qashqade

CASE STUDY:

WATERFALL CALCULATION & REPORTING SOLUTION FOR EARLY-STAGE FUND MANAGER

ABOUT OUR CLIENT

Our client is a “first funder”. The first closing was completed a few months ago and the first capital was drawn and invested. The fund has a few tens of million dollars in commitment.

THE CHALLENGE

With the size of the fund and the challenges of it being the first, the revenue generated does not allow for dramatic spending (consider the optimistic example of a first fund with 2% management fee on commitment, which results in a cash stream of $1m, out of a total commitment of $50m). Out of that $1m, all operations of the fund must be paid (sales team, deal team, back-office, plus all expenses and other costs).

Such a company still needs to set up the proper model to calculate the management fee per LP, the outstanding hurdle, and any other number to be communicated quarterly to the investors.

Capital calls per LP need to be calculated and notices need to be sent out (and if this is outsourced, it still needs to be controlled).

To possess that knowledge and expertise in-house is costly, so responsibility falls to the CFO to take care of it. This results in undue stress at crucial moments in the business’s growth; burn-out of business-critical resources; and potential errors which go undetected or are discovered when it’s too late.

THE SOLUTION

qashqade delivered a waterfall calculation solution together with a reporting suite, with implementation provided by a team of experts.

All waterfalls were set up by our team, at a fraction of the time and cost compared to a CFO building and maintaining a model using manual spreadsheets.

Integration of the reporting module allows the CFO to create the necessary reports on demand, with accurate, readily calculated values plus the flexibility for report design changes if needed.

As cash flow is critical to our client, the cost of licensing the qashqade application is kept low enough to make sense. qashqade can scale as required to match our client’s growth.

> The back-office now has the capacity and the tool to provide instantaneous support in case of scenario questions from new investors (by quickly running the calculations on scenario data for that LP), or from the fund manager to indicate performance expectations.

THE RESULTS

The application allows our client to run calculations at any point in time with very little effort, which allows the CFO to concentrate on tasks where their expertise is necessary and not on repetitive error-prone exercises. Thus, the qashqade application is not only cutting costs, but helping the client to focus on tasks where their expertise is most needed and adding most value.

Implementing qashqade early in the business's life also comes with added benefits. It ensures that data is cleaner, calculations can be tracked from day one, changes remain auditable at any point in time and information is transparent.

Also, any costly future projects around data clean-up, reorganization and digging into un-transparent versioning of spreadsheets are avoided.

Our client can now focus on growth and setting up their next fund. The back-office now has the capacity and the tool to provide instantaneous support in case of scenario questions from new investors (by quickly running the calculations on scenario data for that LP), or from the fund manager to indicate performance expectations.

Investors profit immediately from fast responses to their enquiries with high-end reports, increasing the chance of them investing again in the next fund.

Founded in 2018, qashqade provides private market organizations an enterprise product suite for streamlining their calculation, allocation, tracking and reporting processes. Waterfall and carried interest calculations can be automated, replacing manual, error-prone spreadsheets and improving communications between GPs and LPs through enhanced reporting. Built by private markets experts, for private markets experts, the qashqade platform offers a flexible, modular based solution for fund managers, fund administrators and investors alike, and is asset-class agnostic. Headquartered in Zürich, qashqade also has offices in New York, London, and Budapest.