

Sun Art Retail Group (6808 HK)

Overweight

Target price (HKD)	10.50
Share price (HKD)	6.96
Potential return (%)	50.9

Note: Potential return equals the percentage difference between the current share price and the target price

Dec	2014 a	2015 e	2016 e
HSBC EPS	0.31	0.30	0.32
HSBC PE	18.1	18.5	17.8
Performance	1M	3M	12M
Absolute (%)	-0.7	-18.2	-21.1
Relative ^A (%)	-2.0	-23.0	-27.4

Note: (V) = volatile (please see disclosure appendix)

2 March 2015

Lina Yan*
Analyst
The Hongkong and Shanghai Banking Corporation Limited
+852 2822 4344
linayjyan@hsbc.com.hk

Erwan Rambourg*
Global Co-Head of Consumer and Retail Research
The Hongkong and Shanghai Banking Corporation Limited
+852 2996 6572
erwanrambourg@hsbc.com.hk

View HSBC Global Research at:
<http://www.research.hsbc.com>

*Employed by a non-US affiliate of HSBC Securities (USA) Inc, and is not registered/qualified pursuant to FINRA regulations

Issuer of report: The Hongkong and Shanghai Banking Corporation Limited

Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

OW: Results in line; digital channel to drive sales growth

- ▶ **Net profit in 2014 grew 4.8% y-o-y, but 4Q was the weakest quarter due to poor prepaid card sales**
- ▶ **Digital channel Feiniu.com and online-to-offline (O2O) business will become significant drivers of sales growth**
- ▶ **Remain Overweight; lower DCF-based target price of HKD10.5 (old HKD11.3)**

2014 results in line. Reported net profit of RMB2,908m was in line with consensus and our estimate. There are two negatives and two positives from the results. The negative surprises were related to poor prepaid card sales. As Sun Art's prepaid card sales declined 23% y-o-y during the mid-autumn festival, its same store sales growth (SSSG) dropped more than 4% in 4Q, the weakest quarter in 2014 (full-year SSSG declined 1.6%). The decline in new prepaid card sales and a late Chinese New Year also led to a 19.6% y-o-y fall in cash inflow from operations. The positive is that the company was still able to expand GPM by 1.3ppts to 22.9% through mix improvement and scale benefit, so OPM remained flat y-o-y at 4.8%. It also maintained a dividend pay-out of 42%, better than our estimate of 35% (lower than 76% in 2013).

Feiniu.com becomes the key growth driver. Sun Art started its e-commerce from January 2014 and achieved sales of RMB150m and active users of 407,607 in 2014. As it expects SSSG in 2015 to be weak, it expects revenue from e-commerce to grow ten times. The momentum will come from 1) the roll-out of Feiniu.com nation-wide from March to April by using existing 372 stores as fulfilment centres; 2) fresh sales added to online from December 2014; and 3) the start of marketplace. It also started its online-to-offline (O2O) trial by using its Zhabei store in Shanghai to deliver fresh products for Feiniu customers. We believe Feiniu can leverage many advantages of Sun Art to grow into a major online retailer, and the newly developed digital capability will enhance the value of its physical stores through improving customer experience and loyalty.

Top-line growth will take priority over bottom line in the medium term. Sun Art's share price underperformed the index over the past 12 months as investors are negative on the hypermarket format. However, Sun Art was able to maintain the profitability of hypermarkets despite the negative SSSG. In our view, this is strong evidence of its execution ability. In the next 3-5 years, it will quickly ramp up the scale of its digital channel, which will negatively impact earnings. We therefore lower 2015e profit by 7% and now look for flat earnings growth in 2015-17. Remain Overweight, and cut our DCF-based target price to HKD10.5 from HKD11.3 due to our earnings revisions for 2015-16e.

Index ^A	HANG SENG INDEX	Enterprise value (CNYm)	48483
Index level	24,823	Free float (%)	100
RIC	6808.HK	Market cap (USDm)	8,561
Bloomberg	6808 HK	Market cap (HKDm)	66,396

Source: HSBC

Source: HSBC

Financials & valuation

Financial statements

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Profit & loss summary (CNYm)				
Revenue	91,855	99,648	109,434	119,496
EBITDA	6,594	6,877	7,365	7,937
Depreciation & amortisation	-2,606	-2,987	-3,300	-3,615
Operating profit/EBIT	3,988	3,890	4,065	4,322
Net interest	291	266	252	241
PBT	4,218	4,155	4,317	4,563
HSBC PBT	4,279	4,155	4,317	4,563
Taxation	-1,176	-1,158	-1,204	-1,272
Net profit	2,908	2,894	3,020	3,203
HSBC net profit	2,969	2,894	3,020	3,203

Cash flow summary (CNYm)

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Cash flow from operations	5,892	5,711	7,452	7,972
Capex	-5,750	-4,991	-5,091	-4,412
Cash flow from investment	-4,402	-4,691	-4,798	-4,126
Dividends	-1,387	-1,303	-1,282	-1,359
Change in net debt	1,571	318	-1,331	-2,442
FCF equity	482	1,367	2,761	3,943

Balance sheet summary (CNYm)

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Intangible fixed assets	139	106	103	100
Tangible fixed assets	30,062	32,337	34,291	35,249
Current assets	21,443	22,232	24,908	28,698
Cash & others	6,380	6,231	7,650	10,184
Total assets	52,443	55,480	60,113	64,865
Operating liabilities	30,911	32,007	34,722	37,450
Gross debt	898	1,067	1,154	1,246
Net debt	-5,482	-5,164	-6,496	-8,938
Shareholders funds	19,673	21,339	23,078	24,922
Invested capital	14,353	16,436	16,930	16,414

Ratio, growth and per share analysis

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Y-o-y % change				
Revenue	6.6	8.5	9.8	9.2
EBITDA	9.1	4.3	7.1	7.8
Operating profit	4.4	-2.5	4.5	6.3
PBT	2.0	-1.5	3.9	5.7
HSBC EPS	6.7	-2.5	4.3	6.1

Ratios (%)

Year to	12/2014a	12/2015e	12/2016e	12/2017e
Revenue/IC (x)	7.0	6.5	6.6	7.2
ROIC	22.8	19.0	18.3	19.4
ROE	15.5	14.1	13.6	13.3
ROA	6.0	5.6	5.4	5.3
EBITDA margin	7.2	6.9	6.7	6.6
Operating profit margin	4.3	3.9	3.7	3.6
EBITDA/net interest (x)				
Net debt/equity	-26.7	-23.2	-26.9	-34.3
Net debt/EBITDA (x)	-0.8	-0.8	-0.9	-1.1
CF from operations/net debt				

Per share data (CNY)

Year to	12/2014a	12/2015e	12/2016e	12/2017e
EPS reported (fully diluted)	0.30	0.30	0.32	0.34
HSBC EPS (fully diluted)	0.31	0.30	0.32	0.34
DPS	0.13	0.13	0.13	0.14
Book value	2.06	2.24	2.42	2.61

Key forecast drivers

Year to	12/2014a	12/2015e	12/2016e	12/2017e
SSSG (%)	-2	-2	-2	-2
Operating Floor Space Growth (15	14	12	11
Consolidated Gross Margin (%)	23	24	24	25
SG&A Cost Ratio (%)	13	14	15	15
Minority Interests (%)	4	3	3	3
Effective Tax Rate (%)	28	28	28	28

Valuation data

Year to	12/2014a	12/2015e	12/2016e	12/2017e
EV/sales	0.5	0.5	0.4	0.4
EV/EBITDA	7.3	7.1	6.4	5.6
EV/IC	3.4	2.9	2.8	2.7
PE*	18.1	18.5	17.8	16.7
P/Book value	2.7	2.5	2.3	2.2
FCF yield (%)	0.9	2.5	5.1	7.4
Dividend yield (%)	2.3	2.3	2.4	2.5

Note: * = Based on HSBC EPS (fully diluted)



Note: price at close of 27 Feb 2015

Digital channel to drive growth

- ▶ In-line results with 2014 net profit growth of 4.8% y-o-y, but 4Q was the weakest quarter due to poor prepaid card sales
- ▶ Digital channel Feiniu.com and online-to-offline business will become significant drivers of sales growth
- ▶ Remain Overweight with lower DCF-based target price of HKD10.5 (old HKD11.3)

Earnings revision

As the online channel is taking share rapidly from physical stores and inflation remains at low levels in China, we lower our SSSG assumption in 2015 to negative 2% from positive 2% before. More new stores will be opened in 1H 2015 vs. 1H 2014, which would partially offset the weaker SSSG. As a result, we lower our 2015e sales from hypermarkets by 2.6% and look for 7% y-o-y growth in sales revenue.

On the e-commerce side, we expect revenue from Feiniu.com to grow nine times y-o-y to RMB1,507m from RMB150m in 2014.

We therefore revise down our total sales estimate, combining sales from hypermarkets and e-commerce, by 1.1% and now look for 8.5% y-o-y growth in sales in 2015.

We expect the company to continue to expand GPM through better mix and procurement scale, so we expect gross profit to grow 12.3% y-o-y in 2015. However, due to the faster rising, selling and administration costs from investments in e-commerce, we expect the operating profit to be flat y-o-y.

We expect e-commerce to incur total loss of RMB262m in 2015, up from RMB162m in 2014. The attributable loss to Sun Art will be only 65% of that, as 35% of e-commerce is owned by other shareholders. The loss in e-commerce would fully offset profit growth from hypermarkets which we expect to grow in line with sales growth.

As a result of the above changes, we revise down 2015e net profit by 7.4% to RMB2,894m.

Earnings revision summary

RMBm	2014e	2014 Actual	% diff	y-o-y %	2015e-old	2015e-new	% diff	y-o-y %	2016e-old	2016e-new	% diff	y-o-y %	2017e
Operating revenue	91,887	91,855	0.0%	6.6%	100,729	99,648	-1.1%	8.5%	109,946	109,434	-0.5%	9.8%	119,496
- Hypermarkets	91,887	91,705	-0.2%	!	100,729	98,141	-2.6%	7.0%	109,946	107,457	-2.3%	9.5%	116,863
- Ecomm	0	150				1,507		904.9%		1,977	!	31.1%	2,633
EBIT - Reported	4,357	4,395	0.9%	6.0%	4,640	4,451	-4.1%	1.3%	5,015	4,675	-6.8%	5.0%	4,979
- Hypermarkets	4,453	4,557	2.3%	9.9%	4,795	4,713	-1.7%	3.4%	5,208	4,992	-4.1%	5.9%	5,351
- Ecomm	(96)	(162)	68.8%		(155)	(262)	69.3%	61.8%	(194)	(317)	63.8%	21.1%	(372)
Profit	2,944	2,908	-1.2%	4.8%	3,126	2,894	-7.4%	-0.5%	3,368	3,020	-10.3%	4.3%	3,203
- Hypermarkets	3,006	3,013	0.2%	8.6%	3,226	3,065	-5.0%	1.7%	3,493	3,226	-7.6%	5.3%	3,445
- Ecomm	(62)	(105)	68.8%		(101)	(170)	69.3%	61.8%	(126)	(206)	63.8%	21.1%	(242)
Revenue	91,887	91,855	0.0%	6.6%	100,729	99,648	-1.1%	8.5%	109,946	109,434	-0.5%	9.8%	119,496
Operating revenue	92,264	92,218	-0.1%	6.6%	101,142	100,042	-1.1%	8.5%	110,397	109,854	-0.5%	9.8%	119,942
- Merchandise sales	89,181	88,986	-0.2%	6.0%	97,593	95,042	-2.6%	6.8%	106,371	103,918	-2.3%	9.3%	112,884
- Rental income	2,707	2,719	0.5%	21.5%	3,135	3,099	-1.2%	14.0%	3,575	3,539	-1.0%	14.2%	3,979
- Other OP revenue	377	363	-3.7%	15.6%	413	394	-4.7%	8.5%	451	420	-6.9%	6.6%	446
Gross profit	20,963	20,998	0.2%	12.8%	23,685	23,577	-0.5%	12.3%	26,622	26,330	-1.1%	11.7%	29,408
Total operating expenses	17,382	17,373	-0.1%	15.0%	19,828	20,081	1.3%	15.6%	22,418	22,684	1.2%	13.0%	25,532
EBIT - HSBC	4,054	4,150	2.4%	8.6%	4,425	4,151	-6.2%	0.0%	4,849	4,382	-9.6%	5.6%	4,694
EBIT - Reported	4,357	4,395	0.9%	6.0%	4,640	4,451	-4.1%	1.3%	5,015	4,675	-6.8%	5.0%	4,979
Net finance costs	295	291	-1.2%	-9.3%	215	266	23.4%	-8.8%	166	252	52.1%	-5.1%	241
PBT	4,247	4,218	-0.7%	2.0%	4,486	4,155	-7.4%	-1.5%	4,821	4,317	-10.5%	3.9%	4,563
Minority	(130)	(134)	2.7%	-19.8%	(122)	(102)	-16.1%	-23.7%	(123)	(93)	-24.2%	-8.9%	(88)
Net profit	2,944	2,908	-1.2%	4.8%	3,126	2,894	-7.4%	-0.5%	3,368	3,020	-10.3%	4.3%	3,203
Key drivers:													
SSSG	0.0%	-1.6%	-1.6%	-3.6%	2.0%	-2.0%	-4.0%		2.0%	-2.0%	-4.0%		-2.0%
The number of new stores	53	49	-400.0%	-100.0%	55	55	0.0%		55	55	0.0%		55
Staff costs to Op Rev ratio	8.0%	7.9%	0.0%	0.7%	8.5%	8.5%	-0.1%		9.1%	8.9%	-0.2%		9.3%
Rental costs to Op Rev ratio	2.6%	2.5%	0.0%	0.2%	2.5%	2.7%	0.2%		2.5%	2.8%	0.3%		2.9%
Minority interest	4.2%	4.4%	0.2%	-1.3%	3.8%	3.4%	-0.3%		3.5%	3.0%	-0.5%		2.7%
Key ratios:													
Gross margin	22.8%	22.9%	0.0%	1.3%	23.5%	23.7%	0.1%		24.2%	24.1%	-0.2%		24.6%
Operating margin - HSBC	4.4%	4.5%	0.1%	0.1%	4.4%	4.2%	-0.2%		4.4%	4.0%	-0.4%		3.9%
Operating margin - Reported	4.7%	4.8%	0.0%	0.0%	4.6%	4.5%	-0.1%		4.6%	4.3%	-0.3%		4.2%
Net margin	3.2%	3.2%	0.0%	-0.1%	3.1%	2.9%	-0.2%		3.1%	2.8%	-0.3%		2.7%

Source: Company data, HSBC estimates

Valuation and risks

Our DCF approach combines our earnings model and EBITDA estimates with assumptions on depreciation, working capital, taxes and debt levels. We explicitly estimate minority interest EBITDA and then exclude consolidated operating earnings. We model cash flows and EBITDA explicitly up to 2017e, after which we build in semi-explicit cash flow estimates running off a sales growth assumption and a profitability metric through to 2025e. After this stage, we move to a terminal valuation phase. Our DCF assumptions are a beta of 1.0, a 6.5% China equity risk premium and a 3% terminal growth rate, while Sun Art has a 6% cost of debt and a target 5:95 debt-to-equity ratio, yielding a weighted cost of capital of 9.3%. Based on these assumptions and our revised earnings estimates, our new target price is HKD10.5 (previously HKD11.3).

Under our research model, for stocks without a volatility indicator, the Neutral band is 5ppts above and below the hurdle rate for Hong Kong stocks of 8.5%. Our target price implies a potential return of 51%, above the Neutral band; therefore, we reiterate our Overweight rating. Potential return equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated.

Downside risks: Lower-than-expected inflation; slower-than-expected SSSG; greater-than-expected losses from e-commerce. **Catalysts:** Pick-up in sales momentum after the roll-out of its O2O business nationwide in March 2015.

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), and/or strategist(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Lina Yan and Erwan Rambourg

Important disclosures

Equities: Stock ratings and basis for financial analysis

HSBC believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. Given these differences, HSBC has two principal aims in its equity research: 1) to identify long-term investment opportunities based on particular themes or ideas that may affect the future earnings or cash flows of companies on a 12 month time horizon; and 2) from time to time to identify short-term investment opportunities that are derived from fundamental, quantitative, technical or event-driven techniques on a 0-3 month time horizon and which may differ from our long-term investment rating. HSBC has assigned ratings for its long-term investment opportunities as described below.

This report addresses only the long-term investment opportunities of the companies referred to in the report. As and when HSBC publishes a short-term trading idea the stocks to which these relate are identified on the website at www.hsbcnet.com/research. Details of these short-term investment opportunities can be found under the Reports section of this website.

HSBC believes an investor's decision to buy or sell a stock should depend on individual circumstances such as the investor's existing holdings and other considerations. Different securities firms use a variety of ratings terms as well as different rating systems to describe their recommendations. Investors should carefully read the definitions of the ratings used in each research report. In addition, because research reports contain more complete information concerning the analysts' views, investors should carefully read the entire research report and should not infer its contents from the rating. In any case, ratings should not be used or relied on in isolation as investment advice.

Rating definitions for long-term investment opportunities

Stock ratings

HSBC assigns ratings to its stocks in this sector on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, must exceed the required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands are classified as Neutral.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

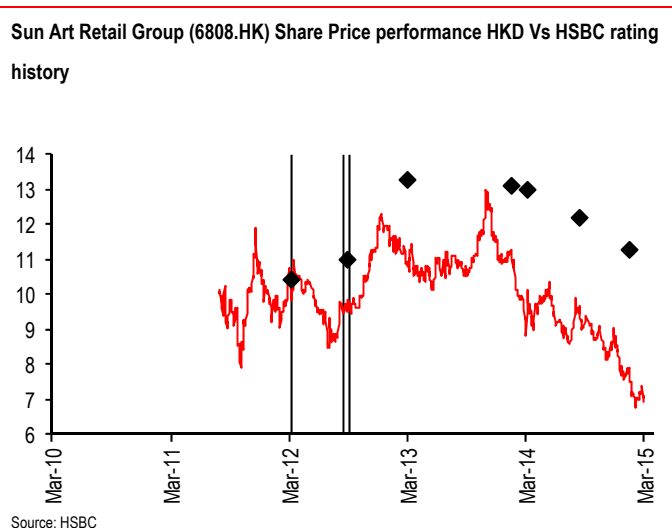
*A stock will be classified as volatile if its historical volatility has exceeded 40%, if the stock has been listed for less than 12 months (unless it is in an industry or sector where volatility is low) or if the analyst expects significant volatility. However, stocks which we do not consider volatile may in fact also behave in such a way. Historical volatility is defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility has to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 02 March 2015, the distribution of all ratings published is as follows:

Overweight (Buy)	42%	(30% of these provided with Investment Banking Services)
Neutral (Hold)	39%	(28% of these provided with Investment Banking Services)
Underweight (Sell)	19%	(20% of these provided with Investment Banking Services)

Share price and rating changes for long-term investment opportunities



Recommendation & price target history

From	To	Date
Overweight (V)	Neutral (V)	05 March 2012
Neutral (V)	Neutral	13 August 2012
Neutral	Overweight	28 August 2012
Target Price	Value	Date
Price 1	10.40	05 March 2012
Price 2	11.00	28 August 2012
Price 3	13.30	26 February 2013
Price 4	13.10	13 January 2014
Price 5	13.00	03 March 2014
Price 6	12.20	14 August 2014
Price 7	11.30	12 January 2015

Source: HSBC

HSBC & Analyst disclosures

None of the below disclosures applies to any of the stocks featured in this report.

- 1 HSBC has managed or co-managed a public offering of securities for this company within the past 12 months.
- 2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- 3 At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.
- 4 As of 31 January 2015 HSBC beneficially owned 1% or more of a class of common equity securities of this company.
- 5 As of 31 January 2015, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of investment banking services.
- 6 As of 31 January 2015, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-investment banking securities-related services.
- 7 As of 31 January 2015, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-securities services.
- 8 A covering analyst/s has received compensation from this company in the past 12 months.
- 9 A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.

- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
- 11 At the time of publication of this report, HSBC is a non-US Market Maker in securities issued by this company and/or in securities in respect of this company

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments (including derivatives) of companies covered in HSBC Research on a principal or agency basis.

Analysts, economists, and strategists are paid in part by reference to the profitability of HSBC which includes investment banking revenues.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

For disclosures in respect of any company mentioned in this report, please see the most recently published report on that company available at www.hsbcnet.com/research.

Additional disclosures

- 1 This report is dated as at 02 March 2015.
- 2 All market data included in this report are dated as at close 27 February 2015, unless otherwise indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.

Disclaimer

** Legal entities as at 30 May 2014*

'UAE' HSBC Bank Middle East Limited, Dubai; 'HK' The Hongkong and Shanghai Banking Corporation Limited, Hong Kong; 'TW' HSBC Securities (Taiwan) Corporation Limited; 'CA' HSBC Bank Canada, Toronto; HSBC Bank, Paris Branch; HSBC France; 'DE' HSBC Trinkaus & Burkhardt AG, Düsseldorf; 000 HSBC Bank (RR), Moscow; 'IN' HSBC Securities and Capital Markets (India) Private Limited, Mumbai; 'JP' HSBC Securities (Japan) Limited, Tokyo; 'EG' HSBC Securities Egypt SAE, Cairo; 'CN' HSBC Investment Bank Asia Limited, Beijing Representative Office; The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch; The Hongkong and Shanghai Banking Corporation Limited, Seoul Branch; HSBC Securities (South Africa) (Pty) Ltd, Johannesburg; HSBC Bank plc, London, Madrid, Milan, Stockholm, Tel Aviv; 'US' HSBC Securities (USA) Inc, New York; HSBC Yatirim Menkul Degerler AS, Istanbul; HSBC México, SA, Institución de Banca Múltiple, Grupo Financiero HSBC; HSBC Bank Brasil SA – Banco Múltiple; HSBC Bank Australia Limited; HSBC Bank Argentina SA; HSBC Saudi Arabia Limited; The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR; The Hongkong and Shanghai Banking Corporation Limited, Bangkok Branch

Issuer of report

The Hongkong and Shanghai Banking Corporation Limited

Level 19, 1 Queen's Road Central

Hong Kong SAR

Telephone: +852 2843 9111

Fax: +852 2596 0200

Website: www.research.hsbc.com

This document has been issued by The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in the conduct of its Hong Kong regulated business for the information of its institutional and professional investor (as defined by Securities and Future Ordinance (Chapter 571)) customers; it is not intended for and should not be distributed to retail customers in Hong Kong. The Hongkong and Shanghai Banking Corporation Limited is regulated by the Hong Kong Monetary Authority. All enquires by recipients in Hong Kong must be directed to your HSBC contact in Hong Kong. If it is received by a customer of an affiliate of HSBC, its provision to the recipient is subject to the terms of business in place between the recipient and such affiliate. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. HSBC has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; HSBC makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of the Research Division of HSBC only and are subject to change without notice. HSBC and its affiliates and/or their officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). HSBC and its affiliates may act as market maker or have assumed an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.

HSBC Securities (USA) Inc. accepts responsibility for the content of this research report prepared by its non-US foreign affiliate. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security discussed herein should do so with HSBC Securities (USA) Inc. in the United States and not with its non-US foreign affiliate, the issuer of this report.

In the UK this report may only be distributed to persons of a kind described in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. The protections afforded by the UK regulatory regime are available only to those dealing with a representative of HSBC Bank plc in the UK. In Singapore, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch for the general information of institutional investors or other persons specified in Sections 274 and 304 of the Securities and Futures Act (Chapter 289) ("SFA") and accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the SFA. This publication is not a prospectus as defined in the SFA. It may not be further distributed in whole or in part for any purpose. The Hongkong and Shanghai Banking Corporation Limited Singapore Branch is regulated by the Monetary Authority of Singapore. Recipients in Singapore should contact a "Hongkong and Shanghai Banking Corporation Limited, Singapore Branch" representative in respect of any matters arising from, or in connection with this report. In Australia, this publication has been distributed by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). Where distributed to retail customers, this research is distributed by HSBC Bank Australia Limited (AFSL No. 232595). These respective entities make no representations that the products or services mentioned in this document are available to persons in Australia or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. This publication is distributed in New Zealand by The Hongkong and Shanghai Banking Corporation Limited, New Zealand Branch incorporated in Hong Kong SAR.

In Japan, this publication has been distributed by HSBC Securities (Japan) Limited. It may not be further distributed in whole or in part for any purpose. In Korea, this publication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Seoul Securities Branch ("HBAP SLS") for the general information of professional investors specified in Article 9 of the Financial Investment Services and Capital Markets Act ("FSCMA"). This publication is not a prospectus as defined in the FSCMA. It may not be further distributed in whole or in part for any purpose. HBAP SLS is regulated by the Financial Services Commission and the Financial Supervisory Service of Korea.

In Canada, this document has been distributed by HSBC Bank Canada and/or its affiliates. Where this document contains market updates/overviews, or similar materials (collectively deemed "Commentary" in Canada although other affiliate jurisdictions may term "Commentary" as either "macro-research" or "research"), the Commentary is not an offer to sell, or a solicitation of an offer to sell or subscribe for, any financial product or instrument (including, without limitation, any currencies, securities, commodities or other financial instruments).

© Copyright 2015, The Hongkong and Shanghai Banking Corporation Limited, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited. MICA (P) 157/06/2014, MICA (P) 136/02/2015 and MICA (P) 041/01/2015

Global Consumer Brands & Retail Research Team

Europe

Consumer Brands & Retail

Antoine Belge
Head of Consumer Brands and Retail Equity Research
+33 1 56 52 43 47 antoine.belge@hsbc.com

Anne-Laure Jamain
Analyst
+44 207 991 6587 annelaure.jamain@hsbcib.com

David McCarthy
Head of Consumer Retail, Europe
+44 207 992 1326 david1.mccarthy@hsbcib.com

Andrew Porteous
Analyst
+44 20 7992 4647 andrew.porteous@hsbc.com

Jérôme Samuel
Analyst
+33 1 56 52 44 23 jerome.samuel@hsbc.com

Emmanuelle Vigneron
Analyst
+33 1 56 52 43 19 emmanuelle.vigneron@hsbc.com

Paul Rossington
Analyst
+44 20 7991 6734 paul.rossington@hsbcib.com

Graham Jones
Analyst
+44 20 7992 5347 graham.jones@hsbc.com

Damian McNeela
Analyst
+44 20 7992 4223 damian.mcneela@hsbc.com

Leisure

Lena Thakkar
Analyst
+44 20 7991 3448 lena.thakkar@hsbcib.com

CEEMEA

Consumer Brands & Retail

Bulent Yurdagul
Analyst
+90 212 3764612 bulentyurdagul@hsbc.com.tr

Jeanine Womersley
Analyst
+27 21 6741082 jeanine.womersley@za.hsbc.com

Specialist Sales

Lynn Raphael
+44 20 7991 1331 lynn.raaphael@hsbcib.com

David Harrington
+44 20 7991 5389 david.harrington@hsbcib.com

Jean Gael Tabet
+44 20 7991 5342 jeangael.tabet@hsbcib.com

Asia

Consumer Brands & Retail

Erwan Rambourg
Head of Consumer Brands and Retail Equity Research
+852 2996 6572 erwanrambourg@hsbc.com.hk

Christopher Leung
Analyst
+852 2996 6531 christopher.k.leung@hsbc.com.hk

Lina Yan
Analyst
+852 2822 4344 linayjyan@hsbc.com.hk

Catherine Chao
Analyst
+852 2996 6570 catherinefchao@hsbc.com.hk

Charlene Liu
+852 2822 4398 charlenerliu@hsbc.com.hk

Alice Chan
+852 2996 6535 aliceptchan@hsbc.com.hk

Karen Choi
Analyst
+822 3706 8781 karen.choi@kr.hsbc.com

Jena Han
Analyst
+822 3706 8772 jenahan@kr.hsbc.com

Permada (Mada) Darmono
Analyst
+65 6658 0613 permada.w.darmono@hsbc.com.sg

Ananita M Kusumaningsih
Analyst
+65 6658 0610 ananita.m.kusumaningsih@hsbc.com.sg

Thilan Wickramasinghe
Analyst
+65 6658 0609 thilanw@hsbc.com.sg

Amit Sachdeva
Analyst
+91 22 2268 1240 amit1sachdeva@hsbc.co.in

Chloe Wu
Analyst
+ 8862 6631 2866 chloe.c.wu@hsbc.com.tw

North & Latin America

Consumer & Retail

Richard Cathcart
Analyst
+55 11 2169 4429 richard.cathcart@hsbc.com

Stewart Ragar
Analyst
+55 11 3847 9342 stewart.h.ragar@us.hsbc.com

Ruben Couto
Associate
+ 55 11 2169 4615 ruben.c.couto@hsbc.com.br

Food & Beverage

James Watson
Analyst
+1 212 525 4905 james.c.watson@us.hsbc.com

Agricultural Products

Alexandre Falcao
Analyst
+55 11 3371 8203 alexander.p.falcao@hsbc.com.br

Ravi Jain
Analyst
+1 212 525 3442 ravijain@us.hsbc.com

Gustavo Gregori
Analyst
+55 11 3847 9881 gustavo.h.gregori@hsbc.com.br