

SYNEX (THAILAND) SYNEX TB

THAILAND / INFORMATION&COMM TECH

BUY
 UNCHANGED

2Q23 results at first glance

SYNEX reported a 2Q23 net profit of THB87m, missed consensus by 28%

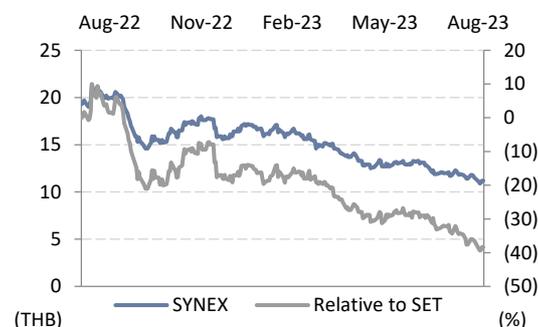
TARGET PRICE	THB17.20
CLOSE	THB11.20
UP/DOWNSIDE	+53.6%
TP vs CONSENSUS	+21.4%

Highlights

- SYNEX reported a 2Q23 net profit of THB87m (-36% q-q, -55% y-y). Excluding an FX gain of THB39m, core profit would be THB48m (-63% q-q, -71% y-y) due to the low season for IT product sales and the distribution business, plus its gross margin decreased in the quarter.
- Its 2Q23 revenue of THB8.5b softened 7% q-q from seasonality, and decreased 11% y-y due mainly to weaker sales volumes for consumer products such as PCs and laptops, along with the subdued market conditions.
- Its 2Q23 gross margin dropped to 3.8% (vs 1Q23's 4.2% and 2Q22's 4.3%) as the IT product shortage was resolved. The higher product prices and higher demand during the Covid period have faded and conditions have returned to normal. In addition, the proportion of high-margin product sales such as consumer categories softened, and low-margin sales for products like the communication and commercial categories increased.
- SYNEX's 1H23 net profit of THB223m (-46% y-y) accounts for 28% of our full-year net profit forecast, with a potential downside from our full-year forecast. For its 2H23 outlook, earnings should recover from communication product sales with the launch of the new iPhone 15 and the new launch of Android products such as Galaxy Z Fold5 / Flip5.
- SYNEX announced an interim dividend payment of THB0.10/share, implying a dividend yield of 0.9%. The ex-dividend date is on 24 August 2023.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	39,061	40,275	44,731	49,148
Net profit	816	785	903	1,028
EPS (THB)	0.96	0.93	1.07	1.21
vs Consensus (%)	-	6.7	17.8	13.6
EBITDA	979	912	1,044	1,184
Recurring net profit	732	705	823	948
Core EPS (THB)	0.86	0.83	0.97	1.12
EPS growth (%)	(0.5)	(3.7)	16.8	15.2
Core P/E (x)	13.0	13.5	11.5	10.0
Dividend yield (%)	6.0	5.8	6.7	7.6
EV/EBITDA (x)	13.3	14.2	12.8	11.5
Price/book (x)	2.3	2.2	2.0	1.9
Net debt/Equity (%)	84.0	77.8	81.1	82.5
ROE (%)	18.1	16.4	18.1	19.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.4)	(15.8)	(42.6)
Relative to country (%)	(9.7)	(14.0)	(39.3)
Mkt cap (USD m)	271		
3m avg. daily turnover (USD m)	0.1		
Free float (%)	20		
Major shareholder	TKS Technology PCL (39%)		
12m high/low (THB)	21.40/10.70		
Issued shares (m)	847.36		

Sources: Bloomberg consensus; FSSIA estimates


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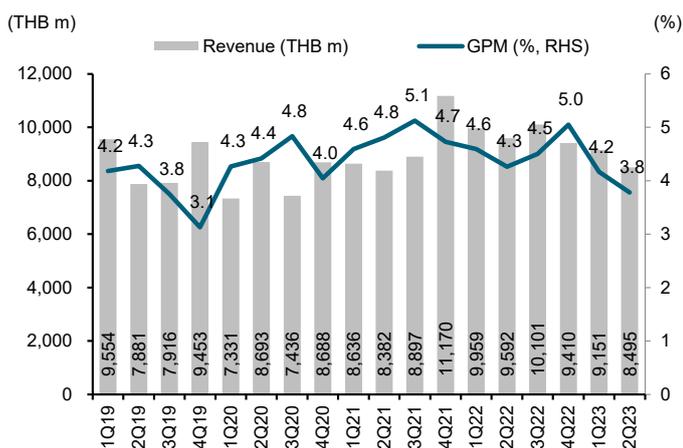
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Exhibit 1: SYNEX – 2Q23 operations summary

Year to Dec 31	2Q22	3Q22	4Q22	1Q23	2Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Revenue	9,592	10,101	9,410	9,151	8,495	(7)	(11)
COGS	(9,183)	(9,646)	(8,935)	(8,770)	(8,173)	(7)	(11)
Gross profit	409	455	475	381	321	(16)	(21)
Operating costs	(218)	(223)	(258)	(267)	(230)	(14)	5
Operating profit	191	232	217	114	91	(20)	(52)
Other income	27	12	34	32	19	(41)	(31)
FX Gain (Loss)	24	28	(9)	5	39	753	62
Interest expense	(8)	(14)	(23)	(27)	(36)	34	345
Profit before tax	234	258	219	124	114	(9)	(51)
Tax	(46)	(48)	(52)	(26)	(36)	39	(22)
Associates	2	3	17	37	9	(75)	453
Minority interests	2	2	2	0.2	0.2	10	(91)
Non recurring items	0	0	0	0	0	n/a	n/a
Reported net profit	192	215	186	136	87	(36)	(55)
Recurring net profit	168	188	195	131	48	(63)	(71)
EPS (THB)	0.23	0.25	0.22	0.16	0.10	(36)	(55)
Recurring EPS (THB)	0.20	0.22	0.23	0.15	0.06	(63)	(71)
Key Ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)
Gross margin	4.3	4.5	5.0	4.2	3.8	(0.4)	(0.5)
Operating margin	2.5	2.7	2.6	1.3	1.1	(0.2)	(1.5)
Recurring net margin	1.8	1.9	2.1	1.4	0.6	(0.9)	(1.2)
SG&A / Sales	2.3	2.2	2.7	2.9	2.7	(0.2)	0.4
Operating statistics							
Product mix (% to sales)							
Consumer (%)	41	41	42	37	39		
Communication (%)	32	37	31	37	35		
Commercial (%)	21	21	21	24	21		
Other (%)	6	1	6	2	2		

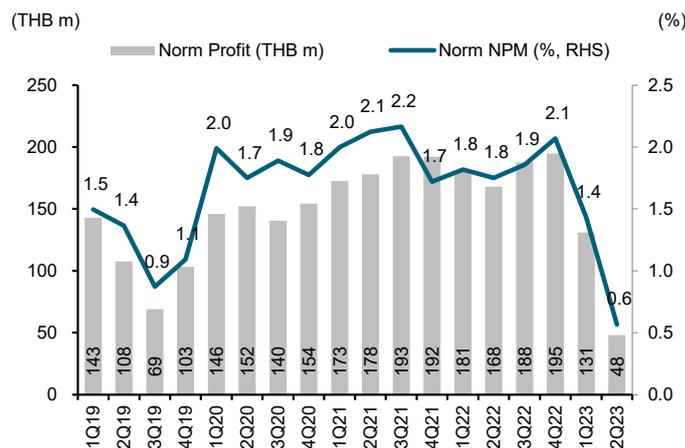
Sources: SYNEX; FSSIA estimates

Exhibit 2: Revenue and GPM



Source: SYNEX

Exhibit 3: Norm profit and norm margin



Source: SYNEX

Financial Statements

Synex (Thailand)

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	37,085	39,061	40,275	44,731	49,148
Cost of goods sold	(35,302)	(37,265)	(38,500)	(42,722)	(46,902)
Gross profit	1,784	1,796	1,775	2,008	2,247
Other operating income	75	81	81	89	98
Operating costs	(997)	(941)	(988)	(1,096)	(1,204)
Operating EBITDA	910	979	912	1,044	1,184
Depreciation	(49)	(44)	(45)	(42)	(43)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	861	935	867	1,002	1,141
Net financing costs	111	33	13	18	20
Associates	77	38	89	97	112
Recurring non-operating income	77	38	89	97	112
Non-recurring items	0	0	0	0	0
Profit before tax	1,048	1,007	969	1,117	1,273
Tax	(191)	(201)	(194)	(223)	(255)
Profit after tax	857	806	775	893	1,018
Minority interests	4	10	10	10	10
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	860	816	785	903	1,028
Non-recurring items & goodwill (net)	(125)	(84)	(80)	(80)	(80)
Recurring net profit	735	732	705	823	948
Per share (THB)					
Recurring EPS *	0.87	0.86	0.83	0.97	1.12
Reported EPS	1.02	0.96	0.93	1.07	1.21
DPS	0.70	0.67	0.65	0.75	0.85
Diluted shares (used to calculate per share data)	847	847	847	847	847
Growth					
Revenue (%)	15.4	5.3	3.1	11.1	9.9
Operating EBITDA (%)	29.2	7.6	(6.8)	14.4	13.4
Operating EBIT (%)	31.9	8.6	(7.3)	15.6	13.9
Recurring EPS (%)	24.1	(0.5)	(3.7)	16.8	15.2
Reported EPS (%)	34.0	(5.1)	(3.8)	15.1	13.8
Operating performance					
Gross margin inc. depreciation (%)	4.8	4.6	4.4	4.5	4.6
Gross margin exc. depreciation (%)	4.9	4.7	4.5	4.6	4.7
Operating EBITDA margin (%)	2.5	2.5	2.3	2.3	2.4
Operating EBIT margin (%)	2.3	2.4	2.2	2.2	2.3
Net margin (%)	2.0	1.9	1.8	1.8	1.9
Effective tax rate (%)	18.3	19.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	80.7	78.0	77.9	76.8	75.9
Interest cover (X)	(8.5)	(29.2)	(72.8)	(62.4)	(63.4)
Inventory days	27.4	33.4	34.4	33.3	33.5
Debtor days	50.4	50.4	49.6	47.9	48.1
Creditor days	31.1	31.9	30.6	29.6	29.7
Operating ROIC (%)	13.5	12.6	11.1	12.1	(3.1)
ROIC (%)	12.5	10.8	9.7	10.6	(2.8)
ROE (%)	19.9	18.1	16.4	18.1	19.6
ROA (%)	6.4	5.8	5.4	6.0	6.6
* Pre exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Consumer	16,666	16,511	15,311	16,869	18,538
Communication	13,608	14,061	15,717	17,289	19,018
Commercial	6,334	7,734	8,741	10,052	11,057
Others	477	755	505	520	535

Sources: Synex (Thailand); FSSIA estimates

Financial Statements

Synex (Thailand)

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	735	732	705	823	948
Depreciation	49	44	45	42	43
Associates & minorities	(77)	(38)	(89)	(97)	(112)
Other non-cash items	452	110	122	156	204
Change in working capital	(1,596)	(561)	(222)	(721)	(750)
Cash flow from operations	(437)	286	561	203	332
Capex - maintenance	-	-	-	-	-
Capex - new investment	(30)	(30)	(15)	(16)	(17)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(124)	(627)	0	0	0
Cash flow from investing	(155)	(657)	(15)	(16)	(17)
Dividends paid	(488)	(571)	(549)	(632)	(720)
Equity finance	16	0	0	0	0
Debt finance	923	1,163	(247)	288	124
Other financing cash flows	84	1	0	1	1
Cash flow from financing	536	592	(797)	(344)	(595)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	125	84	80	80	80
Movement in cash	70	305	(170)	(77)	(199)
Free cash flow to firm (FCFF)	(576.89)	(320.37)	612.99	249.30	376.07
Free cash flow to equity (FCFE)	541.00	876.17	379.01	555.55	520.64

Per share (THB)

FCFF per share	(0.68)	(0.38)	0.72	0.29	0.44
FCFE per share	0.64	1.03	0.45	0.66	0.61
Recurring cash flow per share	1.37	1.00	0.92	1.09	1.28

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	941	969	982	996	1,010
Less: Accumulated depreciation	(614)	(658)	(703)	(745)	(788)
Tangible fixed assets (net)	327	311	279	251	222
Intangible fixed assets (net)	22	25	26	27	30
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	609	1,236	1,236	1,236	1,236
Cash & equivalents	234	539	368	291	92
A/C receivable	5,886	5,937	6,127	6,783	7,456
Inventories	3,243	3,566	3,692	4,097	4,497
Other current assets	615	671	697	744	817
Current assets	9,977	10,713	10,885	11,915	12,863
Other assets	351	356	358	362	368
Total assets	11,287	12,640	12,783	13,791	14,719
Common equity	3,925	4,169	4,405	4,676	4,984
Minorities etc.	16	16	16	16	16
Total shareholders' equity	3,941	4,186	4,421	4,692	5,001
Long term debt	8	783	556	331	148
Other long-term liabilities	82	87	89	94	100
Long-term liabilities	90	870	645	425	248
A/C payable	3,655	3,524	3,643	4,029	4,426
Short term debt	2,884	3,271	3,251	3,764	4,071
Other current liabilities	718	789	823	881	973
Current liabilities	7,256	7,584	7,717	8,674	9,470
Total liabilities and shareholders' equity	11,287	12,640	12,783	13,791	14,719
Net working capital	5,372	5,861	6,051	6,713	7,372
Invested capital	6,681	7,788	7,949	8,590	9,228

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

Per share (THB)

Book value per share	4.63	4.92	5.20	5.52	5.88
Tangible book value per share	4.61	4.89	5.17	5.49	5.85

Financial strength

Net debt/equity (%)	67.4	84.0	77.8	81.1	82.5
Net debt/total assets (%)	23.5	27.8	26.9	27.6	28.0
Current ratio (x)	1.4	1.4	1.4	1.4	1.4
CF interest cover (x)	(4.2)	(26.2)	(29.0)	(31.4)	(26.2)

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	12.9	13.0	13.5	11.5	10.0
Recurring P/E @ target price (x) *	19.8	19.9	20.7	17.7	15.4
Reported P/E (x)	11.0	11.6	12.1	10.5	9.2
Dividend yield (%)	6.3	6.0	5.8	6.7	7.6
Price/book (x)	2.4	2.3	2.2	2.0	1.9
Price/tangible book (x)	2.4	2.3	2.2	2.0	1.9
EV/EBITDA (x) **	13.4	13.3	14.2	12.8	11.5
EV/EBITDA @ target price (x) **	19.0	18.5	19.8	17.6	15.8
EV/invested capital (x)	1.8	1.7	1.6	1.5	1.5

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

Sources: Synex (Thailand); FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) "**Sustainability Investment List (THSI)**" by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. FSSIA does not confirm nor certify the accuracy of such survey result.

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

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History of change in investment rating and/or target price

Synex (Thailand) (SYNEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Feb-2023	BUY	20.00	25-May-2023	BUY	17.20	-	-	-

Jitra Amornthum started covering this stock from 03-Feb-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Synex (Thailand)	SYNEX TB	THB 11.20	BUY	Downside risks to our P/E-based TP include 1) outmoded or obsolete products; 2) product shortages; and 3) currency fluctuations.

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 11-Aug-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.