

Cisco launches Euro VC fund

by Andrea Orr

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Cisco Systems Inc. said Monday, Nov. 12, it will launch a program to make venture capital investments in technology companies in Central and Eastern Europe, a first step into a region where the networking giant hopes to fund startups and potentially make acquisitions.

Cisco is teaming on the initiative with **3TS Capital Partners Ltd.**, a private equity and venture capital firm with offices in Budapest, Prague, Vienna Warsaw and Bucharest, Romania. The San Jose, Calif., maker of Internet and telecommunications equipment said it will make the anchor investment in the new €30 million (\$44 million) fund, which will be called Central and Eastern Europe S.C.A. SICAR, or 3TS Cisco Growth Fund III for short. 3TS has previously launched two other funds in the region, valued at €66 million and €100 million.

Hilton Romanski, senior director of corporate business development at Cisco, described the company's investment as 'a continuation of our focus in high-growth developing markets.' The effort is consistent with Cisco's strategy of entering a new region by investing in limited partnerships, he added, noting that this approach allows Cisco to educate itself on a local market before committing more capital.

Romanski also said the high-tech environment in Central and Eastern Europe has reached a point where 'there are venture investors who really know what they are doing.'

Overseas investments have long been a key focus of Cisco, which has 37% of its \$2 billion Global Investment Portfolio allocated to regions outside of the U.S. and Canada. The company has launched similar venture capital funds in Israel, India and Asia, only beginning to make investments after local VCs begin to make successful exits.

Romanski said the high-tech landscape in Central and Eastern Europe consists of several distinct markets, although they are linked by a heritage of technology investments made under the Communist governments that held sway in the region until the 1990s. Today, the area is home to a growing number of startups, especially in software and media.

'From a private equity perspective, it is probably a little more advanced than Russia,' he said.

'In a sense the entrepreneurial spirit has always been there, but the social and economic environment was not always nurturing,' added Alexei Miller, executive vice president of **DataArt Enterprises Inc.**, a software development company that has offices in Russia and Ukraine. 'Today there's an opportunity for more innovation and more investment.'