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Best Small-Cap PE Platform - Europe
& Best European First-Time PE Fund:
CUDOS Entrepreneurs' Fund I



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CVDOS

G R O U P



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CUDOS Capital is a Vienna-based private equity firm dedicated to an entrepreneurial private equity approach. We invited Alon Shklarek and Michael Steiner to provide an insight into the firm and its exemplary investment products.

At CUDOS Capital we focus on direct investments in small- and medium-sized companies with revenues between 10 and 100mn EUR, which are located in Central Europe and leading in their field. Our investment approach is industry agnostic, we look at growth cases, restructuring situations and classical buy-outs.

The major part of our investment hypothesis is always based on operative value creation as means for growth and profitability. Our investors are typically private individuals, family offices and entrepreneurial fund-of-funds who are seeking high quality investment products.

Austria and the german-speaking region of Central Europe is our key target market, and we have found that it is severely underserved by private equity investors. There are few international players which target the mid-cap segment (+100mn EUR revenue), but almost none active in the small-cap segment.

This leaves large untapped potential for CUDOS and laid basis for a profitable last 12 months. The firm's flagship offering is CUDOS Entrepreneurs' Fund I, our first-time fund containing our seed portfolio. The fund was designed to prove both the rationale behind our investment strategy and our ability to generate "alpha", and we believe it has achieved exactly that. The fund is a 2013 vintage and will be closed in the next few weeks.

During 2014 and 2015 we saw a number of exciting developments in our fund, including selling our first investment in a trade sale at an IRR of 108% p.a. over two years, or improving profitability in our largest investment by +35%. Additionally, we were able to lay base for further investments, all to be effected on favorable terms and with a large potential to create value jointly with the companies and entrepreneurs we back.

We are currently raising our second fund, CUDOS Entrepreneurs' Fund II, with a few corner-stone investors already committed. Anticipated fund size will reach approx. EUR 60mn with average investor tickets at EUR 5mn. For CEF II we set ourselves a goal of an IRR of +25% (which also corresponds to the original expectation for CEF I which we will outperform).

Overall the economic situation remains uncertain and investors, despite their appetite for PE investments, would rather focus on established and well-known managers than first-timers. Despite this challenge, we were able to secure sufficient funding to build our seed portfolio. We are convinced that our asset class is one of the most attractive ones, given the attractive entry valuation, growth prospects, available risk provisions and overall alpha that we can offer.

To achieve this success we adapted the traditional PE business model by offering more entrepreneurial investment terms and employed a broad range of new technologies to gather meaningful insight quickly and make our work more effective. We have also established CUDOS Industry Group, a unit within CUDOS that combines expertise of +20 industry experts that we include in due diligence and value creation work. These people make sure we are firm about the latest developments in each target industry.

Through this innovative approach that sets us apart from our competitors, as truly entrepreneurial investors, we are also able to look at more complex investment situations where a significant part of value is already created by making the company investable.

Moving forward we are currently commencing fundraising activities for our second fund and are finalizing the first two investments of this vehicle, in order to build upon our current success. In addition we remain committed to innovation and offering a unique service to our investors.