



Alumnus Entrepreneur Profile:

Tariq Fancy MBA'08D*Founder of Rumie Initiative, investor, turnaround expert*www.rumie.org

Tariq Fancy was born and raised in Canada – the first and only from his family, who emigrated from Kenya just before he was born. He received a scholarship to study international relations and economics in the US at Brown University. This included a year studying Philosophy, Politics and Economics (PPE) at Pembroke College in Oxford, the UK. It was during this time that Tariq considered following an academic career or working in development for an organisation such as the World Bank. However, circumstances led Tariq to land a job on graduation at Credit Suisse First Boston (CSFB) where he joined a team of six incoming analysts in the firm's technology investment banking group in Palo Alto (led by Frank Quattrone)¹. Tariq explains:

“This was 2000, the height of the technology boom, and I received an offer from the top tech banking group of the time, who had led the IPOs of Amazon, Cisco, and Netscape (and would eventually lead that of Google). By 2001, when I graduated and actually started work, the bubble had burst and the sector was turning sour. As a result, I saw less of the party and more of the hangover. It was an extraordinary learning experience, as fundamentally good companies that deserved to exist were finally separated from ones whose inadequate business models had been hidden by the market euphoria.”

In 2003, Tariq was hired by a client of CSFB: Mark H. Rachesky, founder of MHR Fund Management LLC, an investment firm that managed over \$1 billion in assets at the time.

“Mark had previously served as billionaire corporate raider Carl Icahn's chief investment officer and number two. While we were more under-the-radar than Carl, who liked to appear on CNBC and fight public battles against corporate CEOs, we shared an aggressive and creative outlook in which we'd pursue investment opportunities that traditional investment firms would shy away from.

Our model was to raise money in anticipation of distressed market opportunities. When a market bubble starts to form, it's only a matter of time before it bursts, leaving good companies undervalued too. We had 10-year, long-term, private equity style funds invested with more of a flexible hedge fund strategy: buying distressed debt far below par value

¹ Frank Quattrone is an American technology-focused investment banker who started technology sector franchises at Morgan Stanley, Deutsche Bank, and Credit Suisse First Boston.

in anticipation of prices recovering, or more likely, reorganization and restructuring of the company altogether. In 2003 we raised \$850 million for the fund. By 2007, the investments we made were so successful that we were able to raise a new \$3.56 billion fund, bringing assets under management to roughly \$6 billion in total.

I focused on tech, telecoms and the media space. What I noticed working with failed technology businesses was that tech utopians correctly predicted the next 'big thing' with a high degree of accuracy, but they almost always messed up the timing; expecting faster uptake than would actually occur. They either assumed that everyone was an early adopter like themselves or they viewed the technology component as the sole key to success rather than just one necessary ingredient – ignoring the importance of business and economic factors in driving adoption. In reality, for many new hardware categories I noticed that it usually took about three to five years for scale and an ecosystem to converge, producing something both attractive and affordable for a broad segment of consumers.”

Tariq's investments at the firm did extremely well (ultimately aggregating over \$1 billion in profit), and he became the firm's youngest partner in 2006. Tariq continued working at MHR but in 2007 began contemplating a shift back toward his original passion: international development work. When looking into academic and business masters programs, he met an INSEAD alumnus through one of his transactions.

“I was impressed with how sharp he was. When I investigated INSEAD further I liked the idea of a one-year programme – particularly one that would give me an opportunity to study in both Europe and Asia.

During the year at INSEAD I worked on various independent studies. One of them related to distressed investments in Dubai, which had seen an unsustainable real estate market bubble build up by 2008 that I was sure would soon burst. I had the idea of raising a private equity fund structured in such a way that most of the 'carried interest' (e.g., the manager's 20% profit share on successful investments) would automatically fund charitable development causes, such as girls' education – something very important to me.

However, after some work, I realized that Dubai lacked one of the critical prerequisites to successfully executing a distressed debt strategy: a clear legal system where one can confidently understand their rights as a creditor. In the US, you can be confident that an independent judicial system will protect your documented rights as a creditor and respect the idea of 'absolute priority' wherein creditors rank above shareholders. In Dubai, on the other hand, if you own the debt but a prominent or politically-connected entity owns the equity, you really don't know for sure if you will be able to exercise the rights you think you have. So I decided not to pursue that further.”

On graduation from INSEAD in December 2008, Tariq, who remained officially with MHR even during his time abroad, made the bold decision not to return fully to his former career. It was a big decision at the time, as he had to forgo the equity he had built up as a Partner, none of which had vested yet.

Instead, he took a drastically different direction from his INSEAD classmates: he decided to study for a year at the prestigious Institut d'Etudes politiques de Paris/ Science Po for a masters in Economics and Public Policy.

“I believed this would give me a chance to step back from high finance and think more broadly about economic issues. Taking courses in French was also a new and exciting challenge. I completed the degree in one year because my experience allowed me to condense the program. As part of the masters course, I wrote a dissertation entitled ‘Can Venture Capital Foster Innovation in Canada? Yes, but Certain Types of Venture Capital are Better than Others’. The study, which used new data in a novel way to demonstrate how policymakers can best build a financial ecosystem to support innovation, was published by the C.D. Howe Institute (a leading economics think tank in Canada), and featured prominently in both of the country’s national newspapers. It was also cited in the 2013 Canadian Federal budget to support significant policy changes.”

Tariq returned to his native Canada and joined Canada Pension Plan Investment Board (CPPIB) in Toronto, where he helped to build out a new credit investment strategy for the firm. He also created the Latin America credit investment strategy and built other new strategies, including shipping industry investments and opportunities stemming from Europe’s banking fallout. After two years, he left to pursue a new challenge: building a venture of his own.

“I was single with no kids and had some money saved. I figured I could spare a couple of years and take the hit if the venture failed. It was at this time that I was called upon by one of my former classmates from INSEAD08D, Christoph Zrenner. We had taken the elective ‘First Hundred Days’ together. Christoph was extremely smart – a Cambridge-trained doctor with a PhD. He had done some residency, but really wanted to be an entrepreneur. Since graduating from INSEAD, Christoph had co-founded a new tech venture with an interesting strategy to drive word-of-mouth (WOM) advertising for brands – including plans to build an automated, algorithms-based real-time system to drive online conversations. Wildfire, the venture’s name, had a promising system and I was already involved, having been an early seed investor in the venture.

Christoph, the CEO of Wildfire, contacted me and suggested that I parachute in to work with him part-time on the next stage of business development: should they raise more money or consider selling? Wildfire was based in Shanghai, and I left for Asia thinking that I would split my time between Wildfire and exploring what I wanted to do next. That was the idea.

What I hadn't bargained for was the poor state of the business. The company had declining revenues, a massive cash burn rate, limited cash in the bank and almost no back-up financing options beyond begging our angel investors (which included myself) yet again for more money. What I realised was that the technology was promising but nowhere near complete – based around an unrealistic long-term roadmap. The company had built up massive overhead costs and many aspects of the business had been poorly executed, including sales. When I started no one even seemed to know the consolidated cash balance and the cash burn rate. The founders had focused on technology and a long-term product vision at the expense of basic day-to-day execution.”

Upon investigation, Tariq calculated that the company would run out of money after two and a half months. But he also believed that the company had the potential to be turned around, based on his previous experience with distressed businesses.

“Usually, companies fall into one of two categories: a fundamentally good company with too much debt (a “good company, bad balance sheet” as the saying goes). Or a company that is doomed to fail no matter what you do: a dinosaur that can't be revived and must go extinct, often due to the industry it's in (e.g., movie rental stores). Wildfire was in the former category.”

As a result, he was persuaded to take a position on the Board of Wildfire and stay on in Shanghai to restructure the business.

“One of my first actions was to tell everyone with equity in the business that they would stop receiving a full salary until further notice. I had to be blunt. We split the long-term software product into two components: a basic version (available to sell immediately) and one with the more advanced, cutting edge features (far from completion). By shrinking overhead and driving revenues up, I was able to make two months of cash last five months. That gave us time to raise more money to bridge the full turnaround, which I did from existing investors – showing them concretely that this was no longer a black hole, but that all of the metrics were pointing in the right direction. Sales were increasing again, cash burn was shrinking fast as we approached cash flow breakeven, and we had a product roadmap that promised great future potential.

I also focused on solidifying the right team. Our COO had joined from a prior role as Managing Director for Saatchi & Saatchi X in China. It was clear to me that he was the critical person on the team – leading much of the sales work and the actual product delivery – and yet he owned only a very small share of the equity. On top of that, I suspected that he might be receiving outside offers. So first, I spent time with him outlining how critical his role was and the future possibilities for the business if we

executed correctly. And second, I pushed for an increase in his equity stake to give him the greater responsibility and recognition that he deserved.

By mid-2013, with the business on a newly improved trajectory and showing real promise, Tariq began looking to the future.

With all the business metrics moving in the right direction I wanted to finally start focusing on my own venture. But before leaving, I needed to make sure we found a new investor and an experienced CEO to take the company to the next level. It was clear that we needed a large influx of capital to grow the business rapidly and maximize returns. And an experienced CEO – the type for whom technology served the business, not the other way around – was an absolute must.

We found investment in Singapore from a smart VC firm with a European background that was expanding into Singapore. They were extremely impressive: they really understood the business path and weren't just a source of money, they would bring expertise and hands-on value add. Due diligence was carried out and we signed the term sheet at the end of June. And after a CEO search we were fast closing in on a solid candidate. This meant that I was free to return to North America and finally start the venture that I had been contemplating for the last 18 months."

The Rumie Initiative

Tariq's new initiative was built directly on the back of work he had done in his finance career. When he originally decided to move back to his passion of making a difference in international development, he viewed himself as getting away from his career on Wall Street, no matter how successful it had been. In the end, it was precisely that finance background and skillset that he credits with helping him to see an opportunity for something transformative in the development space.

"Ten years ago, while at MHR, I worked on an investment to bring mobile phones into emerging markets. Today we take for granted that everyone, even in poor countries, has a mobile phone. But back then it was far from clear: when I sat in a New York boardroom and pitched my colleagues on the idea of investing in building mobile phone infrastructure in countries like Ghana, Guatemala, and Vietnam, they thought I was crazy. 'Why does a farmer in Ghana need a cellphone? We just got wireless phones ourselves, they don't even have landlines yet.'

But I stuck to my guns. When mobile handsets hit \$50, I could see that poor countries would leapfrog landlines and go straight to cellphones. It was inevitable not because of the technology, but because of the economic value proposition: eventually it becomes affordable for poor

communities with no legacy systems to leapfrog directly to something cheaper, better, and faster. That vision played out just as expected, and the investment return was a whopping 500% in less than three years.”

His unique understanding of just how and when to build an innovative business in the technology space gave him conviction to found The Rumie Initiative, to spur a new leapfrog innovation.

“Today, I think that we have a new opportunity: to leapfrog libraries and access to information and learning. We take for granted that we can pull up Google and find whatever information we want for free – whether it means learning math, answering a health question, or mastering a new language. But we always had access to information like this ten or twenty years ago, via well-funded public educational systems and libraries – it’s just more convenient today. The real opportunity is building a new economic model wherein it can be accessed cheaply by the majority of humanity – so many of whom are equally capable but have never had equal access to these materials in any form ever before.”

To meet this opportunity, Tariq set up The Rumie Initiative, a non-profit organisation that uses low-cost technology to build a new model of affordable access to education for the world’s underprivileged children.

Mission

“We’re a non-profit with a mission to provide access to education for children in poor communities globally. We’ve developed \$50 tablets preloaded with public domain and open educational resources content that we distribute through local partners. The device charging costs are extremely low (\$1 per year), it requires no internet connection (everything is preloaded by having large local storage capacity), and upon a periodic sync the content is updated and device usage data is sent back to us to monitor progress and improve the program. The economic value proposition is that our sub-\$50 device has content worth well over \$5,000 if it were to be reproduced in traditional format (textbooks, lectures, etc). We think it presents a new ultra low-cost model of supplementing access to education for the world’s poorest: a library for the cost of a book.” www.rumie.org

A pilot was run in Haiti in the fall of 2013, and the website was launched in November. The Rumie team currently has far more demand than they can meet, having been approached by over 30 organizations in 15 countries just after launch. Rumie expects to be in 15 countries by the end of 2015. Initial funding came from Tariq’s own savings



with help from family and friends. Moreover, he collects no salary or pay, despite working on it fulltime – doing analyst banking hours again.

More recently, he has tapped his old network to fundraise: a current investment round is being led by high-net worth philanthropists, including a number of large public company CEOs and hedge fund investors (all of whom backed the venture personally, not via their organizations). In the future, the plan is to run crowdfunding campaigns to allow the public to help support the cause – for example, individual donors can fund \$50 Rumie devices to support girls' education in Pakistan. Rumie's vision is to increasingly involve the general public in its mission – in a novel way that will go beyond taking donations.

“The largest challenge for us so far has been the content. There is so much information that it is difficult to know what is good, what is culturally neutral, what works offline, and where to find all these things – especially since we want free, open license content. So I decided to use our non-profit status as more than just a legal distinction; I wanted to use it as a competitive advantage.

In this day and age, dispersed groups of volunteers can come together and dedicate countless hours to collectively carrying out large tasks (generally known as crowdsourcing). Wikipedia is the best known example of this, but there are many others.

We're launching our new online platform, the Rumie LearnCloud, soon. The LearnCloud will allow users to share and explore the best free learning content available online. Users will use it not for our sake, but because it benefits them: they can share and find great new free educational content. And in turn, as they use the LearnCloud platform, they help us build up a large open repository of great learning materials across a range of areas – basic math, science, language learning, literacy, vocational training, and so on – that we make freely available for anyone in the world to use. It is this great free content that we can use on our devices to make access to education affordable.

Our longer-term goal is to focus on this platform and deliver free content to people on their own devices. We don't need to distribute \$50 tablets; as massive scale has built up for smartphones and tablets, costs have plummeted. First developed countries adopted cellphones, and then a few years later developing countries adopted them. Next we upgraded to smartphones, and now they're in the process of adopting them – there will be over three billion Android devices in the world by the end of 2016. We can deliver free digital learning content to people using this infrastructure. In other words, they don't need to kill trees and expensively recreate big libraries full of paper books – we're going to help them leapfrog that altogether and go straight to free digital learning.”

Rumie's long-term vision is to be far more than an NGO. It will be a 'movement' of people around the world working from their homes to support the cause of



affordable access to education. Already, large companies are backing Rumie on a pro bono basis: Accenture Canada backed Rumie's deployment to aboriginal youth in a remote community in Northern Canada, McKinsey has expressed interest to help Rumie with a data analytics strategy, and Rumie has strong legal firms backing it in both the US (Jones Day) and Canada (Torys).

Very soon, Tariq hopes, this will involve the public too – thousands and millions of volunteers around the world working to a common goal of providing one billion children who are underserved in education with a chance to realize their true potential.