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CONTENTS

JUNE 1, 2018

FEATURES

The Annual Fortune 500

The definitive benchmark of America's biggest companies.

PAGE NO.

23

Facebook's Fix-It Team

By MICHAL LEV-RAM

To purge bad posts, the social network is hiring thousands of moderators and deploying leading-edge A.I. It's also collecting even more data about its users.

PAGE NO.

36

The Long Game

By CLIFTON LEAF

Every Fortune 500 CEO knows he or she should be managing for the long term. Why do so many of them get stuck on the next quarter?

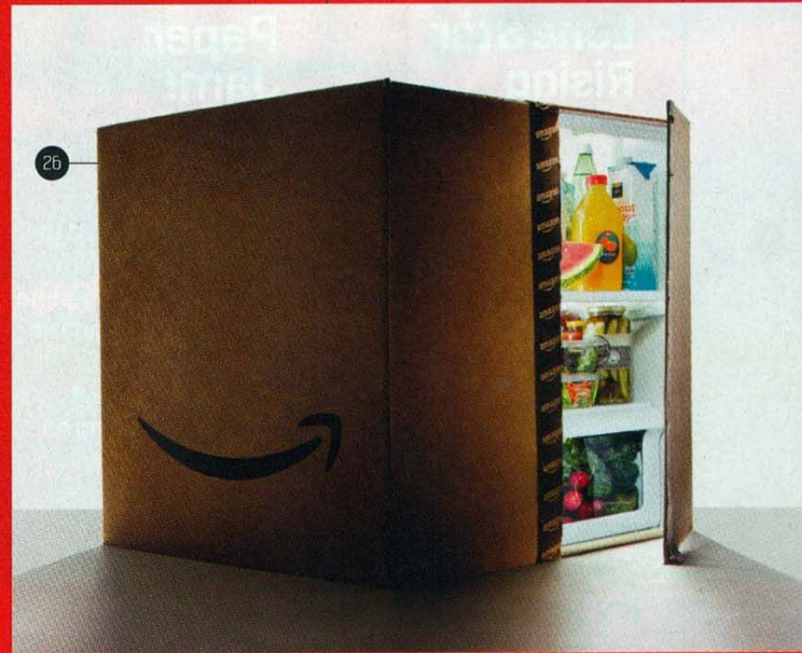
24

Amazon Gets Fresh

By BETH KOWITT

What does the e-commerce titan want from its purchase of Whole Foods? Not much—just total retail domination.

26



▲ ON THE COVER:
ILLUSTRATION BY
MUOKKAA

500

VOLUME 177 // NUMBER 6



FEATURES

What the Hell Happened?

By GEOFF COLVIN

Few corporate meltdowns have been as dramatic as General Electric's. The question is whether this great company can come back.

PAGE NO.

44

Lone Star Rising

By JEFFREY BALL

In a dusty swath of West Texas known as the Permian Basin, a historic oil boom is pushing U.S. oil production to record levels and bringing sudden wealth to locals—along with some thorny challenges.

PAGE NO.

62

How JPMorgan Learned to Love the Blockchain

By ROBERT HACKETT

To take advantage of finance's buzziest innovations, America's biggest bank had to figure out how to collaborate with hacker types. The cultural collision could pay off.

54

Paper Jam!

By SHAWN TULLY

Xerox had planned to sell itself to Fujifilm—until activist Carl Icahn and a Texas billionaire blocked the deal. Inside the craziest showdown raging on Wall Street today.

74



Unlikely banker Amber Baldet.



54

THE LISTS

- F-1 The 500 Largest U.S. Corporations
- F-23 Arrivals and Departures
- F-24 Explanations and Notes
- F-25 Company Performance
- F-29 The 500 Ranked Within Industries
- F-38 Index

PAGE NO.

87



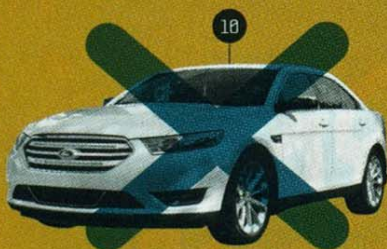
DEPARTMENTS

BRIEFING

7 ▶ Solving a Wireless Merger Mystery

T-Mobile and Sprint have been trying to fit together since 2014, but regulators haven't been convinced. Could 5G be the key piece of the puzzle?

By AARON PRESSMAN

**10 ▶ Ford's Car Escape**

The humble sedan will soon be an afterthought to the company that built the American car industry.

By KIRSTEN KOROSEK

12 ▶ Barbie's Diversity Dance

Despite a few slip-ups, Mattel should double down on more-inclusive Barbies.

By LISA MARIE SEGARRA

13 ▶ Vacation, 67-Style

A Quebecois guide to foreign policy, piste, and poutine.

By PHIL WAHBA

14 ▶ America's Scooter Showdown

They've descended on U.S. cities overnight, but are our streets ready?

By ARIC JENKINS

12



15



FOCUS

TECH

15 ▶ Man in the Middle

Meet Ro Khanna, a little-known congressman who represents some of the biggest names in Silicon Valley. By RICHARD MORGAN

VENTURE

18 ▶ The Last Gasp of the Boys' Club

A dozen *Fortune* 500 boards still lack a single female director. What will it take to bring the holdouts into the age of equality?

By CLAIRE ZILLMAN

PASSIONS

20 ▶ Beauty Sleep

In a nonstop world, bed might be the ultimate luxury.

By LINDSEY TRAMUTA

BACK PAGE

LAST BYTE

128 ▶ The Fortune 500: Then and Now

A graphic look through the ages.

Text by BRIAN O'KEEFE;

graphics by NICOLAS RAPP

CORRECTION

The World's Greatest Leaders list [May 1] erroneously identified the Bill & Melinda Gates Foundation as a financial partner in Aspect Ventures; it should have said that Melinda Gates is a partner.

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THE
WORLD IN

7

PAGES

BRIEFING

PAGE
1

Solving a Wireless Merger Mystery

T-Mobile and Sprint have been trying to make it fit together since 2014, but regulators haven't been convinced. Could 5G be the key piece of the puzzle?

By Aaron Pressman

TRADE

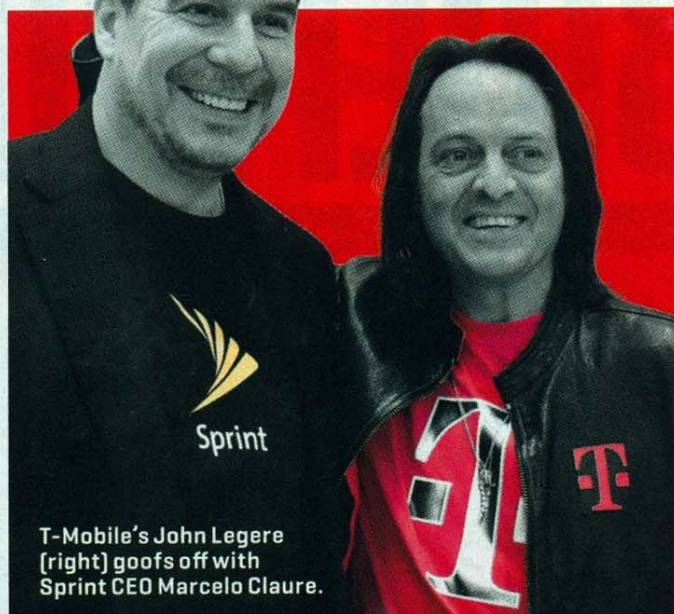
EVEN AFTER MERGER TALKS between T-Mobile and Sprint broke down last November, T-Mobile CEO John Legere never gave up hope. Combining his third-ranked wireless carrier with fourth-ranked Sprint could potentially unleash cost savings worth tens of billions of dollars and create a company with the heft to truly take on market leaders AT&T and Verizon, Legere believed.

But it wasn't until a few months later that a leaked White House document about the >>

▷▷ next generation of wireless networks known as 5G gave Legere a new opening to restart deal talks. The product of a National Security Council staffer's worries that China would surpass the U.S. in developing 5G technologies, the paper proposed creating a government-built network dubbed "The Eisenhower National Highway System for the Information Age."

Legere had no interest in a nationalized 5G network, but the alarmist rhetoric on the issue could come in handy, he realized. Antitrust regulators had long opposed reducing the number of major wireless carriers from four down to three. But Sprint and T-Mobile combined would have greater resources to build a 5G system more quickly than either could separately. The argument helped Legere persuade his corporate parent, Deutsche Telekom, and Masayoshi Son—chairman of Sprint's majority owner, SoftBank—to finally strike a merger deal.

"The awareness by the United States of its trailing countries like China and the possibilities of what we could do together ... that became kind of the pushing point for this last emphatic push," Legere told *Fortune* after announcing the \$26.5 billion deal, which would



T-Mobile's John Legere (right) goofs off with Sprint CEO Marcelo Claure.

see him remain CEO of the combined company.

Still, some aren't convinced. "No matter how you cut it, 5G is not a legitimate justification for this merger," NYU economics professor and telecom expert Nicholas Economides says. New 5G networks are years away, he says, arguing the real justification for the deal is higher prices.

The 5G argument had better be persuasive, because antitrust experts don't think much has changed in the wireless market since the Obama administration killed Sprint and T-Mobile's first effort to combine in 2014, as well as AT&T's 2011 move to buy T-Mobile. Though the carriers say they will compete even more fiercely if combined—and promise not to raise prices—economists say the incentives shift to-

ward a more cooperative dynamic when a market shrinks from four major players to three.

"We've heard all this before," says Maurice Stucke, who tried cases for the Justice Department's antitrust division and then helped defend Microsoft when it was sued back in the 1990s. "There's nothing to suggest the division got it wrong the last two times."

When President Trump came into office with a pro-business agenda, many inferred a lighter touch on merger reviews. But at least so far, Trump's antitrust regulators have been active: suing to block AT&T and Time Warner from merging, stopping DraftKings and FanDuel from combining, and even moving to protect competition in the market for prosthetic knees by stopping Otto Bock Healthcare from

acquiring rival Freedom Innovations.

"It's always risky to bet that the antitrust division will view merger law differently due to a change in faces," says David Turetsky, former deputy assistant attorney general for antitrust. Trump's top antitrust lawyer, Makan Delrahim, "seems like a serious and experienced enforcer," he adds.

T-Mobile and Sprint have tried to combat that narrative by pointing to a few new entrants, particularly the services from cable-TV giants Comcast and Charter Communications. But in addition to the tiny market share the cable companies currently have, they are also both leasing wireless service from Verizon, not building their own networks, limiting their ability to cut prices or otherwise undercut their spectrum landlord.

That means it's all likely to come down to 5G. Qualcomm successfully persuaded the White House to block Broadcom's unwanted acquisition attempt, saying the deal would slow its 5G push. T-Mobile's Legere sees a similar argument helping him win approval: "We know all of the ways they're going to view these questions, and the answers are all in the best interests of all parties involved."

THE CEOs of Fortune 500 companies are an optimistic bunch this year, with the majority seeing a stronger economy and increased employment, topped off by reduced tax bills. Almost three-quarters believe the U.S. is the still best place in the world to invest money. And most don't see a recession hitting in the next two years. What worries them? A possible trade war with China and increased regulation (although most favor tougher regulation for Facebook). —ALAN MURRAY

2018 CEO SURVEY RESULTS

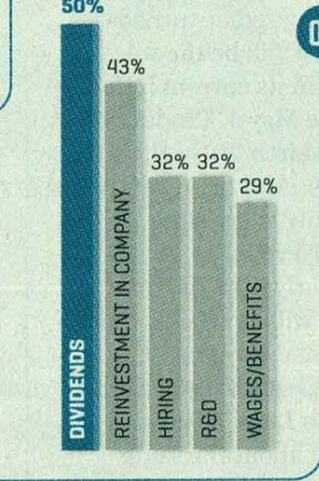
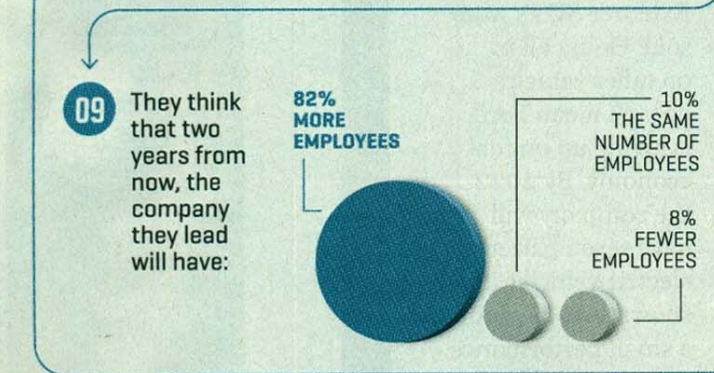
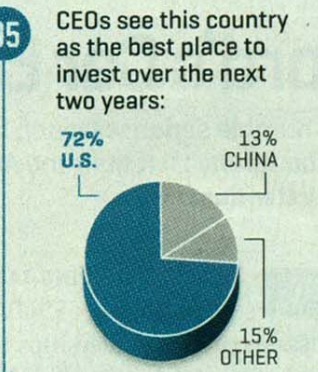
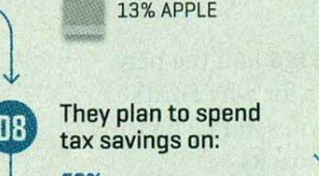
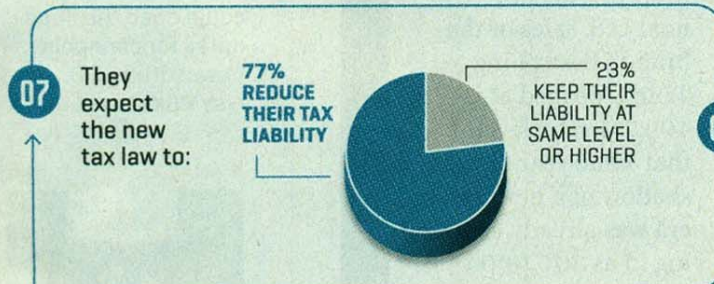
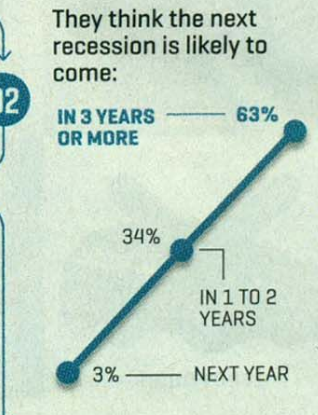
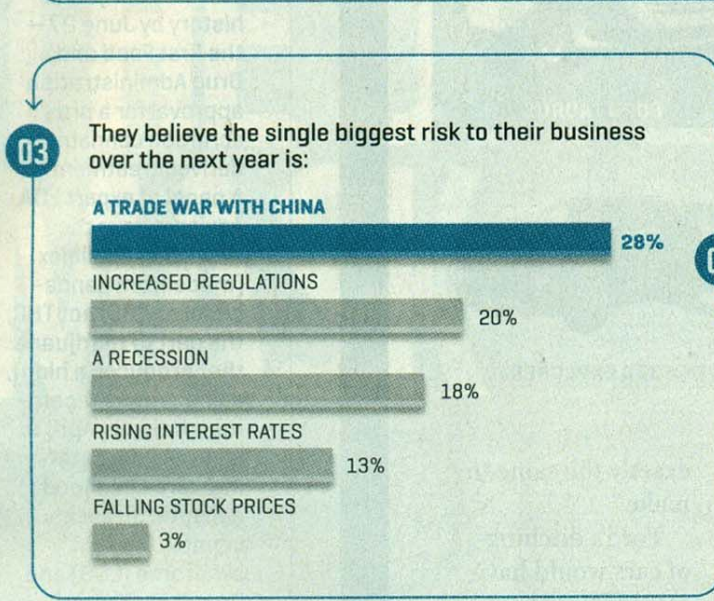


ILLUSTRATION: JAMES HAMILTON FOR FORTUNE



Ford's Car Escape

The humble sedan will soon be an afterthought to the company that built the American car industry.

By Kirsten Korosec

AUTO **BLAME CHANGING TASTES** and the perceived safety of SUVs for why Ford's thousands of U.S. dealerships will soon be nearly devoid of new sedans and hatchbacks.

The Mustang and an upcoming sedan-turned-crossover called the Focus Active will be the sole survivors. The last Ford Focus, in its current iteration, rolled off the assembly line May 4. Production of the Ford Taurus will end in March 2019; the Fiesta will be gone by May 2019. And the recently refreshed Fusion will remain only a few more years, Ford's U.S. sales chief Mark LaNeve said.

The upshot: In two years, nearly 90% of Ford vehicles sold in North America will be trucks, sport utilities, or commercial vehicles.

"I really don't see a downside," says former Ford, GM, and Chrysler executive Bob Lutz. "[Sedans] can be replaced by crossovers of about the same size, and they'll sell a lot better. The public will pay \$2,000 to \$3,000 more, even though they cost

exactly the same to make."

Ford's ditching of cars would have seemed implausible in 1992 when annual U.S. sales of the brand's bestselling Taurus peaked at 409,751 vehicles. But that same year, the shadow of a new SUV era was already creeping in as 300,000 Explorer SUVs were sold. Going all in on taller vehicles doesn't mean Ford is giving up on fuel economy. By 2022 the company will have seven battery-electric vehicles in showrooms, including a small performance SUV inspired by the Mustang.

PHARMA

NEARING A HISTORIC HIGH POINT FOR A CANNABIS-BASED DRUG

BARRING AN unexpected setback, GW Pharmaceuticals is headed for a milestone in marijuana history by June 27—the first Food and Drug Administration approval for a prescription cannabis-derived treatment. A panel of expert FDA advisers gave the medicine, Epidiolex [made from cannabidiol or CBD, not THC, the part of marijuana that produces a high], a unanimous recommendation in April to treat the devastating, rare childhood epileptic diseases Lennox-Gastaut syndrome [LGS] and Dravet syndrome. An FDA approval could open the floodgates for cannabis-based drug R&D.

—SY MUKHERJEE

