

# **My Mobile Transactions Story**

**By Mike Quinn**

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On my three year anniversary of arriving in Zambia, I put my signature to a full suite of legal documents that closed a \$4 million “Series A” investment round in Mobile Transactions. The investment will bring in close to \$3 million of new cash from two world class investment funds (Omidyar Network and Accion Frontiers), and convert an additional \$1 million of previous debt into equity (bringing in the Mennonite Economic Development Association (MEDA) as a third institutional shareholder). To the best of my knowledge, there has never been a technology venture capital investment like this in Zambia’s history. Zambia is known for copper, HIV/AIDs, poverty, and their beloved Chipolopolo Boys national soccer team, who just won the Africa Cup of Nations for the first time. Zambia is NOT known for entrepreneurial tech companies that attract investment from Silicon Valley and Washington DC venture capital funds. Until now.

This milestone is so fresh and has left me so exhausted and energized (entrepreneurship is full of contradictions like this) that I don’t even know where to start. I want to thank so many people, but I could ramble on for hours about how every single person who I send this to has played a part in this achievement. What I would like to do instead, is tell my Mobile Transactions story about the journey to get to this point, highlighting several key turning points along the way.

## **Finding My Soul Mate**

The story for me begins in January 2008 at a pub called “The Cape of Good Hope” in Oxford, UK. I had just arrived back to Oxford from another great Engineers Without Borders Canada (EWB) conference in Montreal. I was inspired and energized to do something different and meaningful with the privileged MBA I was in the midst of acquiring as a “Skoll Scholar for Social Entrepreneurship”. But my relationship with my girlfriend Isabelle Carboni was so fresh that I was terrified of screwing it up. After a couple of pints of ale, I built up the courage to spit out what was really on my mind:

*“This is probably where you’re going to break up with me, but I think I want to go back to Africa and be an entrepreneur.”*

Isabelle looked at me for a minute, smiled, and said: *“well maybe I’ll just come with you.”*

I decided right there and then that I would marry her. Isabelle has been my rock and source of inspiration ever since. We often joke that she is the “Chief Financial and Operating Officer” in our household, but really I think she is the “Chairman of my Board.” None of the rest of this story would have been possible without her relentless love and support from that that point forward.

## **African Enterprise Partners**

And so the journey began. From that infamous pub conversation up to the day I stepped on an airplane destined for Zambia one year later, I spent every moment of my spare time iterating on my “big idea”:

connecting African entrepreneurs with social investment funds. I produced countless executive summaries of the idea and sent them to everyone I knew for feedback, leads, and if possible, money. I spent \$500 to get a logo made and produced a bunch of business cards with the name “African Enterprise Partners”. I even made a simple website. Many people gave me positive feedback, others told me to go work for an investment fund, and some probably grew weary of the unsolicited emails in their inboxes.

My first big break came on the heels of making it to the finals of the Meltwater entrepreneurship competition in Amsterdam, with a grand prize of \$30,000 in start-up funding. I didn’t win. I was extremely disappointed, which caused me to reach out to one of my Oxford professors and mentors, Kim Alter, who had been helping me on my idea. I asked her if I was crazy to keep going, and she replied bluntly: *“You’re only young with an Oxford MBA once – stop feeling sorry for yourself and just get on with it!”*

Shortly thereafter, Kim gave me a personal introduction to Agnes Dasewicz, the Chief Operating Officer of the Grassroots Business Fund (GBF), a social investment fund based in Washington, DC. I sent Agnes my executive summary, pitched to her on a subsequent phone call, and was offered a consulting contract for \$20,000 to go find investment deals in Zambia for GBF. My fiancée Isabelle and I bought our plane tickets and packed our things for Zambia.

### **Brad and Brett Magrath**

I received feedback from one of the judges that the main reason I didn’t win the Meltwater entrepreneurship competition was that I didn’t have a convincing answer to the question: *How am I going to find entrepreneurs in Africa?* My answer was that I was going to get on a plane and go find them. I never thought for an instant that there was a better way to do it.

Right before I left London for Lusaka, I emailed an old contact an advisor named Mike Field who had previously worked for a USAID programme in Zambia called PROFIT. Mike was a bit of a legend among the EWB crowd for his cutting edge thinking on private sector development, but I had only spoken to him on the phone a few times. Attaching my Executive Summary, I asked Mike if he had any leads for me. He replied almost instantly saying there was a new mobile payments start-up company founded by two brothers who I should meet. Fifteen minutes later, I had an email in my inbox from Brad Magrath with a PowerPoint presentation addressed to “African Enterprise Partners”. It had lots of confusing diagrams with arrows pointing everywhere, and to be honest I didn’t really understand any of it. But it was exciting to have a lead.

I arrived in Lusaka on Friday and called Brad on Monday morning. I asked when he’d like to meet and he said, “Why don’t you come over now?” So I grabbed a taxi to Lusaka’s Light Industrial area, and met both Brad and his brother Brett (who was visiting from Cape Town) in the board room of Zambia’s biggest cotton company, Dunavant Cotton. Dunavant provided us with office space for the first 18 months, but it was honestly such a crappy industrial location that we never even got around to putting up a sign.

Brad and Brett told me a bit about the company and how it was going to transform the agriculture sector in Zambia by making mobile payments to cotton farmers using an in-house technology they had built from scratch. They were also just about to launch a money transfer service that would be “as big as M-Pesa” in Kenya (a runaway Mobile Banking success story). Although the transactions had yet to start, they had already achieved a lot with a Bank of Zambia license and \$500,000 in funding from Dunavant and PROFIT. It was all very exciting, and they seemed legitimate and passionate entrepreneurs. I asked them about their cash flow, and Brad said they would be profitable with piles of cash by June 2009. I (very naïvely) believed him.

When I got home, I told Isabelle about the meeting and how Brad and Brett were going to transform Zambia. Her first response was, “Well that was easy!” Her second was, “What are you going to spend GBF’s \$20,000 on if you found them an investment in your first day?” That was a good question.

I sent an email to Agnes at GBF that night about the meeting with a message that read: *“At the end of the day, my gut tells me that this is going to take off. The team is fantastic, they are miles ahead of anyone else, and they have a very compelling business model.”*

Well I was right and I was wrong. They were (and still are) miles ahead of anyone else and the initial business model was spot on with a robust technology that has not crashed once in three years. But back then, there wasn’t much of a team, let alone a “fantastic one.” There was just really Brad and Brett and a core group of talented developers and operators “relentlessly pursuing an opportunity without regard to resources currently controlled” (to quote my favourite definition of entrepreneurship). Agnes was interested but skeptical, and pushed me to also go find some other leads.

### **GBF Investment**

Two months later I found myself in Brett’s spare bedroom in Cape Town on a Skype call with the entire investment committee of GBF, pitching that they should make an investment in Mobile Transactions. It was a tough and grilling call, and for the first time I really felt the strain of being an “intermediary”. I had developed a good relationship with Brad and Brett and believed in their vision, but I was also being pushed by GBF to be critical and objective as an investor would be. Really, I just wanted to scream on the phone, “Just make the bloody investment – this is the most exciting opportunity you will find anywhere!” I couldn’t understand why it wasn’t a simple decision. In hindsight, I still think it was.

After the initial approval, my mind was set on joining Mobile Transactions full time. I started coming to the office every day and although I was technically doing “Due Diligence” for GBF, most of my time was spent trying to get the business off the ground. One of my favourite moments was when Brad and I were handing out money transfer flyers in the post office (which had a monopoly for a long time on the money transfer market) to try and convince their customers to go to our one (crappy) agent on the main road of Lusaka. The manager came down and shouted at us, and then placed Brad under “citizen’s arrest” for trying to steal his customers. After a discussion and gentlemen’s handshake, Brad agreed that we would not hand out flyers on the post office’s property. We looked at each other mischievously, and the following day we set up our own “Champion Agent” 20 meters from the post office steps on a piece of city council property. We brought our own cash float and an army of people with flyers and t-shirts to

grab customers as they were heading to send a money transfer at the post office. We quickly jumped from the current total of 5 money transfers per day (nationwide) to about 30. Today, we process more than 1,200 money transfers valued at a total of \$80,000 per day, and this original Champion Agent is still our biggest of over 100 agents.

On the back of this money transfer traction, GBF invested \$200,000 in convertible debt on July 1, 2009. I officially joined Mobile Transactions full time, but worked out a deal where GBF would pay 50% of my salary for the next year while the remaining 50% would be invested in the business as equity. In hindsight, this was an incredibly early stage and risky investment from GBF, but exactly the type of risk capital that is scarce in Africa. This is what early stage social investment funds should be investing in, and GBF deserves a lot of credit for being bold enough to take the risk.

Unfortunately the investment didn't last long. We had spent most of it by Christmas of that year, and we were lucky to survive with grant support from DEG (German donor) and Next (a UK retailer that bought cotton from Dunavant). We still thought we were on the verge of taking over the world (or at least Africa), but we were naïve to the challenges ahead. But that's what made it so exciting.

### **Becoming CEO**

I arrived back in Lusaka in January 2010 after a honeymoon to Timbuktu with Isabelle, and met Brad in our shared office. He had a list of points and the top one that I was now "General Manager." There wasn't much of a discussion or handover, which was also the case when Brad came back from a trip to Washington later that year and said, "Now you're the CEO." I just said, "OK." Brett asked a few months later, "When the hell did Mike become the CEO?" That's how it happened.

In hindsight, this was both an amazing opportunity for me personally, as well as an unbelievable show of trust from Brad and Brett. Many start-up businesses run into a problem called "founder syndrome," where the founders can't let go of control fast enough to scale. Here was a story of a business started from scratch by two brothers, seemingly joined at the hip, who wanted to send a message to the world that they were for real. They handed their baby to a 29 year old Canadian they had met only ten months earlier, who had limited management experience and (at the time) talked a lot of hot air about building a "billion dollar business." I am very grateful for being given the opportunity to be CEO, and this signal sent by Brad and Brett was a key reason for our subsequent investment success.

In real life it was a rocky road. I was inexperienced and naïve, and there was a lot of conflict initially. But there was always honesty and integrity. Over the next two years, Brad, Brett, and I gradually built trust in each other's roles and capabilities, and we learned how to communicate effectively. We also went through some shared experiences that brought us closer together. Once we left a Nairobi nightclub at 4am and headed to the airport (I didn't even have a change of clothes) to catch a plane to Mombasa to meet an old Magrath family friend who didn't know we were coming. There was also the time when we had our guest room robbed in Zimbabwe on the Zambia border (while we were making a pyramid of empty beer cans in the swimming pool) that left Brett and I without a passports and cell phones, and me without a laptop. Brad had luckily had hid his passport and \$2,000 cash in his shoes before jumping into the swimming pool which were still there, but he did lose his iPhone.

Managing two founder brothers has never been easy, but I couldn't ask for better or more brilliant guys to work with. Right from the beginning I knew they were real entrepreneurs, with the battle scars to prove it. Their complementary personalities, strategic insight, and unyielding focus on building an African-appropriate technology and business model from the ground up was exactly what I was looking for but never thought I'd find so easily. What they needed was money.

### **Patrick Pichette**

The one thing that was crystal clear going into 2010 was that we needed more cash. They teach you that "Cash is King" in business school, but you don't truly understand this until you work for a start-up that struggles to meet payroll every single month. GBF was non-committal on putting in further investment, so I started reaching out to personal contacts again. At the top of my (prayer) list was Patrick Pichette, a humble and down-to-Earth guy who was on the board of EWB and was also the CFO of Google. I had met him previously at an EWB conference and would often hassle him with entrepreneurial ideas when I was starting African Enterprise Partners.

I wrote a business plan for Mobile Transactions asking for up to \$500,000 in investment, and sent it to Patrick for comments. This was his reply via email:

*I shared your business plan with a few VCs/Angel investors here. Here is the summary of their comments:*

*"If I were to decide for me, I would likely not invest in this venture...This does not seem like a clean business plan but rather a concept/idea that wants to be tested. There is generally less risk in the post validation phase of an idea – so you can tell him you will pass now, but be glad to consider this once they have validated that it works in Zambia with some number of actual users doing money transfers. There is team, technology, business model, and execution risk, not to speak of Africa risk layered on top."*

*Having said this, I am still interested to see what's missing in making this work - we should carve out at least 60 minutes to discuss. I also believe your financial structure is a little difficult to understand. You can clarify...*

*Patrick*

A lesson I have consistently learned my entire life is that "No isn't No until it's No." And Patrick didn't say "No." I was over the moon that I had 60 minutes with the CFO of Google to convince him that Mobile Transactions was the most exciting early-stage investment opportunity in Africa.

It didn't happen in the first meeting, or the second, or the third, but Patrick eventually offered to invest \$200,000 and take a seat on our board. I think I almost cried with the coup I thought I pulled off getting someone of Patrick's caliber to work with a small little start-up in Zambia. But unfortunately, "Yes isn't Yes until it's Yes." Right before we were about to sign an MOU for the terms of the investment a few weeks later, Google's legal team determined that we were a potential conflict of interest for Patrick and

the deal fell through. As a consolation, Patrick was able to get permission to invest \$50,000 through me, but he could not have any active involvement in our business or on our board.

This was a gutting turn of events, but one that ended up having a silver lining. It brought me closer with Brad and Brett and led to an offer to join them as full partners in the holding company they had set up to consolidate their shares in Mobile Transactions. This was a huge gesture from them to invite a non-Magrath into the controlling shareholder structure, and now I was fully one of the founding entrepreneurs. Patrick's smaller than anticipated investment also forced us to get our spending under control and preserve cash more carefully. And while we were pissed off at Google, we did find it quite flattering that one of the biggest technology companies in the world thought of a little Zambian start-up as a "conflict of interest." This was a great sign that we were in the right space.

The turn of events delayed Patrick's investment until June 2010, but it came just in time to cover June and July salaries. But by August we were out of money again. I had an option in my agreement with Brad and Brett to invest up to \$75,000 cash at a favourable valuation that was due to expire at the end of August. The problem was, I didn't have the cash, and I couldn't borrow from any Canadian or UK banks as I was a Zambian resident (and Zambian banks charge very high interest rates). I went back to Patrick to see if there was any way he could help. He couldn't invest more cash himself for the previous reason, but he offered to provide a guarantee if I could convince someone else to lend me the money.

### **The Bank of Mom and Dad**

After a lot of discussion and full support from my wife Isabelle, I decided to approach "The Bank of Mom and Dad." My parents, Don and Susan Quinn, were public school teachers their entire lives and had diligently saved to build a retirement home in Victoria, BC from scratch over a period of several years. They were recently retired and the paint was barely dry when I swallowed hard and asked for a loan of \$75,000.

This was my mom's response in an email:

*"Michael you are a very good salesman! Every piece of conventional wisdom advises us not to mix money and family but we love you and believe in you and we are here if you need our help."*

By the time I called to say thank you, my parents had already been to the bank and arranged to borrow \$100,000 against the equity of their home to lend to me (also paying off \$25,000 of an old student loan that had a higher interest rate). They wired the \$75,000 to me a few days later. When I told Brad and Brett, they were shocked and admitted that before this they had no idea how we were going to make payroll the next few months. The cash was used to pay salaries in August, September, and October.

### **The Business Trip that Changed Everything**

At the end of September 2010, I took a business trip to the US. I was invited to speak at a social enterprise conference at Columbia Business School in New York. I initially said no because of the flight cost, but a fellow panelist Martin Hartigan offered to pay for 50% of my flight even though he had never met me. I used the opportunity of being in the US to travel out to San Francisco where there was

another social enterprise conference going on called SOCAP. This conference had a “mobile payments” theme, and I emailed the conference coordinator asking if I could get a free admission in exchange for sitting on a panel. She responded with something better: an invitation to pitch Mobile Transactions to the Omidyar Network (ON), a well-known “impact investment” firm set up by Pierre Omidyar, the founder of eBay. I jumped on the opportunity and gave one of my best ever pitches to a room full of conference delegates. Mike Murai from Accion Frontiers, another impact investment fund based in Washington, DC, was also in the audience, and liked my pitch. (Brad had met with Accion on a previous trip to Washington so we already felt a good connection with them). The audience voted on the best pitch, which I unfortunately didn’t win, but I got a follow up meeting with both Omidyar and Accion. That was the real prize.

The day after the pitch, I took a train down to Redwood City to meet with Arjuna Costa, Director of Investments, at the Omidyar Network. It was an exciting first meeting and we both made a good impression on each other. I left with a promise to sent him our financials and business plan, and follow up with a more concrete proposition for how much investment we were looking for.

I then carried on to Palo Alto to spend a night with Patrick Pichette and his wife Tamar. It was a surreal and inspirational evening, chatting with the CFO of Google about Mobile Transactions and picking his brain for insights and wisdom. I also got to sit in his office at Google (with a Montreal Canadiens flag and beach volleyball court and climbing wall outside) and run a tab at the Google store to buy presents for my team. He even let me take a spin around the block in his vintage 1950’s convertible, which is something I’ll never forget!

On the way back to Lusaka, I stopped in Washington, DC. I spent a full afternoon at the Accion Frontiers office filling up a giant white board with our business model in the presence of Mike Murai and Monica Brand, the fund’s Principal Director. I knew the meeting was going well when we went right through lunch, and at about 2pm they ordered some sandwiches so that we could keep going.

I left the Accion meeting on a high, and then went to meet John Schroeder for a drink at my hotel. John had become involved with Mobile Transactions in his capacity as GBF’s Chief Investment Officer, but he had recently left GBF. John had helped structure my partnership with Brad and Brett, and believed in our vision and potential to become a big business. At this meeting, he offered to Chair an Advisory Board for Mobile Transactions to help us get “investment ready.” In addition to helping us put together multiple investment deals over the following 18 months, John became a professional mentor and was always a calming influence on a stressful situation.

I boarded the plane afterwards as a changed person. I was excited and thought that we had a chance of getting real investment from some great partners. I also started developing a vision of becoming a billion dollar business that would transform economies in Africa through innovative transaction and payment products. The world was our oyster.

## Keith Davies

After my investment, Brad, Brett, and I said to each other (yet again), “This is our last chance”. But it was also clear by then that we needed a Chief Financial Officer (CFO). During the World Cup in South Africa, Isabelle and I made a trip to Johannesburg to visit my friend and colleague from Oxford, Keith Davies. Keith was the Head of African Strategy at Citibank, and had 10 years of investment banking experience. We sat down for a beer, and Keith immediately launched into an inspired rant about how he was sick of the investment banking world and he wanted to start an entrepreneurial business helping source investment for businesses in Africa. This story was very familiar. I looked over at Isabelle and told her Keith was going to be our CFO.

He wasn’t hard to convince. I showed him a few slides on Mobile Transactions and he put in his resignation at Citibank a few weeks later.

When Keith started working for us in October 2010, one of the first things he did was take over the cash flow. In early November, when I was visiting Cape Town, we were driving out to Stellenbosch and Keith broke the news that we had a \$60,000 cash hole that we needed to fill in three weeks. I laughed at first and said, “Don’t worry we always run out of cash.” But after a brief discussion, I realized he was right and I started panicking.

Brett drove Keith and me to the office the next morning and when we got in his car he proclaimed: “Today is going to be a great day.” Keith and I looked at each other confused, and asked, “What the hell do you mean – we are broke!” Brett replied by saying, “We’ve run out of cash many times – but this is the first time we’ve actually had revenue!”

The three of us locked ourselves in a room in the office and called Brad on the phone in Lusaka. We went through every aspect of our business to try to shrink the hole. We adjusted pricing, cut all unnecessary expenses, and made difficult salary and personnel cuts. The timing with Christmas approaching and a brand new hire that we had to let go was not ideal, but it had to be done.

While these measures shrank the hole to a more manageable level, it didn’t disappear completely. Keith had been with us for over a month, and it was time for him to decide if he was “Pig or Chicken”. Pigs slaughter themselves to provide bacon for breakfast, whereas Chickens just lay eggs without showing the kind of commitment we felt was necessary to win. We turned to him and said, “We’re out of cash – are you Pig or are you Chicken?” The next day, Keith cashed in his hard earned corporate pension, and deposited \$50,000 in our bank account. He then watched it disappear almost instantly while he processed November payroll moments later.

That experience was a turning point in our business. We regained control of our cash flow and had a CFO who was clearly “Pig”. We also put the accountability squarely on Keith to ensure we would never be surprised like that again. We never have been. In fact, with this new investment Keith’s biggest concern is that we may run out of cash in 2014!



## **Hitting Rock Bottom...Again**

We thought we had dodged a missile, but then the nuclear shock hit. The World Food Programme (WFP), our biggest customer with whom we had jointly developed an innovative electronic voucher product, served notice that they were ending their project in Zambia due to a lack of funding. This was linked to Zambia suddenly being classified by the World Bank as a ‘Middle Income Country,’ which had a significant knock-on effect on the flow of donor funds. The problem for us was that we had based all of our projections and entire investment case on scaling with WFP, which suddenly looked ropery. Not to mention we lost \$40,000 per month out of our cash flow. We were, to put it politely, screwed.

We used the busy Christmas period to push money transfers as hard as possible, and prematurely launched a new Ordering and Supplier Payment product in an attempt to diversify our revenue in a hurry. I started reaching out to my personal network looking for investment, and right when things were looking dim we were thrown a lifeline when WFP said they would be extending the project in Zambia by two months and would continue to work with us in Zimbabwe and Mozambique. We breathed a deep sigh of relief but we knew we were in for a rocky 2011. The big Series A investment, which we were hoping to close by June 2011, was looking less likely.

## **Building a Team**

From our first money transfer in March 2009 up to December 31, 2011, we have successfully processed 805,000 transactions worth \$41.5 million. As I was almost exclusively fundraising this entire period, I can take very little credit for this achievement. Rather, it was the joint and integrated effort of the Mobile Transactions team managed by Brad, Brett, and Keith that ensured we were moving ever forward, never backwards, in often difficult and cash constrained situations.

Whilst we were trying to not run out of cash, Brad was responsible for managing a special team of young, upcoming, and poorly compensated managers who were completely bought into our vision. Graham Lettner, who had been with us as an EWB volunteer from Canada for a year before joining full time in June 2010, was in charge of our Agent Network and our Money Transfer product. Hans Hesse, another Canadian ex-EWB volunteer with one of our partner organizations, was with us on a 6-month contract managing our eVoucher Payments projects.

The problem was that neither was permanent. Hans was planning on moving to China with his girlfriend Jacquee Bunnell in early 2011. Graham was thinking of applying for an MBA with his fiancée, Thulasy Balasubramaniam, another Canadian ex-EWB volunteer who had worked for us on a consulting contract in mid 2010.

We offered longer-term positions to each of Graham, Hans, and Thulasy at the end of 2010, thinking we'd be lucky if we got 2 out of 3 of them. They all ended up staying, and have become absolutely crucial to our business. Thulasy has been promoted to Senior Management as our Customer Experience Manager. Graham's agent network turned over more than \$25 million in cash last year and is one of our biggest planned uses of investment funds. Hans is in charge of our regional eVoucher Payments product line that now extends into Zimbabwe and Mozambique.

Behind the scenes, Brett was managing a skeleton team of core IT developers who consistently surprised anyone who ever visited our Cape Town office that there were only three of them. Konrad Gryzwacz and Aubrey Roode have led the way since the very beginning, coding our system and products years before I joined. With the addition of Jon-David Steffen, another talented developer, they have managed to always keep the system running while completing lumpy external development projects in their spare time to keep the cash coming in when we needed it most. Binoy George, who I would trust with the keys to the safe at any time, has represented the IT team in Zambia as our go-to problem solver. Megan Vilojen, our latest addition to the team in a Business Analyst role, warmly accepted the challenge of designing a fully integrated stock management system for Dunavant and will play an increasingly bigger role in the future.

On Keith's Finance team, Leshain Armstrong singlehandedly kept our accounts together for a full year before Keith joined and relieved the burden. Our transaction business in Zambia would grind to a standstill without our Payments Processing team consisting of Marissa Kruger, Charlton Meavers, and most recently Jade September who keep our agent liquidity flowing six days per week.

We also have incredible commitment from other key employees on the front lines in Zambia who have been with us through thick and thin. Teddy Sampa started as one of our first Sales Generators, and has survived numerous cuts to become our Champion Agent Audit and Controls Manager. He was also 2010 Employee of the Year. He is assisted by Misozi Mkandiwire, one of our early Sales Generators and now manages our Champion Agent daily reconciliations. Hope Okoronkwo, our Operations Manager, successfully pitched to me that he would buy his own plane ticket from the US and start working for free to prove that he was worth hiring (which he was). Memory Chirwa started in the field cold calling agents in rural Zambia and has grown to become the account manager for Kiva (see below). Tasira Nkhata by herself provides better customer care than the army of call centre workers at the multinational cell phone operators. Gertrude Maks, our Microfinance Accounts Manager, by herself ran our Agent Payments product line in the late half of 2011 and worked until the last day of her pregnancy. Michael Sakala, our Champion Agent Recruitment Manager, started working for us for free in Eastern Zambia and became our 2010 Champion Agent of the Year before we hired him full time. Our eVoucher Payments team, Brenner Nkunta and Chris Mwaba, very effectively and efficiently implemented a great project with the Food and Agriculture Organisation this year that processed over 40,000 transactions to smallholder farmers across 26 districts. Maxwell Zulu, our company driver, answers his phone 24 hours a day 7 days a week and only knows how to say "Yes" when you ask him to do anything.

We have a great team, with the building blocks to become an outstanding team. This will be our biggest challenge for the future that will determine if we become a medium sized company or the billion dollar company that we aspire to be.

### **Joseph Schaefer and MEDA Investments**

We were able to limp through January 2011 on a lucky 2-month extension of the WFP project, but Keith quickly flagged that there would be another cash crunch in February. We didn't have much time, so we decided as a team that I should reach out to my personal network once again. In early February 2011,

we closed a \$50,000 convertible debt joint investment from Joseph Schaefer and Paul Gomes in my hometown Calgary, Alberta. As part of the investment, Joe joined our Advisory Board and helped to improve our financial discipline and management information flows.

At the same time, I was invited to speak at the EWB conference in Toronto. I used the free plane ticket as an opportunity to go down to Waterloo to meet with Nicole Pasricha from a non-profit organization called the Mennonite Economic Development Association (MEDA). Nicole was introduced to me by Jesse Moore, a colleague and friend (and fellow mobile tech entrepreneur in Kenya). MEDA had applied for a 3-year grant for Mobile Transactions from the Canadian government many months earlier, and we were still waiting to hear whether we would receive it. During the visit, Nicole introduced me to the for-profit investment arm of MEDA called Sarona Asset Management. I made an impromptu pitch to both Serge Levert-Chiasson and Gerhard Pries, and said we were looking for a convertible debt investment as a bridge to get us to a much larger "Series A" equity investment by the end of the year. I was shocked when they signaled on the spot that they could provide us with this funding within the next two months after a short due diligence process.

In March 2011, we learned that we were approved for the 3-year MEDA grant for \$350k cash and \$300k Sarona convertible debt investment. Our cash flow was looking much better, but we were now concerned that we had taken on too much debt. We decided to pay back GBFs initial \$200,000 loan out of the Sarona investment, ending our relationship with GBF on goods terms.

Remarkably, we ended the first quarter of 2011 with cash in the bank, a senior management team that had demonstrated an ability to navigate through a mine field, a core team of committed managers and employees, and a business that continued to gain product traction. We had recovered quickly from losing WFP Zambia as a voucher customer, which showed the world that we were a team that could persevere through adversity. We were ready to focus on our goal of closing a Series A investment without any further distractions or drama. Or so we thought.

### **Dunavant Exit**

Dunavant is an international cotton company that also happened to be a 35% shareholder in Mobile Transactions. Dunavant had invested in Brad and Brett many months before I arrived in Zambia, and were one of the first backers of our vision. They were also one of our major customers in Zambia, using a management information system we built specifically for them to make small value payments to 100,000 smallholder cotton farmers.

Dunavant had been a largely passive shareholder, but underwent a change of ownership themselves in late 2010 that left us without clarity about where we fit into their plans. Our business was also very different to the one Dunavant had initially invested in, and cracks started to appear in the marriage.

After the Sarona investment, we worked really hard to complete a long-term business plan and financial model in order to secure our first Series A due diligence trip to Zambia by two world class investment funds (Africinvest from Tunisia and Accion Frontiers). A week before the trip, we learned from Dunavant that their new shareholders would not agree to a restructuring plan we had been working on, and they

preferred to exit as shareholders. We were terrified this would scare off our prospective investors, and we had to break this news on the first evening of the due diligence trip.

This was a complicated situation with a lot of moving parts. We were exploring various options while negotiating terms for Dunavant's exit, and then Accion came to us with a proposed solution. They offered to lend us \$350,000 that the company could use to buy out Dunavant as a shareholder, and would convert to equity as part of the Series A investment round. We gratefully accepted, and closed the investment in August 2011.

## **Kiva**

Back in April 2010, I attended the Skoll World Forum in Oxford. It was my fourth consecutive forum, but this was the first time I was on the look for funding and partnerships as CEO of Mobile Transactions. One of my targets was Kiva, a San Francisco based non-profit that has very successfully provided hundreds of millions of dollars of microfinance loans to small entrepreneurs across the developing world. The problem was that Kiva only partnered with traditional microfinance institutions (MFIs) and had never worked in Zambia. I wanted to change both of these.

After the opening ceremony at the Sheldonian Theatre, there was a dinner for the 700 delegates at various colleges across Oxford. The college and seat number were pre-determined and listed on each person's ID badge. When I got to my seat, I introduced myself to everyone around me. That's when I found out that the person sitting directly across from me was Matt Flannery, Founder and CEO of Kiva.

I must have talked Matt's ear off the entire night with a sales pitch on Mobile Transactions. I told him that we could provide Kiva with their first ever, truly person-to-person loan without going through an MFI intermediary. He was engaged, and hammered me with dozens of questions. Most of his questions were trying to understand our model. We exchanged business cards, and I promised to follow up with him shortly with a proposal for a Kiva – Mobile Transactions partnership.

Then the infamous Ash Cloud enveloped the UK. All flights were cancelled for the next several days, and everyone from the Skoll Forum was stranded. On the following Monday, I headed for London and gave Matt a call to see if he would be interested in meeting to discuss further. He was, and we met in the meeting room of a London based venture capital firm where a bunch of other entrepreneurs from the Skoll Forum were hanging out for the day. I took Matt through a full presentation of Mobile Transactions, and he explained to me that he was keen to do something new and innovative but because of Kiva's governance structures that had emerged over the years, it would take time to make it happen. Once again, he didn't say "No."

Over the next six months, I had many late night phone calls with Megan Berwick at Kiva, who was assigned to put the deal together. I also met Megan, Matt, and their Tim Hasset, Kiva's Vice President of Global Operations at the SOCAP conference in San Francisco on my big business trip there. Everything was moving along very positively until we got into cash flow trouble from November 2010 to March 2011 and I had to put things on hold.

We picked up discussions in mid 2011, and Ben Elberger and Mac Parish visited Zambia for a due diligence trip in July. They were excited, but also cautious with all of the Series A fundraising issues that were going on in the background. Shortly after we signed our Series A term sheet with Omidyar and Accion, Kiva approved us for a \$275,000 0% interest loan to provide \$5,000 working capital floats to our Champion Agents. If we did well, there was potential to grow the facility to \$1.75 million in the future.

I woke up on Saturday January 28<sup>th</sup>, 2012 with an email in my inbox from Mac that said *"It is with immense excitement that I announce that Mobile Transactions' loans are now live on Kiva's website!"* He pasted links to the Kiva profiles (including video interviews) of three of our Champion Agents. By the time I went to bed on Saturday, 847 people from around the world had fulfilled the \$15,000 fundraising target. I am still amazed.

### **Closing the Series A Investment**

By mid September 2011, we had completed due diligence visits from four world-class investment funds: Africinvest, Accion Frontiers, Bamboo Finance, and the Omidyar Network. We were offered term sheets from Africinvest, Accion, and Omidyar. After a round of negotiations and extremely difficult decision (especially given the strong relationship we had developed with Khaled Ben Jilani and the Africinvest team), we signed a joint term sheet with Omidyar and Accion at the end of October.

We were thrilled. Omidyar brings significant industry expertise to our business as many of their management were recruited from PayPal (the Managing Partner of Omidyar is Matt Bannick who was previously the President of PayPal and eBay International). Omidyar also has a strong human capital team dedicated to strengthening the management teams of their investee enterprises. Accion has broad emerging market experience in agent networks, microfinance, electronic payments, and mobile technology. Both funds believe in our vision and also have a core focus on the developmental and social value our business creates. Combined with MEDA (which topped up their investment by \$180,000 and also converted their debt to equity), we ended up with great investment partners. And we also put together a great board, with Arjuna Costa from Omidyar, Monica Brand from Accion, and John Schroeder joining Brett, Brad, and I (with one independent seat to be filled).

After an engagement, there is a very stressful period of planning a wedding where a million things could (and often do) go wrong. So is the period between signed term sheet and closed investment deal. The investors enlisted the help of four teams of lawyers in California, Washington, Mauritius (where our company is registered) and Zambia to put the legal documents together. We relied on the heroic efforts of Adrian Dommissie, our sole company lawyer in Cape Town who joined on a retainer basis in January 2011 in one of our best decisions of the year. After countless iterations of documents and a full round of legal and financial due diligence, we signed the deal into effect on February 10, 2012 and the funds were disbursed into our bank account.

### **Conclusion**

And so here we are, now at the starting line. It's been quite a ride to get here, and it took a lot of blood, sweat, and tears from a lot of people (many of whom I've failed to mention).

But this is an achievement to be celebrated. A good friend of mine just congratulated me and commented that, “The first venture financing is always the hardest”. This is *almost* right, but what she should have said is, “The first venture financing of a start-up technology company in the *history of a country* is the hardest”. We are breaking new ground every single day, and we are just getting started on the road to building a billion dollar African business that transforms economies.

Thank you to everyone, from the bottom of my heart.