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Shashi Fernando | Making unicorns out of start-ups

The technology entrepreneur on his company's investment plans, association with start-ups and why he sold Saffron Digital to HTC

Shashi Fernando says his firm wants to build mini-teams to help start-ups in Singapore, Shanghai and Mumbai.

At 35, **Shashi Fernando** sold his company, **Saffron Digital Ltd**, to handset maker **HTC Corp.** for $50 million. Four years down the line, Fernando says, his new firm **Yonder and Beyond**—an Australian-listed global technology accelerator—is scouting for a start-up it wants to help build into a $1 billion company, known in modern parlance as a "unicorn".

The idea of a pre-initial public offering (IPO) tech start-up with a $1 billion valuation is a recent phenomenon. Even **Google Inc.** and **Amazon.com Inc.** were not worth $1 billion as private companies, but there are several dozen today, which have led to new terms from venture capitalists, such as "blessing" for a group of unicorns, and "decacorns", for companies such as **Uber**, **Snapchat**, **Airbnb** and **Dropbox**, which have rapidly reached the $10-billion valuation mark.

Yonder and Beyond is taking baby steps towards its goal of building and being associated with a unicorn. Its portfolio currently has six companies, including MySQUAR, Myanmar's only social media platform (similar to **WhatsApp** in the local language).

MySQUAR has more than 460,000 users, a number it expects to more than triple to over 1.48 million by the end of the year. In June, MySQUAR is set for an IPO on London's Alternative Investment Market.

"When we started talking to MySQUAR, smartphone penetration in Myanmar was 7%—it became 10% by the time we reached a deal," Fernando said in an interview during a recent visit to Singapore.

"Handset prices are coming down all the time, and they (Myanmar) have just given out two new mobile (permits), and that is exciting. Existing applications were not configuring for Burmese language. So the opportunity was there. The reality is that it is not easy to invest in Myanmar, and the main reason we are listing is to allow people to have access to the Myanmar market as well as raise money for development," Fernando said.

MySQUAR plans to raise about $1.5 million at a valuation of $25 million.

Fernando, who was in Singapore last week as part of his plans to expand Yonder and Beyond to the city-state, said his plans include extending the technology accelerator to Shanghai and Mumbai in the next phase.

For now, Yonder and Beyond, is looking at investing in start-ups in Singapore and the South-East Asian region.

Fernando said he decided to sell Saffron, the UK-based digital content firm, to HTC because the amount of money offered for such a small company "was life-changing for its staffers including him".

"We wanted to do a lot more with Saffron, but at that instance, you don't balance the future growth of your company, but you take into account where your team is and how hard they have worked to get here," he said.

In 2011, HTC was touted as the potential challenger from Asia that could displace **Nokia Oyj** to become the leading handset maker globally, but Fernando said the primary reason for selling to the Taiwanese manufacturer of smartphones and tablets was "because the firm showed a real appetite for content, and for taking on Apple at that time".

"Look at what they did—they bought us and they bought Beats Electronics. They were dynamically trying to change the business. Those were big things to do, and the last time an Asian company that did something like that was Sony—Sony Pictures, Sony Music," said Fernando, who served as chief content officer of HTC for about a year after the deal.

After finishing his schooling and university education in the UK, Fernando began his career at **British Airways**, and later moved to Hollinger Digital, part of the Telegraph Group, where he was instrumental in the publication's digital vehicle—telegraph.com.

"I did marketing and finance and got into the website part of the firm early, and was part of a team responsible for britishairways.com in 1997. In early 2000s, everybusiness launched was a start-up. For instance, convincing (Italian fashion house) **Armani** that they needed to have a website was like launching your own start-up because people could not see the value of the Internet at the time," he said.

After a stint with interactive agency Razorfish, he joined as director of digital strategy at **Filmnight Ltd** in 2003, and described the concept behind this firm as being similar to that of Netflix today. "I was brought to create a platform that would allow people to watch movies online—where if you rented the DVD, you could also watch it online," he said.

A year later, he became managing director of the firm, but soon realized the business case was suspect. "In 2006, we discovered the DVD rental business was not going to work, and I then launched Saffron...," he said.

The idea behind Saffron was that all movies will go online and the company wanted to build the infrastructure for that.

"Our first investors were high net-worth individuals and then we raised $3 million, and we took about a year to raise that money. Post that, we sealed deals with companies like **Vodafone**, launching their movie services—when Vodafone launched 3G, we were one of their lead providers and were doing sport and movie clips. As the industry moved on, we launched with T-Mobile, we launched video-on-demand. Our customer base had most operators worldwide and manufacturers started showing interest, too. We gained clients in 47 countries and 17 languages and we had every manufacturer apart from **BlackBerry** and Apple as clients. So we had HTC, Nokia, **LG**, **Samsung**. All the big movie studios were our clients, too. We became the go-to people for video," he said.

After his stint at HTC, following the sale of Saffron, Fernando invested in and joined a firm called Beyond Oblivion that had been working on the concept that the customer pays just a one-time fee when buying the handset for unlimited music on that particular device.

"After a year of that, where I did back and forth, helping them restructure and helping them with the technology, my frustration was that I could not be as involved as I wanted—that led me to launch Yonder in 2013," he said.

The Yonder team, including Fernando's colleagues from Saffron, put in $3 million, raised $2 million in seed capital and also got an additional $5 million when it listed in Australia last year. Yonder's other investments include a controlling stake in Gophr, which, Fernando said, aimed to be the "Uber for courier services"—Gophr has seen a soft launch in Australia about two weeks ago, and US-based social media music application Playmeet, in which it (Yonder) holds a 10% stake. Yonder also has a 72% interest in **Boppl**, a mobile ordering and payment app that allows customers to pre-order and pay for food and beverages, and is currently being rolled out in Australia, France, Switzerland and South Africa.

Edited excerpts from an interview:

How is Yonder different from the other accelerators?

When I sold Saffron Digital, I made quite a bit of money—but never having had such money before, I did not how to work with it. The immediate thing that happens is that all private bankers call you up and tell you about their deals. But I want to invest in things that I know, and that is tech. This is why Yonder started... Yonder provides a development team. We are a series of tech professionals and we come in and say, "how do we add value to your business immediately?" If that question is answered, then we ask, "does the management want us to add value"? The other thing we bring in is, many companies have not built a tech platform before. The Yonder Lab then comes in and says, "here are the 10 things we can do quickly to help you go in the right direction." Or if you get to a point where you cannot move any further without more money, Yonder will come in and do some work to get you past the next hurdle.

A lot of tech firms—app labs—take equity in your firm and do the tech work. I found that has not worked at all in the last 10-15 years for several reasons. They need to hit their bottom lines to get their businesses to run—equity plays are 4-7 years. So they are not thinking long-term. So they have to start charging you—that is where it all starts to fall apart because they are trying to make their margins off you, and you get overcharged. We plan you to a point of hopefully not needing us, and we also help you grow. My chief technology officer (CTO) is **Peter Sedeffow**, former CTO of Saffron Digital, and he has deployed solutions globally for HTC, Samsung, LG, T-Mobile, Vodafone; and my chief product officer **Mahmood Dhalla** was formerly the global director of products at HTC, and he also had over 10 years' experience at **Microsoft** in senior management roles—our companies can just pick up the phone and talk to these people.

I am a worker incubator. Yesterday, I had a meeting with Deezer, the second biggest music streaming service in the world. I have invested in a mobile company that is launching in Australia—the reality is that this start-up is run by a 27-year-old and where does he get access to this kind of network? When does he get the CEO of his local incubator talking to Deezer for a collaboration? On the other hand, I can reach out my contacts and say, "we've worked together for 15 years, and can we partner for this?" This makes a huge difference. I sit with all the CEOs of our companies—my team joins and we try and bring sales and strategy solutions. Incubation is not the right word—we are not that—we are operational. I am not a professional investor—I am a professional worker.

Yonder is currently based out of Australia and the US—we have huge aspirations. It is Singapore, Shanghai and Mumbai next. We want to build mini-teams to help start-ups. I will have to build Yonder India with a mini version of the current team, who can reach out to the right people. Selling a $50 million company is one thing and now we want to make the next move—in four years, we want to be a $1 billion company.

Your earlier firm—Saffron—was linked with all leading operators in Europe. In the earlier part of the last decade, Europe witnessed heavy bidding for 3G airwaves—why did 3G not take off for several years after that?

Operators overbid. Consumers did not know what they were going to use 3G for. People were browsing on the Internet in 2004, but not much. The phones were not there. The real thing that turned 3G on its head was Apple. Look at the number of 3G users before Apple and after Apple. What people had not done in the mobile industry was ease of use—you had to be technical to use your phone. My mom would not use Vodafone Live. All those services were readily available before Apple got there—music was being streamed by Vodafone in 2005, but it was not easy to use. With Apple, you had the marriage of content and phones, and data usage went through the roof. Did we communicate the message of what 3G could in 2005—we did, but people were not interested, but Apple made people interested.

As a tech entrepreneur and businessmen, what have been your learnings from being in this space for over a decade-and-a-half?

Three simple rules for success of tech products. First, make sure the product is easy to use so that your mom can use it. Second, what I learnt at the Telegraph is that what seems as a good idea for the UK may not work everywhere else. Third, make make everything as global as you can—how you succeed in each market is not going to be the same.