The Credit Suisse EM Consumer Survey 2017
China and India’s new consumption economy

Richard Kersley, Head of Global Thematic Research
Research Analyst, +44 20 7888 0313, richard.kersley@credit-suisse.com

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, LEGAL ENTITY DISCLOSURES, AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.
The Emerging Consumer Survey 2017

- In collaboration with leading market research firm Nielsen, the Credit Suisse Research Institute publishes the 7th edition of The Emerging Consumer Survey.

- The survey reflects the results of 14,000 face-to-face detailed interviews with consumers across Brazil, China, India, Indonesia, Mexico, Russia, South Africa and Turkey.

- The study delivers unique insights for investors on the key influences that are shaping the nature of consumer spending across the emerging world.

- The accompanying playbook provides stock selections that have a strong exposure to The Emerging Consumer theme.

Source: Credit Suisse Emerging Consumer Survey
Taking the temperature

In our 2017 survey, we find consumer confidence recovering amongst our respondents when reviewing our key sentiment indicators. A net 20% of our respondents are now optimistic about the outlook for their personal finances vs 15% last year.

Asian consumers tend to reflect the greatest level of optimism, though a reversal of the weak currency and commodity price background of 2015 and early 2016 is seeing confidence in countries such as Brazil, South Africa and Russia recover.

Net % of respondents expecting an improvement in their personal finances in the next six months

Survey sentiment indicators average readings

Source: Credit Suisse Emerging Consumer Survey
## The Emerging Consumer Scorecard

- Our Asia countries hold the top 3 positions, with India at the top. Income momentum within Indonesia is a stand out positive and has seen it move up in the rankings.
- The commodity sensitive economies of Brazil, South Africa and Russia have seen improvements while geo-political events have weighed in on Turkey and Mexico.

<table>
<thead>
<tr>
<th>Rankings (6-12m horizon)</th>
<th>Personal finances</th>
<th>Inflation expectations</th>
<th>Time for a major purchase</th>
<th>Household income expectations</th>
<th>Household income history</th>
<th>2017 overall rank</th>
<th>2016 overall rank</th>
<th>2017-16 rank change</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>+1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>China</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>-2</td>
</tr>
<tr>
<td>Brazil</td>
<td>3</td>
<td>3</td>
<td>8</td>
<td>2</td>
<td>8</td>
<td>4</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>South Africa</td>
<td>5</td>
<td>8</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Mexico</td>
<td>6</td>
<td>7</td>
<td>4</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>-1</td>
</tr>
<tr>
<td>Russia</td>
<td>7</td>
<td>4</td>
<td>6</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Turkey</td>
<td>8</td>
<td>2</td>
<td>7</td>
<td>8</td>
<td>5</td>
<td>6</td>
<td>4</td>
<td>-2</td>
</tr>
</tbody>
</table>

Source: Credit Suisse Emerging Consumer Survey
The emerging middle class

The developing emerging middle class is a component of the Megatrend driving a projected shift in consumption. It is happening more quickly than many people appreciate.

The CS EM consumer survey found more than 80 million more households (approximately 10%) in our survey countries moved into our definition of middle income territory since 2013. Around 1.25 billion people in our survey countries now sit in this territory.

Source: Credit Suisse Emerging Consumer Survey, World Bank
The EM consumer is following the roadmap…

- Spending on entertainment is up 50% since 2010 compared to c.20% for food. In China, households now spend c.11% of monthly income on travel and entertainment, almost double that of the average for the other countries in our survey.
- The spending power of the young consumer is a key influence.

Food and recreation spending versus GDP per capita in the US 1929 - 2012

Food versus entertainment expenditure in China indexed to 2010

Source: Credit Suisse Emerging Consumer Survey
What’s hot and what’s not?

- Categories such as sport shoes, holiday and fashion display the strongest purchase intentions, in keeping with the accelerating discretionary shift amongst consumers. There remains plenty of pent up demand.
- Loss of smartphone momentum is becoming a feature as penetration rises. Growing threats for international players from domestic brands.

Source: Credit Suisse Emerging Consumer Survey
A changing consumer – key themes

■ A “conscious” consumer
  – A healthy dynamic to spending is emerging and breaking from DM precedent. This mitigates looming risks of an unsustainable healthcare burden.

■ Battle of the brands
  – Emerging “national champions”: Local brands are emerging to challenge global brands in discretionary categories as quality improves.

■ A connected consumer
  – Online retail demonstrates a US$2.5 tn opportunity by 2025 as 1 billion consumers in our survey are yet to come online. However, offline players are fighting back with new multi-channel strategies.

■ A time to travel
  – Propensity to travel is at new highs with Chinese consumers displaying the largest proportion of international travelers and the greatest momentum in willingness to travel internationally. The role of e-commerce provides leverage to the theme for investors.

Source: Credit Suisse Emerging Consumer Survey
Theme 1: A “conscious” consumer

- The need for a healthy lifestyle is evident as healthcare spending looks set to increase rapidly otherwise. An ageing population places an ever greater healthcare burden on countries.
- DMs spend c10% of GDP on healthcare. Assuming the same for EM countries, we estimate China could reach US$2.3 tn by 2030, up from US$611 bn in 2015 on our estimates.

Ageing across EM is a real issue: older people need more healthcare

Healthcare costs set to rise aggressively across EM if they spend a similar share of GDP to DM markets (c10%). US$bn

Source: Credit Suisse Emerging Consumer Survey, IMF, World Bank
Theme 1: A “conscious” consumer

- Our survey shows that across all countries spending momentum towards “unhealthy” food and drinks is weak. More than 50% of consumers across all countries (bar Russia) said that they have been eating less sugary or “non-healthy” products last year.

- Nielsen’s Health survey found that consumers in EM focus more on low fat and sugar than those in DM. 87% of consumers in India intend to spend more on personal and skincare, further enhancing our call on the conscious consumer.

Our survey suggests that YoY momentum towards spending on “unhealthy” products is weak across the board

[Bar chart showing spending momentum across countries for different product categories: Beer, Spirits, Cigarettes.]

EM consumers are more “diet conscious” than consumers across DM

[Area chart showing percentage of consumers focusing on different health-related products across regions: Low Fat, Sugar Conscious, Low Carbohydrate, Wheat/ Gluten free.]

Source: Credit Suisse Emerging Consumer Survey, Nielsen
Theme 1: A “conscious” consumer

- We see substantial growth potential in EM as consumers lead a more “healthy” lifestyle. Per capita spending on sportswear remains low in EM relative to most DM countries but growing rapidly with India displaying a CAGR of 24% between 2011 and 2016.
- China is also a key focus for sportswear with our survey highlighting more than 60% of respondents bought sportswear in the past three months. Close to 40% of Chinese consumers intend to increase the time spent on playing sports.

Per capita spending on sportswear: most upside clearly resides in EM (US$/y)

Sportswear is one substantial beneficiary of the “healthy lifestyle” trend: Spending since 2011 has increased most across EM countries

Source: Credit Suisse Emerging Consumer Survey, Euromonitor
Theme 2: Brands – National champions

- The typical pattern we have found in the past is that as incomes have risen, EM consumers have focused on international brands. We are now seeing signs of this pattern changing.
- Smartphones are a key discretionary item across the income spectrum. In China we notice that high income earners now prefer local brands (Huawei) over global premium brands (Apple).

In 2011, our survey showed that consumer interest in local brands was negatively correlated with average income levels.

High income earners in China are showing a clear and growing preference for local smartphone brands over Apple.

Source: Credit Suisse Emerging Consumer Survey, JD Power Survey
Theme 2: Brands - National champions

- Quality improvements are moving the needle, particularly in China. The JD Power Vehicle Dependability Study for China, highlighted the ongoing closing of the gap in reliability between local and international brands.
- In a multi-polar world scenario it is key to identify those “national consumer champions”.

Problems per 100 vehicles in first 2-6 months; difference between local and foreign brands

% of respondents intending to buy a local car brand in India

Source: Credit Suisse Emerging Consumer Survey, JD Power Survey
28 March 2017

Pursue for a better life
-EM consumer survey takeaways

Raymond Ching, +852 21017852, raymond.ching@credit-suisse.com
Carey Shi, +852 21017729, carey.shi@credit-suisse.com

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, LEGAL ENTITY DISCLOSURES, AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.
EM consumer survey

We surveyed ~2,500 consumers and asked their consumption behaviour and patterns for the EM market survey. Compared to other emerging markets, Chinese consumers are still more willing to spend backed by personal salary increase and stable employment. Nevertheless, they are relatively less positive on the economy versus past years.

Consumer confidence indicators

Nominal growth in household income

Source: Credit Suisse Emerging Consumer Survey
Lifestyle upgrade

- Driven by wealth effect, consumers want to buy more large ticket items, eating healthy foods and doing more exercise. Survey suggests stronger spending momentum toward – auto, property, jewellery, education and fashion apparel. But less on staples products including F&B and cigarette.

Monthly spending by category

Spending momentum in 2016 vs. 2015

Recorded spending in 2016 vs. 2015

Source: Credit Suisse Emerging Consumer Survey
Rising health awareness

Consumers change purchasing habits with increasing health awareness. In 2016 more consumers reduce beverage and cigarettes consumptions, and majority of respondents agree that they have been eating more healthy products and reducing sugar intake. 39% respondents will increase time in sports in the next three months. As a result, we also see a rising spending momentum on sportswear products and healthy products.

39% respondents expect to increase sports time in the next three months

81% respondents agree that they have been eating more healthy products

Source: Credit Suisse Emerging Consumer Survey
More babies are wanted after two child policy. 25% of the respondents plan to have more than 1 child while 43% want only 1 child and 21% respondents have no idea. More importantly, 41% respondents chose to spend more on their children if they have more money to spend. This trend will boost mother care and baby related consumptions.

The number of new born babies increased by 8% in 2016 vs. 3%-2% in 2014/15

41% respondents would most likely spend money on their children if they have more money

Source: Credit Suisse Emerging Consumer Survey
eCommerce growth remains robust

- eCommerce remains robust as 72% respondents have purchased online in the past six months, and 34% respondents think they will conduct more online shopping in the next six months.

- We also see some growing interest in offline shopping, especially department stores. A net 3% of consumers expect to increase shopping in department stores and online over the next six months, while less consumers prefer street level stores.

Source: Credit Suisse Emerging Consumer Survey
Chinese saving rate remains high

- Respondents’ average saving rate dropped 1.8% YoY, but it remains high at around 30% versus 14% for EM Asia. In terms of savings channels, in 2016 consumers allocated more savings to, for instance, bank account (47.9%), life insurance (13.3%), and state treasury bill-bond (3%), while investments in stock market dropped 1.7% to 8.5%. After a very volatile stock market in 2016, Chinese consumers seem to prefer safer investments for capital preservation.

China has high saving rates among EM market

48%/13% respondents chose bank account and life insurance to preserve savings

Source: Credit Suisse Emerging Consumer Survey
Stock picks

Overall the survey is in line with our 2017 China consumer year ahead report. Consumers are increasing their spending on lifestyle upgrade and health. Thus, we favor sportswear and childrenwear, home improvements and high-end spirit sectors and like home appliance, Suofeiya, Moatai, Wuliangye within our covered stocks accordingly. We are more cautious on the beer and instant noodle and thus have UNDERPERFORM on Tingyi.

Preferred sectors based on AC survey

<table>
<thead>
<tr>
<th>Home appliance</th>
<th>Midea(000333.SZ), Gree(000651.SZ), QD Haier(600690.SS), Haier Electronics (1169.HK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furnishment</td>
<td>Suofeiya(002572.SZ)</td>
</tr>
<tr>
<td>Sportswear</td>
<td>Li Ning(2331.HK), Anta(2020.HK), Dongxiang(3818.HK)</td>
</tr>
<tr>
<td>Children/mothercare</td>
<td>Kao(4452.T)</td>
</tr>
<tr>
<td>High-end spirit</td>
<td>Kweichow Maotai(600519.SS), Wuliangye(000858.SZ)</td>
</tr>
<tr>
<td>Auto</td>
<td>GAC Group(2238.HK), Dongfeng Motor(0489.HK)</td>
</tr>
<tr>
<td>Mobile phones</td>
<td>Sunny Optical (2382.HK), AAC (2018.HK)</td>
</tr>
<tr>
<td>Education</td>
<td>New Oriental (EDU.US), Xueersi(XRS.US)</td>
</tr>
<tr>
<td>Property</td>
<td>China Vanke(2202.HK), CRLand(1109.HK)</td>
</tr>
</tbody>
</table>

Least preferred sectors based on AC survey

| Instant noodles                    | Tingyi(0322.HK)                                                                        |
| Beer                               | Tsingtao(600600.SH)                                                                    |

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates
India resilient despite demonetization, shift to branded goods set to accelerate

Arnab Mitra, +91 22 67773806, arnab.mitra@credit-suisse.com
EM consumer survey – India tops the scorecard

- Survey carried out just after demonetization, where sentiment would have been at its lowest
- Despite this Indian consumer scores the highest compared to its emerging market peers.
- While sentiment moderated versus last year, it remains upbeat relative to other countries.

Indians more upbeat on personal finances and hold moderate inflation expectations

57% thought it was a good time to make a major purchase versus 80% last year

Source: Credit Suisse Emerging Consumer Survey
In this year’s survey, we saw a sharp drop in consumer confidence across the lower-income segments.

This is likely the outcome of weak agricultural income growth (weak pricing despite high volumes) and the sharp cash crunch in rural India in the aftermath of demonetisation.

Confidence across lower income segments dipped sharply compared to last year

Nominal agricultural GDP growth has sharply fallen due to low component of price growth

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates
Divergence reflected in growth rates of categories

- Consumer staples growth is much weaker than discretionary, due to higher salience of low income consumption
- Four wheelers are also doing much better than two wheelers which are more rural

### FMCG Volumes (YoY)

- 4QFY16: 40575
- 1QFY17: 40787
- 2QFY17: 41000
- 3QFY17: 41214

### Consumer Discretionary Revenues (YoY)

- 4QFY16: 40575
- 1QFY17: 40787
- 2QFY17: 41000
- 3QFY17: 41214

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates
Shift from unbranded to branded goods continues

- Over the past five years the survey shows rising preference for brands: a natural consequence of growing incomes, improving distribution for larger firms, and better media penetration. This is most clearly visible in categories such as Jewellery, apparel and perfumes.

Unorganised has high shares in most categories but organised sector is growing faster

We expect this shift towards branded and organised to accelerate on the back of GST + demonetisation

Source: Credit Suisse Emerging Consumer Survey
Surge in non-cash payments to help this transition

- India has traditionally been a very cash-driven economy but there seems to have been a strong shift to non-cash payment modes in India post the demonetisation initiative.
- Given the unorganised sector used cash as a transaction medium to evade taxes, this behavioural change to non-cash mode will be a major negative for them.

India is amongst the most cash-driven economies in the world

Post demonetisation, there has been a sharp pick up in usage of non-cash modes albeit off a low base

% of consumer payment transactions in cash (2013)

- Canada
- UK
- USA
- Australia
- Korea
- Brazil
- Japan
- China
- S. Africa
- Russia
- Mexico
- Thailand
- Greece
- Malaysia
- India

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates
GST will likely further accelerate this shift

- India is likely to implement the Goods and Services Tax (GST) from 1st July
- This will be the single biggest tax reform in India over decades
- The GST would make it harder for the unorganised sector to evade indirect taxes
- This will take away the low price advantage which is a key competitive edge of the unorganised players
- We expect electrical hardware, jewellery, apparel, detergents and biscuits to be the major gainers

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates
Stock picks

- We expect subdued growth in companies with higher exposures to rural and lower income India. Survey results are line with our views.
- Thus amongst staples, we prefer GCPL (GOCP.BO) which has ~50% international revenues and ITC (ITC.BO) (cheapest FMCG play).
- On the discretionary side we expect consumer electrical companies like Crompton Consumer (CROP.BO) and Havells (HVEL.BO) to benefit from share gains from unorganised on the back of strong branding and distribution.

<table>
<thead>
<tr>
<th>Company</th>
<th>CMP</th>
<th>M Cap (USD Bn)</th>
<th>PER (FY18)</th>
<th>PER (FY19)</th>
<th>Rating</th>
<th>Earnings CAGR (FY16-19E)</th>
<th>ROE (FY18)</th>
<th>ROCE (FY18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMCG</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ITC</td>
<td>281</td>
<td>52.2</td>
<td>27.7</td>
<td>24.3</td>
<td>OUTPERFORM</td>
<td>12.4%</td>
<td>29.2%</td>
<td>23.7%</td>
</tr>
<tr>
<td>GCPL</td>
<td>1681</td>
<td>8.8</td>
<td>36.1</td>
<td>30.6</td>
<td>OUTPERFORM</td>
<td>18.0%</td>
<td>22.3%</td>
<td>17.4%</td>
</tr>
<tr>
<td>Discretionary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Havells</td>
<td>441</td>
<td>4.2</td>
<td>39.0</td>
<td>31.8</td>
<td>OUTPERFORM</td>
<td>19.1%</td>
<td>21.7%</td>
<td>18.1%</td>
</tr>
<tr>
<td>Crompton Consumer</td>
<td>194</td>
<td>1.9</td>
<td>34.7</td>
<td>27.7</td>
<td>OUTPERFORM</td>
<td>24.7%</td>
<td>66.9%</td>
<td>40.1%</td>
</tr>
</tbody>
</table>

Source: Credit Suisse Emerging Consumer Survey, Credit Suisse Estimates
Appendix: The EM Consumer playbook
## Key stocks exposed

### Emerging Market based stocks

<table>
<thead>
<tr>
<th>Company</th>
<th>City</th>
<th>Sector</th>
<th>CS Rating</th>
<th>CSI Cap M$</th>
<th>Quality</th>
<th>Mover Class</th>
<th>Conditional Probability</th>
<th>6M EPS (12M) Revisions</th>
<th>12M EPS (12M) Revisions</th>
<th>EPS Exposure (Goal Analysis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAC Technologies (2018 HK)</td>
<td>CN</td>
<td>Electronic Manufacturing</td>
<td>O</td>
<td>13</td>
<td></td>
<td></td>
<td>5.5%</td>
<td>35.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adani Ports &amp; SEZ (APSE B0)</td>
<td>IN</td>
<td>Maritime Ports &amp; Services</td>
<td>O</td>
<td>9.3</td>
<td></td>
<td></td>
<td>3.1%</td>
<td>17.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amorepacific (590435 KS)</td>
<td>KR</td>
<td>Personal Products</td>
<td>O</td>
<td>13.8</td>
<td></td>
<td></td>
<td>-5.9%</td>
<td>0.8%</td>
<td>Emerging Asia (China and Asia) consisted of c.29% of Amorepacific’s (AP) sales in 2016. Including the duty-free retail, we estimate the contribution to grow to 43%</td>
<td></td>
</tr>
<tr>
<td>Anta Sports (220012 HK)</td>
<td>CN</td>
<td>Footwear</td>
<td>O</td>
<td>7.8</td>
<td></td>
<td></td>
<td>4.6%</td>
<td>17.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.P. ALL (GPA2.BK)</td>
<td>TH</td>
<td>Food Retail</td>
<td>O</td>
<td>14.9</td>
<td></td>
<td></td>
<td>3.6%</td>
<td>22.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estacio (ESTC3 SA)</td>
<td>BR</td>
<td>Education Services</td>
<td>O</td>
<td>1.4</td>
<td></td>
<td></td>
<td>-2.1%</td>
<td>-2.7%</td>
<td>Education holds a very low penetration level in Brazil but indicates a large addressable market for Estacio as a way to seek exposure to the NewCo. being formed after the merger with Kraton; we view this as the best way to gain exposure to the durational sector</td>
<td></td>
</tr>
<tr>
<td>Ferrna (FMSAUBD MK)</td>
<td>MX</td>
<td>Soft Drinks</td>
<td>O</td>
<td>30.9</td>
<td></td>
<td></td>
<td>3.6%</td>
<td>14.6%</td>
<td>All of Ferrna’s retail business is domiciled in Emerging markets (Mexico, Chile, and Colombia) and all of Coca-Cola Ferrna’s volumes come from Emerging markets (both Latin America and Southeast Asia).</td>
<td></td>
</tr>
<tr>
<td>Gree Electric Appliances (000961 SZ)</td>
<td>CN</td>
<td>Household Appliances</td>
<td>O</td>
<td>24.7</td>
<td></td>
<td></td>
<td>5.6%</td>
<td>5.2%</td>
<td>Gree is the largest air-conditioner company in China, its business covers the entire supply chain of air-conditioners from upstream parts to downstream waste recycling; we see accelerating product sales on stronger industry demand in 2017.</td>
<td></td>
</tr>
<tr>
<td>Hangzhou Hikvision Digital (002415 SZ)</td>
<td>CN</td>
<td>Electronic Equip &amp; Instruments</td>
<td>O</td>
<td>25.8</td>
<td></td>
<td></td>
<td>5.0%</td>
<td>13.7%</td>
<td>Major beneficiary of the expanding market in the Smart Video cycle due to its widening leadership in scale and technology in both China and overseas; we see good synergy from the Hikvision-IC global partnership; Hikvision is one of the few domestic auto component companies to possess ADAS (advanced driver assistance systems) technology.</td>
<td></td>
</tr>
<tr>
<td>Huayu Automotive (600741 SS)</td>
<td>CN</td>
<td>Auto Parts &amp; Equipment</td>
<td>O</td>
<td>7.5</td>
<td></td>
<td></td>
<td>3.5%</td>
<td>-1.5%</td>
<td>An emerging global auto interior trim giant on the consolidation path, with a 19% global share, we see notable synergy from the Huayu-JCI global partnership; Huayu is one of the few domestic auto component companies to possess ADAS (advanced driver assistance systems) technology.</td>
<td></td>
</tr>
<tr>
<td>Hypermarcas S.A. (HYPE3 SA)</td>
<td>BR</td>
<td>Pharma</td>
<td>O</td>
<td>5.4</td>
<td></td>
<td></td>
<td>-2.3%</td>
<td>42.9%</td>
<td>The Brazilian population is expected to continue aging fast over the next few years, with 54 million people (24% of population) exceeding 65 years by 2040; Hypermarcas is well positioned to leverage on the positive pharma industry outlook.</td>
<td></td>
</tr>
<tr>
<td>Jiangsu Yanghe Brewery (002304 SZ)</td>
<td>CN</td>
<td>Distillers &amp; Victuilers</td>
<td>O</td>
<td>18.2</td>
<td></td>
<td></td>
<td>2.3%</td>
<td>5.6%</td>
<td>It is now the third largest Chinese spirits company; it has implemented a “new Jiangsu market” plan since 2015; namely focusing on county-level city-level markets with sales over Rmb1bn/Rmb15m and targeting to build up 3-5 markets with similar sales market share.</td>
<td></td>
</tr>
<tr>
<td>Largan Precision (300629 TW)</td>
<td>TW</td>
<td>Electronic Components</td>
<td>O</td>
<td>19.4</td>
<td></td>
<td></td>
<td>11.4%</td>
<td>35.4%</td>
<td>Lager, the No 1 supplier of handset optical lens globally, has dominated the market in the past few years, it currently owns three factories in Taiwan and two in China. We view the rising adoption of dual-camera in smartphone models as a positive trend.</td>
<td></td>
</tr>
<tr>
<td>LG Household &amp; Healthcare (051900 K5)</td>
<td>KR</td>
<td>Personal Products</td>
<td>O</td>
<td>10.9</td>
<td></td>
<td></td>
<td>1.1%</td>
<td>18.6%</td>
<td>LG’s revenue contribution reached 6% in 2016, but we expect it to grow to 8.3% by 2018. Including the sales at the duty-free retail channel, LG’s revenue is likely to have reached 22% of 2016 revenue, which could increase to 26% by FY18.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Credit Suisse Research, Credit Suisse HOLT®, Thomson Reuters Note: A ✓ above indicates where a company ranks at or above the 50th percentile in the following: Quality, Momentum and Conditional Probability EPS Revisions: IBES consensus 12mf Earnings Per Share as of 14 Mar 2017 vs 3 months and 12 months prior
## Key stocks exposed II

### Emerging Market based stocks (continued)

<table>
<thead>
<tr>
<th>Company</th>
<th>City</th>
<th>Sector</th>
<th>CS Rating</th>
<th>12M EPS (Consensus) Revenue</th>
<th>12M EPS (Consensus)</th>
<th>EM Exposure (CS analyst view)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lojas Renner S.A.</strong></td>
<td>BR</td>
<td>Department Stores</td>
<td>O</td>
<td>5.2</td>
<td>✓</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Maruti Suzuki India</strong></td>
<td>IN</td>
<td>Automobile Manufacturers</td>
<td>N</td>
<td>27</td>
<td>✓</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>MercadoLibre (MELI, OQ)</strong></td>
<td>AR</td>
<td>Internet Software &amp; Services</td>
<td>O</td>
<td>9.2</td>
<td>✓</td>
<td>10.5%</td>
</tr>
<tr>
<td><strong>Midea Group (000333.SZ)</strong></td>
<td>CN</td>
<td>Household Appliances</td>
<td>O</td>
<td>30.6</td>
<td>✓</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>New Oriental Education (EDU.N)</strong></td>
<td>CN</td>
<td>Education Services</td>
<td>O</td>
<td>7.9</td>
<td>✓</td>
<td>7.9%</td>
</tr>
<tr>
<td><strong>Ping An (2318.HK)</strong></td>
<td>CN</td>
<td>Life &amp; Health Insurance</td>
<td>O</td>
<td>95.9</td>
<td>✓</td>
<td>7.8%</td>
</tr>
<tr>
<td><strong>PT Bank Central Asia Tbk (BBKCA.JK)</strong></td>
<td>ID</td>
<td>Diversified Banks</td>
<td>O</td>
<td>28.8</td>
<td>✓</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>PT Telkom (TIKOM.JK)</strong></td>
<td>ID</td>
<td>Integrated Telecom</td>
<td>O</td>
<td>29.8</td>
<td>✓</td>
<td>3.2%</td>
</tr>
<tr>
<td><strong>Raia Drugstore SA (RAD13.SA)</strong></td>
<td>BR</td>
<td>Drug Retail</td>
<td>O</td>
<td>5.7</td>
<td>✓</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Sukouyi Home Collection</strong> (902572.SZ)</td>
<td>CN</td>
<td>Home Furnishings</td>
<td>O</td>
<td>3.2</td>
<td>✓</td>
<td>8.4%</td>
</tr>
<tr>
<td><strong>XS Retail Group</strong> (FJPLJ)</td>
<td>RU</td>
<td>Food Retail</td>
<td>O</td>
<td>7.6</td>
<td>✓</td>
<td>5.8%</td>
</tr>
<tr>
<td><strong>Yonghui Superstores</strong> (601933.SS)</td>
<td>CN</td>
<td>Hypermarkets &amp; Super Centers</td>
<td>O</td>
<td>7.6</td>
<td>✓</td>
<td>13.3%</td>
</tr>
<tr>
<td><strong>Zee Entertainment</strong> (ZEE.BID)</td>
<td>IN</td>
<td>Broadcasting</td>
<td>O</td>
<td>7.4</td>
<td>✓</td>
<td>-0.1%</td>
</tr>
</tbody>
</table>

Brazils largest apparel retailer, with a focus on the middle and upper income classes. The sale of more discretionary products has been affected by the macro situation in the last few years, but the underlying demand potential remains solid.

India’s largest passenger car company with a ~45% market share. It is a subsidiary of Suzuki Motor Co., Japan. Almost 90% of its revenues come from India with the remaining coming from exports, largely to neighboring countries and African countries. Our analysts rate MarutiNeutral.

A pure play exposure to LatAm e-commerce growth and best in class product innovation and execution; on the cusp of seeing material value creation through the release of promotional tools which will help sellers generate incremental sales.

A leading white goods player in China, with a well-diversified product portfolio. It ranks No. 1 in Air conditioners and Washing Machines, No. 3 in Vacuum Cleaners, and No. 1 in many small appliances sub-categories such as rice cookers and water purifiers.

One of the largest tutoring service providers in China with a presence in 55 cities, covering the major cities with a good level of K-12 population density; well set for riding on the rising penetration of K-12 tutoring.

Ping An Insurance (Group) is one of the largest financial services group in China with three core businesses of insurance, banking and investment. Ping An Life is the second largest life insurance company in China with 11% market share.

BCA is one of the best managed banks in Indonesia. Loan growth should rebound next year to low-teens from low-single digits this year. This should likely be driven by consumer (especially mortgage) lending thanks to the lagged impact of rate cuts.

The largest integrated telco service provider in Indonesia, with 50.4% and 77.3% market share (by revenue) in cellular and fixed-line market. We see a strong revenue growth trajectory, scale advantage, strong balance sheet and high return on capital.

The outlook of the Brazilian Pharma and Drugstore segment remains very promising. In a very fragmented market, RADL3 continues to execute superbly well, being the largest chain in the Brazilian market with an ambitious organic expansion underway.

China's leading customized furniture company with ~10% market share. Customized furniture is a young sector in China with very fast growth as consumers are shifting to customized furniture for its better design, high utilization of space and personalization.

A leading Russian food retailer, operating a multi-format model addressing everyday needs of all customer groups across Russia. On our estimate, it will again demonstrate the highest revenue growth among Russian retailers in 2017s (25%) on the back of 22.8% salling space growth.

A leading national player of supermarket chain stores. Its unique “Fresh Food Grocery” business model is its key differentiator and has set up a barrier for competitors. We see expansion and industry consolidation, large procurement scale and unique business model+ strong supply chain.

Zee, a subsidiary of Essel group, is one of India’s earliest and leading broadcasters. It has an impressive bouquet of ~35 channels.

Source: Credit Suisse Research, Credit Suisse HOLT®, Thomson Reuters Note: A ✓ above indicates where a company ranks at or above the 50th percentile in the following: Quality, Momentum and Conditional Probability EPS Revisions: IBES consensus 12mf Earnings Per Share as of 14 Mar 2017 vs 3 months and 12 months prior
## Key stocks exposed II

### Developed Market based stocks

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ajinomoto (2802.T)</td>
<td>JP</td>
<td>Packaged Foods &amp; Meats</td>
<td>N</td>
<td>11.1</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>-3.0%</td>
<td>-5.9%</td>
<td></td>
</tr>
<tr>
<td>AXA (AXAF PA)</td>
<td>FR</td>
<td>Multi-line Insurance</td>
<td>O</td>
<td>58.9</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>1.3%</td>
<td>-2.4%</td>
<td></td>
</tr>
<tr>
<td>Carnival (CCL.N)</td>
<td>US</td>
<td>Hotels, Resorts &amp; Cruise Lines</td>
<td>O</td>
<td>40.5</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>-0.7%</td>
<td>6.2%</td>
<td></td>
</tr>
<tr>
<td>Coca-Cola HBC (CCHL)</td>
<td>CH</td>
<td>Soft Drinks</td>
<td>O</td>
<td>8.6</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>6.2%</td>
<td>19.4%</td>
<td></td>
</tr>
<tr>
<td>Coloplast II (COLOb.CO)</td>
<td>DK</td>
<td>Health Care Supplies</td>
<td>O</td>
<td>14.1</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>2.9%</td>
<td>4.5%</td>
<td></td>
</tr>
<tr>
<td>Essilor (ESSI.PA)</td>
<td>FR</td>
<td>Health Care Supplies</td>
<td>O</td>
<td>25.9</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>0.9%</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>Global Payments (GPN.N)</td>
<td>US</td>
<td>Data Processing</td>
<td>O</td>
<td>12.1</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>1.1%</td>
<td>20.7%</td>
<td></td>
</tr>
<tr>
<td>Isuzu Motors (7292.T)</td>
<td>JP</td>
<td>Automobile Manufacturers</td>
<td>O</td>
<td>10.9</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>3.4%</td>
<td>-4.7%</td>
<td></td>
</tr>
<tr>
<td>L’Oreal (OREP.PA)</td>
<td>FR</td>
<td>Personal Products</td>
<td>O</td>
<td>104.4</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>2.9%</td>
<td>7.4%</td>
<td></td>
</tr>
<tr>
<td>Monster Beverage (MINST.OQ)</td>
<td>US</td>
<td>Soft Drinks</td>
<td>O</td>
<td>26.6</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>1.9%</td>
<td>12.0%</td>
<td></td>
</tr>
<tr>
<td>Nike (NKE.N)</td>
<td>US</td>
<td>Footwear</td>
<td>O</td>
<td>93.2</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>1.4%</td>
<td>7.3%</td>
<td></td>
</tr>
<tr>
<td>Sanofi (SASY.PA)</td>
<td>FR</td>
<td>Pharma</td>
<td>O</td>
<td>112.5</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>3.6%</td>
<td>1.6%</td>
<td></td>
</tr>
<tr>
<td>Straumann (STMN.S)</td>
<td>CH</td>
<td>Health Care Equipment</td>
<td>O</td>
<td>6.9</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>4.5%</td>
<td>24.0%</td>
<td></td>
</tr>
<tr>
<td>Walt Disney (DIS.N)</td>
<td>US</td>
<td>Movies &amp; Entertainment</td>
<td>O</td>
<td>175.6</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>3.2%</td>
<td>4.7%</td>
<td></td>
</tr>
<tr>
<td>Visa (V.N)</td>
<td>US</td>
<td>Data Processing</td>
<td>O</td>
<td>205.8</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>5.2%</td>
<td>18.6%</td>
<td></td>
</tr>
</tbody>
</table>

46% of earnings derived from EM (mainly ASEAN and Brazil); three main sources for future growth: (1) expanding sales of seasonings and processed foods in EM, (2) broadening product portfolio, and (3) strengthening healthcare. Our analysts rate the stock Neutral.

Writs a significant proportion of business through EM retail products (amount to 24.8% of new business value, 15% of non-life premiums), positioned to take advantage of growth potential in EM.

China is the centerpiece of the cruise industry’s investment debate. Carnival has currently deployed 6% of its capacity into China and, according to today’s allocated pipeline, could get to 10% by 2020.

61% of revenues and 53% of EBIT are from emerging and developing markets where there are low per capita consumptions and good long-term growth potential; we expect EM to be the main driver towards the 11% margin target, where margins are €0.07/ps below peak.

Generates c16% of group revenue from EM. China exposure is particularly robust, with Coloplast holding close to 50% market share. Other key EM include Brazil, Russia, and Argentina.

Essilor has the highest exposure of our coverage with 23% of revenues from ‘fast growing markets’ (company definition) and 6% of revenues from China.

GPX generates -7% revenue in APAC and 17% of GPX’s revenues are generated in EM/EUA. We see long-term upside potential to owning GPX as the company benefits from secular tailwinds and industry consolidation opportunities.

Well positioned to benefit from structural growth catalysts in ASEAN markets. We expect stable growth of domestic CV sales and a moderate recovery in ASEAN CV sales to propel 6.5% YoY growth in consolidated unit sales.

New markets contributed some 30% to L’Oreal’s Cosmetics sales in 2016. Of this, Asia Pacific accounted for 57%, Latin America 15%, Eastern Europe 15% and Africa, Middle East 8%.

We expect international to represent more than 30% of sales by CV19. In 2017 alone, Monster will be launched in 40 new countries including 4 major emerging markets: Argentina, India, Nigeria, and Pakistan. This follows a successful launch in China in September 2016.

We expect EM to account for 11% of Nike’s sales, it is currently seeing strong growth in the following EM regions: 1) Argentina, Uruguay, and Chile (grew 32% YoY); Mexico (grew 31% YoY); and the Pacific region.

Sanofi maintains one of the highest levels of exposure to the Emerging markets of the major pharma companies with 28% of sales generated from these countries; we expect it to continue to leverage its extensive local presence in emerging markets and benefit from continued demand growth.

The dental implants market is set to be driven by both demographic changes and also increasing urbanization in emerging markets (EM). Straumann has strategically moved to engage in EM.

Exposed to EM in 1) international Cable Networks, 2) international Parks and Resorts, including locations in Shanghai and Hong Kong; and 3) the film studio, which produces and distributes films from Pixar, Marvel, Lucasfilm, and Disney Classics around the world.

High volume exposure to Emerging Markets with 23% from Asia, 4% from Middle East/Africa, and 5% Latin America. Visa should continue to benefit from the global transition from physical cash to electronic payment while maintaining a strong position relative to industry peers.

Source: Credit Suisse Research, Credit Suisse HOLT, Thomson Reuters Note: A ✓ above indicates where a company ranks at or above the 50th percentile in the following: Quality, Momentum and Conditional Probability EPS Revisions: IBES consensus 12mf Earnings Per Share as of 14 Mar 2017 vs 3 months and 12 months prior
As of 10th December 2012, Japanese ratings are based on a stock's total return relative to the analyst's coverage universe. An Outperform rating is (1) the analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months and (2) the relative attractiveness of a stock's total return potential within an analyst's coverage universe. Ratings are Overweights the most attractive, Neutrals the less attractive, and Underweights the least attractive. Credit Suisse policy and/or applicable law and regulations preclude certain types of communications, that are ongoing coverage of the company or offer an investment rating or investment view by Credit Suisse's investment banking activities.

As of December 10, 2012 Analysts' stock rating are defined as follows:

- **Overweight (OW)**: The analyst's expectation for the sector's fundamentals and/or valuation is favorable over the next 12 months.
- **Neutral (N)**: The stock's total return is expected to be in line with the relevant benchmark over the next 12 months.
- **Underweight (UW)**: The stock's total return is expected to underperform the relevant benchmark over the next 12 months.
- **Not Rated (NR)**: The company is not rated by Credit Suisse. The analyst does not have an ongoing coverage of the company or offer an investment rating or investment view by Credit Suisse.
- **Not Covered (NC)**: Credit Suisse Equity Research does not provide ongoing coverage of the company or offer an investment rating or investment view on the equity security of the company or related products.
- **Restricted (R)**: In certain circumstances, Credit Suisse’s investment banking activities are ongoing coverage of the company or offer an investment rating or investment view by Credit Suisse’s investment banking activities.

Volatility Indicator **(W)**: The stock is defined as volatile if the stock price has moved up or down by 20% or more in at least 8 of the past 24 months.

Credit Suisse Equity Research does not provide an ongoing coverage of the company or offer an investment rating or investment view on the equity security of the company or related products.

Credit Suisse Equity Research does not have an ongoing coverage of the stock or any other securities related to the company at this time.

Not Covered (NC): Credit Suisse Equity Research does not provide ongoing coverage of the company or offer an investment rating or investment view on the equity security of the company or related products.

Volatility Indicator (V): A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months. **F** indicates significant volatility going forward.

Analysts’ sector weights are distinct from analysts’ stock ratings and are based on the analyst’s expectations for the sector’s fundamentals and/or valuation of the sector relative to the group’s historic fundamentals and/or valuation.

Overview: The analyst’s expectation for the sector’s fundamentals and/or valuation is favorable over the next 12 months.
The analyst's views in the preparation of this report may participate in events hosted by the subject company, including site visits. Credit Suisse does not accept or permit analysts to accept payment or reimbursement for travel expenses associated with these events.

Restrictions on certain Canadian securities are indicated by the following abbreviations: NVS—Non-Voting Shares; RVS—Restricted Voting Shares; SVS—Subordinate Voting Shares.

Individuals receiving this report from a Canadian investment dealer that is not affiliated with Credit Suisse should be advised that this report may not contain regulatory disclaimers the non-affiliated Canadian investment dealer required to be made if this were its own report. For Credit Suisse Securities (Canada), Inc.'s policies and procedures regarding the dissemination of equity research, please visit https://www.credit-suisse.com/sites/disclaimers-en/canada-research-policy.html.

Credit Suisse Securities (Europe) Limited (Credit Suisse) acts as broker to (CCHL).

The following disclosed European companies have estimates that comply with IFRS: (OREP.PA, PJPL.L, AXAF.PA, SASY.PA).

Credit Suisse has acted as lead manager or syndicate member in a public offering of securities for the subject company (APSE.BO, CCHL, DIS.N, FMAUSB.MX, TLKJ.N, 2238.HK, 2202.HK) within the past 3 years. Principal is not guaranteed in the case of equities because equity prices are variable.

To the extent this is a report authored in part or by a non-U.S. analyst and is made available in the U.S., the following are important disclosures regarding any non-U.S. analyst contributors: The non-U.S. research analysts listed below (if any) are not registered/qualified as research analysts with FINRA. The non-U.S. research analyst(s) listed below may not be associated persons of CSU and therefore may not be subject to the FINRA 2211 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. Credit Suisse (Hong Kong) Limited...Raymond Ching

Credit Suisse Securities (India) Private Limited...Amab Mira

Credit Suisse International...Richard Kesley

Important Credit Suisse HOLT Disclosures

With respect to the analysis in this report based on the Credit Suisse HOLT methodology, Credit Suisse certifies that (1) the views expressed in this report are prepared in accordance with the Credit Suisse HOLT methodology and (2) no part of the Firm's compensation was, is, or will be directly related to the specific views disclosed in this report.

The Credit Suisse HOLT methodology does not assign ratings to a security. It is an analytical tool that involves use of a set of proprietary quantitative algorithms to calculate various market metrics, collectively called the Credit Suisse HOLT valuation model, that are consistently applied to all the underlying economics of firm performance. The adjustments provide consistency when analyzing a single company across time, or analyzing multiple companies across industries or national borders. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes the baseline valuation for a security, and a user then may change the default variables to produce alternative scenarios, as appropriate.

Additional information about the Credit Suisse HOLT methodology is available on request. The Credit Suisse HOLT methodology does not assign a price target to a security. The default scenario that is produced by the Credit Suisse HOLT valuation model establishes a warranted price range, and as the third-party data are updated, the warranted price may also change. The default variables may also be adjusted to produce alternative warranted prices, any of which could occur.

CFROI, HOLT, HOLT/too, ValueSearch, AggGator, Signal Flag and "Powered by HOLT" are trademarks or service marks or registered trademarks or registered service marks of Credit Suisse or its affiliates in the United States and other countries. HOLT is a corporate performance and valuation analysis platform.
This report is not to be reproduced or distributed in whole or in part, or copied, in any form, without Credit Suisse's prior written consent. Credit Suisse is authorized to sell or delegate the distribution of this report to third parties who are selected in its discretion. Credit Suisse Se