Going global
Key corporate trends in developing markets

A report by The Economist Intelligence Unit
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Developing markets will be at the centre of corporate investment in 2019 and beyond.

The ongoing trade war between the US and China is yielding some unlikely winners in developing markets. The Economist Intelligence Unit expects global trade growth to decelerate to 3.7% in 2019, from 5.3% in 2017, causing economic growth to slow in the US and Europe. However, in Latin America, the Middle East and Africa, and Sub-Saharan Africa economies will register strong gains, while Asia will continue its robust growth.

A new generation of local companies will be riding this wave, determined not only to benefit from growth in their domestic markets, but also to expand internationally. This report focuses on 12 of them, chosen from the 1,500-odd companies covered by our new Competitor Intelligence service. We will outline their strategies and ambitions, as well as the challenges they will face as they grow, in order to highlight their competitive strengths and weaknesses.

The opportunities on offer for these companies are significant, spanning all six of the industries included in this report: automotive, consumer goods, energy, financial services, healthcare and telecommunications. By 2022 non-OECD countries will account for over 80% of the global population, and 40% of global GDP in nominal US dollar terms. Our data indicate that real growth in consumer expenditure in non-OECD countries will average 4.8% per year in 2018-22, compared with 1.8% per year for OECD countries.

Private consumption (% real change, year on year)

Note. Developing countries include 85 non-OECD countries (excluding countries with limited data coverage); OECD comprises 34 member countries; World data based on 120 countries (excluding countries with limited data coverage).

Source: The Economist Intelligence Unit.
New car sales in non-OECD countries will reach 48.1m by 2022, compared with 31.5m in the richer 34-country OECD bloc. These non-OECD countries will account for almost half of global retail sales by then, as well as nearly 60% of domestic energy consumption. They will be responsible for close to half of global health spending, and account for nearly three-quarters of global mobile subscribers. Moreover, with the spread of mobile technologies, will come an opportunity to sell financial products to people who have never had a bank account.

Armed with local knowledge and strong connections with domestic businesses and officials, companies such as China’s JAC Motors or Qatar’s Ooredoo have been quick to capitalise on the opportunities in developing countries such as Pakistan, Tunisia, Myanmar and Vietnam. Their products are improving rapidly as they invest in – or imitate – the latest innovations. Their ability to raise financing to fund their ambitions has also increased as investors confidence has risen.

Many established global companies, such as General Motors (US) or Tesco (UK), have had their own developing-market strategies in place for several years. Yet they are finding that these new rivals are an increasing challenge to their ambitions. In some cases, they have even been forced into a partial retreat—as with Uber (US) in China, or Vodafone (UK) in India. In others, they have decided to establish a partnership or joint venture, but have struggled to retain the upper hand in the deal.

As their ambitions develop, these emerging companies will face their own challenges. Pressure on local currencies and fluctuating commodity prices will add to existing roadblocks such as policy inaction and political instability. Ongoing global trade disputes will force them to reassess their investment plans and supply chains. They will also need to see off competition from their established rivals, many of which still have deeper pockets, better products or greater expertise. They will need all their ingenuity and local knowledge to survive this intensifying competition.

**Growth in developing countries, 2018-22**

(Compound annual growth rate)

<table>
<thead>
<tr>
<th></th>
<th>Non-OECD</th>
<th>World aggregate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans (US$ m)</td>
<td>8.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Passenger car registrations ('000)</td>
<td>7.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Retail sales (US$ m)</td>
<td>8.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Healthcare spending (US$ m)</td>
<td>7.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Gross domestic energy consumption (ktoe)</td>
<td>6.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Mobile subscriptions ('000)</td>
<td>3.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Note. World based on 52 largest countries. Source: The Economist Intelligence Unit.
Automotive

Kamaz: courting developing markets

Russia’s automotive market has rebounded since a slump in 2015, but the pace of growth is decelerating. Seeking greener pastures abroad in order to counter slower growth in the Russian truck market, Kamaz, Russia’s largest truckmaker, is turning to developing markets such as Indonesia, Turkey and Vietnam.

The global commercial vehicle market has so far been dominated by Swedish companies such as Volvo Trucks and Scania, but Kamaz has geared up to take over in countries where big players from OECD nations have failed to solidify their presence. In August 2018 the company set up a subsidiary in Indonesia to import and sell its trucks in the country. It has inked deals to enter India, and in 2017 made inroads into South Africa.

Alongside heavy trucks, Kamaz has a stronghold in the Russian market for agricultural vehicles such as tractors. It is now seeking to replicate this success abroad. To keep up with its global competitors, the truckmaker is also investing in newer technology in automation and industrial robotics.

In the domestic market, we expect Kamaz to stay head of its local rival, GAZ, which has been slapped with US sanctions owing to its close association with a Russian oligarch. However, growth in Russia will slow in the long term as the economy returns to normality following the 2018 FIFA World Cup, which temporarily boosted infrastructure and, in turn, truck sales.

A wider industry slowdown is likely to temper Kamaz’s growth plans. The company, which sold over 33,000 trucks in Russia compared with 5,000 internationally in 2017, is still heavily dependent on local sales for growth.

Kamaz PJSC

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue; left scale</th>
<th>Net profit; right scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>250,000</td>
<td>-150,000</td>
</tr>
<tr>
<td>2014</td>
<td>200,000</td>
<td>-100,000</td>
</tr>
<tr>
<td>2015</td>
<td>150,000</td>
<td>-50,000</td>
</tr>
<tr>
<td>2016</td>
<td>100,000</td>
<td>0</td>
</tr>
<tr>
<td>2017</td>
<td>50,000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

(a) Attributable to Western sanctions imposed on Russia and depreciation of the rouble.

Source: Kamaz.
JAC: an unexpected champion

At a time when most Chinese automakers are entering into joint ventures at home with global automakers, JAC Motors is expanding into markets outside China to boost its business. A high-end carmaker, the company has started manufacturing many of its vehicles in countries such as Kazakhstan, Algeria, Vietnam and Paraguay. This has helped JAC to maintain margins amid the rising costs of raw materials such as rubber and iron in China.

JAC plans to continue cutting costs by setting up factories in Mexico to export to neighbouring countries in Latin America. By increasing its sales focus in Latin America, JAC is ensuring that Mexico remains a low-cost production hub in case potential modifications to the North American Free Trade Agreement (NAFTA) jeopardise exports to the US.

Investment in new-energy vehicles (NEVs) has helped JAC to shrug off the effect of lower electric vehicle subsidies and the rollback of certain tax policies in China. To counter sluggish domestic sales the company is investing heavily in NEVs in developing markets such as Pakistan. It also has plans to enter Argentina in 2018.

However, JAC also remains focused on retaining its place in its domestic market, notwithstanding further policy changes that could hit sales. In May 2018 the automaker formed China’s first NEV joint venture with Germany’s Volkswagen to produce an electric sports utility vehicle (SUV). It is also racing to launch an autonomous vehicle in 2019 in a tie-up with Baidu, a Chinese technology giant.

Anhui Jianghuai Automobile Group Corp Ltd (JAC): revenue

(Rmb bn)

Source: JAC.
Grupo Bimbo: breaking bread across the world

After securing a strong market share in its home country of Mexico (the second-largest retail market in Latin America), Grupo Bimbo, which makes bread, cookies, pastries and other baked goods, including Blanco bread and Coronado caramel spreads, is pushing into new territories. It is moving across the Atlantic Ocean, and has recently made key acquisitions and signed partnerships in Europe and Asia. It estimates that its products sell in over 20 countries across the Americas, Europe and Asia.

In 2017 the company acquired East Balt Bakeries, a US-based maker of muffins and tortillas with a presence in 11 countries; and Mankattan, a Chinese bakery. Grupo Bimbo has also invested in India, France, Portugal and Russia by picking up stakes in several local bakeries. In 2017 it took a 65% stake in Ready Roti India, an Indian bakery. Since 2015 Grupo Bimbo has also acquired Panrico SAU, a European bakery; and the Argentine bakery business of General Mills, a US food company.

The company has successfully expanded into several emerging markets through a strategy that combines introducing its existing brands in new markets and acquiring local brands. The company has made more than 20 acquisitions in the past ten years while trying to maintain lean operations. However, after struggling to boost operating margins, it completed an organisational restructuring at Bimbo Bakeries USA, leading to 600 job cuts in June 2018. With the Mexican peso still volatile against the US dollar, further restructuring cannot be ruled out.

**Grupo Bimbo SAB de CV**

( Ps bn)

Source: Grupo Bimbo.
Majid Al Futtaim: retail therapy

Formed in the early 1990s, UAE-based Majid Al Futtaim has risen sharply to become a major player in retail in the Middle East and North Africa. The company has reported significant revenue growth since 1995, and in the past few years it has anchored itself in its domestic market through strategic investments. At the same time, it has been expanding in neighbouring countries.

An exclusive licensing agreement with an older and more established French retailer, Carrefour, underpins the company’s international plans. Its takeover of complete ownership in Majid Al Futtaim Hypermarkets in 2013 was a landmark in its growth strategy (until then, the chain was run as a joint venture with Carrefour). The deal extended Majid Al Futtaim’s licence agreement with Carrefour for another 12 years and to an additional 19 countries. It has since expanded both its own retail stores as well as its network of Carrefour stores.

Majid Al Futtaim currently has a presence in 13 countries, including Saudi Arabia, Iraq and the UAE. Armed with an exclusive licence to operate Carrefour stores in 38 countries and a sturdy cash flow from its domestic activities, it has plenty of room to grow further. It has been spreading roots in neighbouring countries such as Kenya and Egypt, with plans to launch 100 Carrefour stores in the latter country. The retailer is banking on an improvement in the Egyptian economy to boost sales, but further growth could be stifled by geopolitical and economic risks in the Middle East, as well as the continued depreciation of local currencies against the US dollar.

Majid Al Futtaim

(Dh bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue; left scale</th>
<th>Net profit; right scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
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<td>2014</td>
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<td>2015</td>
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<td>2016</td>
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<tr>
<td>2017</td>
<td></td>
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</tbody>
</table>

Source: Majid Al Futtaim.
**Energy**

**ONGC: prospecting for the future**

Oil price improvements augur well for a company that produces over three-fifths of India’s crude oil. But with price volatility just an oil glut away, ONGC is banking on its acquisition at the start of 2018 of a majority stake in refining and petrochemicals giant Hindustan Petroleum to fuel revenue growth.

Moreover, with ONGC’s gas output rising—primarily in Brazil, Colombia and Russia—and set for a twofold increase by 2022, the company seems well placed to cater to India’s burgeoning demand. However, ONGC’s oil production has fallen for the past six fiscal years, as output has been declining at many ageing domestic blocks. The company needs to strike oil at more wells.

The state-run company drilled 503 wells in fiscal year 2017/18—the most in 27 years—but with only 12 discoveries, it appears to be digging all the wrong prospects. ONGC is aiming to double production by 2030, so it needs to strike oil soon, especially as it expects half of this output to come from its overseas operations, which have not been particularly productive of late. A listing of ONGC’s international business, which might be on the cards, would unlock substantial value for the company.

Oil consumption is expected to rise by around 5% annually in India, the third-largest oil-importing country in the world, over the next four years. Recent forays into Latin America and the Middle East—notably, into high-margin acreages in Colombia and the UAE—may bring ONGC enrichment, while filling up India’s tank.

**Oil and Natural Gas Corp Ltd: revenue**

(RS bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (RS bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/14</td>
<td>800</td>
</tr>
<tr>
<td>2014/15</td>
<td>800</td>
</tr>
<tr>
<td>2015/16</td>
<td>800</td>
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<tr>
<td>2016/17</td>
<td>900</td>
</tr>
<tr>
<td>2017/18</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Source: ONGC.
Rosatom: a nuclear power

Nuclear power may today lie in the shadow of solar power, but within the faltering nuclear industry, Russian state-owned Rosatom eclipses all other companies that design and export nuclear plants. Sales of nuclear reactors rake in more money than fossil-fuel plants, yet while Rosatom sets up six facilities in Russia and 35 overseas, most competitors, including France’s Orano and South Korea’s Korea Electric Power Corp (KEPCO), lag far behind.

Relatively cheap reactor designs and the backing of the Russian state, which provides financial assistance and helps indemnify Rosatom against risk, have lured suitors from across the world, seeking a good deal. Rosatom does not just build reactors: it also supplies, operates and maintains plants, attracting many developing countries that lack such proficiency. It plans to expand its overseas operations from making up 50% of sales currently to accounting for 67% of sales by 2030.

Rosatom will install reactors in the Middle East and Asia, notably by tying up with state-owned companies in China and India—countries that will account for most of the global nuclear capacity expansion in 2018-22. However, it may soon need to reassess its dependence on its ally across the border, China National Nuclear Corp (CNNC). Rosatom has so far partnered with CNNC to build nuclear plants, but as CNNC grows it could emerge as a significant competitor for the Russian company.

Rosatom State Atomic Energy Corp: revenue

(\(\text{Rb bn}\))

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>600</td>
<td>700</td>
<td>800</td>
<td>900</td>
</tr>
</tbody>
</table>

Source: Rosatom.
Financial Services

GTBank: bridging the gap

In a booming digital banking market in Sub-Saharan Africa, Guaranty Trust Bank (GTBank)—one of Nigeria’s top five lenders—is racing ahead by getting more customers to bank online. It has been reducing the communication gap with its customers since 2006, when it opened its first self-service contact centre, allowing customers to conduct 90% of their banking transactions from home.

In August 2018 GTBank started offering its banking services on WhatsApp, a social media app. The lender’s digital services extend beyond banking to online payments for services such as applying for passports. The bank also gets considerable revenue from upstream oil operations in Nigeria. With oil prices improving and local companies ramping up operations in areas such as the Niger Delta region, GTBank is expected to continue to play a crucial role in providing loans to energy companies.

Although GTBank is profitable, it is exposed to the risks posed by volatile oil prices and the weak Nigerian economy, which has led to high levels of bad loans for Nigerian banks. In the six months ended June 30th 2018 GTBank’s net interest income fell by 2%, to N161.9bn (US$4.5bn), owing to lower interest income on loans and advances and a fall in yield from fixed-income securities.

In traditional banking, GTBank has held its ground despite falling interest income and assets. It has done so by aggressively cutting costs and reducing its non-performing loan (NPL) portfolio. In the first half of 2018 the bank’s credit impairment charge fell by 72% year on year.

**Guaranty Trust Bank Plc (GTBank)**

(N bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Net profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>N200bn</td>
<td>N100bn</td>
</tr>
<tr>
<td>2014</td>
<td>N300bn</td>
<td>N200bn</td>
</tr>
<tr>
<td>2015</td>
<td>N400bn</td>
<td>N300bn</td>
</tr>
<tr>
<td>2016</td>
<td>N500bn</td>
<td>N400bn</td>
</tr>
<tr>
<td>2017</td>
<td>N600bn</td>
<td>N500bn</td>
</tr>
</tbody>
</table>

Source: GTBank.
CIMB: banking on the digital wave

Unlike some banks in countries that are part of the Association of South-East Asian Nations (ASEAN)—particularly those that are state-owned—Malaysia’s CIMB does not shy away from taking risks in areas such as digital banking. The lender has strengthened its capital market activities in the past year, besides positioning itself as a leading digital bank in South-east Asia.

With a digital presence in Vietnam, Cambodia, Singapore and Thailand, CIMB is poised to become a force to reckon with in terms of innovation. The numbers speak for themselves. In fiscal year 2017/18 the bank’s digital sales more than doubled in Malaysia, tripled in Indonesia and rose more than five times in Singapore. The bank recently inked a deal with a subsidiary of China-based Ant Financial to market its financial products in the Philippines.

However, the bank’s prospects at home are not so bright. Although CIMB has strengthened its stockbroking and investment banking divisions in order to benefit from high demand in Asia, a sharp increase in interest rates in Malaysia could push up its level of NPLs. To counter such a scenario, the bank has invested in a big-data platform that allows other companies to access the open source code available on the platform. CIMB’s digital push is particularly significant, as Chinese technology companies are increasingly looking to disrupt the banking industry in South-east Asia.

**CIMB Group Holdings Bhd**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating income (M$ bn)</th>
<th>Net profit (M$ bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>14.0</td>
<td>2.0</td>
</tr>
<tr>
<td>2014</td>
<td>12.0</td>
<td>2.0</td>
</tr>
<tr>
<td>2015</td>
<td>16.0</td>
<td>4.0</td>
</tr>
<tr>
<td>2016</td>
<td>12.0</td>
<td>4.0</td>
</tr>
<tr>
<td>2017</td>
<td>20.0</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Source: CIMB.
Kalbe Farma: taking a turn for the better

The Indonesian healthcare market is slowly recovering from a dip in healthcare spending, and with a 13% market share, Kalbe Farma is the leading company in the sector. With both trade and healthcare spending among ASEAN countries expected to increase, Kalbe Farma is well positioned to reap the benefits. The company has outlined a long-term strategy focusing on reducing imports of raw materials and developing specialty therapies that have fewer competitors.

Kalbe Farma is also eyeing the burgeoning biosimilar market amid a highly competitive generic-drugs market. (A biosimilar is a biopharmaceutical drug that has the same active properties as the original drug it has been licensed to copy.) It has already built its first production plant for biosimilars, set to be ready for commercial production by end-2018, and is also investing IDR1.5trn (US$100m) in expanding its production capacity.

The company’s expansion plans are not without risk. Although it has benefited from an increase in healthcare spending in Indonesia, the national health insurance programme (which covers nearly three-quarters of the population) still faces technical challenges. More than 20m prospective participants still lack a Population Identity Number, meaning that they have to fund their own healthcare costs, reducing the rate of growth in public spending.

Over the past five years Kalbe has ramped up its spending on research and development, indicating that it wants to continue growing its portfolio of drugs even as it moves into the nutrition and consumer goods space. Add to this a push towards offering consumer health products and into the e-commerce market through multiple websites, and the company is poised for exponential growth.

Kalbe Farma

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (IDR trn)</th>
<th>Net profit (IDR trn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>15.0</td>
<td>2.0</td>
</tr>
<tr>
<td>2014</td>
<td>16.0</td>
<td>2.5</td>
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<tr>
<td>2015</td>
<td>18.0</td>
<td>3.0</td>
</tr>
<tr>
<td>2016</td>
<td>20.0</td>
<td>3.5</td>
</tr>
<tr>
<td>2017</td>
<td>22.0</td>
<td>4.0</td>
</tr>
</tbody>
</table>

Source: Kalbe Farma.
Notre Dame Intermedica: a picture of good health

The Brazilian healthcare sector is thriving, and Notre Dame Intermedica, a healthcare provider, has been on an acquisition spree since 2017, increasing the count of hospitals under its management. It acquired four hospital groups in the country in 2017: Hospital e Maternidade Nova Vida, Hospital São Bernardo, SAMCI and Ibrage Saúde. It acquired two more in the first half of 2018: Samed Group and Mediplan Sorocaba Group. It has also merged many standalone hospitals into its network. In September 2018 it acquired Green Line Group, a network of ten emergency rooms, nine clinical centres and two major hospitals in São Paulo that generated R$1bn (US$245m) in 2017.

Notre Dame is also revamping its existing healthcare units and building new facilities. In a country with poor hospital bed distribution and largely privately run in-patient services, the company is making inroads into an industry that has tremendous scope for growth. Foreign investors are lining up for a piece of the company too, as evidenced by strong demand for its initial public offering (IPO) earlier in 2018. However, Brazil is still trying to address a dramatically low doctor-patient ratio, which could lead to staffing challenges for Notre Dame.

Meanwhile, with Bain Capital guaranteeing an influx of cash, Notre Dame has plenty of space to grow in Latin American healthcare markets, including in countries such as Peru and Chile, which are set to grow in the coming years. However, the company’s growth story is still at an early stage. It has not yet announced plans for expanding beyond Brazil and it is not clear when it will do so.

Notre Dame Intermedica Participações SA

<table>
<thead>
<tr>
<th>R$ m</th>
<th>Revenue; left scale</th>
<th>Net profit; right scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,000</td>
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<td>5,000</td>
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<td>4,000</td>
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<td>0</td>
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<tr>
<td>2015</td>
<td>3,000</td>
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<tr>
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<td>4,000</td>
<td>150</td>
</tr>
<tr>
<td>2017</td>
<td>6,000</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Notre Dame Intermedica.
Telecoms

Ooredoo: aiming for the top

Qatari company Ooredoo realised early on that its domestic growth opportunities were limited (Qatar’s population numbers just 2.6m). The telecoms operator, which is majority owned by the Qatari government, reported a customer base of 164m in 2017, only about 14% of which was made up of customers from the Middle East. Ooredoo’s reliance on subscribers outside the Middle East became even more significant in 2017, when Saudi Arabia and three other key Middle Eastern countries broke off trade ties with Qatar.

In 2007 the company, then known as Qtel, laid out plans to become one of the top 20 telecoms companies in the world by 2020. Since renaming itself Ooredoo in 2013 in order to unite its international operations under one brand, the company has expanded into Africa and Asia. The expansion has not been without challenges—Ooredoo has been hurt by political instability in many developing countries. In war-torn Iraq, it has been working to restore its network sites. Profitability is also under pressure from currency depreciation in these countries.

However, the company is determined to mitigate these challenges with a focus on fifth-generation long-term evolution (5G LTE) and internet services. In Indonesia, its largest international market, Ooredoo has been picking up additional spectrum to boost wireless coverage. In the first half of 2018 it noted a strong uptake of mobile data services in Oman, Kuwait, Tunisia and Myanmar.

Ooredoo is also looking to launch broadband internet in several markets. In July 2018 it borrowed US$200m to fund its expansion plans. The next two years are going to be crucial for the company if it is to achieve its ambitious aim of moving up the list of the world’s top telecoms companies.

Ooredoo’s mobile market share

<table>
<thead>
<tr>
<th>Country</th>
<th>Mobile Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qatar</td>
<td>60.0</td>
</tr>
<tr>
<td>Kuwait</td>
<td>40.0</td>
</tr>
<tr>
<td>Oman</td>
<td>30.0</td>
</tr>
<tr>
<td>Iraq</td>
<td>20.0</td>
</tr>
<tr>
<td>Palestine</td>
<td>10.0</td>
</tr>
<tr>
<td>Algeria</td>
<td>90.0</td>
</tr>
<tr>
<td>Tunisia</td>
<td>50.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>30.0</td>
</tr>
<tr>
<td>Myanmar</td>
<td>10.0</td>
</tr>
<tr>
<td>Maldives</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Ooredoo.
Algar Telecom: a dark horse

Algar Telecom, a Brazilian telecoms company, has only about 1.2m mobile subscribers in a country with over 37m mobile users. However, it made headlines in August 2018 when it tied up with American Tower, an infrastructure giant, to take over the broadband network of Cemig, a Brazilian utility company. Although Algar Telecom’s contribution to the deal was only R$78m (US$19m), the acquisition was noteworthy in Brazil’s otherwise stagnant telecoms industry.

The Brazilian telecoms market is dominated by the local units of international giants Telefónica, America Movil and Telecom Italia. Algar Telecom stands apart from other smaller operators (Oi filed for bankruptcy protection in 2016, and Nextel was put up for sale in mid-2018): it has a healthy balance sheet, with cash flow from operating activities up by 20% in the first half of 2018, and a rating of “brAAA” from Standard & Poor’s (S&P), indicating a stable credit outlook.
Algar has been consistently boosting its investment in network infrastructure. In January 2018 it scrapped IPO plans after Archy, an affiliate of GIC Special Investments, Singapore’s sovereign wealth fund, injected about R$360m in exchange for a 25% stake. The capital infusion came at an opportune time for Algar: Brazil plans to auction 5G licences in 2019.

Despite its obvious strengths, whether Algar will be able to rival the dominant three operators remains open to question. In addition, with Brazil’s cash-starved telecoms sector receiving more interest from international players, Algar may also find itself competing with a Chinese behemoth for market share.
Conclusion

All 12 of the companies profiled in this report are well positioned to benefit from the opportunities in non-OECD countries. They have the ambition, the business acumen and, increasingly, the financing to back their strategies. Yet they are far from being the only organisations aiming high. Although most of the world’s biggest companies still come from OECD countries, those from non-OECD nations are increasingly making the grade. Three of the top five companies in the world, as listed in the Fortune 500, are now from China.

Over the next five years, we expect more and more businesses to forge a strong presence in the six industry sectors examined here. These companies will have their work cut out for them. They will have to counter ongoing global trade disputes and a rise in protectionism. With the tightening of global monetary conditions, there will also be considerable economic and competitive risks involved in investing in some markets.

Through its new Competitor Intelligence service, The Economist Intelligence Unit will be tracking the activities of these companies. We will be examining their financial results, their new product launches, their marketing plans and the careers of their senior executives as they aim for the top.
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