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# THE STARTUP AND SCALEUP ECOSYSTEM

# IN ITALY

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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# THE ITALIAN STARTUP AND SCALEUP ECOSYSTEM

Discover the emerging Italian startup scene!

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laid out by the ISA, other policies launched in the last few years are particularly relevant for innovative startups, the most prominent of which being the National Plan for Industry 4.0 (2017)<sup>8</sup>.

## 1.2 ISA: THE REQUIREMENTS

The ISA specifically addresses innovative startups, i.e. newly established companies with a strong nexus to technological innovation.

No other boundaries are set: innovative startups can operate in any business sector, including agriculture, energy and manufacturing.

Innovative startups are defined as limited companies (including cooperatives), not listed, that meet the following requirements:

- They are newly established or have been incorporated for less than 5 years.
- They have their headquarters in Italy, or in another EU/EEA Member State if they have a production facility or a branch in Italy.
- They have an annual turnover lower than €5 million
- They do not distribute their profits, and have not done so in the past;
- Their mission statement (“oggetto sociale”) concerns, predominantly or exclusively, the development, production and commercialization of innovative products or services with a clear technological component.
- They are not the result of a company merger or split-up, or of a business or branch transfer;
- Finally, they meet at least one of the three following innovation-related indicators:
  1. Research and development expenditure corresponds to at least 15% of the higher value between turnover and annual costs (as per the last statement of accounts).
  2. The total workforce includes at least 1/3 of PhDs, PhD students or researchers, or at least 2/3 of the team hold a master’s degree.
  3. The company is the owner or licensee of a registered patent (or it has filed an application for an industrial property right) or it owns an original registered software.

An innovative startup that meets the above-mentioned requirements may, on request, be qualified as an innovative startup with a social goal (art. 25, paragraph 4) if, in addition, it operates in any of the sectors identified by national legislation on social enterprises (Legislative Decree 112/2017, art. 2, paragraph 1, which replaces d.lgs.3 155/2006, art. 2, paragraph 1, referenced by the original provision). The procedures to grant this status are regulated by Circular 3677/C issued by the Italian Ministry of Economic Development on 20 January 2015 (see also Guide). It must be noted that the status of innovative startup with a social goal does not currently entail any additional legal benefit, except for any specific measure at regional and local level.

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<sup>8</sup> [mise.gov.it/images/stories/documenti/investmenti\\_impresa\\_40\\_eng.pdf](https://mise.gov.it/images/stories/documenti/investmenti_impresa_40_eng.pdf)

## 1.3 ISA: MAIN SUPPORT MEASURES

### Free and digital incorporation

It represents a disruptive innovation within the Italian company law: for the first time, incorporation is allowed without the supervision of a notary public. Besides minor registration duties (approx. €350), there are no specific costs linked to the creation of the company. The online procedure entails considerable savings (approx. €2 000) compared to the standard notarial deed. Also, the entire procedure takes place online, and the identity of the parties is guaranteed by the electronic signature.

### Exceptions to general company law

Innovative startups established in the *S.r.l.* form (comparable to a Belgian BVBA) are allowed to create categories of shares with specific rights (e.g. categories of shares without voting rights, or whose voting rights are not proportional to capital share); carry out transactions on their own shares; issue financial instruments such as stock options and work-for-equity; offer capital shares to the public. These measures make rules for *s.r.l.* companies more similar to the *s.p.a.* form, generally adopted by larger firms with sizeable capital endowment.

### Tailor-made labour regulations

Innovative startups are subject to regulations on fixed-term contracts laid out by Legislative Decree 81/2015<sup>9</sup>, as amended by Legislative Decree 87/2018<sup>10</sup>; accordingly, they can employ staff on fixed-term contracts for a maximum of 24 months per employee. However, within the aforementioned time frame, contracts may also be very short and can be renewed for an indefinite number of times, whereas general rules limit the number of extensions to 4. Moreover, innovative startups with more than 5 employees are not required to stipulate a number of fixed-term contracts proportional to the number of active permanent contracts.

### Tax incentives:

The Italian Startup Act rewards equity investments in innovative startups, made by natural and legal persons, with a robust tax incentive. Its current configuration, applicable to equity investments made from 1 January 2017 (Budget Law 2017<sup>11</sup>), foresees the following<sup>12</sup>:

- for individuals, a deduction from gross income tax (IRPEF) equal to 30% of the amount invested, up to a €1 million ceiling.
- for limited companies, deduction from taxable corporate income (IRES) equal to 30% of the amount invested, up to a €1.8 million ceiling.

The incentives, which can be deployed automatically in the tax return, apply both to direct investments in innovative startups and to indirect investments executed through collective investment undertakings (CIUs) and firms that “primarily invest in innovative startups and SMEs”, a category that includes most VC funds. From 2017, the fruition of the investment is subject to a 3-year holding period of shares. Fail measures: The procedure for bankruptcy is made cheaper and more accessible for startups, recapitalization

<sup>9</sup> [normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:2015-06-15:81!vig=2019-05-16](http://normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legislativo:2015-06-15:81!vig=2019-05-16)

<sup>10</sup> [normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legge:2018-07-12:87!vig=](http://normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legge:2018-07-12:87!vig=)

<sup>11</sup> [gazzettaufficiale.it/eli/id/2016/12/21/16G00242/sg](http://gazzettaufficiale.it/eli/id/2016/12/21/16G00242/sg)

<sup>12</sup> The 2019 Budget Law (art. 1, paragraph 218) provides, for tax year 2019 only, the following incentive rates:

- natural persons: income tax deduction at 40% for investments up to €1 million
- limited companies: deduction from taxable corporate income equal to 40% of the amount invested, increased to 50% if the investor acquires the entire share capital of the innovative startup.

Before entering into force, the new provisions of 2019 Budget Law must be notified to the European Commission, which is entrusted with assessing their compliance with the EU rules on State aid.

is also made easier which allows the startups to extend their lifeline which isn't possible for traditional corporations.

### **Simplified access to SME Guarantee Fund**

Innovative startups benefit from a simplified, free and direct intervention from the Guarantee Fund for Small and Medium Enterprises<sup>13</sup>, a public facility that fosters access to credit by applying guarantees on bank loans.

The guarantee, applicable both directly and to operations carried out through credit consortia, covers 80% of the credit issued by financial institutions to innovative startups and certified incubators, up to €2.5 million per firm (also across multiple operations). The guarantee is issued under exceptionally favourable conditions:

- Automatic: The Fund does not perform any merit assessment on the startup credit position, relying on the due diligence carried out by the financial institution responsible for the operation.
- Priority: applications from innovative startups are evaluated before all others.
- Free of charge: there are no costs to access the Fund.

In addition, the credit institution involved is not allowed to require collateral insurance or bank guarantees on the part of the operation already covered by government guarantee. The Ministry of Economic Development, in partnership with MedioCredito Centrale (the managing body of the Fund), publishes a quarterly monitoring report<sup>14</sup> on the use of the facility.

For more information:

- o Circulars and interpretative opinions on the ISA are available [here](#).
- o All acts (laws and implementing degrees) regarding the policy on innovative startups are available in the dedicated [section](#) of the MISE website, together with guides on specific instruments and other information materials.
- o To contact the office responsible for this document: [startup@mise.gov.it](mailto:startup@mise.gov.it).

<sup>13</sup> [mise.gov.it/images/stories/documenti/Guida\\_Fondo\\_Centrale\\_di\\_Garanzia\\_startup.pdf](https://mise.gov.it/images/stories/documenti/Guida_Fondo_Centrale_di_Garanzia_startup.pdf)

<sup>14</sup> [mise.gov.it/index.php/it/impresa/competitivita-e-nuove-imprese/start-up-innovative/relazione-annuale-e-rapporti-periodici](https://mise.gov.it/index.php/it/impresa/competitivita-e-nuove-imprese/start-up-innovative/relazione-annuale-e-rapporti-periodici)

## 1.4 OTHER POLICIES AND PROGRAMMES

### Smart&Start Italia<sup>15</sup>

Invitalia's *Smart&Start Italy* is a program that supports the creation and growth of innovative startups all over Italy. It has a total budget of around 200 million euro and funds projects costing up to 1.5 million euro. Smart&Start Italy funds the creation and growth of innovative startups that:

- have a strong technological dimension
- operate in the digital economy
- enhance search results (spin-offs from research)
- are fundable projects costing between 100,000 euro and 1.5 million euro

Smart&Start Italy offers:

- an interest-free loan up to 80% of the total investment. The percentage of funding may increase to 90% if the startup is composed exclusively of women or young people under the age of 35, or if it includes at least one Italian PhD who is working abroad and intends to return to Italy.
- a non-repayable grant amounting to 30% of the loan, only for startups based in Basilicata, Calabria, Campania, Puglia, Sardinia, Sicily, and in the "Seismic Crater" area of Aquila.

Startups that have been established for less than one year can use the technical and management support services in the startup phase.

As of 1<sup>st</sup> June 2020, more than 2,400 business plans have been presented and more than 1,000 startups have been financially backed, for a total of 362 million euros in investments and 5,470 created jobs.

### Italia Startup Visa<sup>16</sup>

Launched by the Minister of Economic Development on 24 June 2014, in collaboration with the Ministry of Foreign Affairs and International Cooperation, and the Ministry of the Interior, the Italia Startup Visa programme introduced a new, simplified procedure for granting entry visas for self-employment to non-EU citizens who intend to move to Italy to set up an innovative startup, and have a financial availability (personal or granted by third parties, e.g. certified incubators or investment funds) not lower than €50 000.

The ISV procedure features the following advantages:

- it is faster: it closes in no longer than 30 days after sending a complete application.
- it is centralised: applications are assessed by a Committee of representatives of the innovative ecosystem. MISE coordinates the whole process and acts as a single contact point for applicants.
- it is completely online and free.

### Italia Startup Hub<sup>17</sup>

Launched in 2014 and inspired by Italia Startup Visa, the Italia Startup Hub programme extended the applicability of the accelerated procedure described above to non-EU citizens already in possession of a residence permit (obtained for example for study purposes), who intend to extend their stay in Italy to set up an innovative startup. Hence, foreigners who meet the requirements can convert the current residence permit into a "startup permit for self-employment" without the need to leave the Italian territory and benefiting from the same simplified procedures applicable for the granting of startup visas.

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<sup>15</sup> [invitalia.it/eng/what-we-do/services/startups](http://invitalia.it/eng/what-we-do/services/startups)

<sup>16</sup> [italiastartupvisa.mise.gov.it/](http://italiastartupvisa.mise.gov.it/)

<sup>17</sup> [italiastartupvisa.mise.gov.it/#SHhome](http://italiastartupvisa.mise.gov.it/#SHhome)

## Investor Visa for Italy<sup>18</sup>

The 2017 Budget Law introduced in Italian immigration law (TUI) a new type of entry visa, valid for a 2-year period, reserved to non-EU citizens who intend to invest a relevant amount of money in strategic assets for the Italian economy and society. Eligible categories include the investment of at least €500,000 in the share capital of an innovative startup. This is the lowest investment allowed: the other thresholds are €2 million for investments in government bonds, and €1 million respectively for the acquisition of shares in limited companies operating in Italy, and for philanthropic donations in specific sectors (e.g. culture, education and the environment).

## CLabs<sup>19</sup>

The term “CLab” (Contamination Lab) identifies a new teaching method that promotes collaboration, knowledge sharing and cross-cutting competencies. In CLabs, students from different departments meet with the goal of diversifying and strengthening their skills; at the same time, the programme encourages the creation of new, human capital-intensive innovative businesses. The exchange of know-how, a key element of the project, is also stimulated by the involvement in courses of non-university actors representing business, consulting, and the financial sector.

First proposed at the dawn of the Italian Startup Act in the “Restart, Italia!” report, the policy kicked off in 2013 with the launch of CLab “prototypes” in 4 Southern universities. Several similar initiatives took place later in other Italian universities, financed with own resources. Subsequently, by implementing a provision of the National Programme for Research 2015-2020<sup>20</sup>, the call for proposals of 29<sup>th</sup> November 2016 of the Ministry of Education, Universities and Research allocated €5 million to finance projects with a maximum duration of 36 months, setting at €300 000 the maximum contribution per initiative<sup>21</sup>.

The Executive Decree of 15 June 2017 published the list of 17 projects selected based on applications received between 20 December 2016 and 15 February 2017: 7 CLab projects in Northern and Central Italy, and further 9 in the South.

The call for proposals also financed a “CLab Network”, coordinated by the University of Cagliari, whose aim is to bring together the activities of CLabs (even if not financed by the call for proposals) throughout the country.

## R&D tax credit<sup>22</sup>

Introduced by the 2015 Budget Law and amended several times over the years (most recently by the 2019 Budget Law), CIR&S (Research and Development tax credit) represents a tax incentive available to all companies – without any sectoral, size, legal form or accounting regime limitation – that have incurred in incremental expenses in research and development between 2015 and 2020.

The notion of “relevant expenditure” covers basic research, industrial research and experimental development. The credit is calculated on a fixed basis, based on the average R&D expenditure for the years 2012-2014, and it can also be used in the event of losses to cover a wide range of taxes and contributions.

As from 1 January 2019, the rates for CIR&S are the following:

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<sup>18</sup> [investorvisa.mise.gov.it/index.php/en/](http://investorvisa.mise.gov.it/index.php/en/)

<sup>19</sup> [clabitalia.it/](http://clabitalia.it/)

<sup>20</sup> [istruzione.it/allegati/2016/PNR\\_2015-2020.pdf](http://istruzione.it/allegati/2016/PNR_2015-2020.pdf)

<sup>21</sup> [attiministeriali.miur.it/anno-2016/novembre/dd-29112016.aspx](http://attiministeriali.miur.it/anno-2016/novembre/dd-29112016.aspx)

<sup>22</sup> [mise.gov.it/index.php/it/incentivi/impresa/credito-d-imposta-r-s](http://mise.gov.it/index.php/it/incentivi/impresa/credito-d-imposta-r-s)

- **50%:** R&D activities commissioned (extra-muros) to universities and research institutions, as well as startups and innovative SMEs; and labour costs for permanent or temporary staff employed in intra-muros research activities.
- **25%:** all other expenses (external collaborators, consultancies, materials, etc.)

The maximum amount of the credit per company that can be granted in the 2019 tax period is set at €10 million (2015-2016: €5 million; 2017-2018: €20 million). The incentive is also available to companies resident abroad, provided that they have a permanent premise in Italy and instruct R&D activities, and also to companies that carry out R&D activities on behalf of foreign entities (e.g. multinationals).

**Hyper-depreciation for the purchase of machinery and “Industry 4.0” technologies<sup>23</sup>**

A pillar of the National Plan for Industry 4.0 – the strategy launched with the 2017 Budget Law to promote the digital transformation of Italian industry – hyper-depreciation consists of an increase in the annual depreciation deduction on acquisition and leasing costs on a selected set of assets, devices and technologies with an “Industry 4.0” character.

Identified in Annex A of the 2017 Budget Law, these state-of-the-art technologies include industrial robots, additive manufacturing, Internet of Things, augmented reality, cloud services and cybersecurity, and solutions that aim at the horizontal and vertical integration of the supply chains.

Originally, the incentive consisted in an overvaluation of the acquisition costs equal to 150% of its actual price, with no ceiling on the maximum amount covered by the incentive. The Budget Law 2019 has modified this provision, introducing a progressive system with 4 brackets, whose intensity decreases as the amount invested increases.

The following rates apply to investments made from 1 January 2019 onwards:

- 170% on the part lower than €2.5 million;
- 100% on the part between €2.5 million and €10 million;
- 50% on the part between €10 million and €20 million;
- No incentive for the part exceeding €20 million.

The new bottom rate, which is higher than the past, is particularly advantageous for SMEs. As shown by the 2019 Annual Report of Confindustria<sup>24</sup>, companies with less than 50 employees represent more than 80% of beneficiaries and made about 35% of the total subsidized investments.

**Patent box<sup>25</sup>**

The 2015 Budget Law introduced a new facilitation system for incomes deriving from intellectual property. Since the 2015 tax year, a so-called “Patent Box” allows companies to exclude from taxation 50% of the incomes from the commercial exploitation of intangible assets such as copyrighted software, industrial patents, designs and models, as well as processes, formulas and information related to experience acquired in the industrial, commercial or scientific field that can be legally protected.

Moreover, if deployed for the 2015 and 2016 tax periods, the option may also apply to trademarks, whether registered or in the process of being registered.

The Patent Box is meant to be a powerful measure to attract investments on intangible assets, brands and industrial models. The implementing provisions of the incentive are identified by the Decree of the

<sup>23</sup> [mise.gov.it/index.php/it/incentivi/impresa/iper-e-super-ammortamento](https://mise.gov.it/index.php/it/incentivi/impresa/iper-e-super-ammortamento)

<sup>24</sup> [confindustria.it/wcm/connect/report2019](https://confindustria.it/wcm/connect/report2019)

<sup>25</sup> [mise.gov.it/index.php/it/incentivi/impresa/patent-box](https://mise.gov.it/index.php/it/incentivi/impresa/patent-box)



Minister of Economic Development, in agreement with the Minister of Economy and Finance, of 28 November 2017<sup>26</sup>.

### **“Startup sponsors”**

The 2017 Budget Law introduces, for all companies (not necessarily innovative startups) in which at least 20% of the share capital is held by a listed corporation, the possibility of transferring, after remuneration, the losses incurred in the first three financial years of activity (the “startup” phase). In return, the company to which the losses are transferred (“sponsor”) may deduct them as tax credit. The transfer must cover all fiscal losses of the startup.

### **National Innovation Fund<sup>27</sup>**

Unveiled in March 2019 by the Minister of Economic Development, the National Innovation Fund (Fondo Nazionale Innovazione, FNI) is a public venture capital fund, born to support innovative companies and the national VC market. Administered by Cassa Depositi e Prestiti (CDP), the fund may either invest directly in firms, by acquiring minority shares, or intervene indirectly, by investing in other VC funds and “funds of funds”.

At the end of the first collection phase, the Fund is expected to reach a financial endowment of around €1 billion, becoming the most prominent public venture capital initiative ever launched in Italy. As a first step towards this goal, the 2019 Budget Law authorised the acquisition by CDP of Invitalia Ventures<sup>28</sup>, a matching fund owned by Invitalia, which has a budget of approximately €230 million. In recent years, Invitalia Ventures has taken part in several co-investment initiatives towards innovative startups and SMEs.

### **Voucher for “innovation managers”<sup>29</sup>**

Introduced by 2019 Budget Law, vouchers for innovation managers consist of a non-repayable grant that SMEs can use to purchase specialist consultancy services aimed at supporting their digital transformation, e.g. through acquisition of “4.0” technologies (see “Hyper-depreciation”, p. 9).

The contribution is equal to 50% of the costs borne by the firm, up to a ceiling of €40 000 for micro and small enterprises, and 30% (with a €25 000 limit) for medium-sized enterprises. The firm may apply for the incentive after signing an agreement (service contract) with a consulting company and qualified professionals, included in a dedicated register created by the MISE.

### **AI and blockchain**

In 2019, MISE launched a number of initiatives on emerging technologies particularly interesting for innovative startups: artificial intelligence and blockchain.

- The 2019 Budget Law requires MISE to set up a Fund for emerging technologies, with the aim of supporting the development and applications of artificial intelligence, blockchain and IoT. The Fund has a budget of €45 million for the 2019-2021 period, meant to finance research and innovation projects and competitive processes (e.g. challenge prizes) in these fields.

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<sup>26</sup> [mise.gov.it/images/stories/normativa/decreto-28-novembre-2017.pdf](https://mise.gov.it/images/stories/normativa/decreto-28-novembre-2017.pdf)

<sup>27</sup> [mise.gov.it/index.php/en/202-news-english/2039363-the-national-innovation-fund-unveiled](https://mise.gov.it/index.php/en/202-news-english/2039363-the-national-innovation-fund-unveiled)

<sup>28</sup> [invitalia.it/eng/-/media/invitalia/documenti/investor-relations/invitalia-press-release-29-march-2019.pdf](https://invitalia.it/eng/-/media/invitalia/documenti/investor-relations/invitalia-press-release-29-march-2019.pdf)

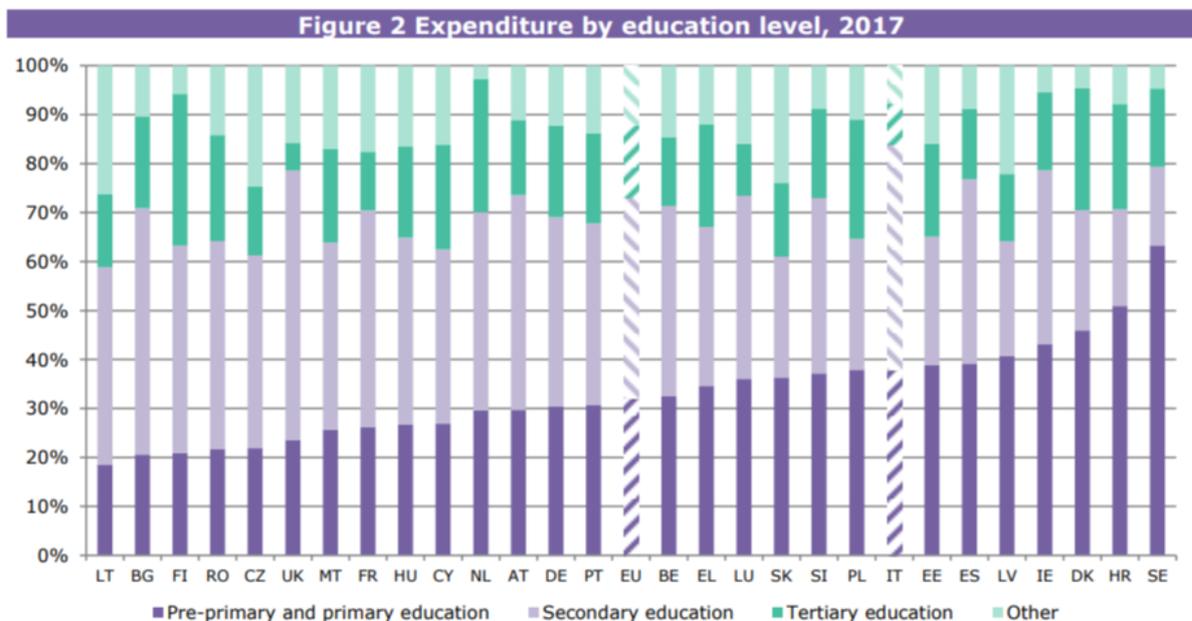
<sup>29</sup> [mise.gov.it/index.php/it/incentivi/impresa/voucher-consulenza-innovazione](https://mise.gov.it/index.php/it/incentivi/impresa/voucher-consulenza-innovazione)



## 2. THE CONTEXT: EDUCATION AND ACCESS TO TALENT

### 2.1 EDUCATION SYSTEM

Italy's slow approach to the startup world may be linked with its education system. The country's investment in education is low and unevenly spread across education levels<sup>33</sup>. General government expenditure on education, both as a proportion of GDP (3.8%) and as a proportion of total general government expenditure (7.9%), was among the lowest in the EU in 2017. While the share of GDP allocated to pre-primary, primary and secondary education (ISCED levels 0-3) is broadly in line with EU standards, expenditure on tertiary education is the lowest in the EU, at just 0.3% of GDP in 2017, well below the EU average of 0.7%. The Council of the European Union adopted a country-specific recommendation for Italy under the 2019 European Semester to 'improve educational outcomes, also through adequate and targeted investment, and foster upskilling, including by strengthening digital skills.' (Council of the European Union, 2019). At 77%, the share of government education expenditure for the compensation of employees is among the highest in the EU.



Source: Eurostat, COFOG.

The share of GDP spent on education is projected to fall over the next 15 years according to the government's own forecasts. The Ministry of Economy and Finance (MEF) estimates that the share of GDP spent on education will fall from 3.5% in 2019 to 3.1% in 2035, reflecting demographic decline. Among the priorities for 2019, the Minister of Education has announced an increase in resources for universities and research centres, through centrally-funded plans for the recruitment of assistant professors (*ricercatore di tipo B*, a tenure-track position of associate professorships) and for attracting Italian academics working abroad back to Italy.

<sup>33</sup> [https://ec.europa.eu/education/sites/education/files/document-library-docs/et-monitor-report-2019-italy\\_en.pdf](https://ec.europa.eu/education/sites/education/files/document-library-docs/et-monitor-report-2019-italy_en.pdf)



## 3. THE ITALIAN STARTUP ECOSYSTEM

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### 3.1 THE SITUATION IN 2020<sup>38</sup>

At the end of the second quarter of 2020, the number of innovative startups registered in the special section of the Business Register was 11,496, with an increase of 290 units (+2,6%) compared with the previous quarter. Of the approximately 365,000 companies established in Italy in the last five years and still active, 3.1% was registered as an innovative startup (at the date of the recognition).

The total share capital subscribed by startups increased compared to the last quarter (+13 million euros, +2% in percentage terms) and now stands at 656.3 million euros; the average capital is 57.090 euros per company, which declined slightly (-0.6%) compared to the previous quarter's figure.

As far as business sectors are concerned, 73.3% of innovative startups provide business services: more specifically, the main segments are software production and IT consultancy (35.6%) and R&D activities (13.8%). Almost 18% of startups are active in manufacturing (machinery, 3.2%; computers, and electronic and optical products, 2.8%), while 3.3% operates in commerce.

If we look at data related to gender, women-led innovative startups – where the majority of the shares and administrative roles are held by women – were 13.2% of the total (1,522), a much lower incidence compared to the 21.7% observed when examining new “traditional” companies. The innovative startups with at least one female employee are 4,902, 42.6% of the total, which is also a lower percentage compared to other new firms (46.6%).

Young people (under the age of 35) prevail in 2,067 innovative startups, 18% of the total, compared to 15.3% among new non-innovative companies. The difference is even bigger for businesses with at least one young employee: 41.4% of startups (4,758 in total) against 32.8% of other companies.

The geographical distribution of the phenomenon shows that Lombardy remains the region in which the largest number of innovative startups is located (3,135), 27.3% of the national total. Lazio is in second place, (1,302 11.3%), followed by Emilia-Romagna (951, 8.3%), Veneto (948, 8.2%) and Campania (908, 7.9%). Milan is by far the innovative startup capital: they were 2,253 as of June 30<sup>th</sup> 2020, 19.6% of the national total. Rome is in second place with 1,178 startups, followed by Naples (425), Turin (390) and Bologna (320).

#### **Funding**

The amount of investments in Italian startups in 2019 stands at 723 million euros. A number that includes 74 rounds and all 124 crowdfunding operations worth more than 55 million. Among the millionaire rounds of the year, some of them stand out: [BrumBrum](#), which opened the year with a 20 million euro capital increase; [Talent Garden](#), which closed a 44 million euro capital increase; and the biotech firm [Philogen](#).

The comparison with the year before shows a positive sign: in 2018 there have been investments for 522 million. Equity crowdfunding registered a record increase (+83%), as the year closed with 124 closed campaigns and a total of 55 million euros, including collections from SMEs. In 2018 the total amount had been 30 million, while in 2017 it stood at 11.7 million.

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<sup>38</sup> As of June 30<sup>th</sup>, 2020

The main results of this research also focus on giving indications about the growth path followed by startups, in particular the difficulties most frequently encountered during the so-called "scaling" phase, and the methodologies to mitigate them. In an increasingly dynamic competitive arena, it seems increasingly necessary to approach the market gradually, through reduced investments to test the validity of new value proposals, with experimental methodologies based on the principles of the scientific method. In this sense, the Italian market does not fail to produce startups with high potential: in 2019, as many as 47 startups reached the much-coveted goal of one million euros in funding.

Investment by formal actors has grown at a slower rate (+12%), from 192 million in 2018 to 215 million in 2019, but the injection of this type of fund could have only been postponed. On the one hand, 1 billion euros made available by the National Innovation Fund (see above) – announced in 2018 but only recently implemented through the appointment of a Board of Directors – has generated a wait-and-see attitude among operators. On the other hand, it is estimated that the European Investment Fund (EIF)<sup>39</sup> has allocated about 1.6 billion euros in the last five years to the Italian ecosystem, a figure not yet necessarily grounded in direct investments to startups.

Another positive note is the active contribution of the Italian National Promotional Institution Cassa Depositi e Prestiti (CDP) with initiatives like the recent creation of the Progress Tech Transfer fund<sup>40</sup> with a budget of 40 million euros, primarily dedicated to environmental sustainability, as well as the creation of the ITATech "fund of funds"<sup>41</sup>.

Funding from informal players (venture incubators, family offices, club deals, angel networks, independent business angels, equity crowdfunding platforms and companies without a CVC structured fund) showed lower growth than 2018, but nevertheless interesting (+32% and in line with the +34% average recorded each year from 2012 to 2019), which brings them to reach 248 million euros (compared to 188 in 2018). In a country like Italy, where 66% of wealth is held by 20% of the population, the potential pool of informal investors who leverage their private resources is certainly significant. In this context, an important stimulus came from the government, thanks to the strong incentives promoted by the Ministry of Economic Development and linked to the 40% tax deduction on investments in innovative startups. Besides, the growing trend of informal investors to group and form syndicate leads to greater confidence and willingness to invest, because it is accompanied by a reduction and sharing of investment risk.

Equity crowdfunding platforms, that in 2018 triplicated the amount invested in 2017, reached 45 million in 2019, with an increase of 23%. The contribution of independent angels and corporate investments is also not negligible, as it seems that many companies still prefer to act as informal actors rather than structuring themselves through a real corporate venture capital fund. The corporate sector invested 60 million euros in startups in the first three quarters of 2019, a stable figure compared to 2018 and still driven by a few large operations. To stimulate the structuring and continuity of corporate investments, it will be important, on the one hand, for the management of companies to recover an entrepreneurial culture that sees collaboration with startups in a strategic key; on the other hand, the introduction of ad hoc incentives that extend to companies – with the appropriate changes – the tax benefits now enjoyed by individuals.

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<sup>39</sup> [eif.org/](http://eif.org/)

<sup>40</sup> [progresstfund.it/](http://progresstfund.it/)

<sup>41</sup> [cdp.it/sitointernet/page/it/itatech\\_platform?contentid=PRD4974](http://cdp.it/sitointernet/page/it/itatech_platform?contentid=PRD4974)

Finally, the international financing component reached 231 million euros, +8% compared to 2018. However, while twelve months ago the figure was “spoiled” by an extraordinary transaction of 100 million, which accounted for 47% of the total, in 2019 we do not observe “outliers” of this magnitude. This shows that as a national entrepreneurial ecosystem, Italy is gradually beginning to attract foreign investment in a more regular and steady manner.



### 3.2 INCUBATORS AND ACCELERATORS

Incubators and accelerators are two very well-known platforms that help startups develop at different stages. According to the latest report *Impatto degli incubatori e acceleratori italiani* (Impact of Italian accelerators and incubators), published by the Social Innovation Monitor<sup>42</sup> research team, based in Turin, in Italy there are 197 business incubators and accelerators which are currently active. The researchers were able to gather information about 81 of them.



Almost 60% of these incubators and accelerators are located in Northern Italy. Lombardy is the region home to the largest number of incubators<sup>43</sup>, with 26.4% of the total, followed by Emilia Romagna, with 12.7%, and Lazio with 8.63%.

Compared to 2017, there has been an increase in the number of incubators identified in Italy: from 171 to 197 (+15.2%). The growth has been particularly noteworthy both in the Northeast (+22.9%) and both in the southern regions and islands (+21.9%).



Incubators can have a public, private or mixed nature. Public incubators are managed exclusively by administrations or public bodies, often through the creation of "in-house" companies. Private incubators are managed exclusively by private subjects, while mixed incubators are organizations whose membership includes both public and private entities.

<sup>42</sup> [socialinnovationmonitor.com/](http://socialinnovationmonitor.com/)

<sup>43</sup> As incubators and accelerators share the same target, namely to help startups grow and develop, the researchers decide to only use the term "incubators" for both categories from this point onwards. We will follow the same approach.









- Incubators can turn into investors themselves and purchase shares of the incubated startups and organizations by investing money or by asking services in exchange (the so-called “work for equity”). One method does not exclude the other. Around 26% of the sampled incubators invested in their “own” entities – they were mainly mixed (44%) and private (47%) incubators. Among the investing incubators, around 71% purchased shares through money investments, while 57% went for the “work for equity” method.
- The main costs for incubators are related to operating costs (34.6%), managerial guidance services (33.1%) and training (22.8%). On the other hand, profits are mainly made through the offered services (24.4%), consultancy activities (23.7%) and rents (23.1%).



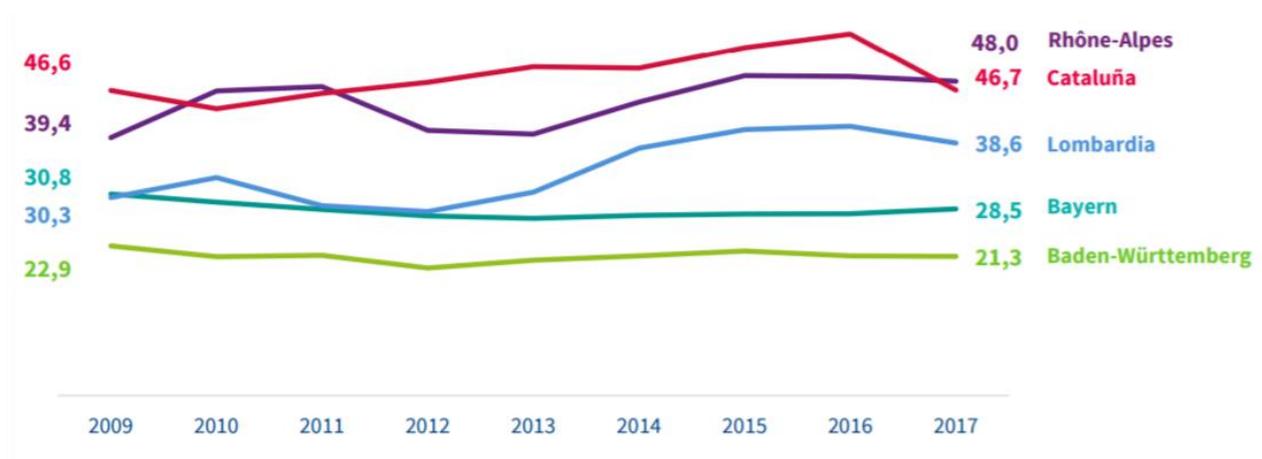
### 3.3 NORTHERN REGIONS

#### Lombardy

Lombardy is by far the leading Italian region when it comes to startups and innovation. If we consider the Horizon 2020 funds available for R&D purposes, Lombardy was able to obtain more than €700 M from the EU, a large portion of the €3.68 B destined to the entire country. More specifically, Lombardy had the most SME winning projects (199), dossiers which gathered €67 M in grants, 37% of the national total amount.

The reason of this leadership lies mainly in the innovation hubs and excellent universities of the region. Milan's Politecnico is Italy's top university for winning projects, and it is also the home of PoliHub, one of Lombardy's main startup incubators, together with ComoNext (Como) and Kilometro Rosso (Bergamo). Figures from the National Statistics Institute (ISTAT) show that more than 20,000 innovative companies are located in the region. Moreover, startups are starting to bring economic and employment advantages to the region. More than 13% of these companies have a bigger turnover than €500,000, and 948 of them hired at least one employee.

A few indicators show that Lombardy can now compete with some of Europe's top manufacturing regions, as shown by the latest Startup Booklet published by Assolombarda<sup>44</sup>:



Yearly startup creation rate

<sup>44</sup> [assolombarda.it/centro-studi/booklet-startup-2019-1](http://assolombarda.it/centro-studi/booklet-startup-2019-1)





## Emilia Romagna

The startup scene has been attracting a lot of attention in Emilia-Romagna; since 2000 the main players of the innovation ecosystem, guided by the Region administration, have carried out initiatives to support the setup, growth, consolidation and first international steps through awareness-raising actions, training, dedicated subsidies and structural measures.

Key figures (as of May 2020):

- 934 currently active innovative startups
- 8.3% of the Italian startups
- 115 women startups
- 175 academic spinoffs created since 2000
- 18 accelerators/incubators (surpassed only by Lombardy) with a total area of over 13,000 m<sup>2</sup>

The region's core activities regarding emerging companies are planned and carried out within EmiliaRomagnaSTARTUP<sup>45</sup>, an initiative launched by regional innovation-driven agency ART-ER<sup>46</sup>.

EmiliaRomagnaSTARTUP is a platform for local startups and aspiring entrepreneurs with tech-minded business ideas. It has been launched in 2011 and it generated a lively community of 450 innovative startups and 80 organizations.

An infodesk provides free, online answers on topics such as intellectual property, accounting and payroll matters. If the questions need deeper research, an appointment can be scheduled with local experts in the above-mentioned fields, but also in crowdfunding (Kick-ER<sup>47</sup>), engineering and finance.

Other noteworthy services include:

- FinancER: an initiative to improve startups' visibility and reach out to new potential investors
- Link with Silicon Valley<sup>48</sup>: internationalization projects in the Bay Area
- Le Serre: incubation program for up to 7 companies with training, tutors, consultancy sessions, networking events and demo days with investors and institutions.

### Main incubators

<b>AlmaCube</b>	
<b>Address/web</b>	Viale G. Fanin 48 – 40127 Bologna – <a href="http://www.almacube.com">www.almacube.com</a>
<b>Main partners</b>	Alma Mater Studiorum Bologna (University) Intesa Sanpaolo (Bank) Confindustria Emilia (entrepreneurial association)
<b>Key info</b>	<ul style="list-style-type: none"><li>○ Opened in 1999, certified incubator</li><li>○ Yearly turnover of €3 M</li><li>○ Currently hosts 17 startups and spinoffs active in 8 sectors</li><li>○ Three open innovation programs: Challenge Based Innovation (with CERN), SUGAR Global Network (with 20+ international universities), Embedded Design Thinking</li></ul>
<b>Contact</b>	Nicolas Sassoli – Head of Startup and Business Development

<sup>45</sup> [emiliaromagnastartup.it/index.php/it](http://emiliaromagnastartup.it/index.php/it)

<sup>46</sup> [www.art-er.it/](http://www.art-er.it/)

<sup>47</sup> [www.kick-er.it/](http://www.kick-er.it/)

<sup>48</sup> [emiliaromagnainsiliconvalley.it/](http://emiliaromagnainsiliconvalley.it/)



## Piedmont

According to recent data, Piedmont is the n°1 Italian region in R&D expenses. However, this figure is not sufficient to keep up with neighboring region Lombardy and its dynamic economic heart, Milan. A recent study pointed out that 40% of Piedmont's GDP comes from enterprises which were founded before the year 1900<sup>49</sup>, meaning that the local economy is still based on traditional manufacturing companies.

New professionals and tech-minded startups are therefore key in the modernizing process that the region must undergo. Turin can lead the way with its 4,000 new graduates per year (1,300 of whom are engineers) and its 390 startups, mainly active in the traditional ICT sector. Moreover, the city hosts the I3P incubator (linked to the Polytechnic of Turin), which has been rated as the Best Public Business Incubator in the world by UBI Global, the most important international organization active in the benchmarking of incubation and acceleration programs linked to university institutions.

The young and vibrant entrepreneurial scene also develops in two other university-based incubators, namely 2I3T (Turin University) and Enne3 (East Piedmont University). It is also worth remembering that Satsipay, one of the better-known (if not *the* best-known) Italian fintech scaleup, was born in Cuneo and moved its first steps in Toolbox, coworking space in Turin.

### Main incubators

I3P	
Address/web	Corso Castelfidardo 30/A – 10129 Turin – <a href="http://www.i3p.it">www.i3p.it</a>
Main partners	Polytechnic of Turin (University) IBM, Microsoft for Startups, FCA (Corporate firms) Banca Popolare di Novara, Intesa Sanpaolo, Gruppo Azimut (Banks and financial entities)
Key info	<ul style="list-style-type: none"><li>○ Non-profit joint-stock consortium company</li><li>○ Generates value for incubating startups through the interaction with the Polytechnic of Turin</li><li>○ Activities' areas: consultancy, scouting, matchmaking, fundraising support, open innovation</li><li>○ 2019 figures: 844 collected ideas, 144 supported projects, 46 incorporated startups, 22 incubated startups, €16 M seed-funding raised capital</li><li>○ 216 incubated startups in total: 170 are still in business and 27 have been acquired by large industrial groups</li><li>○ 23% average growth rate of aggregated turnover of supported startups in the last 5 years</li></ul>
Contact	Enrico Ghia – Operations Manager <a href="mailto:ghia@i3p.it">ghia@i3p.it</a> Tel. + 39 011 0905127

2I3T	
Address/web	Via Nizza 52 – 10126 Turin – <a href="http://www.i3p.it">www.i3p.it</a>

<sup>49</sup> [futurabile.org/2019/03/01/in-piemonte-le-startup-non-decollano/](http://futurabile.org/2019/03/01/in-piemonte-le-startup-non-decollano/)



## Veneto

If we look at the list of Northern regions with the highest number of startups, Veneto practically shares the second place with Emilia Romagna (948 vs 951). This is another region where innovation and dynamism are closely tied with the main local universities: Padova, with its 263 startup and its hub Galileo Visionary District, is by far the top of the crop.

In the "New Business" division of the Galileo District, the well-known university incubator of Padua, Start Cube, stands out. The incubated companies are characterized by the innovativeness of their products and services. Start Cube provides them with spaces, equipment and, above all, services dedicated to their activities at favourable conditions, thanks to a reduction in management costs. The services include not only mentoring and consulting, dedicated to the definition and validation of a business project, and the operational roadmap to set up the project, but also support in industrial design, usability and use of innovative materials. In addition to this, the incubator makes it easier to raise capital to start and grow businesses by monitoring calls and opportunities linked to regional and European funding.

### Main incubators

<b>Start Cube</b>	
<b>Address/web</b>	Via della Croce Rossa 112 – 35129 Padova – <a href="http://www.startcube.it">www.startcube.it</a>
<b>Main partners</b>	Galileo Visionary District (Innovation hub) University of Padua Fondazione Cassa di Risparmio Padova e Rovigo (Bank)
<b>Key info</b>	<ul style="list-style-type: none"><li>○ Member of Incubation Forum, the European association of technological incubators</li><li>○ Free pre-incubation services: business plan draft supervision, market analysis, marketing plan analysis</li><li>○ Extra services: accounting, notary, legal and contractual consultancy</li></ul>
<b>Contact</b>	Emiliano Fabris – Managing Director <a href="mailto:emiliano.fabris@startcube.it">emiliano.fabris@startcube.it</a> Tel. +39 049 8697501

<b>H Farm</b>	
<b>Address/web</b>	Tenuta Ca' Tron, Via Sile 41 – 31056 Roncade (Treviso) – <a href="http://www.h-farm.com">www.h-farm.com</a>
<b>Main partners</b>	Audi, Cisco, Cattolica Assicurazioni (corporate firms) University Ca' Foscari Venezia
<b>Key info</b>	<ul style="list-style-type: none"><li>○ Born in 2005 as venture incubator; first exit in 2008 (H-Care); listed on the stock exchange in 2015 in the AIM market</li><li>○ Organizer of the first Global Accelerator Meeting (GAM, 2012)</li><li>○ New campus in Milan: 2000 m<sup>2</sup> for more than 180 farmers (2018) – turnover of €61 M with a positive EBITDA.</li><li>○ Huge focus on education (international schools) and digitalisation services</li></ul>
<b>Contact</b>	Luca Valerio – Managing Director <a href="mailto:luca.valerio@h-farm.com">luca.valerio@h-farm.com</a> Tel. +39 0422 789611









## 4. SCALEUPS IN ITALY (AND EUROPE)

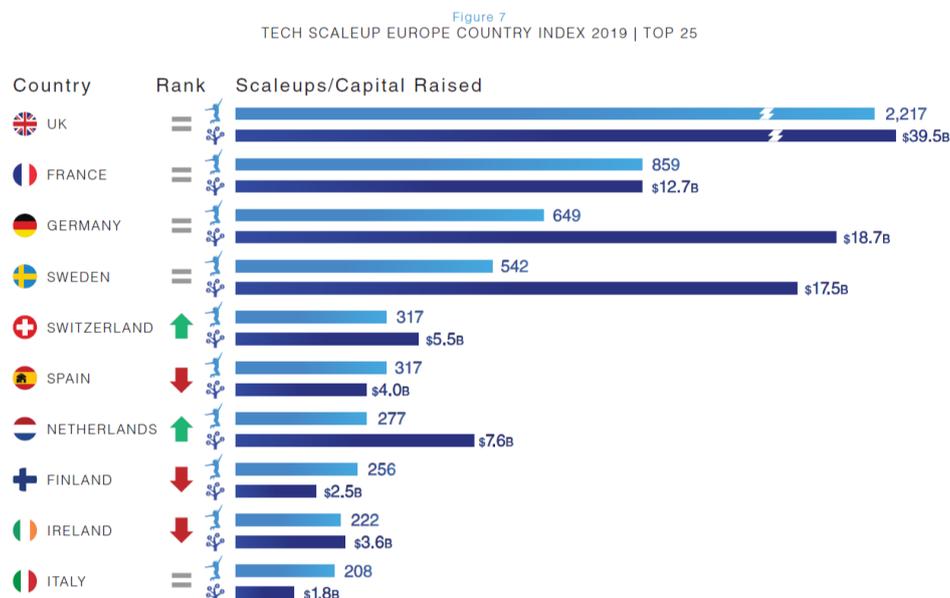
As we saw in the previous pages, Italy is a late mover in the startup game, where it takes time to produce results (i.e. scaleups). One of the reasons is that investments still have to grow considerably, so that Italy can surpass a few European countries, especially if we consider that Italy ranks 8th in the world for GDP, suggesting that there's a strong economic base to pull from.

The latest available data show that €672 M have been invested in Italian scaleups in 2019<sup>50</sup>, a capital equal to 0,38% of the country's nominal GDP in 2019. In the absence of a solid domestic investment scheme, the "dual companies" model for Italy seems to work. Italian scaleups go abroad for funding by moving the headquarters and operations abroad (mainly US and UK in Europe), while maintaining the research and development in Italy. An encouraging sign comes from the 31 investments coming from international VC funds, which clearly shows how Italy's scaleup scene is slowly but steadily gaining global attention.

It has to be said that the scaleup scene has been affected by the consequences of the Covid-19 outbreak. In the first semester of 2020 investments have decreased by 23%<sup>51</sup>, when compared to the same period last year – €240 M vs €313 M. However, the slump has been more evident in the first quarter (-33%) than in the second one (-17%), hinting that a cautious optimism may not be out of place.

Among the *top deals* of this semester, fintech project Banca Idea raised €45 M at its launch in June, while logistics platform Milkman raised €25 M in May, its fifth round of financing.

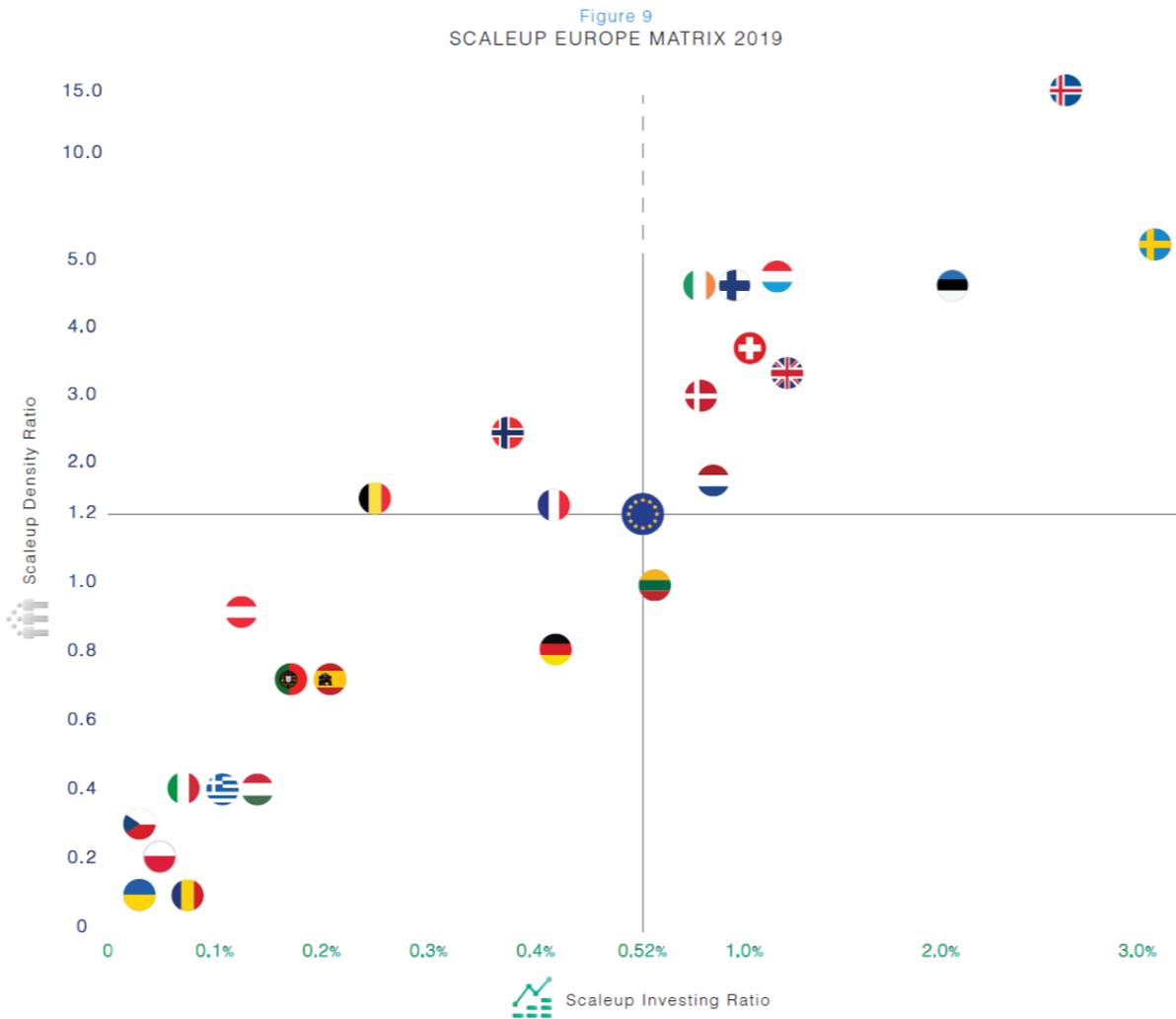
Yet this is not enough: according to the Tech Scaleup Europe 2019 report, published by the advisory firm Mind the Bridge, Italy's efforts are only worth the 10<sup>th</sup> place in the Tech Scaleup Country Index, based on the amount of active scaleups and the capital they were able to raise, lagging behind countries like Ireland and Finland – which are both far from being economic powerhouses. The top three countries – Germany, France, UK – combine for a total of 53% of the scaleup population in Europe and account for 56% of the total amount of funding.



<sup>50</sup> [startupbusiness.it/ugo-innova-lassistenza-per-le-persone-non-autosufficienti/102769/](https://startupbusiness.it/ugo-innova-lassistenza-per-le-persone-non-autosufficienti/102769/)

<sup>51</sup> [startupbusiness.it/scaleit-calano-gli-investimenti-in-scaleup-ma-ce-ottimismo/104894/](https://startupbusiness.it/scaleit-calano-gli-investimenti-in-scaleup-ma-ce-ottimismo/104894/)

If we look at the bigger picture and compare continental areas instead of countries, it emerges that the entire Southern Europe region is dragging its feet in the innovation wave, with 10% of scaleups and 6% of capital raised regardless of their 20%+ share in Europe's GDP and population. The area shows a situation of relative undercapitalization compared to the other European regions: as an average, they have a lower share in capital raised than number of companies. However, Southern Europe is definitely seeing momentum, being the European region that showed the largest relative growth in number of scaleups (+44% compared to last year increase), followed by the British Isles (+29%), and the Baltics (+27%).



## Main hubs

According to Mind the Bridge's 2018 Tech Scaleup Italy report, the largest Italian scaleup hotspot is Milan, with 78 (44%) of scaleups. The concentration in the top hotspot is lower than in other countries (such as the UK, with 69% of the scaleups in London, and France, with 72% in Paris).





an appropriate measure, while 15% ask for more credit from the banks and 23% consider searching for new private investors a possible solution.



## 6. USEFUL CONTACTS

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### 6.1 ITALIA STARTUP

Italia Startup is the national association representing the Italian innovation ecosystem. Since 2012 the association brings together startups, scaleups, innovative SME's, innovation centres, investors and corporate firms in order to unify and strengthen the country's innovative entrepreneurial scene.

*Italia Startup*

Via Copernico 38 – 20124 Milan

T. +39 351 9336636

[www.italiastartup.it](http://www.italiastartup.it)

Contact person: Federico Barilli | General Director | [federico.barilli@italiastartup.it](mailto:federico.barilli@italiastartup.it)

### 6.2 TECHNOLOGY PARKS - APSTI

Also important for foreign companies are the technology parks covering the entire Italian territory. The most prominent ones are members of the association APSTI: you can find [the full list here](#), together with a description of their main activities.

APSTI – Associazione Parchi Scientifici e Tecnologici Italiani

Via Mario Giuntini 13 – 56023 Cascina (Pisa)<sup>52</sup>

T. +39 0371 4662212

[www.apsti.it](http://www.apsti.it)

Contact person: Edoardo Imperiale | Internationalization Manager | [direzione@ssip.it](mailto:direzione@ssip.it)

### 6.3 STARTUP MEDIA

#### **BeBeez**

Online newswire focusing on private capital and alternative assets issues in Italy, such as private equity, venture capital, private debt, equity crowdfunding, infrastructure and real estate. BeBeez provides news and information about business development of the funds' portfolio companies as well as news and analysis about SMEs and startup companies in Italy. BeBeez is originally an Italian-speaking website but it has now developed a rich section in English as well.

[bebeez.it](http://bebeez.it)

Editor in chief: Stefania Peveraro | [stefania.peveraro@edibeez.it](mailto:stefania.peveraro@edibeez.it)

#### **Startupitalia!**

The website was founded in 2013 with the aim of shining some light on the world of Italian startups and creating a favourable context for the birth of solid and competitive companies. At the time, wrote David Casalini, "there was very little talk of this phenomenon" – this makes the website

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<sup>52</sup> APSTI's address changes after every election, as it coincides with the park in which the current president is working.



Organized by Singularity University

Two-day conference that becomes an annual point of connection and inspiration, a catalyst to accelerate a local culture of innovation, a platform for people to work on impact initiatives, and an opportunity to convene members of the community for discussion around rapidly changing technologies.

**Digital Innovation Days**

Next edition: 29<sup>th</sup>-30<sup>th</sup> October 2020

Milan

[digitalinnovationdays.com](http://digitalinnovationdays.com)

Organized by Premium Digital Marketing Italia srl

One of the biggest Italian events dedicated to digital marketing, social media marketing, innovation and of course startups. It will be a succession of workshops, interviews, speeches, demos and pitches, mainly aimed at startups, entrepreneurs, communication agencies, SMEs.

**ScaleIT**

Next edition: to be confirmed

Milan

[scaleit.biz](http://scaleit.biz)

Organized by [ScaleIT Capital](#)

ScaleIT is a scaleup program and showcase which connects the top scaleups in the digital and software space from Italy and Southeast Europe with international investors to raise growth capital (€3-30 M) and scale internationally. It is an invitation only event limited to 200 selected participants. Since October 2015 the alumni scaleups have raised more than \$430 M. ScaleIT has been described as “the best event for Southern European scaleups”.

**Codemotion**

Next edition: 27<sup>th</sup>-28<sup>th</sup> November 2020

Rome

[codemotion.com](http://codemotion.com)

Organized by [Codemotion srl](#)

Codemotion organizes one of the largest tech conferences for software developers in Europe with an international network of 570.000 developers and more than 3500 speakers: many parallel tracks, hot topics, hundreds of tech leaders and the leading tech companies together for a two-day event designed to take participants on a step-by-step journey through the latest trends in software development.

**Web Marketing Festival Startup Competition**

Next edition: 19<sup>th</sup>-21<sup>st</sup> November 2020

Rimini

[webmarketingfestival.it/startup-competition/](http://webmarketingfestival.it/startup-competition/)

Organized by [Web Marketing Festival](#)



Competition open to startups and businesses - made up of individuals or teams - with innovative projects or ideas. Participants will have the opportunity to increase visibility and make their project known within one of Italy's biggest innovation events, presenting it to major players in the digital sector, investors and experts which may decide to support the realization and growth of the business idea.





