



## Investing In Technology in The Arab World

Expert Group Meeting on Harnessing Technology for Enhanced  
Small and Medium-sized Enterprises Productivity and Competitiveness

Cairo, Egypt, 3-4 November 2007

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### Ugly Picture

- One in five Arabs lives on less than \$2 per day.
- GDP of Spain is larger than GDP of all Arab countries.
- Arab residents of the Middle East, who comprise 5 percent of the world population, account for two percent of global goods and services.
- At about 20 per cent, average, unemployment across Arab countries is among the highest rates in the developing world.
- Best and brightest university-educated people emigrate to Western Europe and the United States.
- More than 50 percent of Arab students abroad don't return home after their studies and some 54 percent of doctors and 26 percent of engineers leave the Middle East permanently.



## Beautiful Picture

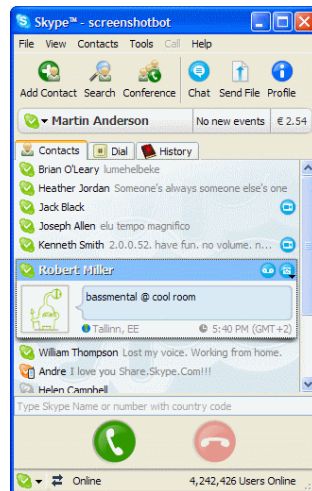


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- **Founders:**
  - Niklas Zennström, 39, and Janus Friis, 29
  - Company based in Luxembourg
- **Investment:**
  - Received funding from Draper Fisher Jurvetson, Index Ventures, Bessemer Venture Partners and Mangrove Capital Partners
- **How created:**
  - Established in 2003, the founders hoped it will do for phone calls what Kazaa did for file sharing.
- **Current Status:**
  - Over 100 million users.
- **Current Value:**
  - company was acquired for \$2.6 billion (ebay)
  - Draper Investments has 1000X (1000 multiples ) on their investment

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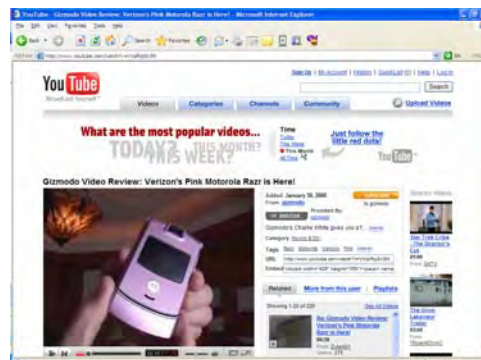
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- **Founders:**
  - Chad Hurley, 29, and Steve Chen, 27
- **Investment:**
  - 11.5 million in funding from Sequoia (30%)
- **How created:**
  - Established on 2005, Hurley and Chen started building their company the same night last year they came up with the idea -- when they realized how hard it was to share videos they took at a social event.
- **Current Status:**
  - Internet users view 70 million videos on the site daily.
- **Current Value:**
  - company was acquired for \$1.65 billion (Google)
  - Sequoia VC share is \$500M in less than two years (43X)



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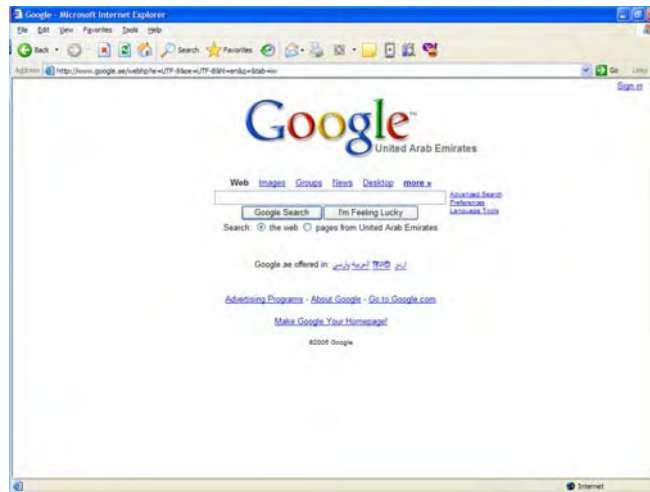
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- **Founders:**
  - Brin, 31, and Page, 32
- **Investment:**
  - In 1998, \$1 million from friends.
  - In 1999, \$25 million from Sequoia Capital and Kleiner Perkins
- **How created:**
  - Launched Google in September 1998 in a friend's garage in Menlo Park, Calif
- **Current Status:**
  - Over 200 million searches daily.
- **Current Value:**
  - Market value of \$148 billion



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- **Founders:**
  - Sabeer Bhatia and Jack Smith, 27
- **Investment:**
  - \$0.3 million in funding from Draper Fisher Jurvetson
- **How created:**
  - Sabeer and Jack had wanted to start a company. They wanted to e-mail each other notes, but were afraid that their bosses might see them. They had personal America Online accounts, but these couldn't be accessed through the office network. Jack Smith had been frustrated all day by this problem. Then it occurred to him: Free e-mail accounts that can be accessed anonymously, over the Web. It was an idea that had been lurking under the nose of every budding entrepreneur in the world.
- **Current Status:**
  - In one year, had 10 million users.
  - Now, 260 million Hotmail users in the world .
- **Current Value:**
  - In 1997, company was acquired for \$400 million (Microsoft)



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What we believe helped them to succeed (YouTube, Google, Hotmail)

- A great idea with global market potential and excellent technical skills



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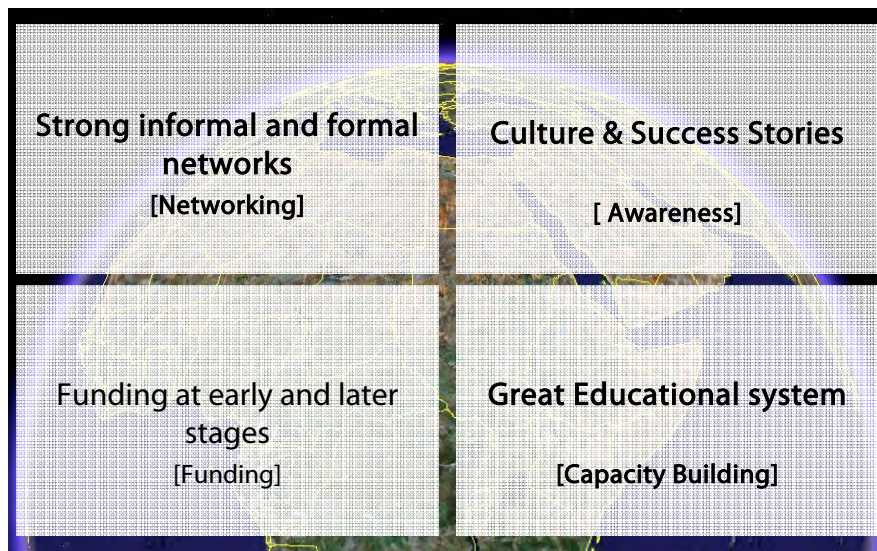


## Ecosystem

- Also, they succeeded because they started in a supportive environment (Silicon Valley)
  - Had access to huge pool of resources & expertise [Networking]
  - Had experienced people to mentor and teach them how to do things [Capacity Building]
  - Managed to get funding at early and later stages [Funding]
  - And Most Important....They have seen other succeed and learned from them [The Culture]
- One Word : Ecosystem that supports Innovation

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### ASTF Investing In Technology Initiative (ITI)





## Do we have similar success cases

- Few cases ... not that many
- Why: Many reasons:
  - The culture
  - The funding
  - The expertise
  - No R&D
  - Not many Successes

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- **Players (1980s)**
  - DHL
  - FedEx
  - Airborne Express
- **Aramex Established in 1982**
- Part of **Airborne Alliance** - Supported Airborne system globally
- Airborne bought by DHL in 2003/ Airborne & Alliance system to stopped by 2004
- **Aramex becomes global in 2003**
  - Global distribution Alliance
  - Much better technology
  - Cheaper to install and maintain
  - All managed and run from Amman

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### Technology & SMEs

- For the previous companies: Technology can help you
  - Scale up
  - Reach more customers
  - Build an empire
- You should not be a pure technology company to develop and use technology.
  - **Google & Hotmail** : Advertising
  - **Aramex**: Logistics
  - **Youtube** : Social Networking

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ASTF Investing In Technology Program



## Investing In Technology Program

- ASTF main objective of this track is to help to *increase number of Arab technology startups with worldwide market potential and global competitive advantage*
- Investing In Technology track falls in line with ASTF efforts to bridge the gap between those who generate technology, and those who generate businesses and investments.

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## ASTF Investing In Technology Program Sample Activities



### Investing in Technology Forum

- The **Investing in Technology Forum** is an international Forum focusing on stimulating more investment in emerging technologies in the Arab World.
- The forum is organized by **Arab Science and Technology Foundation (ASTF)** in cooperation with **Islamic Development Bank (IDB)** and **Abdul Latif Jameel Co (ALJ)**.

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### The Concept

- The forum is designed to:
  - Discuss the factors for fostering an ***Arab Venture Capital Industry*** that is actively engaged in economic and technology development in the Arab region.
  - Establish an informal network between ***technology leaders, corporations, investors, venture capital funds, and other financial institutions*** to stimulate further investment in new technologies.
  - Present a sample of Arab technology startups with ***worldwide market potential and global competitive advantage***

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## 1st Forum

- *"Success Stories and Promising Opportunities"*
  - Under The Patronage of The Prime Minister of Lebanon, Mr. Rafiq Hariri, 27-28 April 2004, Beirut, Lebanon.



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## 2nd Forum

- *"Innovating Locally, Competing Globally"*
  - Under The Patronage of HRH Prince Abdul Majeed Ben Abdul Aziz, Governor of Makkah Al Mukarramah Region, 18th – 20th December 2004, Jeddah, Saudi Arabia.



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### 3rd Forum

- *"More Opportunities, More Investments"*
  - Under The Patronage of His Highness Sheikh Salman bin Hamad Al-Khalifa, Crown Prince and Chairman of the Economic Development Board, 27-28 September 2005, Manama , Kingdom of Bahrain.



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### 4th Forum

- *"Developing an Arab Venture Capital Industry"*
  - Under The Patronage of His Highness Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al Sabah, 10th-11th April 2006, Kuwait.



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### Arab Technology Business Plan Competition

- An investment oriented competition, in which, the best technology business plan will receive at least \$50,000 seed investment from Arab Technology Ventures Seed Capital Fund. Second and third places will be eligible for investment from Arab Technology Ventures Seed Capital Fund.



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### THE EVALUATION PROCESS FOR INVESTING IN TECHNOLOGY COMPANIES WORKSHOP

- A high quality seminar for angel investors, venture capitalists, corporate venturing officers, entrepreneurs and others interested in learning how to evaluate and conduct a rigorous due diligence of technology companies for investment purposes. The workshop focused on the evaluation process experienced Silicon Valley venture capitalists utilize to evaluate technology companies, and examined the five major areas of due diligence.



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#### TECHNOLOGY COMPANY VALUATION WORKSHOP

- A high quality seminar for Investors in technology companies and Technology entrepreneurs and others interested in understating of the concept of valuation within the context of technology companies financing, and various tools and methodologies for valuating technology companies including their pros and cons and limitations.

