

SEEKING ALPHA IN EMERGING MARKETS

A Round Table Event

SBS Business School – BBA3 2018

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Topics for Discussion

- ■ Countries and sectors to invest
- Financial aspects of the investment
- The impact of political stability on investment
- How to penetrate in emerging markets
- ■ Private or Public investments
- ■ Trends, including social, economic, technological, etc.
- Reasons to (or not to) invest in emerging markets
- Success and failure stories
- ■ What future opportunities to you see
- Which entry barriers to you encounter the most in your line of business

Investing in Emerging Markets

■ Where (and Why) ?

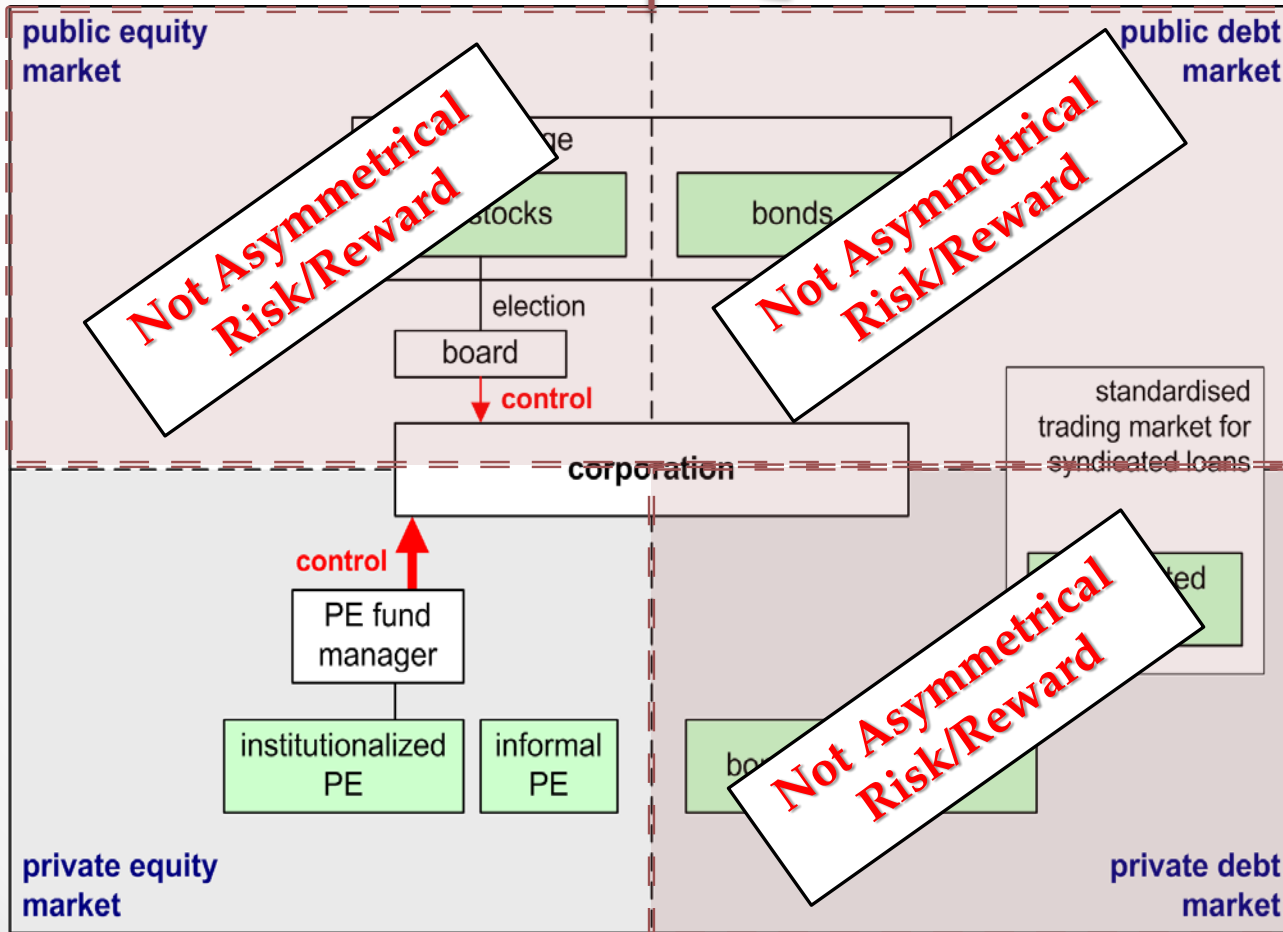
■ What (and Why) ?

■ How (and Why) ?

Emerging Markets – Where ?

Sources of Funding for Companies

- Easy to Access
- Highly Arbitrated
- “Securitized” (standardized / low risk)
- Heavily regulated
- Most common “Emerging Markets strategies”

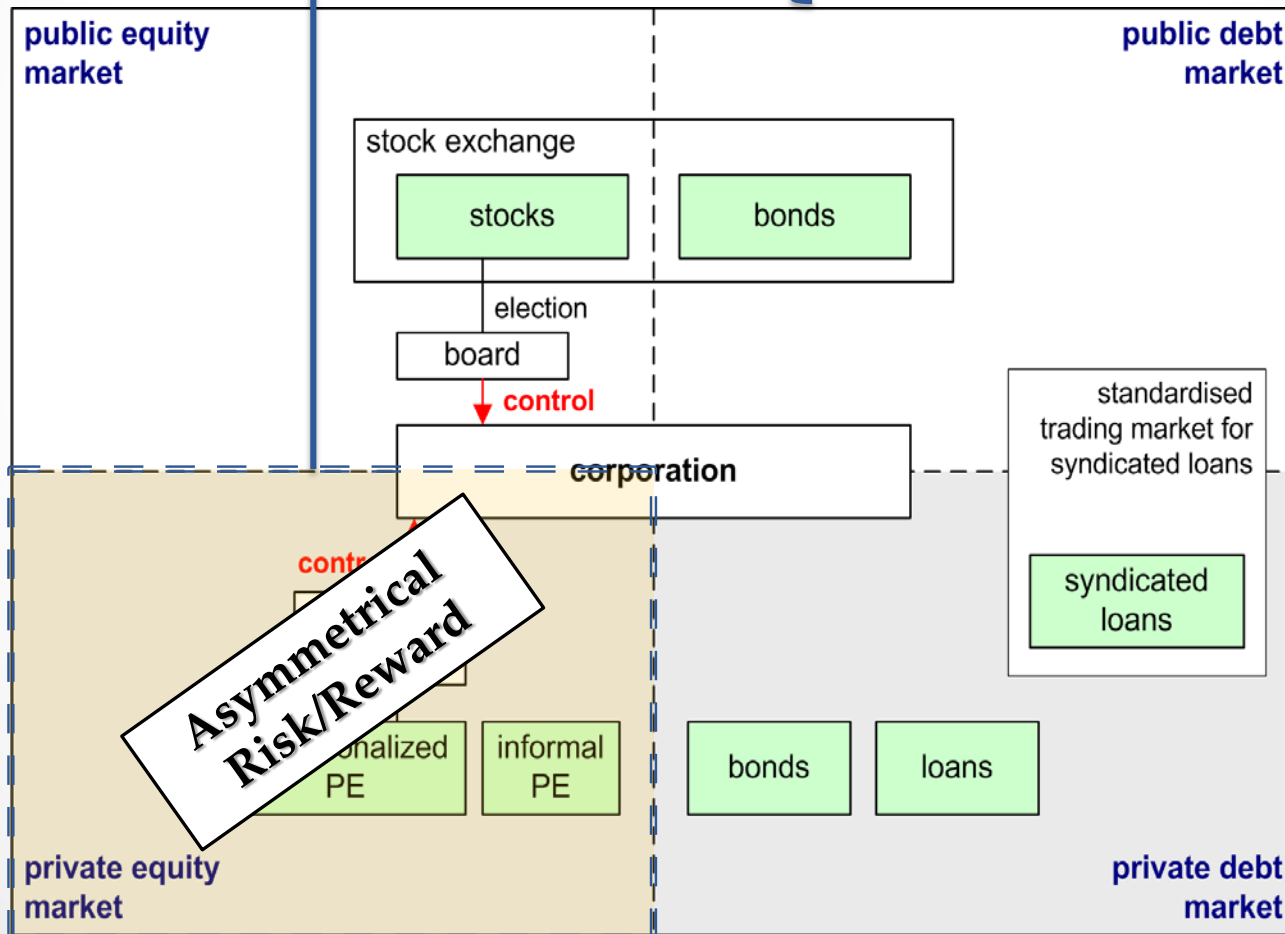


- Banking Market
- Do not capture growth
- Highly competitive

Emerging Markets – Where ?

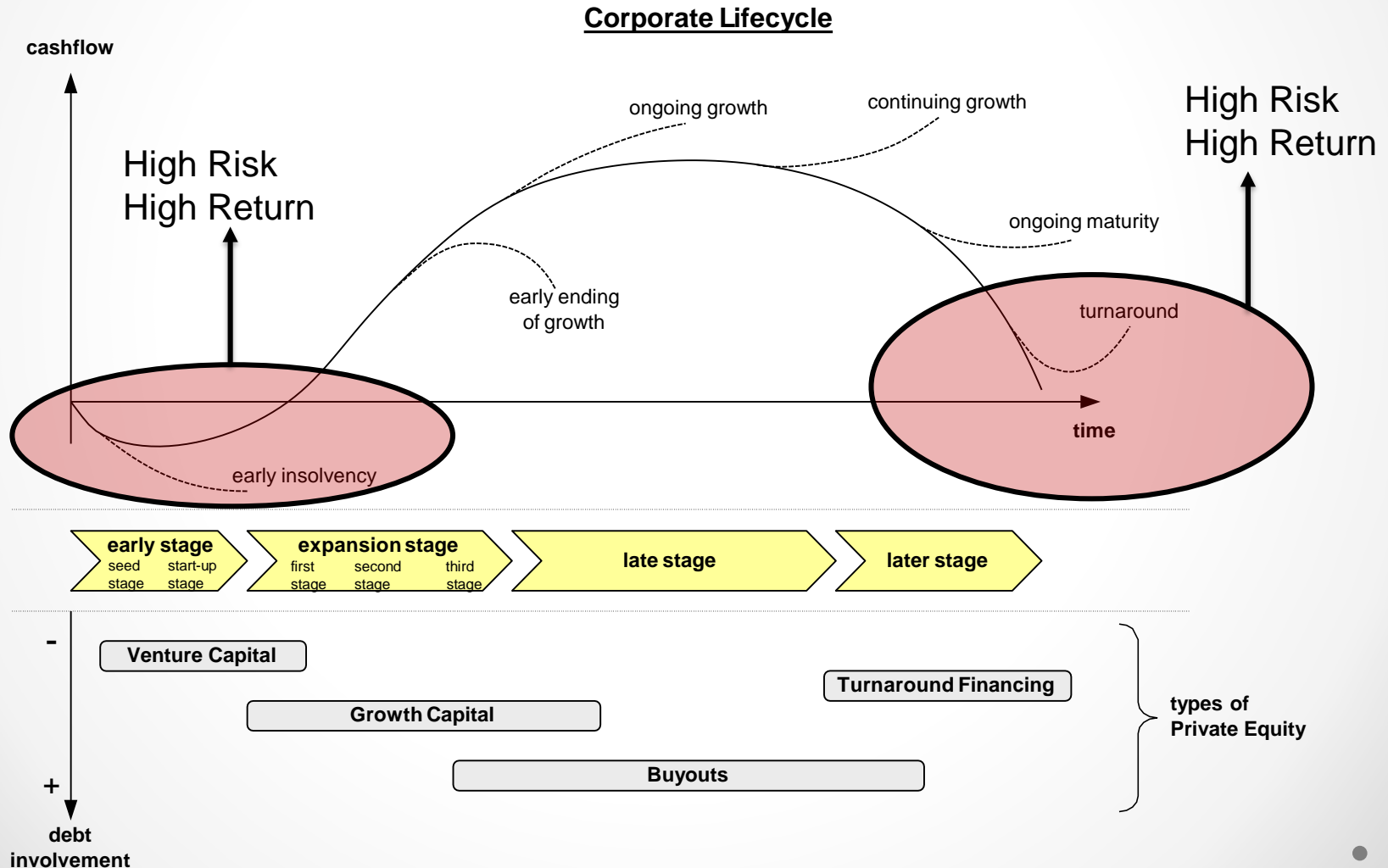
Sources of Funding for Companies

- Relationship driven (origination)
- Off market opportunities
- Investment cases are not standardized
- Need technological update / funding
- Know the market needs



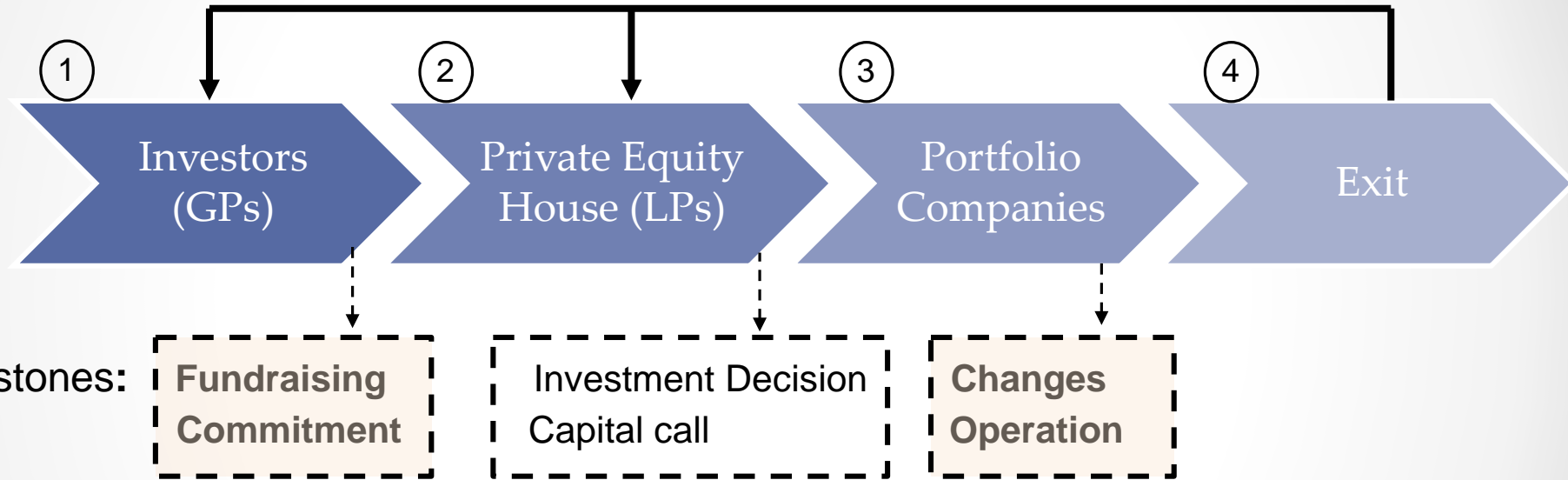
Emerging Markets – Where ?

Stages of Private Equity Funding

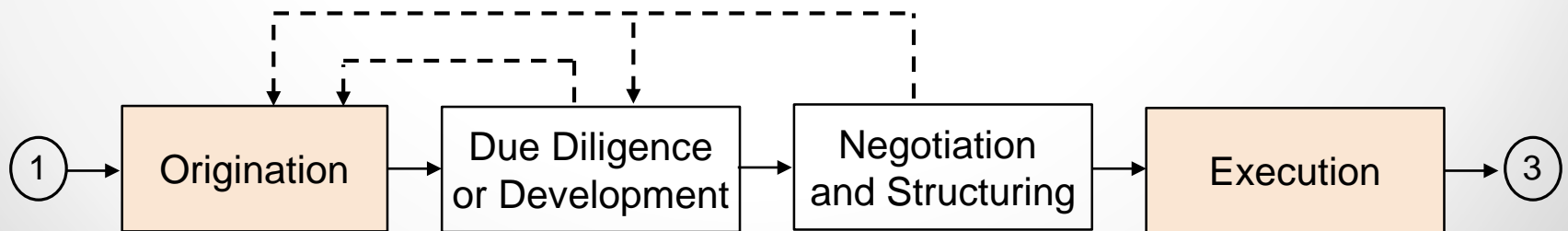


Emerging Markets – Where ?

Investment Lifecycle



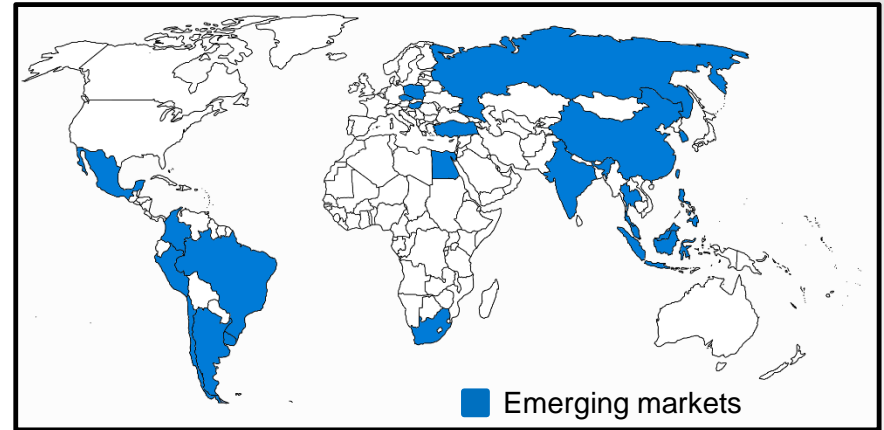
PE Value Chain (2)



Emerging Markets – Where and What ?

Geography ? Sectors ?

Does not matter !!!!

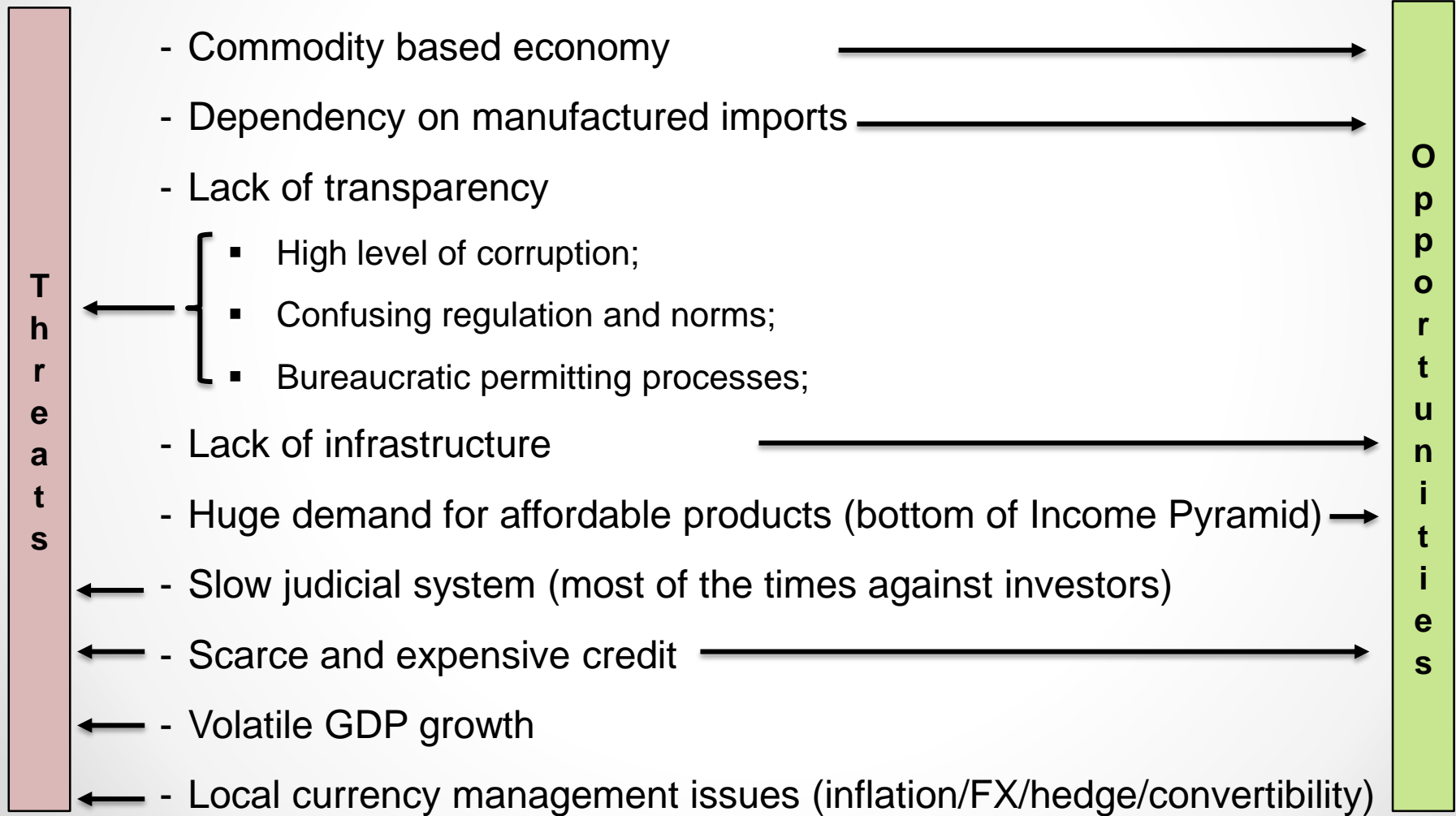


- Source your funds in a way to capture an asymmetry between **reward** and risks.
- Fund a company in a stage where you can minimize the risks through profound knowledge of the business and capture the maximum reward.
- Find and hire (or partner with) the following professional(s)
 - PE Fundraiser for Emerging Markets (seller – strong worldwide investor’s network)
 - **Local** developer / originator (buyer – strong local sector based network)
 - Executor / Project Implementation (project manager with its **local team**)
 - Portfolio Company Operation Manager (turn-around / operation expert with its team)

Emerging Markets – What ?



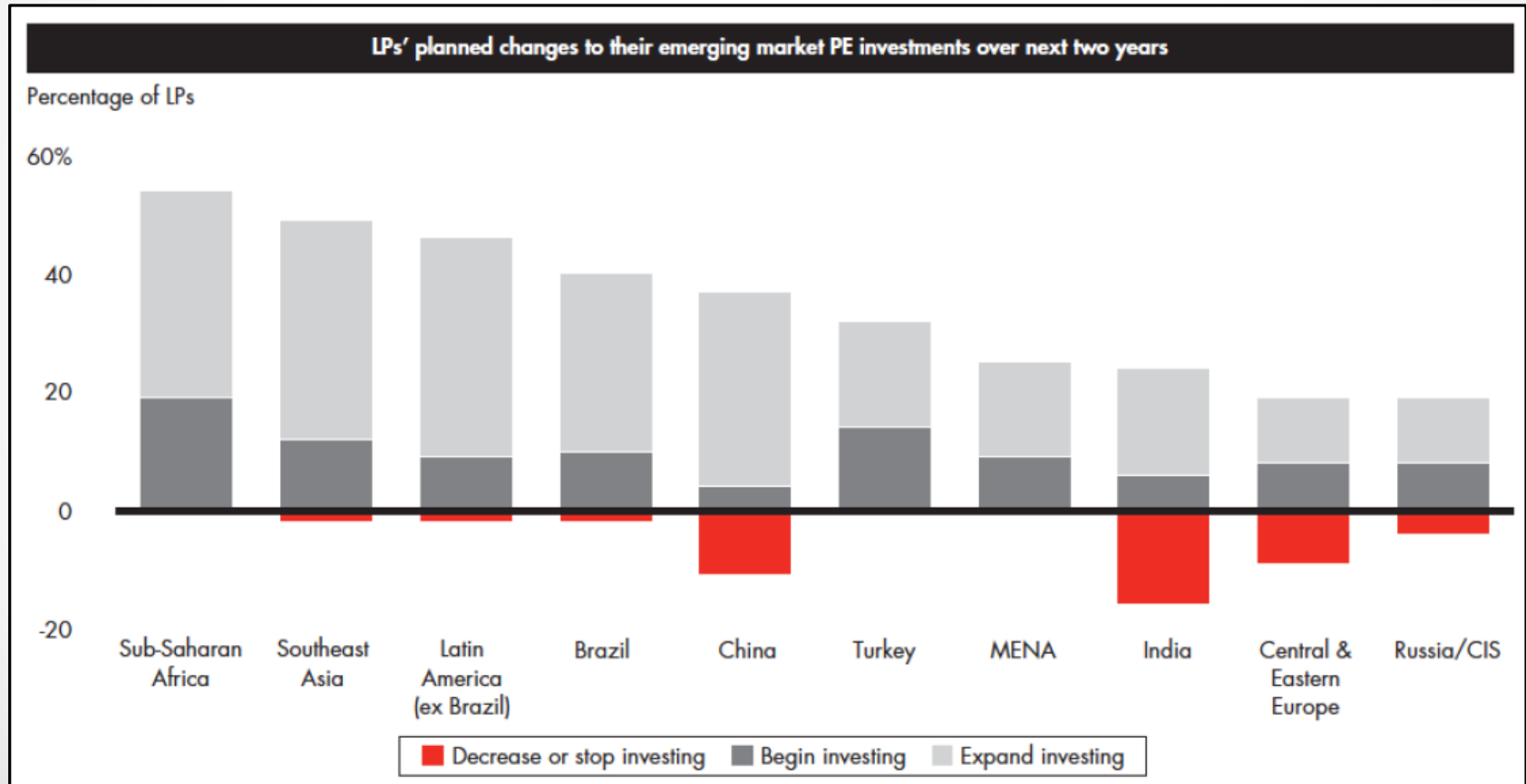
Common Characteristics of Emerging Markets



Emerging Markets – What ?



Emerging Market PE – Regional Allocation



Emerging Markets – How ?



How to penetrate in Emerging Markets ?

- **Must be local** (local development / local implementation / local operation)
 - Partner with a local developer
 - Acquire a local developer
 - Hire a local team
- Deal with local regulations and bureaucracy properly

To keep in mind

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flexibility = competitive advantage

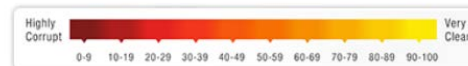
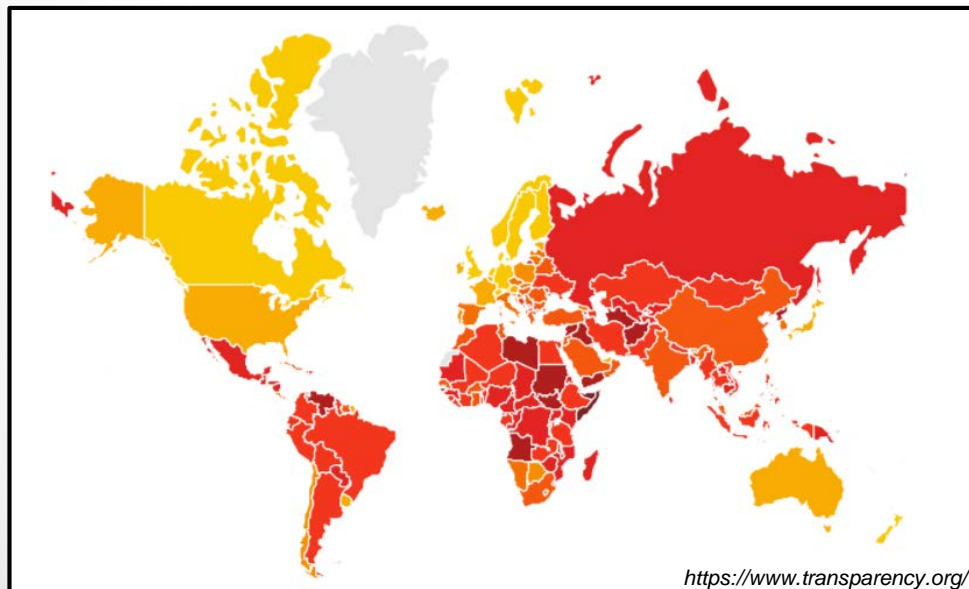


Table 2: Time required to enforce a contract (in days)

Country	2006	2012	2016
Frontier Markets			
Algeria	630	630	630
Angola	1011	1296	1296
Botswana	987	625	625
Cameroon	800	800	800
Guinea-Bissau	880	1096	1071
Kenya	465	465	465
Nigeria	457	457	510
Madagascar	871	871	871
Mozambique	1010	950	950
BRICS			
Brazil	731	731	731
Russian Federation	281	270	337
India	1420	1420	1420
China	406	406	453
South Africa	600	600	600
Developed Economies			
United States	300	370	420
United Kingdom	404	437	437
Australia	395	395	395
Singapore	120	164	164
Japan	360	360	360

World Bank (2017)