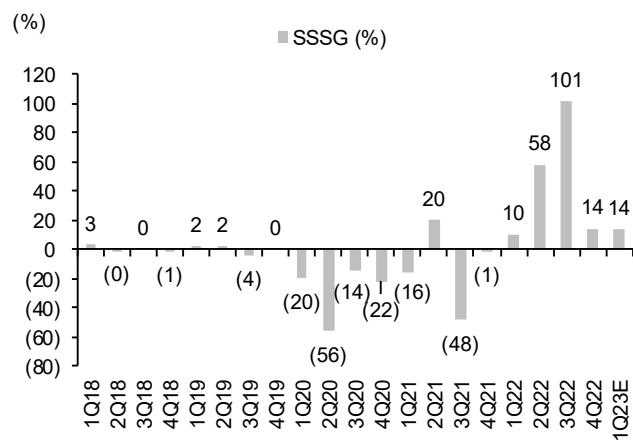
Source: FSSIA estimates

Exhibit 1: Forecast revisions

Assumptions	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
SSSG (%)	10.0	2.0	2.0	10.0	2.0	2.0	0.0	0.0	0.0
New stores (no.)	25	25	20	25	25	20	0.0	0.0	0.0
MK	10	10	8	10	10	8	0.0	0.0	0.0
Yayoi	10	10	7	10	10	7	0.0	0.0	0.0
Laem Charoen	5	5	5	5	5	5	0.0	0.0	0.0
Total stores (no.)	735	760	780	735	760	780	0.0	0.0	0.0
Total revenue (THB m)	18,008	18,639	19,347	18,008	18,639	19,347	0.0	0.0	0.0
Growth (%)	14.5	3.5	3.8	14.5	3.5	3.8	0.0	0.0	0.0
Gross profit (THB m)	11,796	12,302	12,866	12,012	12,488	13,059	(1.8)	(1.5)	(1.5)
Gross margin (%)	65.5	66.0	66.5	66.7	67.0	67.5	(1.2)	(1.0)	(1.0)
SG&A expenses (THB m)	9,454	9,785	10,157	9,364	9,599	9,964	1.0	1.9	1.9
SG&A to sales (%)	52.5	52.5	52.5	52.0	51.5	51.5	0.5	1.0	1.0
Reported net profit (THB m)	2,170	2,334	2,506	2,424	2,643	2,827	(10.5)	(11.7)	(11.4)
Net margin (%)	12.0	12.5	13.0	13.5	14.2	14.6	(1.4)	(1.7)	(1.7)
Growth (%)	50.8	7.6	7.4	68.5	9.0	7.0	(17.7)	(1.4)	0.4
Core profit (THB m)	2,170	2,334	2,506	2,424	2,643	2,827	(10.5)	(11.7)	(11.4)
Core margin (%)	12.0	12.5	13.0	13.5	14.2	14.6	(1.4)	(1.7)	(1.7)
Growth (%)	50.8	7.6	7.4	68.5	9.0	7.0	(17.7)	(1.4)	0.4

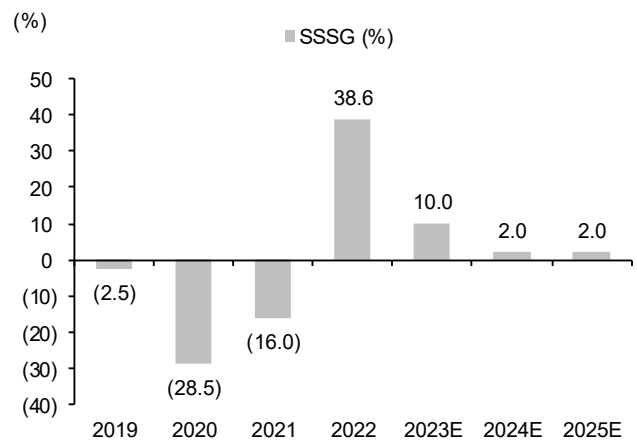
Note: Change of items in percentage terms are represented in ppt change
 Source: FSSIA estimates

Exhibit 2: Quarterly same-store sales growth



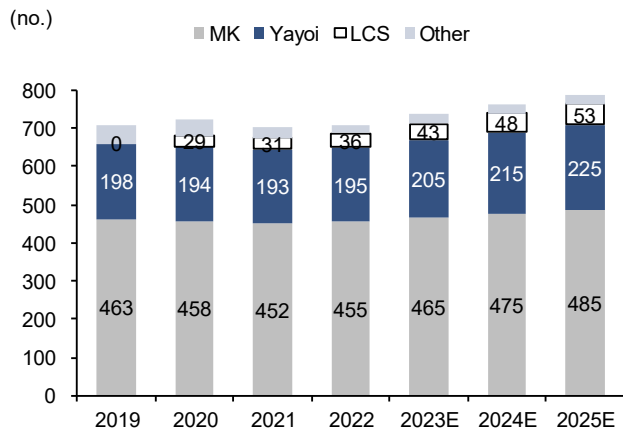
Sources: M, FSSIA estimates

Exhibit 3: Yearly same-store sales growth



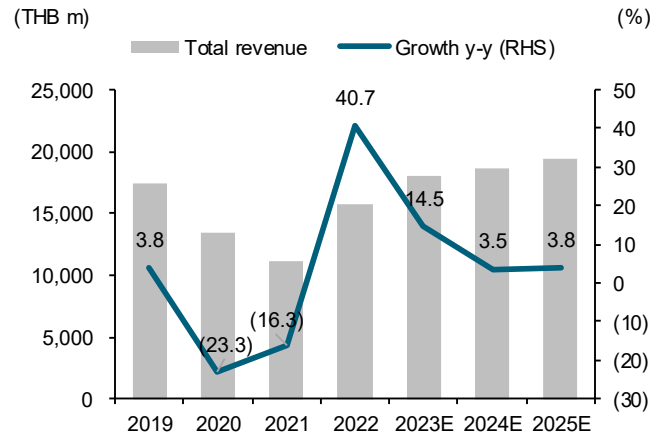
Sources: M, FSSIA estimates

Exhibit 4: Store expansions



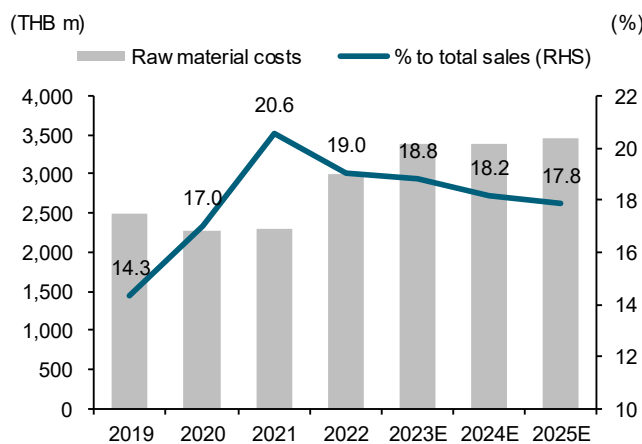
Sources: M, FSSIA estimates

Exhibit 5: Yearly total revenue and growth



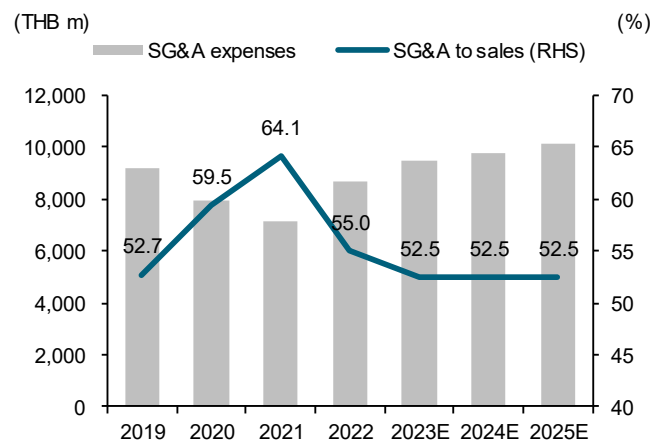
Sources: M, FSSIA estimates

Exhibit 6: Raw material costs



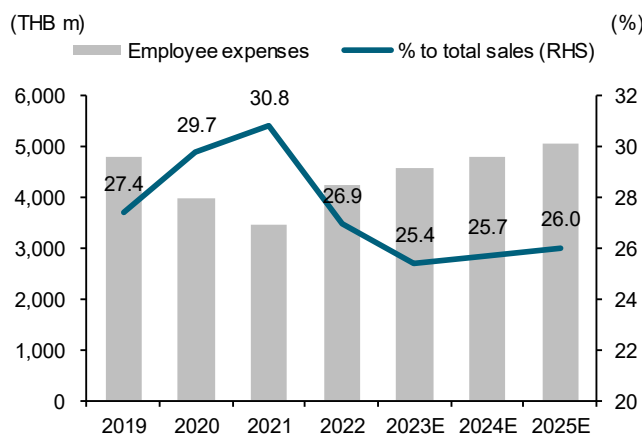
Sources: M, FSSIA estimates

Exhibit 7: Yearly SG&A to sales



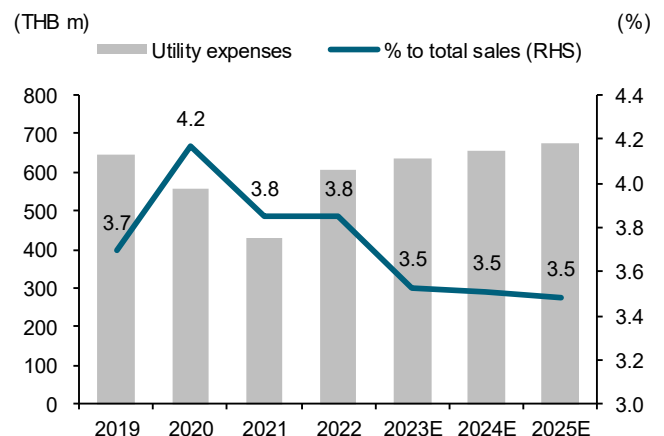
Sources: M, FSSIA estimates

Exhibit 8: Employee expenses



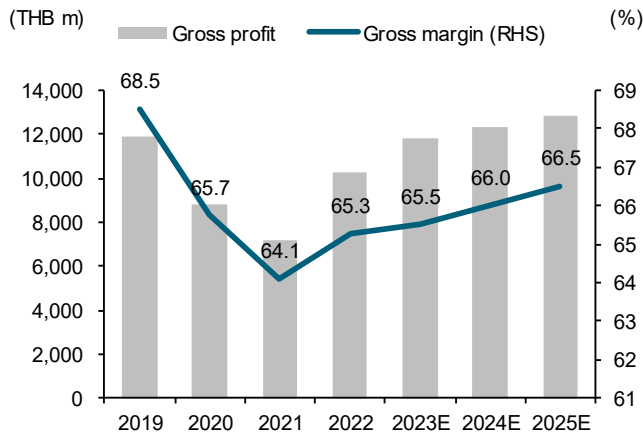
Sources: M, FSSIA estimates

Exhibit 9: Utility expenses



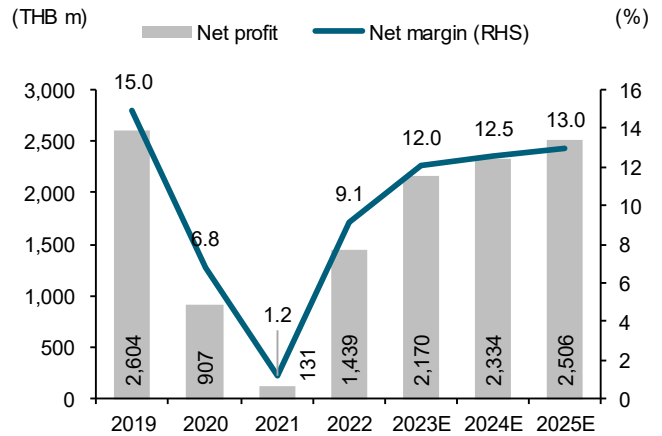
Sources: M, FSSIA estimates

Exhibit 10: Yearly gross profit and gross margin



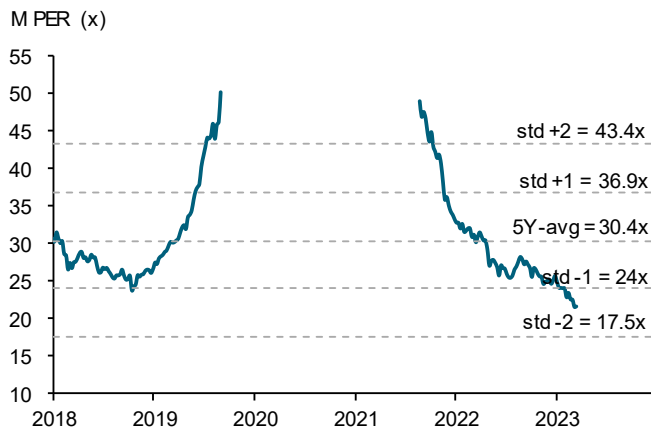
Sources: M, FSSIA estimates

Exhibit 11: Yearly net profit and net margin



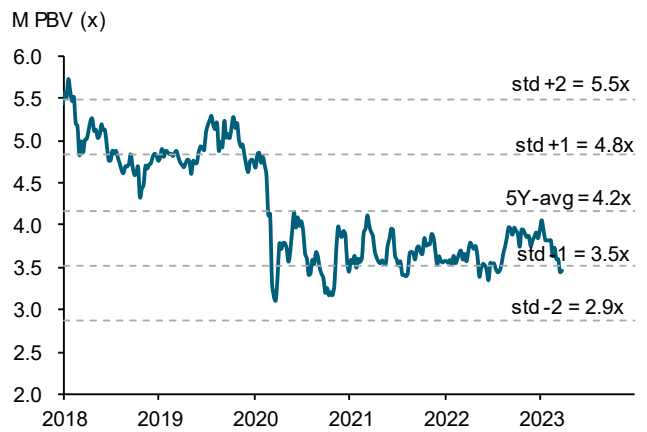
Sources: M, FSSIA estimates

Exhibit 12: Historical P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 13: Historical P/BV band



Sources: Bloomberg, FSSIA estimates

Financial Statements

MK Restaurant Group

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	11,182	15,728	18,008	18,639	19,347
Cost of goods sold	(2,005)	(3,465)	(4,199)	(4,305)	(4,435)
Gross profit	9,176	12,263	13,810	14,333	14,912
Other operating income	207	249	360	373	387
Operating costs	(7,170)	(8,646)	(9,454)	(9,785)	(10,157)
Operating EBITDA	2,213	3,867	4,715	4,921	5,142
Depreciation	(2,009)	(1,997)	(2,014)	(2,032)	(2,047)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	204	1,870	2,701	2,889	3,096
Net financing costs	(69)	(87)	(81)	(81)	(80)
Associates	(23)	(29)	0	9	10
Recurring non-operating income	(23)	(29)	0	9	10
Non-recurring items	0	0	0	0	0
Profit before tax	111	1,755	2,620	2,818	3,026
Tax	10	(308)	(445)	(479)	(514)
Profit after tax	121	1,447	2,175	2,339	2,511
Minority interests	10	(8)	(5)	(5)	(5)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	131	1,439	2,170	2,334	2,506
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	131	1,439	2,170	2,334	2,506
Per share (THB)					
Recurring EPS *	0.14	1.56	2.36	2.53	2.72
Reported EPS	0.14	1.56	2.36	2.53	2.72
DPS	0.80	1.40	2.00	2.28	2.45
Diluted shares (used to calculate per share data)	921	921	921	921	921
Growth					
Revenue (%)	(16.3)	40.7	14.5	3.5	3.8
Operating EBITDA (%)	(32.3)	74.7	21.9	4.4	4.5
Operating EBIT (%)	(82.0)	816.8	44.4	6.9	7.1
Recurring EPS (%)	(85.6)	998.5	50.8	7.6	7.4
Reported EPS (%)	(85.6)	998.5	50.8	7.6	7.4
Operating performance					
Gross margin inc. depreciation (%)	64.1	65.3	65.5	66.0	66.5
Gross margin of key business (%)	65.3	65.5	65.5	66.0	66.5
Operating EBITDA margin (%)	19.8	24.6	26.2	26.4	26.6
Operating EBIT margin (%)	1.8	11.9	15.0	15.5	16.0
Net margin (%)	1.2	9.1	12.0	12.5	13.0
Effective tax rate (%)	(8.5)	17.5	17.0	17.0	17.0
Dividend payout on recurring profit (%)	562.5	89.6	85.0	90.0	90.0
Interest cover (X)	2.6	21.2	33.3	35.9	39.1
Inventory days	73.8	42.5	43.9	51.0	50.6
Debtor days	4.5	3.3	2.7	2.9	2.9
Creditor days	242.7	147.7	129.6	131.2	130.1
Operating ROIC (%)	17.2	230.6	316.6	233.9	221.7
ROIC (%)	1.5	16.1	23.4	24.7	25.5
ROE (%)	1.0	10.8	15.9	16.8	17.7
ROA (%)	0.9	7.7	11.2	11.9	12.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
MK	8,274	11,639	13,268	13,666	14,144
Yayoi	2,124	2,831	3,227	3,324	3,441
LCS	559	944	1,151	1,266	1,355
Other	224	315	362	382	407

Sources: MK Restaurant Group; FSSIA estimates

Financial Statements

MK Restaurant Group

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	131	1,439	2,170	2,334	2,506
Depreciation	2,009	1,997	2,014	2,032	2,047
Associates & minorities	13	37	25	(4)	(5)
Other non-cash items	0	0	0	0	0
Change in working capital	(147)	295	(126)	24	28
Cash flow from operations	2,007	3,768	4,083	4,385	4,576
Capex - maintenance	(5,049)	(1,653)	(1,950)	(2,300)	(2,600)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	3,910	(691)	19	(28)	(32)
Cash flow from investing	(1,139)	(2,344)	(1,931)	(2,328)	(2,632)
Dividends paid	(460)	(1,197)	(1,844)	(2,100)	(2,256)
Equity finance	0	0	0	0	0
Debt finance	(410)	(187)	(270)	(23)	177
Other financing cash flows	28	51	(95)	38	42
Cash flow from financing	(842)	(1,333)	(2,209)	(2,085)	(2,036)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	26	91	(57)	(29)	(92)
Free cash flow to firm (FCFF)	937.23	1,510.24	2,233.26	2,137.61	2,023.92
Free cash flow to equity (FCFE)	486.05	1,287.71	1,787.00	2,071.73	2,163.91

Per share (THB)

FCFF per share	1.02	1.64	2.43	2.32	2.20
FCFE per share	0.53	1.40	1.94	2.25	2.35
Recurring cash flow per share	2.34	3.77	4.57	4.74	4.94

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	11,525	11,913	12,263	12,613	12,913
Less: Accumulated depreciation	(8,683)	(9,167)	(9,258)	(9,351)	(9,444)
Tangible fixed assets (net)	2,842	2,747	3,005	3,263	3,469
Intangible fixed assets (net)	5,810	5,533	5,210	5,221	5,568
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,690	2,366	2,366	2,375	2,385
Cash & equivalents	7,689	7,779	7,722	7,694	7,602
A/C receivable	167	121	148	153	159
Inventories	392	414	596	608	621
Other current assets	170	111	180	186	193
Current assets	8,418	8,426	8,646	8,641	8,576
Other assets	808	830	810	839	871
Total assets	19,569	19,901	20,038	20,339	20,868
Common equity	13,194	13,443	13,768	14,002	14,252
Minorities etc.	314	322	347	352	357
Total shareholders' equity	13,509	13,765	14,115	14,354	14,609
Long term debt	2,207	2,023	1,823	1,723	1,823
Other long-term liabilities	1,124	1,175	1,081	1,118	1,161
Long-term liabilities	3,331	3,198	2,903	2,841	2,984
A/C payable	1,355	1,449	1,532	1,563	1,598
Short term debt	0	0	0	0	0
Other current liabilities	1,374	1,489	1,487	1,581	1,677
Current liabilities	2,729	2,938	3,019	3,144	3,275
Total liabilities and shareholders' equity	19,569	19,901	20,038	20,339	20,868
Net working capital	(2,000)	(2,291)	(2,095)	(2,197)	(2,302)
Invested capital	9,151	9,184	9,297	9,501	9,991

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

Per share (THB)

Book value per share	14.33	14.60	14.95	15.20	15.48
Tangible book value per share	8.02	8.59	9.29	9.53	9.43

Financial strength

Net debt/equity (%)	(40.6)	(41.8)	(41.8)	(41.6)	(39.6)
Net debt/total assets (%)	(28.0)	(28.9)	(29.4)	(29.4)	(27.7)
Current ratio (x)	3.1	2.9	2.9	2.7	2.6
CF interest cover (x)	8.0	15.9	23.0	26.7	28.2

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	363.8	33.1	22.0	20.4	19.0
Recurring P/E @ target price (x) *	414.8	37.8	25.0	23.3	21.7
Reported P/E (x)	363.8	33.1	22.0	20.4	19.0
Dividend yield (%)	1.5	2.7	3.9	4.4	4.7
Price/book (x)	3.6	3.5	3.5	3.4	3.3
Price/tangible book (x)	6.5	6.0	5.6	5.4	5.5
EV/EBITDA (x) **	19.2	10.9	8.9	8.5	8.2
EV/EBITDA @ target price (x) **	22.2	12.6	10.3	9.9	9.5
EV/invested capital (x)	4.6	4.6	4.5	4.4	4.2

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

Sources: MK Restaurant Group; FSSIA estimates

Disclaimer: Corporate Governance Report of Thai listed companies (CGR)

The Thai Institute of Directors Association (Thai IOD), with support from the Stock Exchange of Thailand (SET), assesses the corporate governance practices of Thai listed businesses. The report will be reviewed and updated on an annual basis. It is publicly disclosed and can be accessed by a general public investor at [the Thai IOD website](#). The results are from the perspective of a third party. It is not an evaluation of operations and is not based on inside information. The CGR results recognise corporate governance in four levels: Excellent (score range 90-100), Very Good (score range 80-89), Good (Score range 70-79), and Lower Levels.

The five underlying categories used for corporate governance scoring are the rights of shareholders, equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and board responsibilities.

The survey results are as of the date appearing in the Corporate Governance Report of Thai Listed Companies. Accordingly, 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.

Other useful information regarding corporate governance and sustainable development evaluation

Apart from the CG Score report by the Thai Institute of Directors Association (Thai IOD), mentioned above, investors may find other useful information from [The Securities and Exchange Commission of Thailand website](#), including 1) AGM quality assessments by the Thai Investors Association; 2) companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under the Thai IOD that are categorised into companies that have declared their intention to join the CAC and companies certified by the CAC; and 3) the record of listed companies with corporate sustainable development, "Thai Sustainability Investment", by the Stock Exchange of Thailand for SET and MAI-listed companies which have passed the assessment conducted by the Stock Exchange of Thailand and THSI (SET), THSI (MAI), and SET-listed companies which have passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI).

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Sureporn Teewasuwet FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

MK Restaurant Group (M TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
05-Jan-2023	BUY	66.00	-	-	-	-	-	-

Sureporn Teewasuwet started covering this stock from 05-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
MK Restaurant Group	M TB	THB 51.75	BUY	Downside risks to our P/E-based TP include 1) a slower-than-expected consumption recovery; 2) potential rises in raw material costs; 3) a lower-than-expected new store expansion; and 4) a minimum wage increase and/or labour shortages.

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 21-Mar-2023 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.