



Observations from Iran

April 2015

Who Are We?

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Who Are We?

Young Presidents' Organization (YPO)
World Presidents' Organization (WPO)

Presidents' Action Network
Arab American Action Forum

Previous Trips:

India | Pakistan

Israel | Palestine

North Korea

Cuba

Three Trips to Iran

Preconceived Notions



Overview of Past Visits

2013 Ahmadinejad

2014 Rouhani and a tone of hope

2015 Optimism

End of sanctions assumed

Engagement viewed as in our hands

Unprecedented Access

- Top business leaders
- Vice Minister
- Grand Ayatollah
- Former US Embassy



Religion Surprises

- Islam
 - Women in Leadership
 - Female Seminary Students (15,000+)
 - Female Grand Ayatollahs
 - Reformist Grand Ayatollahs Receptive to Change
 - ‘Death to America is from a past time’
 - ‘Relations with Israel could become more positive’



Religion Surprises

- Non-Muslims actively practice their religions
- Special concession – alcohol permitted
- Jewish
 - Synagogues
 - Anti-Israel, not Anti-Semitic
- Christian
 - Active Armenian Community



Parallel Historical Narratives

American Narrative

- Islamic Revolution
- Hostage Crisis
- Ahmadinejad's Inflammatory Rhetoric
- Terrorist Proxies
- Nuclear threat

Iranian Narrative

- Mossadegh – Operation Ajax
- CIA activity to undermine Revolution
- Iran Iraq War
- Sept 11th - help in Afghanistan
- Branded Axis of Evil
- Sanctions – Economic Warfare



Expectations and Surprises

- Strong pro-US reception throughout the population
- More affinity with US than other cultures -- education, economic opportunity, culture
 - Despite US historical role and strong alliance with Israel and Saudi Arabia
 - Despite heavy Chinese investment and presence of 30,000+ expatriates
- English taught in K-12 education
- Country of dual realities....



One Reality

- Large youth demographic – of 80 mm people, 2/3 under age of 35.
- Well educated – 98% literacy, strong universities (60% of university students are women).
- Highly urban – 70% in cities
- Largely secular – 50,000 in Tehran go to Friday prayer out of 12 million
 - Rural and poor areas more conservative
- Highly connected, eagerly expressing desire to join the global community



One Reality

- Boundary-pushing everywhere
 - Women's attire
 - Social interactions
 - General acceptance of work-arounds: imports, Facebook, Twitter
- Widespread support for the nuclear agreement; little doubt it will happen.
 - Real-estate values rising around US Embassy



One Reality

- Large middle class; little extreme poverty
- Leaky sanctions: thriving malls; foreign autos, popular brands
- Little desire for violent revolution. Hope for steady liberalization under President Rouhani
- Brain drain is serious: 200,000 university graduates/year



But the Other Reality

- Clear that the theocracy, while aging, rules with surprisingly tight control
 - Many believe Islamic government/law a foreign “Arab”, not Persian, concept.
 - Judiciary and Parliament dominated by hard-liners.
- Grand Ayatollah Ayazi acknowledged generational shift among educated
 - His children use Facebook
 - 7 of Khomeini’s grandchildren have repudiated the revolution



The Other Reality



- Hard-liners still mobilizing with anti-US messages
 - Although many of the billboards now painted over
- Revolutionary Guard is powerful, controls black market and many big businesses. Supports Shiite militants throughout region
- But power struggle between hard-liners and moderates

The Other Reality

- Sanctions (especially banking/finance) have taken a significant toll in last 2-3 years:
 - Inflation (40-50%,) and rial devaluation (80%) force many to take 2+ jobs
- Belief that Supreme Leader Khomeini wants agreement/engagement
 - Path for youth finding economic opportunities
 - Great concern with ISIS; looking for cooperation
- Supreme Leader Khomeini's succession unclear. Power struggle between hard-liners and moderates



Startup Rising: Iran



"Our country is capitalist to our core. Entrepreneurship is at our core."

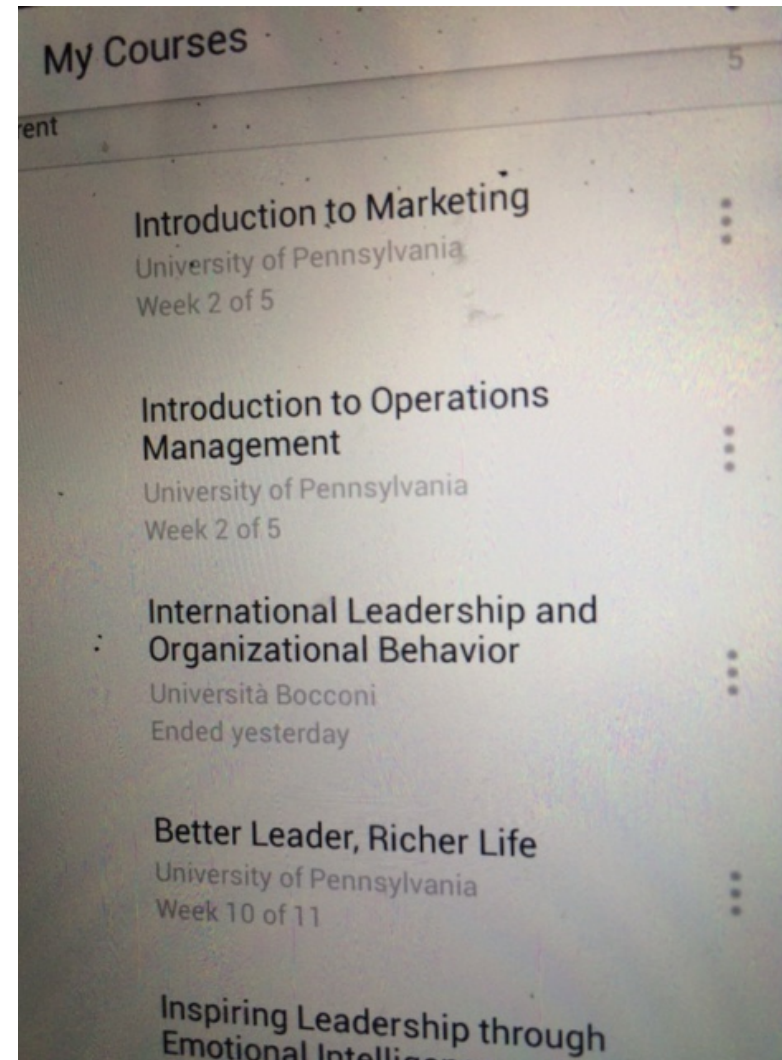
Ubiquity of Access to Global Technology Not Going Back

- 120% mobile penetration (more than one device)
- 40 MM smart phones (doubling YOY; 1 MM new per month)
 - Samsung dominant but decreasing
 - Over 7 MM iPhones (from Turkey/ Dubai); HTC present
 - Xomi coming aggressively
- The one year story of the rise of 3/4 G (<1 MM to 20 MM subs)
- 18 MM broadband households up from 5 MM last year
- Further point on China: entering aggressively; significant Iranian investment there



The Ramifications of a Super Computer in Their Pockets

- World class university programs, especially in engineering
- 700,000 grads a year, more than half women; starting salaries \$12,000
- Millions in addition see online everything we see
- Unprecedented connection, sharing, collaboration
- Access, essentially, to all human knowledge essentially for free
- Exceptionally auto-didact (on LinkedIn; certifications; courses)



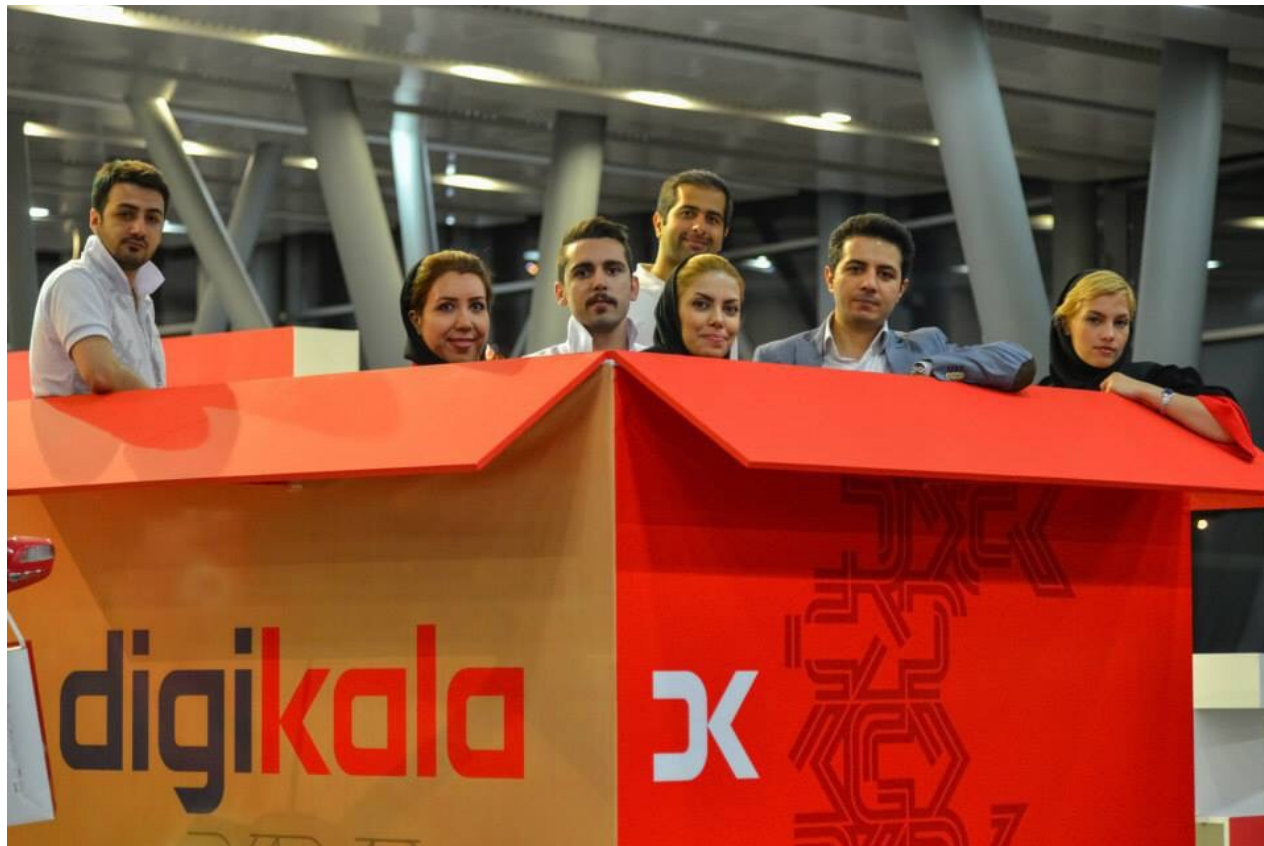
Rapidly Increasing Startup Ecosystems

- Avatech -- Private startup incubator affiliated with the leading tech university
- Like 1776 here in Washington, YCombinator or 500 Startups in Silicon Valley
- Dozens of Startup Weekends and hackathons each month
- Familiar sectors (ecommerce; education; epayments; marketing/ads)
- Mobile first society
- Nascent local Venture Capital; Industry Angel Funds (mobile carriers)



eCommerce -- Digikala

- \$150 MM revenue (up from \$75MM last year)
- Valuation \$300 MM (up from \$125MM last year)
- Sophisticated digital payments systems; no COD as in other emerging markets
- Same-day delivery options in Tehran
- Rocket Internet of Germany competing with \$75 MM Initial investment



Groupon of the Region

- \$30 MM in revenue this year
- 2 MM registered users in seven cities, ages 18-35; 10,000 merchants in Tehran alone
- Her Story as a Woman Startup



31 Government Backed Incubators

Mostly to engage with "government" challenges

- Education (improved eTools for teachers and parents)
- Health
- Agriculture (water preservation)
- Cyber security
- Tourism (virtually no high-quality hotels; minimum booking online)
- Infrastructure



Deputy Minister of ICT

- Strategy to support all of the above; \$4 BB spent last year; \$25 BB planned
- Intention to "by pass plastic" -- all mobile and ePayments
- Significant plans for eHealth (\$1 BB industry in innovation by 2017)
- "Everyone uses Facebook and Twitter: This offers a significant opportunity going forward for B2C engagement, eMarketing and beyond."

Takeaways

- There is an Iran we never see in Western news
- Situation is far more complex and nuanced
- A young, well-educated population is eager to join the world economy
- Technology is breaking down barriers regardless of internal controls and sanctions
- We are not the only game in town (China, Turkey, UAE, EU, Russia, South Africa)
- Iran is poised to engage; huge upside for US