

ITALY: WORLD CLASS STARTUPS

MYTH-BUSTING

(And a few insights on Italian Startups)

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WHAT IS THIS?

Presentation (slightly revised for online purposes) at Los Angeles Venture Association (LAVA) meeting, sponsored by the Italian Trade Agency Los Angeles office. Also presenting were Digital Magics, Canyon Creek Capital, Tylt Lab.

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- Global Capital Strategic Group
- Global Capital Law Group PC

James C. Roberts III manages the Group, which advises venture capital funds, startups & technology companies on growth strategies and related legal issues. We have mentored 100+ Italian startups.

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*PSSST... YOUR BIASES ARE
SHOWING*

Your images of Italy, Italians, the Italian government and VCs and startups there might be wrong.

Let's do some
MYTH-BUSTING

Then take a closer look

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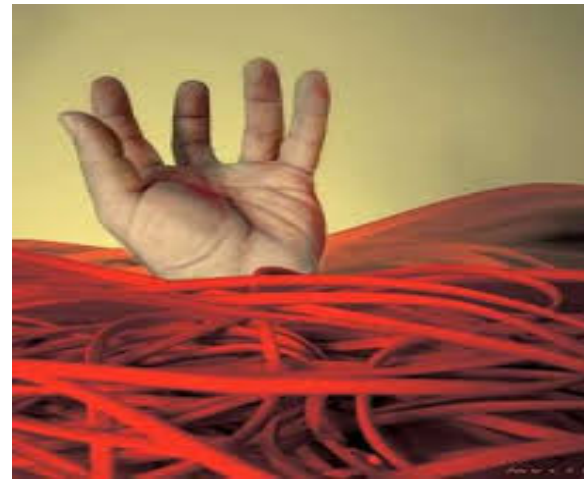
YOUR IMAGE OF ITALIANS?



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THE ITALIAN GOVERNMENT?



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AN ITALIAN STARTUP?



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ITALIAN ENTREPRENEURS?



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WHO ARE THE ITALIANS?

World class leaders in:

- Engineering (civil/EE/mechanical)
- Biotech/medtech
- Media
- Logistics
- Manufacturing machinery



AND WORLD CLASS IN . . .

- Fashion
- Chemistry
- Aeronautics
- Food *Products*
- Automotive engineering
- International trade

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ITALIAN ENTREPRENEURS ARE . . .

(Generally) better than their US counterparts because . . .

(Based on research & 5 years with Italian startups and VCs . . .)

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AGE & EXPERIENCE

- Typically older
 - And broader age-range
- More experienced
 - Usually come from corporations, consulting firms, universities



EDUCATION

- More education
 - MA/MS, MBA, PhD, etc.
- More with *technical* degrees
 - Engineering
 - Computer science
 - Health sciences



WHERE (IN THE DEV CHAIN) ARE THEIR STARTUPS?

- More than an idea
 - *Beta*
 - *prototype*
 - *product/service*
- Market presence
 - *Customers*
 - *Traffic*



OTHER ATTRIBUTES

- “Lean Startup” experience
- Financial Discipline
- International Outlook

*The result of scarce investment
resources (until recently)*

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WORLD CLASS GOVERNMENT SUPPORT: MONEY & REFORM

Proactive Funding Programs

- Rapidly implemented at the national & provincial level

Rapid legal reforms

- Corporate governance
- Job creation
- Less paperwork/lower cost
- ITA support



REFORMS: FROM THE TOP

- It is (almost) easier to form a startup than in the US
 - Similar effect for governance
- Simpler (and more effective) stock option plan rules
- Recent tax reforms for investors



THEY CAN BECOME AMERICAN

For example, Italian startups move HQ to the US and maintain Italy R&D, etc.

- Decisyon
- Gild
- Funambol



REASONABLE EXITS

“Small cap” exchange available

- Several Italian startups have gone public

Robust M&A market (non-Italian acquirors)

- Several US companies now kicking the tires



ITALIAN VC FUNDS



MTSfund



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HIGH RISKS FROM THE WRONG VC VIEW

Most Italian VCs are conservative

- *They want break-even/EBITDA prior to Series B investments*

A private equity view, *not* a VC view

VC position is dangerous for fast-growth Italian startups



LET'S DO THE NUMBERS

- 500+ *funded* startups
- 100+ incubators/accelerators
- 30+ VC funds
- ~\$500m recently raised by new funds

Note: All numbers are estimates based on EU research 1Q15, adjusted for time lag, exchange rate, differing definitions. Errors are the responsibility of Global Capital.

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ICT STARTUPS: % BY SECTOR

44	B2B: E-commerce/enterprise/solutions
21	Media, Advertising, Social
10	Mobile
25	Other

See, *SEP Monitor*, September 2014 at www.startupeuropepartnership.eu. Numbers adjusted.

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ITALIAN MONEY: STARTING TO FLOW

2011-2014: ICT startup funding

~120 > \$500K

~11 \$5m-10m

~10 > \$10m

See, *SEP Monitor*, September 2014 at
www.startupeuropepartnership.eu. Numbers exclude biotech/life
sciences, hard-tech & cleantech

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ITALIANS RAISING US \$

- Decisyon **\$44m**
(Catalyst, NEA, et al.)
- iMedia Comunicazione **\$20m**
(Kleiner Perkins, IDG)
- Funambol **\$25m**
(HIG, Nexit, Walden, et al.)
- Gild **\$26m**
(Menlo, SAP, et al.)



ITALIAN EXITS 2013-2014

29 exits—acquisition examples*

- (2014) Octo Telematics: **\$555m**
- (2014) Facile.it: n/d (2013 revenues ~\$38m)
- EOS **~\$400m**
- Gentium n/d (rumor \$1b)
- Okairos **~\$320m**

*Amounts estimated, based on forex at time of deal.

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ITALIAN IPO'S 2014

- Expert System: **\$27m**
- Triboo Media: **\$30m**
- MailUp: **\$5m**

Previous:

- Digital Magics
- Yoox: **\$300m**
- Mutuionline: **\$250m**



SOME STARTUP EXAMPLES

- **MailUp:** enterprise mail/SMS service (*public--Milan*)
- **Digital Magics:** (public—Milan)
- **D-Orbit:** satellite tech
- **Docebo:** MOOC platform



THANKS!

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All errors are mine.

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