Startup Europe Partnership

SEP MONITOR

December 2017

Scaleup Italy

In partnership with:

agi AGENZIA ITALIA
LA VERITÀ CONTA

Mind the Bridge

STARTUP EUROPE

SEP MONITOR

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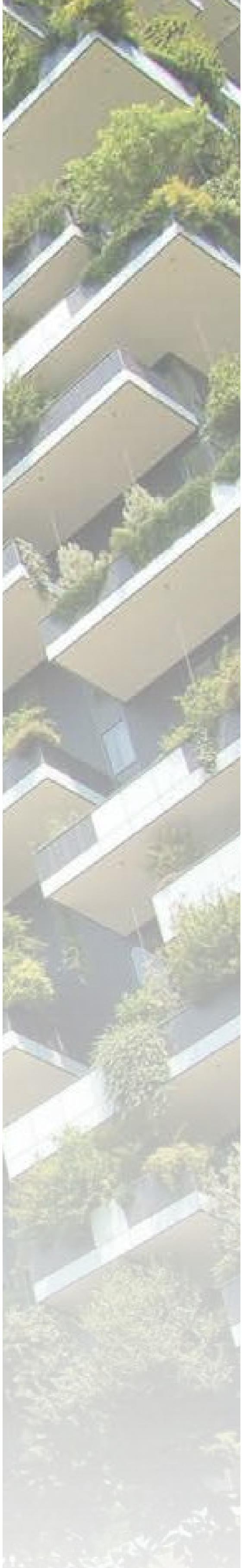


About Startup Europe Partnership (SEP)

Established by the European Commission in January 2014 at the World Economic Forum in Davos, SEP is the first pan-European open innovation platform dedicated to transforming European startups into scaleups by linking them with global corporations and stock exchanges.

By participating in the SEP program, global companies have access to the best technologies and companies with the goal of initiating business partnerships and venture corporate investments. Scaleups are exposed to qualified sales/strategic opportunities as well as funding options either via venture capital, private placements, or IPOs. SEP is led by Mind the Bridge, a global organization based in Europe and United States, with the support of Nesta (the UK's innovation foundation).

SEP is a Startup Europe initiative. Partners include leading corporates with the institutional support of the European Investment Fund/ European Investment Bank Group, London Stock Exchange Group, EBAN, European Startup Network, The ScaleUp Institute, Cambridge University, IE Business School and Alexander von Humboldt Institute for Internet and Society.

For more info:

http://startupeuropepartnership.eu | @sep_eu

SCALEUP ITALY

135 SCALEUPS

$970M
CAPITAL RAISED

0.2 SCALEUPS
every
100K PEOPLE

0.1%
of GDP

MILAN
Italian Top Scaleup Hotspot

$527M capital raised
42% of total scaleups

94
EXITS
since 2010

+26%
NEW CAPITAL RAISED

+22%
NEW SCALEUPS

2016

LET'S GIVE WINGS TO ITALIAN SCALEUPS

by **Alberto Onetti**

"What's wrong in Italy? It just moves too slow."

That was the blunt answer of **Augusto Marietti** during an interview a few years ago.
Originally from Rome, Augusto is the CEO and co-founder of **Kong** (formerly known as **Mashape**), who just closed a $18 million round led by Andreessen Horowitz.
Unfortunately this notion still rings true in Italy, and **"slow motion" is a capital sin in the world of technology** and innovation, in the world of startups.

Our research focuses on scaleups, the more mature outcomes of a startup ecosystem. And **Italy ranks among the underper-formers in Europe** in terms of scaleups unsurprisingly.
Italy is a late mover the startup game, where it takes time to produce results (i.e. scaleups). It's difficult to harvest if you start late and move at a slow pace.

But the real problem we face is that **Italy is still cruising, not racing**. Our investments in the startup economy are simply not enough. You can't catch up with players who are already ahead of the game if you are going at a lesser speed.

Our data clearly shows how **UK, Germany and France** (just to focus on the main countries) **look simply too far away**.
And while these countries are respectively injecting billions per year (UK is about $3.7B, France $2.7B, Germany $2.1B[1]), **Italy is distilling a few hundreds of millions**. Even Spain is pouring 3-4 times more capital.

A significant part of this report will be spent attempting to **understand and explain the gaps between Italy and other countries** in Europe.
But, at the end, speed, i.e. capital investments, does matter.

I'd like to close this introduction with a **positive note**.
Italy has made tremendous progress in the last few years.
Compared to just 5-10 years ago it seems to be in a different historical period. Now you can really breath entrepreneurial energy and passion in the current generation. And **you can do it everywhere in Italy**, not just in the largest cities but even in the small towns. Not only in the North, but also in the Southern regions and islands.

Let's give wings to this energy.

ALBERTO ONETTI
CHAIRMAN,
MIND THE BRIDGE

1- Source: Atomico and Slush, *The State of European Tech*, November 2016.

Editorial Notes

Data are updated as of December 31st, 2016.

The current analysis is limited to ICT companies. Other key areas in the startup ecosystem, such as biotech/life science, hard-tech and cleantech, are currently under investigation and are not included.

International comparison is based on data from SEP Monitor, Scaleup Europe*, Mind the Bridge, June 2017 and Mind the Bridge and Crunchbase,* Startup M&As 2017 Report*, September 2017.*

SEP refers to "scaleup" as of startups that raised over $1 million (see Methodology for further details). This criterion may fail to consider startups that are scaling-up in a sustainable way (such as bootstrapped companies that grow organically and generate revenue and employment), although it includes startups that raised enormous seed investment while still in the "search phase". Although the data fail to represent the complete scaleup landscape, we chose this methodology because it is the only one that allows an up-to-date "who's who" of scaling-up in the various startup ecosystems. Furthermore, it is often not possible to report revenue and employment data (the real key variables to assess growth of a startup) as most cases are private companies, and many countries are simply not accessible in a timely manner.

*SEP sources include public data (*e.g. *press articles, blogs), and direct information collected by investors and companies. The accuracy of our dataset is limited to the available information and disclosed data.*

THE EUROPEAN SCALEUP LANDSCAPE

Europe is home to approximately 4,200 scaleups.
The British Isles (U.K. and Ireland) tops the charts with approximately 1,550 scaleups, which have collectively raised about $21.5B in funding.
The "Central States" (Germany, France, plus the other Alpine states) **account for about 1,150 scaleups (28% of the total), these scaleups have raised $18.1B**.
Adding the **Benelux**, with approximately 300 scaleups able to raise $3.6B, to the Central States almost closes its gap with the UK.
The Nordics are the third region in Scaleup Europe. The five Scandinavian countries account for approximately 620 scaleups (15% of the total) and $9.4B in capital raised. **Southern Europe still lags behind in the scaleup game.**
The Southern countries of Spain, Portugal, Italy, Greece, Malta and Cyprus collectively account for only 430 companies and $4.2B in funding, which is slightly better than the Benelux region.
This amounts to 0.12% of GDP, about one third of the European average which shows the severity of their under performance. **Scaleups from Eastern Countries** (not including Russia, Baltics and Caucasus) **form an emerging group** of 120 companies (3% of the total) that have been able to attract about $0.7B in funding (0.07% of GDP).
Another emerging area is the Baltics which includes Estonia, Latvia, Lithuania that combined have a total of about 30 scaleups that raised $0.2B (0.26% of GDP).

Further data available in:
SEP Monitor, **Scaleup Europe**,
Mind the Bridge, June 2017.

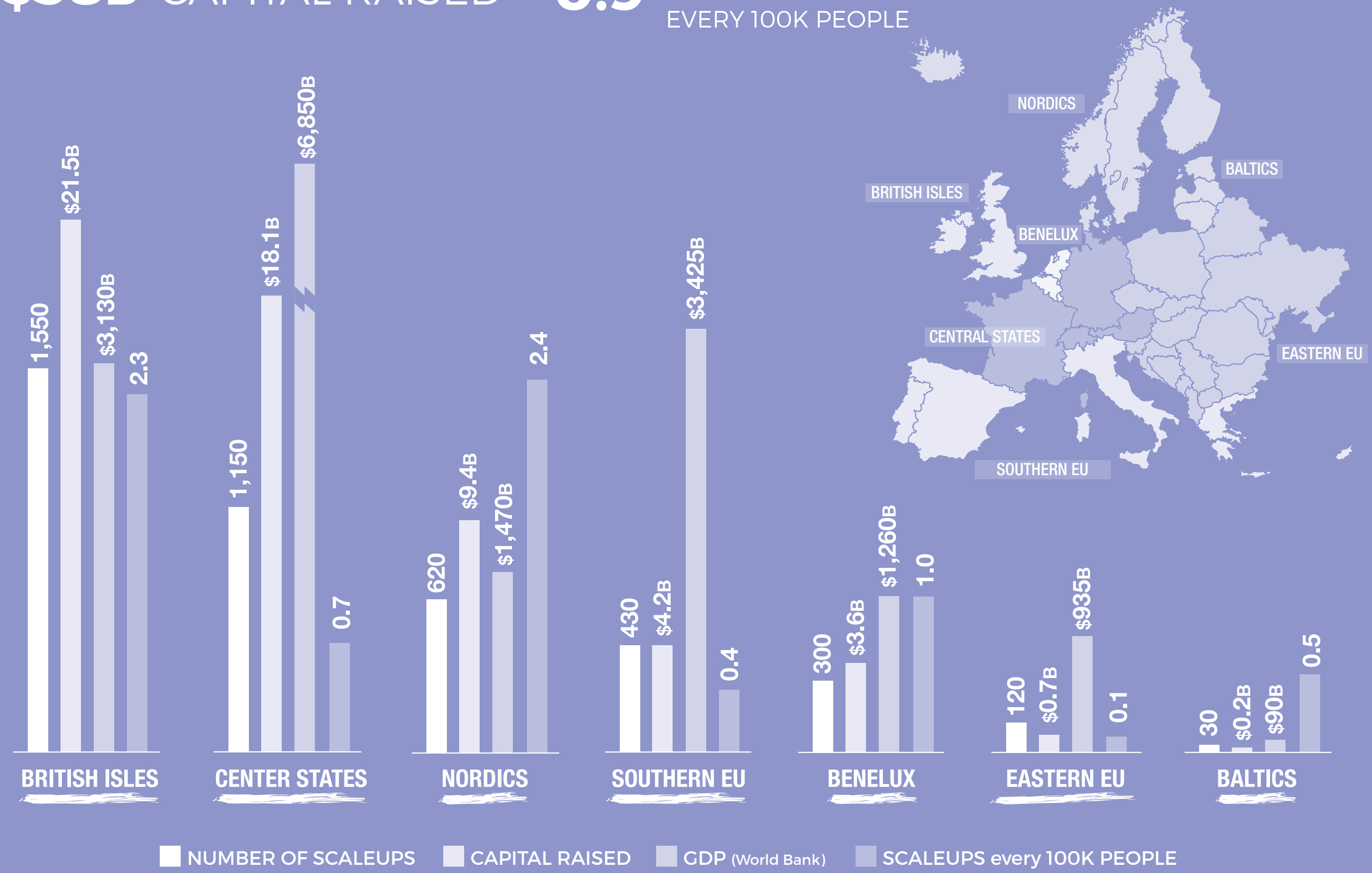
Scaleup Europe by Regions *Fig. 1*

4200 SCALEUPS

0.33% of GDP
INVESTED IN ICT SCALEUPS

$58B CAPITAL RAISED

0.9 SCALEUPS
EVERY 100K PEOPLE

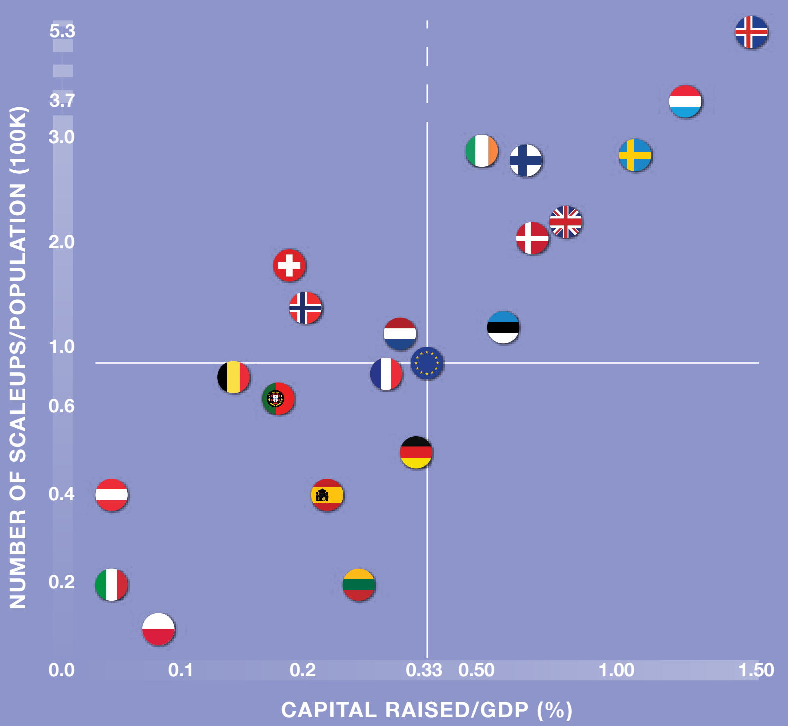


How Does Italy Rank Compared to the Rest of Europe?

Italy ranks 11th in Continental Europe both in terms of number of scaleups and capital raised.
Restricting the analysis to the main countries, the position of Italy looks quite worrisome. **The gap to the UK, who tops the ranking, is likely far too wide to be bridged.** Compared to the "Bel Paese", the UK has managed to produce 10 times more scaleups that raised 240 times more investments. The startup train has definitively left the station.
Germany and France look too far away. These countries have an contingent of scaleups that is over 3 times larger. But the gap is even wider if we factor the capital raised. As of the end of 2016, German scaleups cumulatively raised over 11 times more capital compared to the Italian ones, while French scaleups 7 times (this data doesn't include the new Macron Plan).
Even Spain looks difficult to be reached. The main gap with Spain is not in terms of number of scaleups (207 scaleups versus 135 in Italy), rather - same old story - in terms of capital raised. The Spanish scaleups were able to raise $2.8B versus $0.9B funding granted to the Italian peers. Again triple the amount of capital raised. **No (venture) capital, no party.**

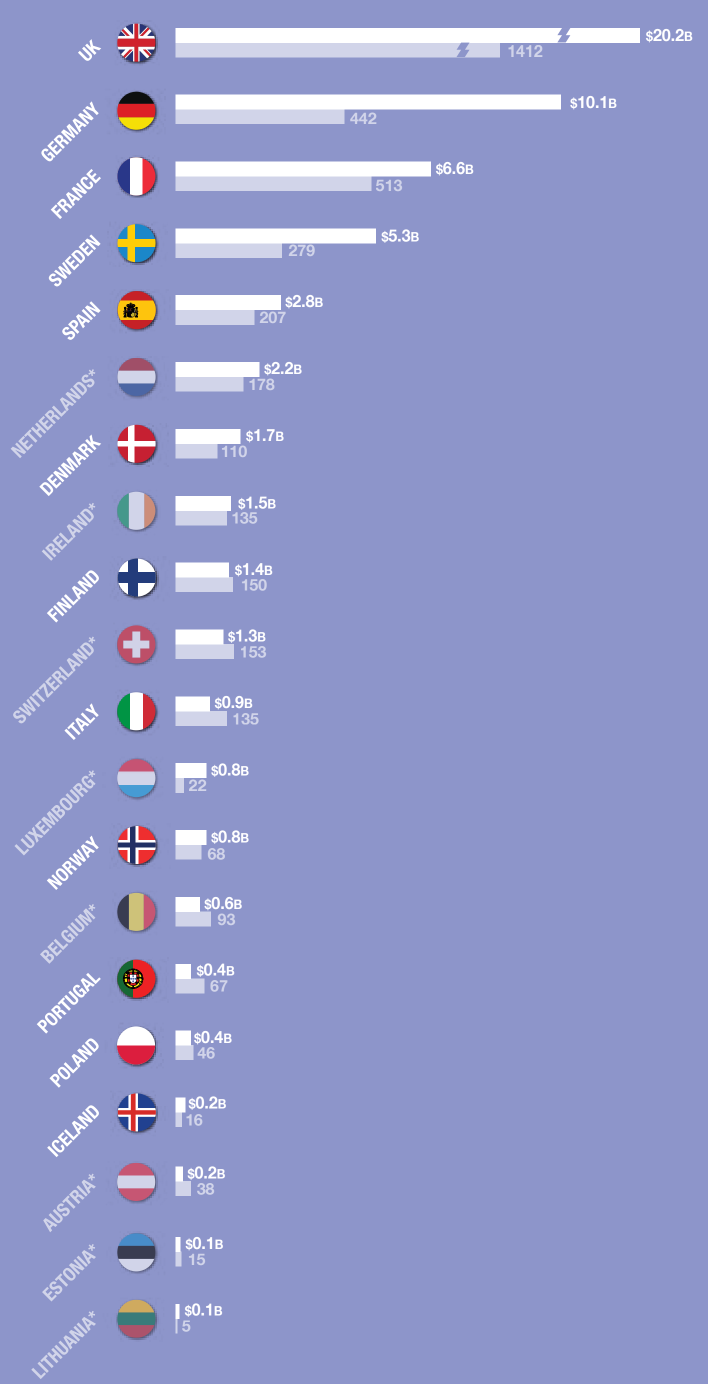
The Italian position looks even worse when compared to their GDP and population. The matrix in Figure 3 visualizes this analysis. The European average of 0.9 scaleups per 100k inhabitants and 0.32% of capital raised versus GDP is at the origin of the matrix. In the top right quadrant we find the leading ecosystems, these countries are characterized by both high volumes of scaleups and a large amount of financing (both above the European average). Some of the leading economies of Europe are present in this quadrant, the UK and the Nordic countries are - not surprisingly - positioned there. **Scattered around the origin we find the ecosystems that are struggling between innovation and old establishments.**
Germany and France could be considered to be underperforming given their strong economic foundations. At the same time Holland, Belgium, Switzerland, and even Portugal are hovering around the average on both capital and scaleup volume.

Scaleup Europe: Number of Scaleups vs Capital Raised *Fig. 3*



The lower left sector is occupied by countries who underperform both in capital invested and number of scaleups.
Spain shows slightly lower than average results for both indicators while Italy (with Poland and Austria) is positioned in the low left hand corner, showing a low productivity given the respective size of its economy.
Alternatively, looking at it as a quarter full glass, massively unexploited potential.

Scaleup Europe: Top 20 Ecosystems *Fig. 2*



* Estimated values
** Includes only countries with $0.1B+ in capital raised

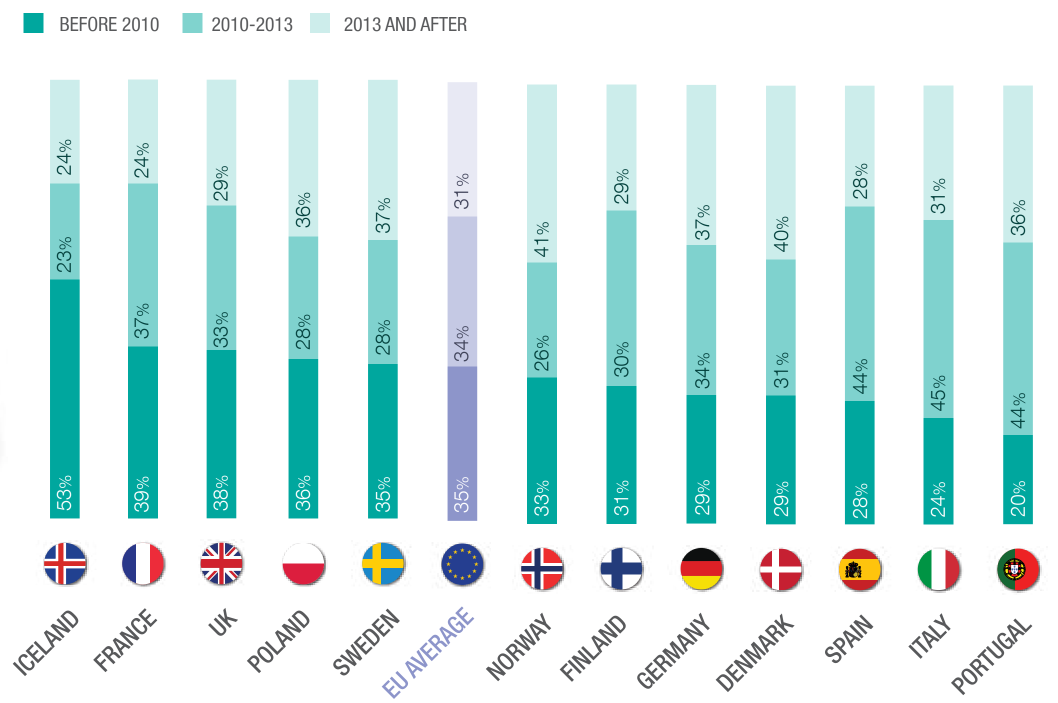
Italy: Beyond Yoox, Mostly Young and Small Scaleups

As of December 2016, **we tracked 135 ICT active scaleups in Italy**.
These companies cumulatively raised - since inception - $969M.
8 of them (5.6%, not included in the figure above) have run out of business, with $30M in capital being burned by these companies. That represents the 3% of the overall capital invested.

Scaleup Italy: Number of Scaleups *Fig. 4*

The Italian scaleup pack is led by Yoox[2]. The fashion-tech giant raised $190M represents almost 20% of total capital raised by Italian scaleups.
But Yoox is definitely an outlier for the Italian ecosystem, not only in terms of size, but also in terms of age as Italian scaleups are among the smallest and youngest in Europe.
76% of the Italian scaleups have been founded after 2010.
This percentage is the second highest in Europe (only Portugal shows higher values) and shows how relatively young is the Italian scaleup ecosystem. Our data shows that **the Italian ecosystem**, along with other Southern Europe countries, **has started to produce scaleups more recently** compared to the rest of Europe.

European Scaleups: Year of Establishment *Fig. 5*

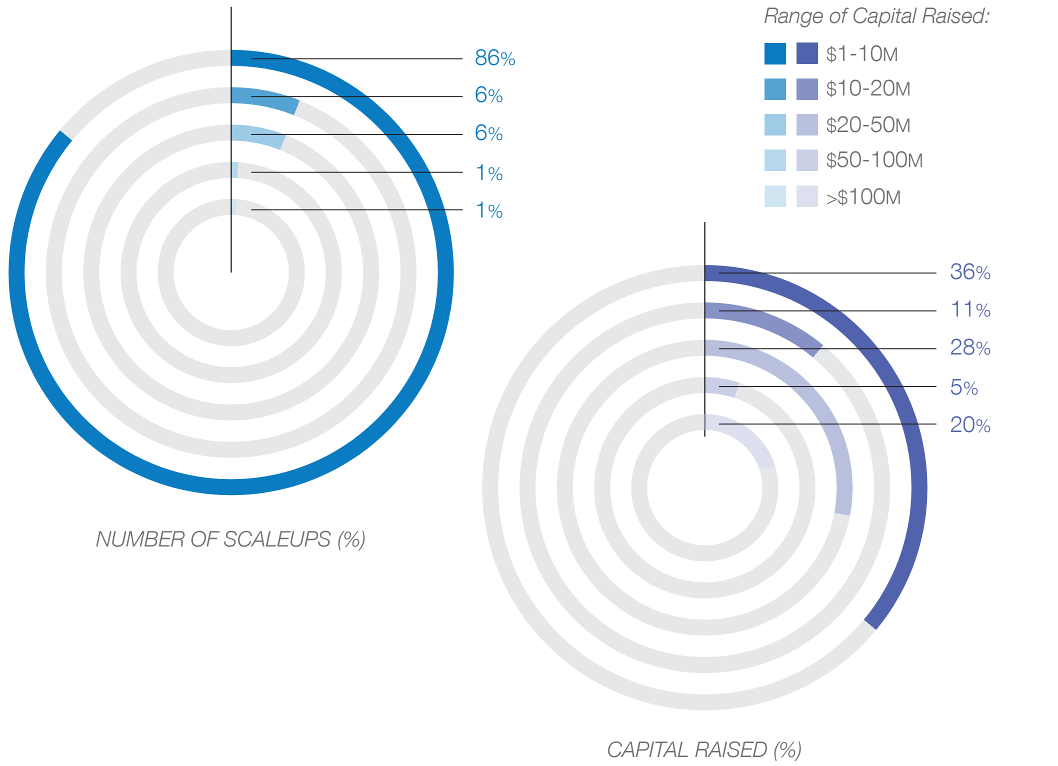


2- Currently named Yoox Net-A-Porter, after the merger between Yoox and The Net-A-Porter Group in 2015.

This **relative immaturity of the ecosystem**, or the delay in getting started, is one of the main reasons behind the poor Italian (and Southern European) performance. It seems that these countries are still struggling in shaking off the reigns of traditional small and medium enterprises and embracing the startup wave. For this particular trend however, the later it takes to start, the outcomes become smaller.

Specifically, **Italy shows a very low percentage of "old" scaleups** (founded before 2010), while the percentage of scaleups founded after 2013 (31%) is aligned to the European average.

Italy: Distribution of Scaleups per Amount of Capital Raised *Fig. 6*



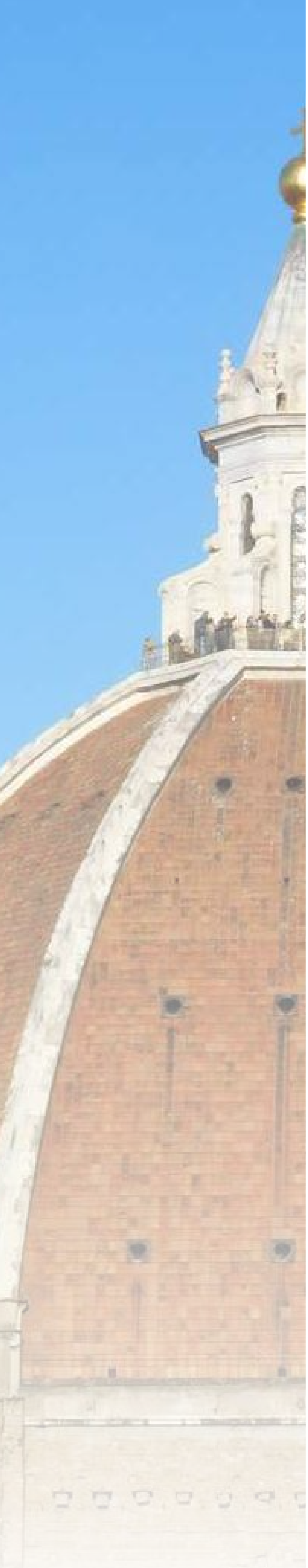
The Italian scaleup landscape is mostly dominated by small scaleups: 86% of the Italian scaleups have raised between $1 and $10M in funding. The mid-scaleup segment ($10 to $50M in capital raised) is not so densely populated: only 16 scaleups (12%) and only 2 companies (2% of the total) raised north of $50M.

The bottom tier of scaleups, small scaleups with funding up to $10M, has taken in 36% of the overall capital available for scaleups in Italy, while mid-scaleups got 39% of the overall capital and the 2 big ones secured 25% (of which Yoox accounts for 20%).

An Unexploited Potential

Italy is among the most populated countries in Europe.

When compared with other large countries such as France, Germany or the UK, Italy does not score well in terms of scaleups/population ratio. With only 0.2 scaleups every 100 thousand people, **Italy's performance is among the lowest in Europe**, more than 4 times lower than the European average (0.9), 2 times lower than the Southern European countries average, and only slightly better than Poland (0.1).



Scaleup Italy: Number of Scaleups per 100K Inhabitants — *Fig. 7*

There is definitely room for improvement, considering that **there are hints to a quite active sub-ecosystem of smaller startups looking to cross the funding chasm** and turn into scaleups. In this regard, it is worth noting that the Italian government has tracked a population of about 7000 "innovative startups" in a dedicated official registry[3].
Although the methodology used to define "innovative startups" may be up for debate, in this group there may be several candidates to fill up the scaleup contingent, and bring Italy into the pack that is leading the innovation economy.

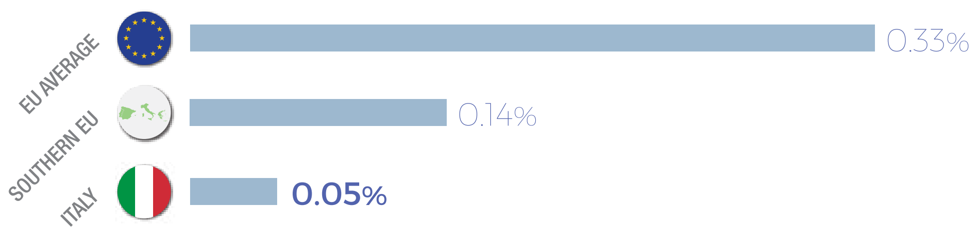
Scaleup Italy: Capital Raised — *Fig. 8*

Italian scaleups have raised close to $1B in total.
85% of $970M has been raised by venture capital and private placements with the remaining **15% has been collected through IPOs by 9 companies** who have gone public. This percentage is in line with the European average, though significantly below the figures for the US scaleup ecosystem.
It's important to note also that all 9 of the publicly listed companies used the **Alternative Investment Market (AIM)** program to do so, 8 in Milan and one in London. AIM is the London Stock Exchange's international market for smaller growth stage companies, and with these 8 companies experiencing success listing there, it has proved to be a viable option for Italian tech scaleups.
Overall capital invested in scaleups equals approximately 0.05% of the Italy's GDP. This percentage falls far below the European average of 0.33% and also the average for Southern European countries (0.14%).
In this respect, Italy is the worst performing ecosystem of all Europe.
Even more alarming if we factor the fact that Italy ranks 8th in the world for GDP[4], suggesting that they have a strong economic base to pull from.
Given the strong economy by European standards, the potential is easy to see despite the poor performance in the scaleup market.

3- Source: http://www.sviluppoeconomico.gov.it/index.php/it/198-notizie-stampa/2036385-ricambio-generazionale-tra-le-startup-innovative
4- Source: World Bank, 2016

Capital Raised on GDP (%): International Comparison

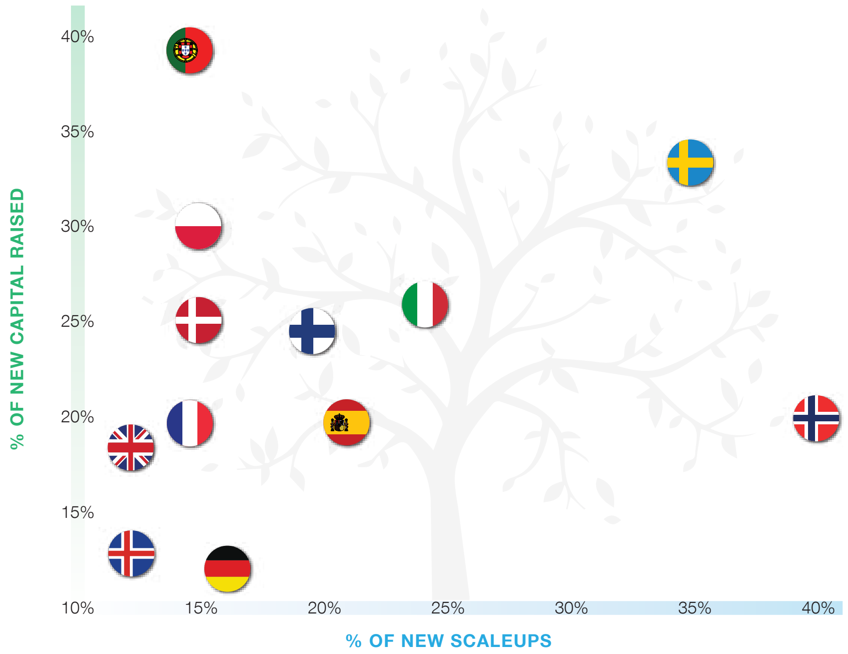
Fig. 9



Our analysis suggests that this situation is beginning to change for the better.
Along with Portugal, a similarly thriving ecosystem, **Italy has performed very well in the past 12 months**, experiencing a 22% relative increase in the scaleup volume as well as a 26% increase in capital raised.

Scaleup Europe Growth Matrix (2016)

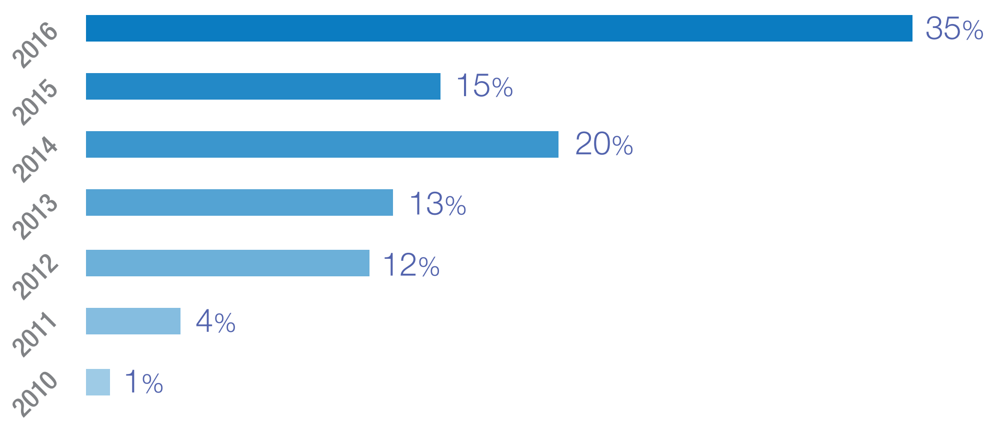
Fig. 10



The above figure shows that Italy is in the upper right part of the our growth graph, higher than the UK, Germany, and France. Though it hasn't had a monumental year like Sweden or Portugal, **the trend is upwards**. Data about funding also follows this trend: 35% of Italian scaleups completed their last funding event last year. **2016 certainly was a pivotal year** for Italian scaleups, and we'll see if this growing pattern will be maintained in 2017[5].

Italian Scaleups: Last Funding Year

Fig. 11

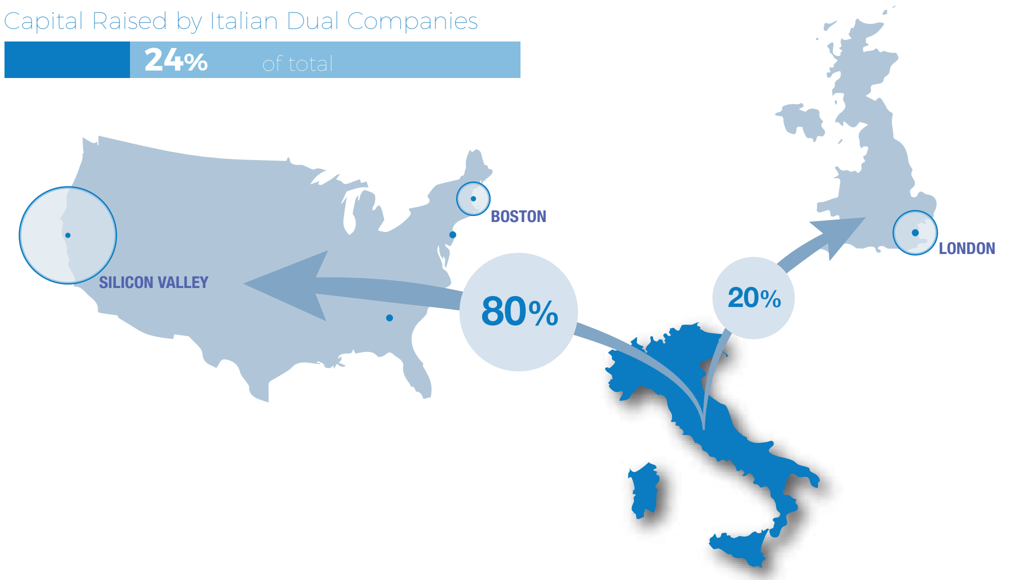


5- Data are updated as of December 2016.
Refer to the section: "2017: What's Happened So Far" for the most relevant updates and trends for the current year.

Italian Scaleups Going Abroad for Funding

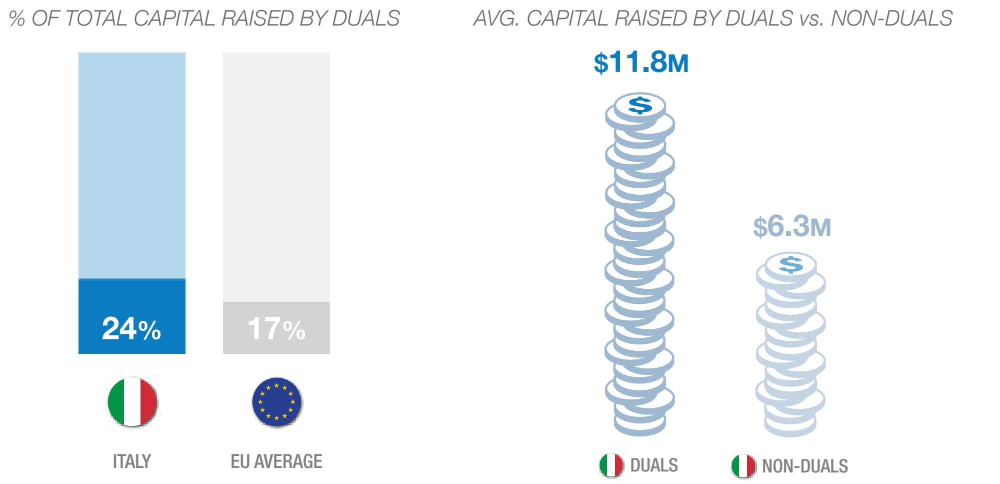
The phenomenon of **dual companies**, scaleups founded in Europe relocating their headquarters abroad, is common throughout Europe, especially in emerging ecosystems[6]. Our research shows that the main reason for companies to adopt this strategy is to **gain access to later stage funding**, beyond accessing larger markets[7].

Italian Dual Companies *Fig. 12*



Italy is no exception to this with 22 scaleups qualifying as dual companies. This number is 16% of the total in Italy, slightly above the European average. 18 of them (82%) moved their HQ to the U.S. (14 to Silicon Valley, 2 to Boston), while the remaining 4 chose London to be their new base of operations. As documented in our previous reports on this strategy, the decision to go abroad for funding seems to pay off and Italy again is no different. **The average amount of funding collected by dual companies is $11.8M**, while companies following a domestic funding path raised $6.3M on average. **A 187% increase is no mistake**, **the dual strategy works** for those who use it effectively. This group of dual scaleups attracted 24% of the total capital made available to Italian scaleups, a percentage well above the European average. All this being said, it’s no surprise that 5 of the 10 most funded Italian scaleups are dual companies.

Capital Raised by Italian Dual Companies *Fig. 13*



6- We define **dual companies** those startups founded in one country that relocated their headquarters - and with that part of their value chain - abroad, while maintaining a strong operational presence in their country of origin.

7- See: Mind the Bridge, *European Dual Companies: Scaleup Migration?*, June 2017

YOOX
The Italian Scaler

Founded: 2000 | HQ: Milan | Fashiontech | Raised: $191M

YOOX NET-A-PORTER Group is the world's leading online luxury fashion retailer.
The Group is a Global company with Anglo-Italian roots. It's the result of a game-changing merger that brought together the Italian YOOX Group with the English THE NET-A-PORTER Group in October 2015. The two companies have revolutionized the luxury fashion industry since their birth in 2000.

YOOX Group was founded by Federico Marchetti as a fashion and luxury e-commerce that sells overstocked or unsold items from previous seasons, while THE NET-A-PORTER Group was established by Natalie Massenet from a simple idea: merge together the browsing of a fashion magazine to the ability to shop at the click of a mouse and deliver to the customers' door. When the merger was completed, Yoox founder Marchetti became the group's CEO while NET-A-PORTER founder, Natalie Massenet, left the company. Rumors suggest that there was a corporate battle between the majority owner of NET-A-PORTER and one of its original backers behind Massenet's choice of leaving the company. Natalie Massenet complained bitterly that the company was being sold at far too low a price, with a valuation of $1.4B, much less than what Massenet expected.

Before the merger YOOX Group raised approximately $80M from VC investors, including Elserino Piol, Kiwi Ventures and through an IPO. In 2016, few months after the merger between the two companies, Alabbar Enterprises (A.R.E.) invested over $110M in YNAP, bringing the company's total financing exceeded the $190M.

Yoox Net-a-Porter's decision to partner with Alabbar was strategic; in addition to funds, Mr. Alabbar delivers exclusive luxury and retail experiences across the Middle East providing YNAP with invaluable insights in the fast-growing regional luxury fashion market. YOOX NET-A-PORTER Group will employ the financial resources to seize new growth opportunities through the localisation in key high-potential geographies; further to this, YNAP is going to unlock synergies by funding the recently announced investments in the development of a common omni-channel enabled techno-logistics platform across all geographies and storefronts. This platform will support the Group's future multi-billion Euro business, offering customers and brand partners world-class service and empowering customer-centric innovation.
After the merger, YOOX NET-A-PORTER established itself as the world's premier luxury fashion destination.
YNAP has a vast client base, approximately 2.5M customers and 27M monthly unique visitors worldwide.
The Group has offices and operations in the United States, Europe, Japan, China and Hong Kong and delivers to more than 180 countries around the world.

FEDERICO MARCHETTI
CEO, YOOX
NET-A-PORTER GROUP

TOP-PERFORMING ITALIAN SCALEUPS

FacilityLive

Raised:
$32M

HQ:
Pavia

Search

Founded:
2011

Founded in 2010 by Mariuccia Teroni and Gianpiero Lotito, FacilityLive is an Italian high tech startup that has developed a next generation technology for the organization, management, and search of information, with patents granted in 44 countries worldwide.

FacilityLive's main HQ is located in Pavia (Italy), with offices in London and Brussels. FacilityLive's technology goes beyond traditional search engines' full text retrieval approach, thus providing a higher level of precision than other existing search engines. At present, FacilityLive's technology is run in a B2B environment serving leading international telcos, primary global banks, major scientific councils and P.A. environments.

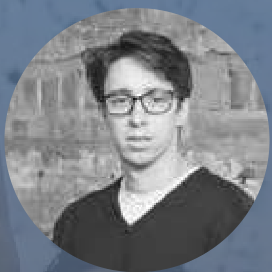
To date, FacilityLive has raised $35M through private investors and family offices, plus a private foundation and the University of Pavia.The initial capital injection was mainly used for prototype development. Following rounds powered software development, validation, and go-to-market, along with the incorporation of the FacilityLive holding company.

FacilityLive is currently valuated at around $260M.

In 2014, FacilityLive was admitted to the prestigious Elite programme of London Stock Exchange Group, the first non-UK company to do so.

GIANPIERO LOTITO
CO-FOUNDER & CEO, FACILITYLIVE

Moneyfarm



GIOVANNI DAPRÀ
FOUNDER, MONEYFARM

MoneyFarm was founded in 2011 by Paolo Galvani and Giovanni Daprà as an independent financial services provider. It offers online financial advisory and execution services in Italy and The United Kingdom, providing personal advice and trading activity.

MoneyFarm has raised about $30M since inception. Investors include the Italian VC United Ventures, and Principia, as well as the Business Angel Vittorio Terzi. In 2015 Cabot Square Capital (UK) invested over $17M in the company and one year later Allianz Venture also joined the investors' group, with a capital injection of about $7M.

The money has been used to finance the development path of the company, which has recorded a massive customer growth over the past years.

Raised:
$30M

HQ:
Milan

Fintech

Founded:
2011

Musement

Raised:
$17.5M

HQ:
Milan

Travel

Founded:
2013

Founded in 2013 in Milan, Musement is an online platform that allows travellers to discover things to do. The company aims at consolidating the tours and activities market by providing a single online destination to discover and book in-destination activities.

Ahead of its attendance at travel fair World Travel Market in London in 2013, Musement raised about $1M from the Italian venture capital firm 360 Capital Partners, the Italian angel investors' network IAG (Italian Angels for Growth) and other investors. The capital has been used to fund the company's growth and expansion into new markets. A few years later, in 2015, Musement raised a further $6.5M from Italian investors, including P101, 360 Capital Partners and IAG. The most recent funding amounted to $10M, the round was led by family fund Micheli Associati, with participation from previous backers. In October 2017, Musement acquired Dutch travel content startup Triposo. It's machine learning technology serves as a "natural fit" for Musement, said CEO Petazzi.

ALESSANDRO PETAZZI
FOUNDER & CEO, MUSEMENT

Mosaicoon

Raised: $13M

HQ: Palermo

Digital Media

Founded: 2010

Mosaicoon is a collaboration platform for the management of online video campaigns based on marketing performance. Creative professionals and brands are able to scale video production and manage video campaigns from initial campaign objectives through the creative stage to the tracking of the final marketing results.

Mosaicoon was founded in 2010 in Palermo by Ugo Parodi Giusini and to date it has raised about $13M from several Italian investors, including the VC firms Vertis ventures and Atlante Ventures Mezzogiorno as well as a group of family offices and entrepreneurs.

The funds have been used for the development of its proprietary technology platform and international expansion.

UGO PARODI GIUSINO
FOUNDER & CEO, MOSAICOON

Cloud4Wi

ANDREA CALCAGNO
FOUNDER & CEO, CLOUD4WI

Cloud4Wi is a leading provider of next generation cloud Wi-Fi solutions. Their cloud Wi-Fi solution allows Wi-Fi service managers to offer next-generation services to value and monetize their Wi-Fi by promoting commercial offers.

Cloud4Wi was founded in 2013 in Pisa and then moved their headquarter to San Francisco one year later. The move was made to foster growth in the so-called "guest Wi-Fi" sector, a market expected to dramatically increase in the future years.

To date, the company has secured approximately $15.5M from either Italian United Investors or US VC funds, with the latest part of the large Series B round completed in 2017 (total capital raised in series B: $12M).

Raised: $12M

HQ: Pisa

Networks

Founded: 2013

Soundreef

Raised: $5.2M

HQ: Milan

Digital Media

Founded: 2011

Soundreef is a Milan-based music royalty management platform. Founded by Davide d'Atri in 2011, Soundreef operates as a tech management platform that allows music copyright owners (music publishers, authors and artists) to securely provide, manage, track and audit royalties as well as to receive payments.

The company has raised more than $5M from backers, including the Italian Lventure Group, VAM Investments and Club degli Investitori. Soundreef has made the headlines when the Italian pop star Fedez left SIAE to enter Soundreef's clientele followed by Gigi D'Alessio, Nesli and Rovazzi.

Today, other artists have joined Soundreef for a total of over 8,000 members.

DAVIDE D'ATRI
FOUNDER & CEO, SOUNDREEF

Tannico

MARCO MAGNOCAVALLO
FOUNDER, TANNICO

Tannico, a Milan-based wine e-commerce platform, is an online wine retailer that uses big data and AI to personalise recommendations.

Since its foundation in 2012, Tannico has served more than 40,000 clients offering Made in Italy products being sourced from over 6,000 different producers.

In 2016 the company secured about $4M in funding, in a round led by P101 with participation from business angels including Matteo de Brabant, Maurizio di Robilant and Stefano Saccardi.

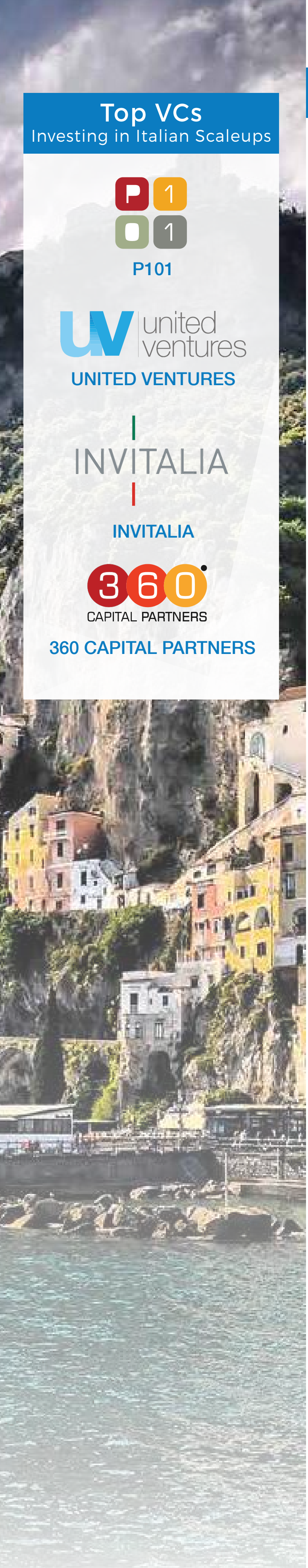
The startup is based in Italy due to its proximity to producers but the founder, Marco Magnocavallo, sees the UK as an important market for expanding into. France and Switzerland are also on the roadmap.

Raised: $4.3M

HQ: Milan

E-Commerce

Founded: 2012



Top VCs
Investing in Italian Scaleups

P101

UNITED VENTURES

INVITALIA

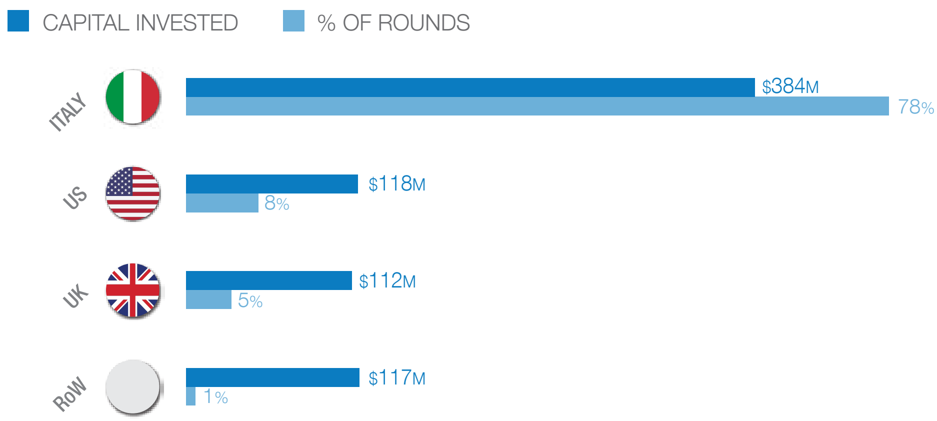
360 CAPITAL PARTNERS

45% of Venture Capital Investments Come From Abroad

Our research shows that the 143 scaleups identified made on average 1.8 funding rounds each. **78% of all rounds have been led by Italian venture capital firms**, while 9% involved investors from other European countries (of which, more than half from the UK). US investors also play a minor role, leading only 8% of the rounds[8].

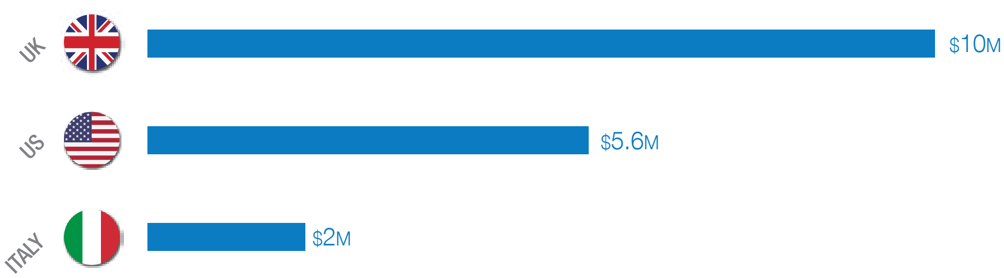
47% of total capital was raised in rounds led by Italian investors, while another 45% was raised in rounds involving international investors. More specifically, 15% of the total capital invested in Italian scaleups came from US and another 14% from British ones.

Scaleup Italy: Investors by Country *Fig. 14*



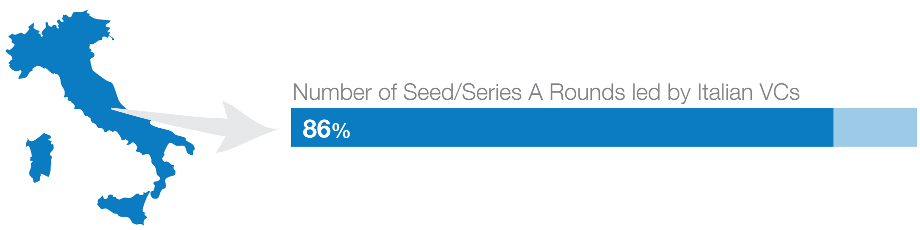
These numbers show that **financing rounds led by Italian investors are smaller** ($2M on average), while rounds involving foreign investors are 3-5 times larger in size (ranging from $5.6M to $10M).

Scaleup Italy: Average Round Size per Nationality of Investor *Fig. 15*



Smaller early stage rounds in Italy are generally driven by local investors, a characteristic of most if not all scaleup ecosystems[9]. As a matter of fact, 86% of all Seed/Series A rounds were led by Italian investors. This percentage decreases to 78% in the series B rounds, and drops down to about 50% in the following rounds (C/D etc…).

The Role of Italian VCs in the Kickstart of the Fundraising Process *Fig. 16*



8- For 5% of rounds (2% of capital) the identity (and nationality) of investors have not been disclosed. Only 1% of the rounds have been led by investors from outside Europe and the US.

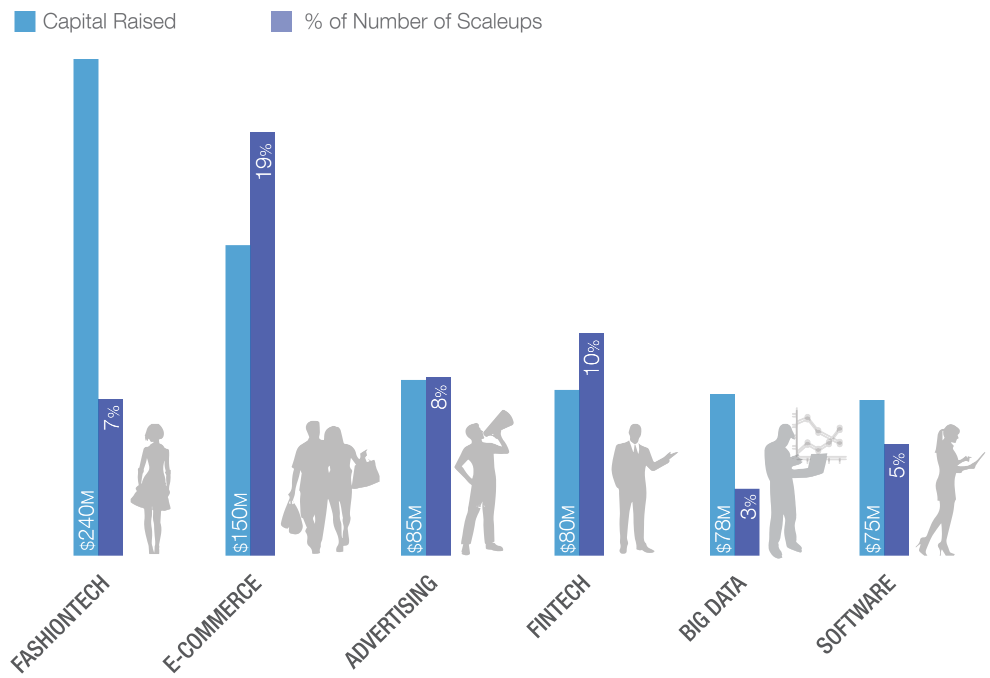
9- It is 75% in Portugal. See SEP Monitor, *Scaleup Portugal*, Mind the Bridge, June 2017.

On the contrary international investors role increases as scaleups move from the initial round (12%) to follow-up rounds (17% in series B and 35+% after the series C and subsequent). This movement away from Italian capital could be caused by a couple reasons. The most obvious perhaps being that **scaleups looking for the large amounts capital raised in the growth stage rounds can't find it in Italy**, and as such have to look abroad.
Or on the side of the venture capital firms, **scaleups in later rounds are seen as less risky investments** given their distance from the firm, so they are more willing to invest in these companies with a proven record. It is also possible that scaleups looking for growth stage money simply feel it is time to seek non-Italian money, even if it is available to them.

Not Only Fashion. Ecommerce, Fintech, and Advertising Drive Scaleup Italy

Consistent with previous findings, our research on Italy confirms that emerging ecosystems do not have prevalent industrial specializations[10]. **The Italian scaleup landscape is populated by companies operating in different sectors, without any specific "house specialty".** The largest sectors in terms of volume are E-commerce (19% of total), Fintech (10%) and Digital Media (9%). The relatively high concentration of scaleups in the e-commerce area is driven by a quite wide group of high quality scaleups such as Cortilia (agricultural online market) and portals such as 7Pixel (Trovaprezzi), Facile.it, DoveConviene and Comparameglio.it (e-commerce for price comparison).

Scaleup Italy: Top Sectors *Fig. 17*



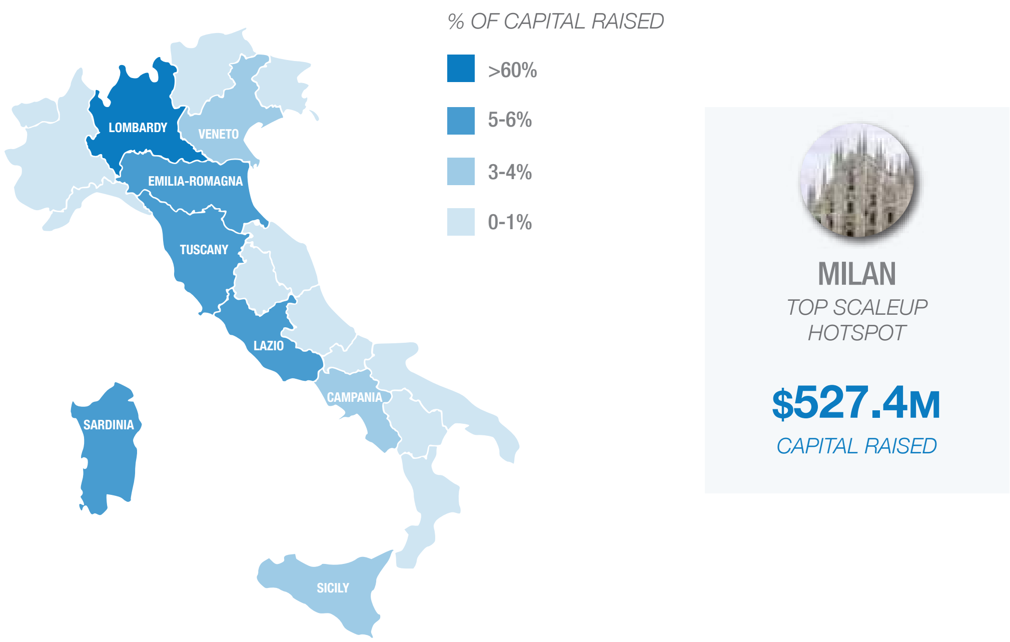
In terms of capital raised, the dominance of the fashiontech sector is clearly driven by the tech giant Yoox ($190M raised alone). **The e-commerce sector ranks second** and accounts for $150M (16% of total capital), while advertising is at a distant third place with slightly less than $85M (9%) raised. Residual sectors, including Big Data, Fintech and Software, attracted 8% of the total capital raised.

10- See SEP Monitor, *Scaleup Europe*, Mind the Bridge, June 2017.

Italian Scaleup Hotspots

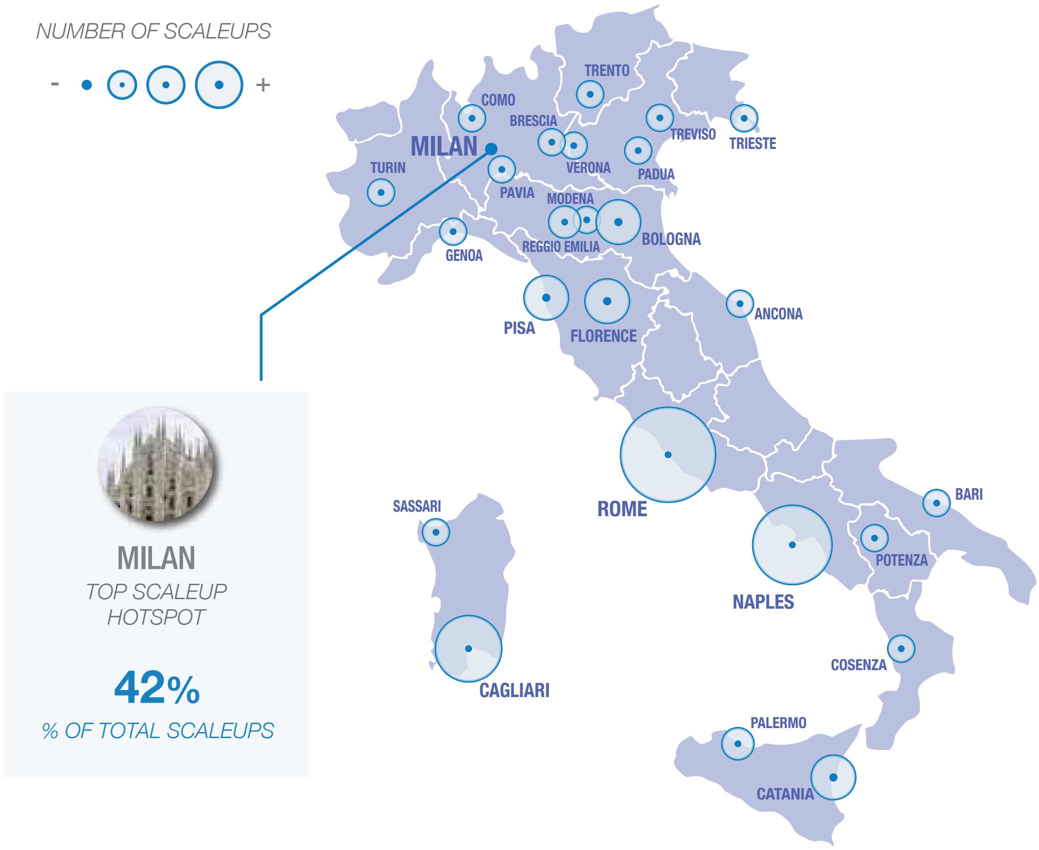
The numbers show that Italian scaleups tend to be concentrated in the main hub of Milan (42% of the scaleups and 55% of the capital raised). Rome follows at a distance, with 6% of the scaleups and only 2% of capital raised, together with Naples and Cagliari.

Italy: Scaleup Hotspots (Capital Raised) *Fig. 18*



Florence, Bologna, Catania and Pisa complete the ranking of the main scaleup hotspots. The real news is that the majority of Italian scaleups (52%) are located outside of the two main cities.

Italy: Scaleup Hotspots (Number of Scaleups) *Fig. 19*

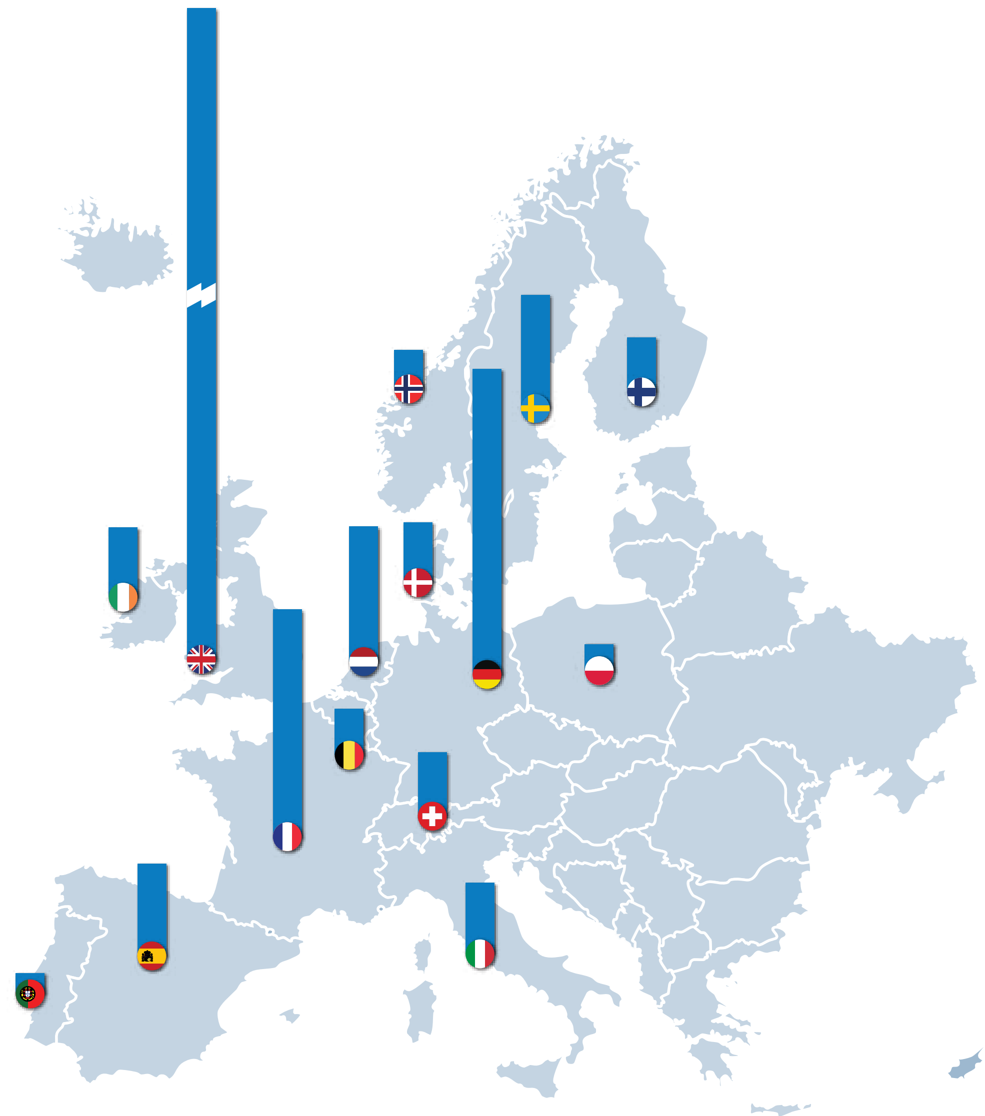


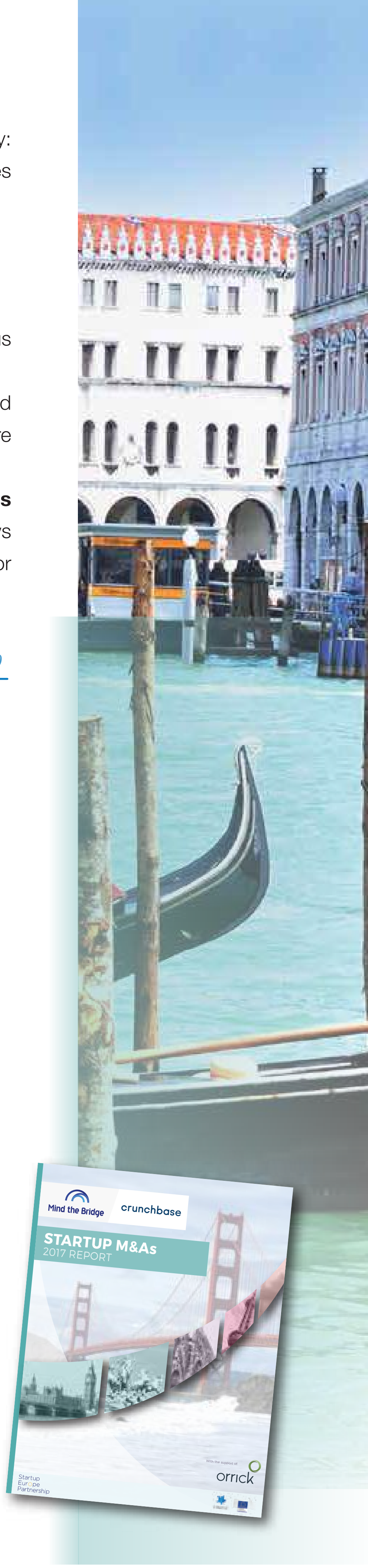
They are scattered in 18 regions along the peninsula.
This data give credibility to the opportunity potentially triggered by the startup economy: **startups may originate everywhere**; not only in the main hubs but also in smaller cities and less industrialized areas.

An International M&A Market

As explored in our Startup M&A Report[11], the M&A market in Europe is quite heterogeneous with thriving, young ecosystems alongside more established, mature ones.
UK leads countries in Europe in exit volume, followed by France and Germany. Italy- and Southern Europe in general - show definitively lower volumes. In UK produces 4 times more exits than Italy, Germany and France 3 times, Spain itself 1.5x.
Focusing on Italian startup M&As, in the 2010-2016 timeframe, **94 italian ICT scaleups were acquired**, with 36 transactions (40%) completed in 2016. This rapid increase follows a 2 year period of linear growth. This confirms that 2016 might represent a turning point for the Italian startup ecosystem.

Exits: Top 15 Countries in Europe *Fig. 20*



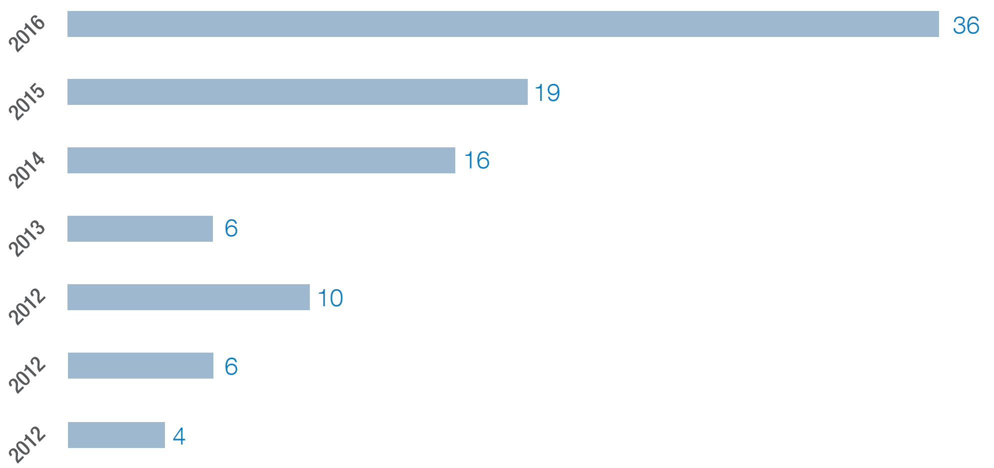


11- See Mind the Bridge and Crunchbase, *Startup M&As 2017 Report*, September 2017.

Data show that **slightly less than half (45%) of all acquisitions of Italian scaleups were performed by domestic companies**.

Italian scaleups attract the interest of international buyers. 55% of Italian startup have been acquired by foreign entities.

Italy: Exits per Year *Fig. 21*

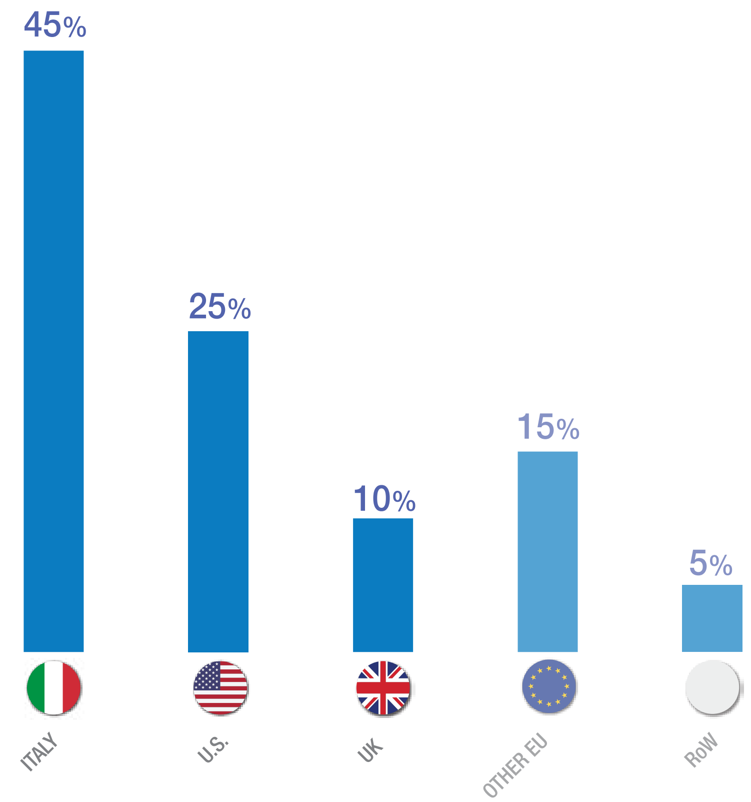


More specifically, **US-based companies play a dominant role** (25% of all M&A deals), although at lower levels than in other European countries (the European average is 36%).

EU buyers account for 26% of the total amount, with UK companies driving the 10% of all operations.

A residual 5% of all deals has been made by non-European and non-US firms, including India, Japan, Russia and South Africa.

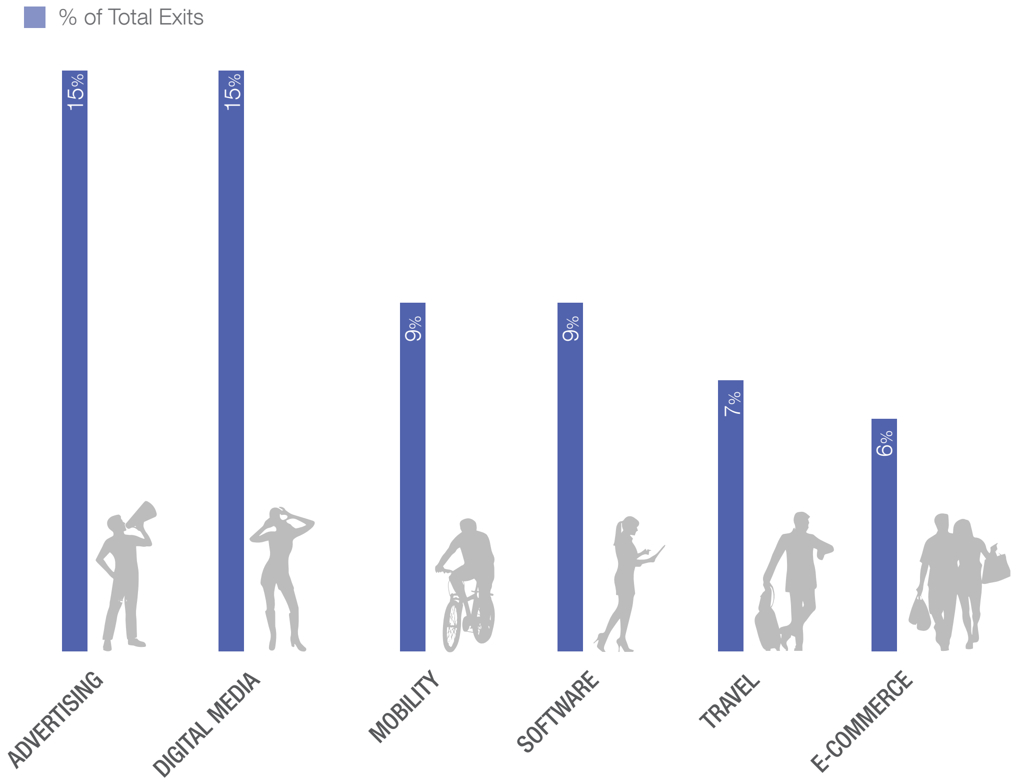
Italy: Exits by Nationality of Acquirer *Fig. 22*



Advertising and Digital Media Stimulate the Acquisition Appetite

Advertising and Digital Media (15% of total acquisitions each) appear to be the most attractive sectors for acquirers, followed by Mobility and Software (9% each).
By focusing on the buy-side, the most active ones are IT & Software companies (42% of all M&As), Business Services and Consulting (15%), Media & Entertainment and Telecommunications (9% each).
But who's buying who?
Business Services and Consulting firms buying scaleups have a clear preference for startups in Advertising (64%).
Media & Entertainment companies focus on scaleups engaged in Digital Media (75%), while Telcos - no surprise here - are buying Networks services (63%).
IT & Software companies have a broader approach, ranging from travel (13% of the total acquisitions) and mobility (10%) solutions to Software (20%), E-commerce (10%) and Digital Media (10%).

Italian Exits: Top Sectors *Fig. 23*



ITALIAN MAIN EXITS IN 2016

PizzaBo

Acquired by **Delivery Hero**

PizzaBo, developer of a delivery platform for takeaway pizzas and other food is the Italian startup with three lives.
The company was established in Bologna in 2009 by Christian Sarcuni and Livio Lifranchi.
The founders wanted to develop a platform to bring together restaurants offering take-away meals. The idea was successful and PizzaBo expanded its business to the point that it got the attention of Rocket Internet. In February 2015, the german company Rocket Internet acquired PizzaBo for more than $55M and rebranded the company as HelloFood Italia.
Merely one year later, PizzaBo/HelloFood changed ownership for the third time: Delivery Hero acquired HelloFood increasing its presence in Italy where it is already present with its own brand.

Price Paid:
$55M

YogiTech

Acquired by **Intel**

Established in Pisa, Yogitech is a company expert in semiconductor functional safety and related standards.
The company has secured about $3M since foundation from Italian VC firms, including Toscana Venture and Atlante Ventures.
Last year, the talented Yogitech team capture the attention of tech giant Intel, who acquired the startup in order to integrate Yogitech's technology in Intel's Internet of Things Group.

The US-based tech-giant believes that as IT systems merge with operational systems in buildings, factories, vehicles and more, functional safety will become increasingly important for a wide range of IoT market opportunities.

Price Paid:
undisclosed

Fabtotum

Acquired by **Zucchetti**

Founded in 2014, Fabtotum grew out of the Politecnico di Milano incubator as a 3D printing, milling and digitization service providers.

Fabtotum is capable of acquiring a physical object, store it digitally for editing and reproduce it in multiple ways from multiple materials, thus allowing incredible opportunities for any creative process.

Last year Zucchetti, a major software developer, acquired a majority share in the startup, in order to pursue its strategy of greatly expanding the commercial 3D printing market in Italy and beyond.

Price Paid:
undisclosed

Solair

Acquired by **Microsoft**

Solair delivers innovative IoT services to customers across a number of industries, including manufacturing, retail, food & beverage and transportation.
Solair was founded in Bologna in 2011 and it offers a full suite of IoT products, including a gateway for collecting data and an enterprise platform for custom deployments and integration with existing services.

In 2016, Microsoft acquired Solair's technology and team to support its strategy to deliver the most complete IoT offering for enterprises.
In order to offer its services, Solair used Microsoft's Azure cloud, so it's not surprise that Microsoft plans to integrate Solair's technology into the Azure IoT Suite.

Price Paid:
undisclosed

Plat.one

Acquired by **SAP**

Plat.One is an enterprise IoT solution platform established in Genoa in 2015.

The platform enables the rapid development and scaling of enterprise IoT environments, including connected products, smart cities, connected transport and smart manufacturing.

Plat.One was acquired by the German software enterprise SAP. The acquisition allows Plat.One to become key part of SAP's IoT offering, and will further strengthen and solidify SAP's position as the global leader in the connected business space.

Price Paid:
undisclosed

20Lines

Acquired by **HarperCollins Italia**

PizzaBo, developer of a delivery platform for takeaway pizzas and other food is the Italian startup with three lives.
The company was established in Bologna in 2009 by Christian Sarcuni and Livio Lifranchi.
The founders wanted to develop a platform to bring together restaurants offering take-away meals. The idea was successful and PizzaBo expanded its business to the point that it got the attention of Rocket Internet. In February 2015, the german company Rocket Internet acquired PizzaBo for more than $55M and rebranded the company as HelloFood Italia.
Merely one year later, PizzaBo/HelloFood changed ownership for the third time: Delivery Hero acquired HelloFood increasing its presence in Italy where it is already present with its own brand.

Price Paid:
undisclosed

ECOSYSTEM BUILDERS: TALENT GARDEN

Founded in Brescia in 2011, Talent Garden is a coworking and learning space, providers of training and network for its community of innovators.
Besides having at disposal creatively designed spaces, members can also participate to networking sessions, workshops, master classes, hackathons and bootcamps to expand knowledge.
Talent Garden's coworking campuses are designed to help its community connect, collaborate, learn and celebrate success together. It also runs a "TAG Innovation School" education programme which focuses on coding, UX, Ecommerce etc. The spaces are opened 24/7 and offer all the facilities needed to grow a business or idea, including different areas to work, relax, enjoy lunch or coffee away from the desk.

"Talent Garden was conceived as an European Platform that brings together top-talents and gives them the opportunity to work, learn and network."

Today, TAG has spread its network among a number of cities, it counts **18 campuses in 6 European countries.** When deciding which country to enter in, TAG's strategy is to open new campuses in secondary market, i.e. in those market outside the main financial hubs (where the Real Estate cost are extremely high/ significant) but still very interesting under an economical point of view, such as Tirana (Albania) or Bucharest (Romania).

By 2020, TAG aims at reaching a total of 30 countries all around Europe, with a campus also in London, in order to better serve and connect the community rather than to accelerate the local ecosystem. TAG's international path involves a local partner to help with red tape and to establish a new campus.
"The company's core-business is not merely an economic business, rather it is an impact business.
To create impact, to help those realities that are going to join the coworking, **it is crucial to have a local partner** to provide added-value and, eventually, to accelerate the target ecosystem".
In 2016 the coworking network raised about $13M (€12M) from investors including Endeavor Catalyst (supported by LinkedIn), 500Startups and Italy's largest investment bank, Tamburi Investment Partners.
This round of financing followed a previous capital injection of €2,5M secured either as equity or debt capital.
Talent Garden has planned to used the funds to further expand into Europe, with the UK and the Republic of Ireland in the coworking network's sights.

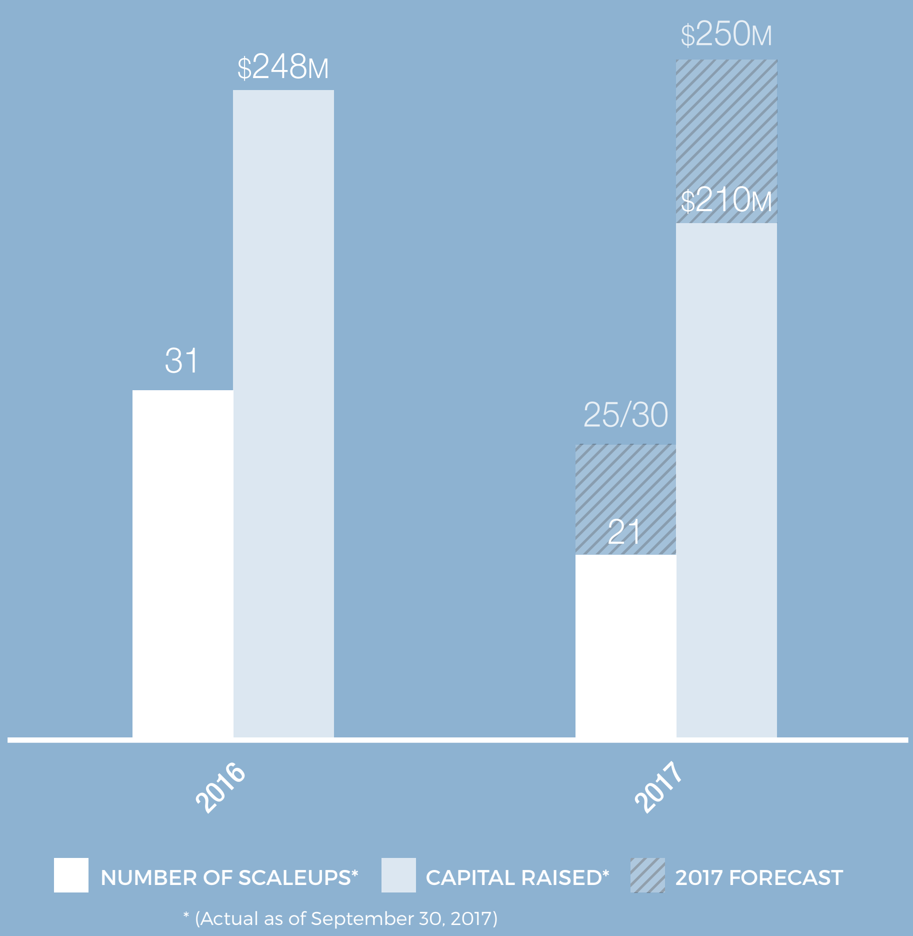
"The company's core-business is not merely an economic business, rather it is an impact business. To create impact, to help those realities that are going to join the coworking, it is crucial to have a local partner to provide added-value and, eventually, to accelerate the target ecosystem."

DAVIDE DATTOLI, CEO, TALENT GARDEN

2017: What's Happened So Far

This year up to date 21 Italian startups turned into scaleups.
One of them (Linkem) has directly become a scaler announcing a $100M round led by Blackrock in January 2017.
Talking about money, **over $210M has been collected by Italian scaleups in these first nine months**. Satispay ($22M), Movendo ($11M) and MotorK ($10M) are among the top raisers.
28 Exits have been announced so far.
Monclick, that was acquired by Unieuro in February for about $11M has gotten the spotlight so far.

Scaleup Italy: 2017 vs. 2016 *Fig. 24*



Top Funding Rounds
of Italian Scaleups in 2017

satispay
SATISPAY
Raised $22M

MOTOR K
MOTORK
Raised $10M

SFERA
SFERA
Raised $7M

Top Exits
of Italian Scaleups in 2017

monclick
IO COMPRO QUI
MONCLICK
Acquired by: UNIEURO
Price paid: $10.7M

2017 FORECAST: A FLAT YEAR?

Unless some big rounds kick in the last quarter, our expectations are that **2017 will likely be a flat year** compared to 2016.
Looking forward, we expect 25/30 new scaleups to be added by year end, which would signal a **slowing of growth** as 2016 saw 31 new scaleups.
Approximately $250M in new funding which maintains the growth from last year in the funding column.
Finally, we will likely close the year with 35 startup acquisitions, in line with 2016 numbers.

Methodology

The SEP Monitor is based on the Startup Europe Partnership (SEP) mapping and scouting database that focuses on scaleups.

SEP categorizes ICT companies as follows:
Startup:
<$1M funding raised (since foundation) and at least one funding event since 2010.
Scaleup:
>$1M funding raised (since foundation) and at least one funding event since 2010.
Scaler:
>$100M funding raised (since foundation) and at least one funding event since 2010.
Super Scaler:
>$1B funding raised (since foundation) and at least one funding event since 2010.
Only companies founded in the new Millennium have been considered.

SEP categorization is based on capital raised (including both capital raised through VC and the stock market), not on valuation. This alternative methodology is the one used by The Wall Street Journal and Dow Jones VentureSource that are tracking venture-backed private companies valued at $1 billion or more (aka The Billion Dollar Startup Club or Unicorn Club).

Other Definitions:
Exit:
Liquidity event that occurred since 2010.
M&A:
For companies that exited via M&A, the valuation is the amount that the company got acquired for.
IPO:
For companies that went public, the exit valuation is that on the day of the IPO.
Dual Companies:
Startups founded in one country that relocated their headquarters – and with that part of their value chain – abroad, while maintaining a strong operational presence in their country of origin.
GDP and Population:
Data are from World Bank (last year available).

SEP Sources of information include the SEP database, business information platforms, portfolios of VC companies, corporate venture units, business angels, accelerators and active seed and early stage funds, crowdfunding platforms, tech competitions and events, and other relevant channels.
Research is ongoing and results reported in the SEP Monitor are subject of continuous update. SEP welcomes research from everyone in the European startup ecosystem by providing data and indicating cases of scaleup companies and exits to be monitored.
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Mind the Bridge

About Mind the Bridge

Mind the Bridge is a global organization that provides innovation advisory services for corporates and startups.
With HQs in San Francisco (CA) and offices in London, Italy and Spain, since 2007 we have been working as an international bridge at the intersection between Startups and Corporations.
We scout, filter and work with 1,500+ startups a year. We support global corporations in their innovation quest driving open innovation initiatives that often translate in curated deals with startups (namely POCs, licensing, investments, and/or acquisitions).
We publish curated reports on the status of the Startup Economy in different geographies, M&A and innovation market trends in various verticals.
We enjoy strong partnerships with entities such as the London Stock Exchange and the European Commission, for whom we run the Startup Europe Partnership (SEP) open innovation platform.
We are the organizer of the Startup Europe Comes to Silicon Valley (SEC2SV) mission and the European Innovation Day conference.

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