

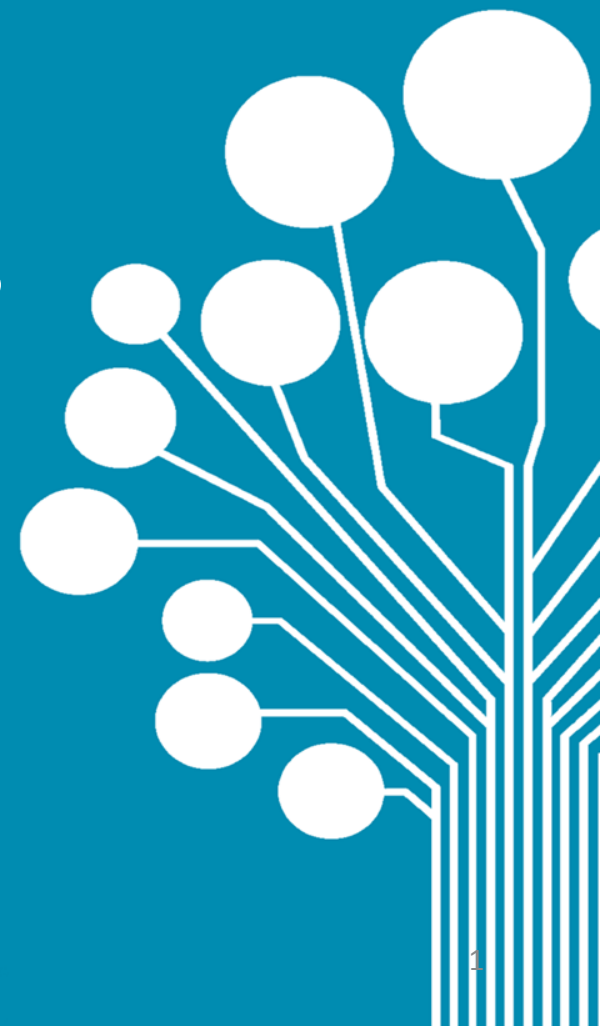


*Ministero dello Sviluppo Economico*

# 2017 Annual report to Parliament on the implementation and impact of legislation in support of innovative startups and SMEs

Key facts and main evidences

Firstly released on 19<sup>th</sup> December 2017  
(in Italian)



# A structured monitoring system for a truly evidence-based policy



every Monday

○

A DB of all registered innovative startups and SMEs, freely accessible and editable (.csv format), with a rich set of information, published on [startup.registroimprese.it](http://startup.registroimprese.it)

every 3 months

○

4 reports:

- **Italia Startup Visa (it – en)**
  - Digital incorporation
  - SME Guarantee Fund
  - Trends in the Business Register

every year

○

Minister's Report to the Parliament, based on the work of a **M&E Committee**

All editions of the Report to the Parliament are also available in an English version.

An extensive **survey** on startupper has been conducted with Istat ([Startup Survey 2016](#))

Meanwhile, the STI Directorate of the OECD is performing an **independent evaluation** of the policy.

For more info check our website [mise.gov.it](http://mise.gov.it) ([Annual and quarterly reports](#))

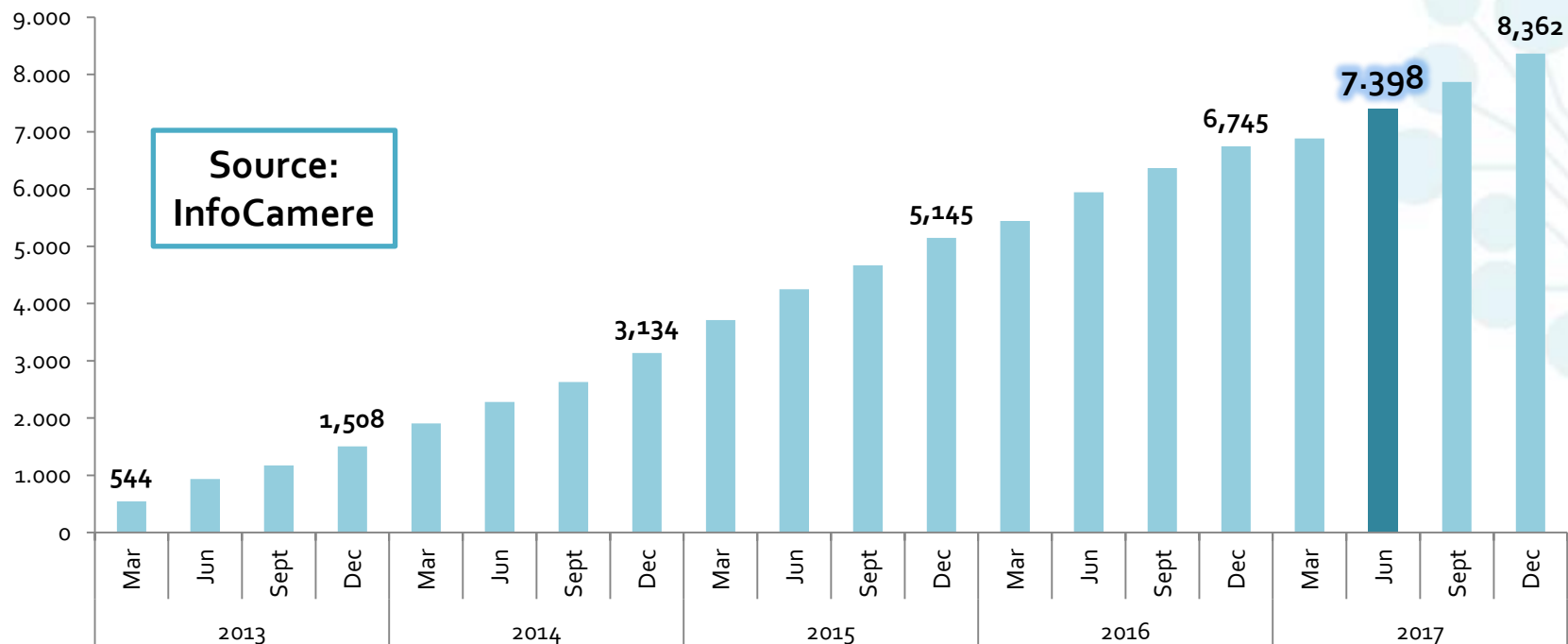
# The Italian startup ecosystem: an increasingly deep-rooted policy



A snapshot as at 30 June 2017 – reference date for the Annual Report – shows that innovative startups were **7,398**.

- + 1,456 in one year (+24.5%)
- + 3,149 in two years (+74%)

By the end of 2017, registered startups exceeded 8,000 units.



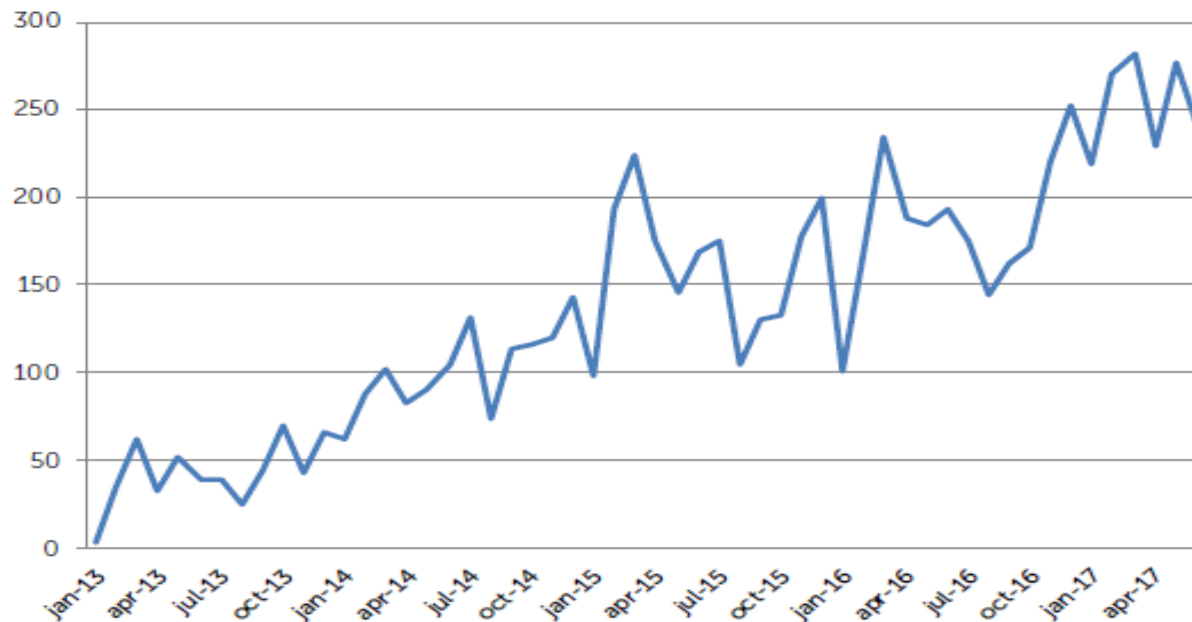
# The Italian startup ecosystem: an increasingly deep-rooted policy



In the first half of 2017, on average more than **250** firms registered as innovative startups each month (282 in March 2017).

**1 out of 2** innovative startups was recognised as such from the very moment of its incorporation; 2 out of 3 got the status within 2 months of their foundation.

**43%** of registered startups started trading in the last 18 months.



# Innovative startups and SMEs: an ever-expanding ecosystem



Data at 18 December 2017

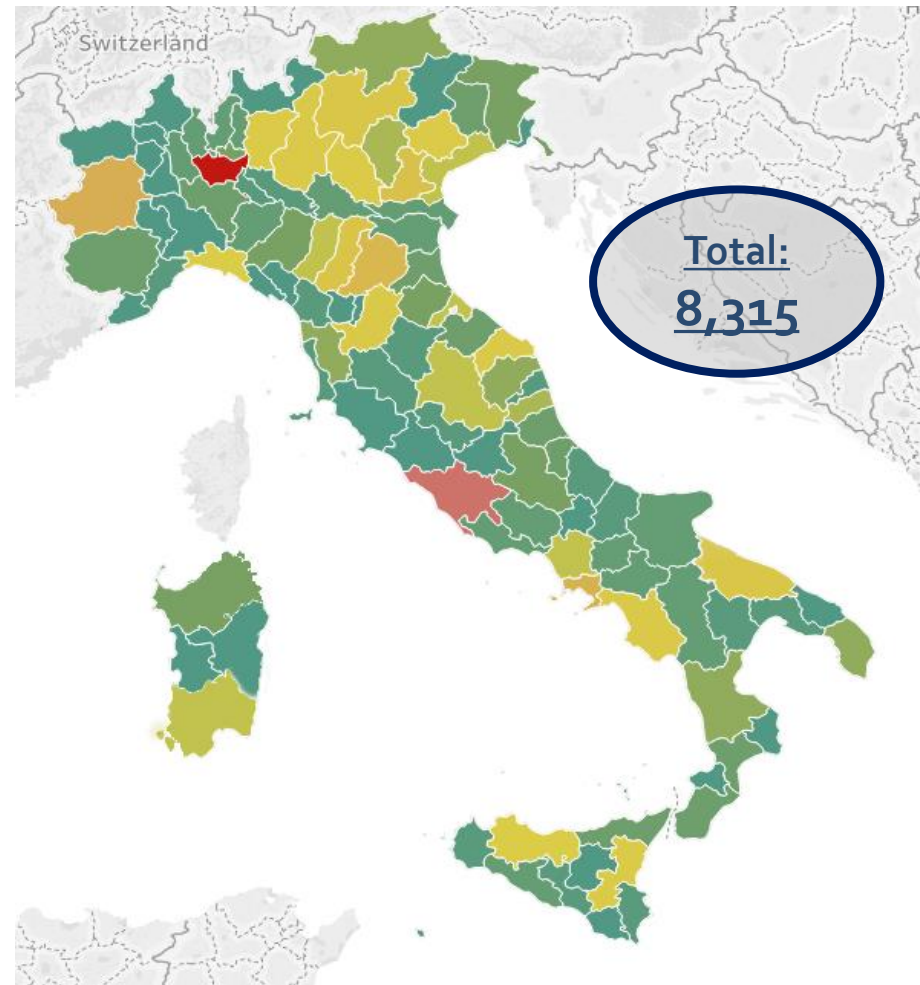
There is at least one innovative startup in **1,518** municipalities, and in **every Italian province**.

**1.207** innovative startups are based in the Municipality of Milan, i.e. **62%** of startups registered in Lombardy and **14%** of the national total.

## Top 5 regions

(number of startups):

1. Lombardy (1,936)
2. Emilia-Romagna (862)
3. Lazio (813)
4. Veneto (754)
5. Campania (616)



# Innovative startups and SMEs: an ever-expanding ecosystem



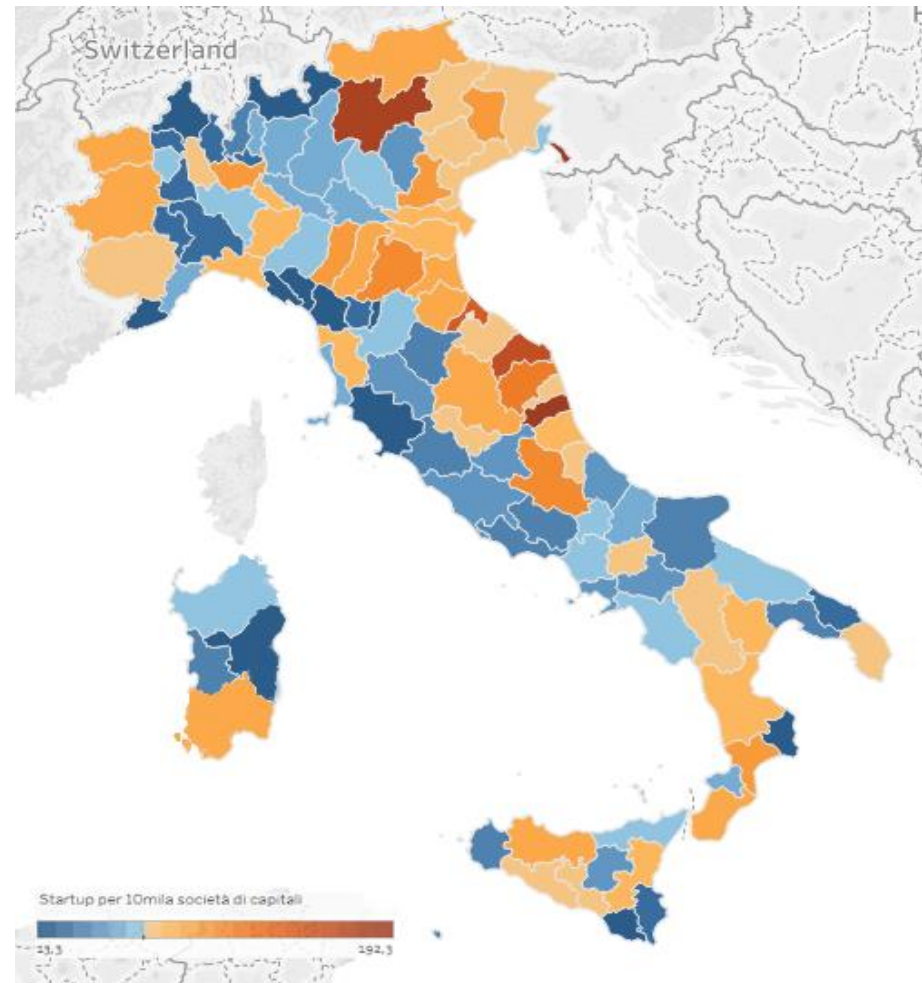
Data at 30 June 2017

Innovative startups represent **0.67%** of all limited companies operating in Italy. The provinces with the highest ratio of innovative startups to limited companies are **Ascoli Piceno** and **Trieste** (1.88%). Milan is above the national average (1%, 10<sup>st</sup>), Rome is below (0.41%, 71<sup>st</sup>).

## Top 5 regions

(ratio innovative startups/companies):

1. **Trentino-Alto Adige/Südtirol (1.34%)**
2. **Marche (1.19%)**
3. **Friuli-Venezia Giulia (0.99%)**
4. **Emilia-Romagna (0.94%)**



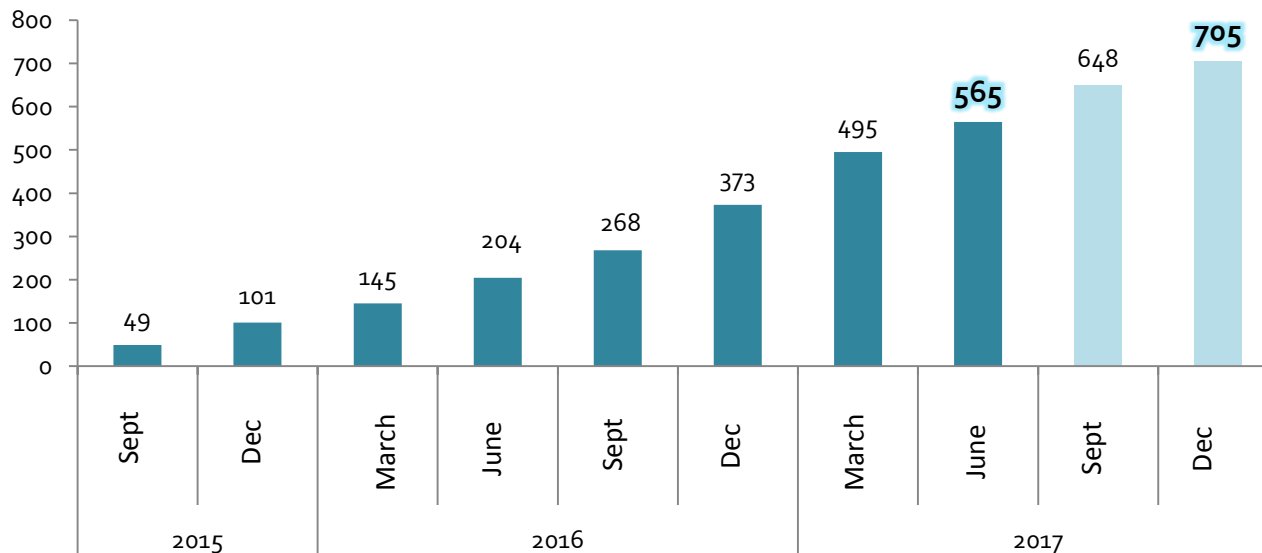
# Innovative startups and SMEs: an ever-expanding ecosystem



As at 30 June 2017, innovative SMEs were **565** – almost 3 times more (+177%) than the previous year.

**At present the figure is beyond 700 units (705 at 18 December 2017)**

Almost **40%** (211) of innovative SMEs are former innovative startups that reached the scale-up phase, losing the age requirement (> 5 years) or exceeding the turnover threshold (> €5M) to qualify as startup.



Source:  
InfoCamere

# Innovative startups and SMEs: an ever-expanding ecosystem



## Workforce (shareholders and employees)

### Innovative startups:

- Tot. employees: **10,262**  
(atypical and self-employed personnel not included)  
average per startup with employees = 3.3
- Tot. shareholders (individuals): **23,858**  
average per company = 3.6

### Innovative SMEs:

- Tot. employees: **9,313**  
(atypical and self-employed personnel not included)  
average per SME with employees = 18.8
  - Tot. shareholders (individuals): **2,674**  
average per company = 5.4
- 
- **21.5%** of startups are majority-owned by **under-35s** – this ratio is 3 times higher than the percentage registered for other limited companies (i.e. 6.7%);
  - **≈20%** of the shareholders are **women**, and **15%** of startups are majority-owned by women.

**Total  
workforce:  
46,107**



# Are innovative startups growing? an analysis on 2013-2016 accounts



In 2016 innovative startups and SMEs produced goods and services for over **€2bn**:

- **€773m** by innovative startups
- **€1.3bn** by innovative SMEs – 4 out of 10 have a turnover above €1m.

Indicators	30-09-2015	30-09-2016	30-09-2017
N. startup	4,249*	5,942 (+39.9%)*	7,398 (+24.5%)*
Average turnover	131,000 €	152,000 €	164,000 €
Total turnover	349,192,469 € (2.663 accounts 2014)	585,211,807 € (3.853 accounts 2015)	773,170,993 € (4.717 accounts 2016)
N. employees	4,891*	9,042*	10,262*
N. shareholders	16,861	23,045	29,651

\* Data at 30 June of relevant year

# Are innovative startups growing? an analysis on 2013-2016 accounts



**Most innovative startups have been incorporated very recently:**

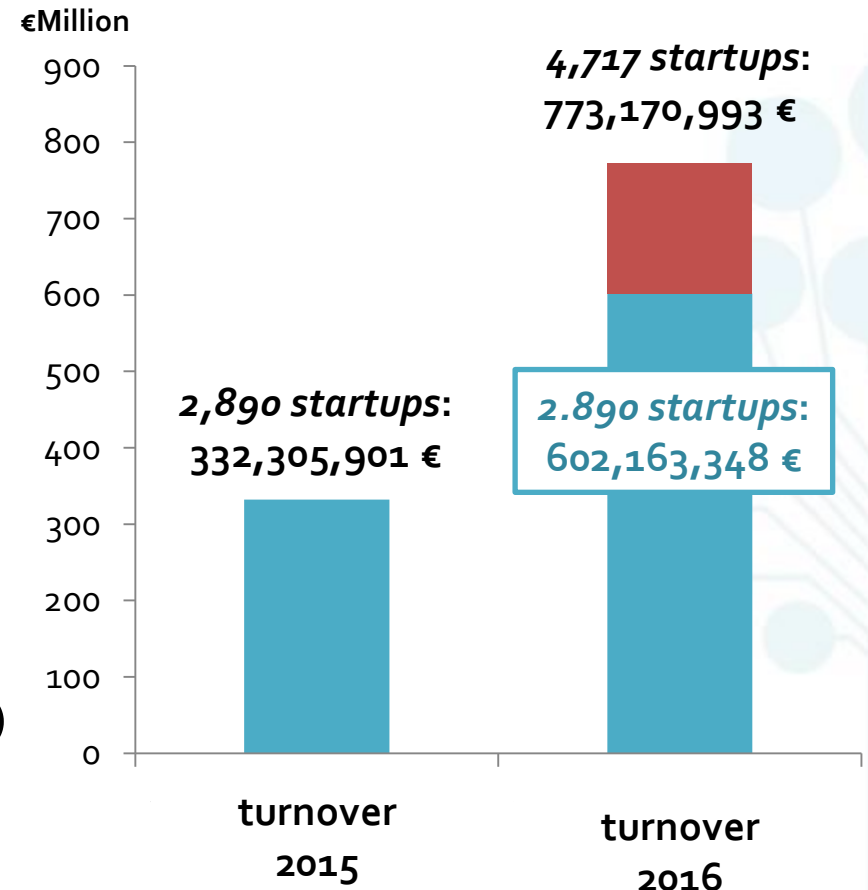
only 60% of them submitted their accounts for 2016, and less than 3,000 for 2015 as well

**Between 2015 and 2016 turnover for this group of startups almost doubled**

→ from **€332m to €602m** (+81.3%)

And their average turnover grew by **€100,000** in one year

→ from **€115,000 to €208,000** (+80.9%)



# Are innovative startups growing? an analysis on 2013-2016 accounts



While in the Special Section of the Business Register, innovative startups see their turnover grow dramatically.

In late 2016:

- Startups registered in **2015** had **doubled their sales volume** in 1 year on average
- Those registered in **2014** had **tripled it** in 2 years.

Registered in 2014	Year of statement of accounts		
	2014	2015	2016
Total turnover	€ 118,246,057	€ 264,561,910	€ 346,357,217
Average turnover	€ 83,389	€ 176,728	€ 262,591
Annual variation in total turnover	-	+123.7%	+30.9%
Overall growth	<b>+214.9%</b>		

Registered in 2015	Year of statement of accounts	
	2015	2016
Total turnover	€ 194,552,033	€ 380,860,784
Average turnover	€ 103,983	€ 212,297
Overall growth	<b>+95.8%</b>	

# Are innovative startups growing? an analysis on 2013-2016 accounts



The 27 top-performing innovative startups had an aggregate turnover of **€230m** in 2016.

Here is a few examples of these high-growth companies:



The Organic Factory



DoveConviene

**solair**



**BAX**  
ENERGY

beintoo

mashfrog

**DRIVEK**

  
musement

**HIFOOD**

arianna  
light  
looking  
forward

# Are innovative startups growing? an analysis on 2013-2016 accounts



## Startups registered in

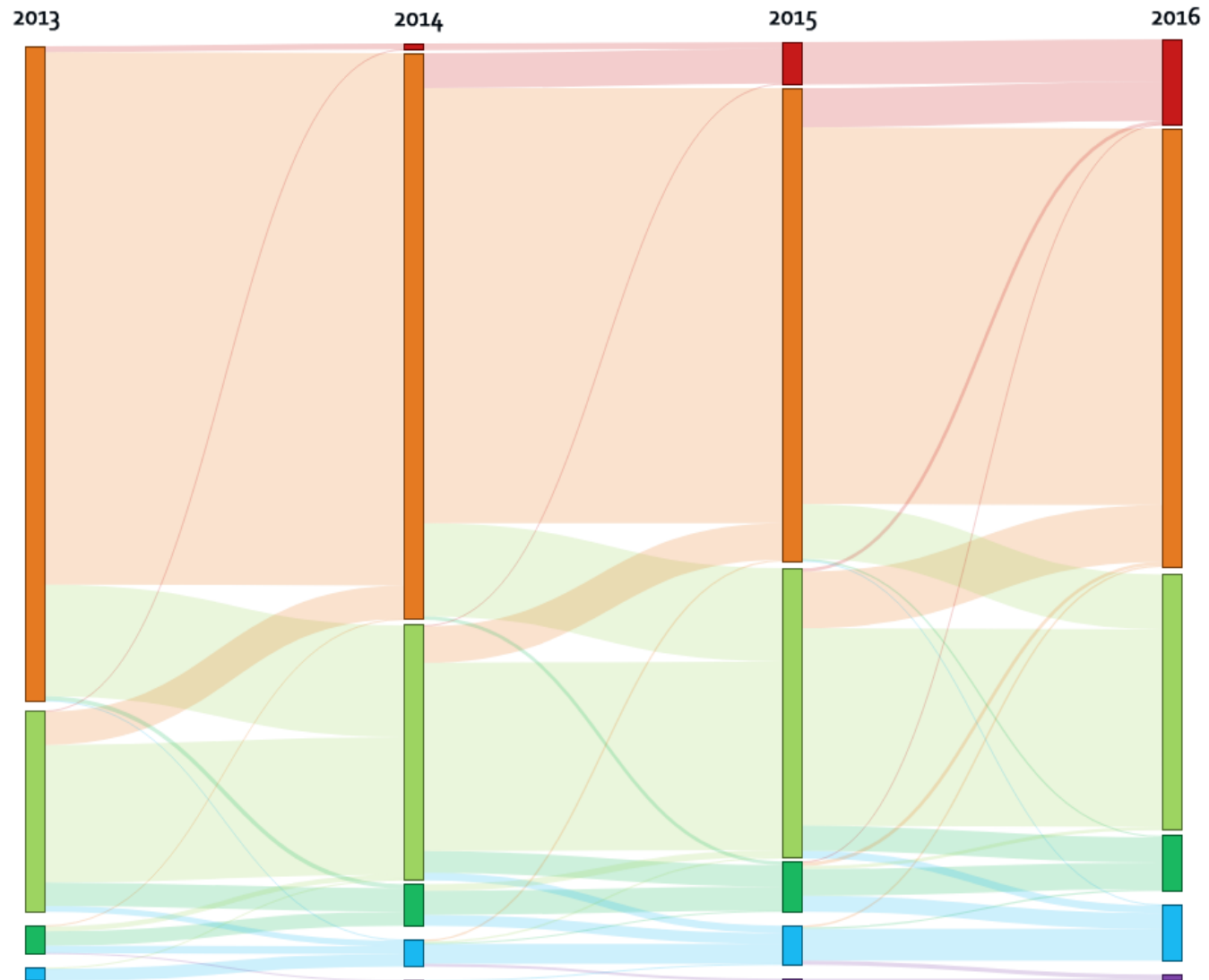
**2013:**

1 out of 10 has a turnover > €500,000 in 2016

1 out of 10 ceased their business

### Key:

- ceased trading
- up to €100,000
- between €100,000 and €500,000
- between €500,000 and €1m
- between €1m and €5m
- more than €5m



acknowledgement for d3.js and sankey diagram to Mike Bostok

# Are innovative startups growing? an analysis on 2013-2016 accounts



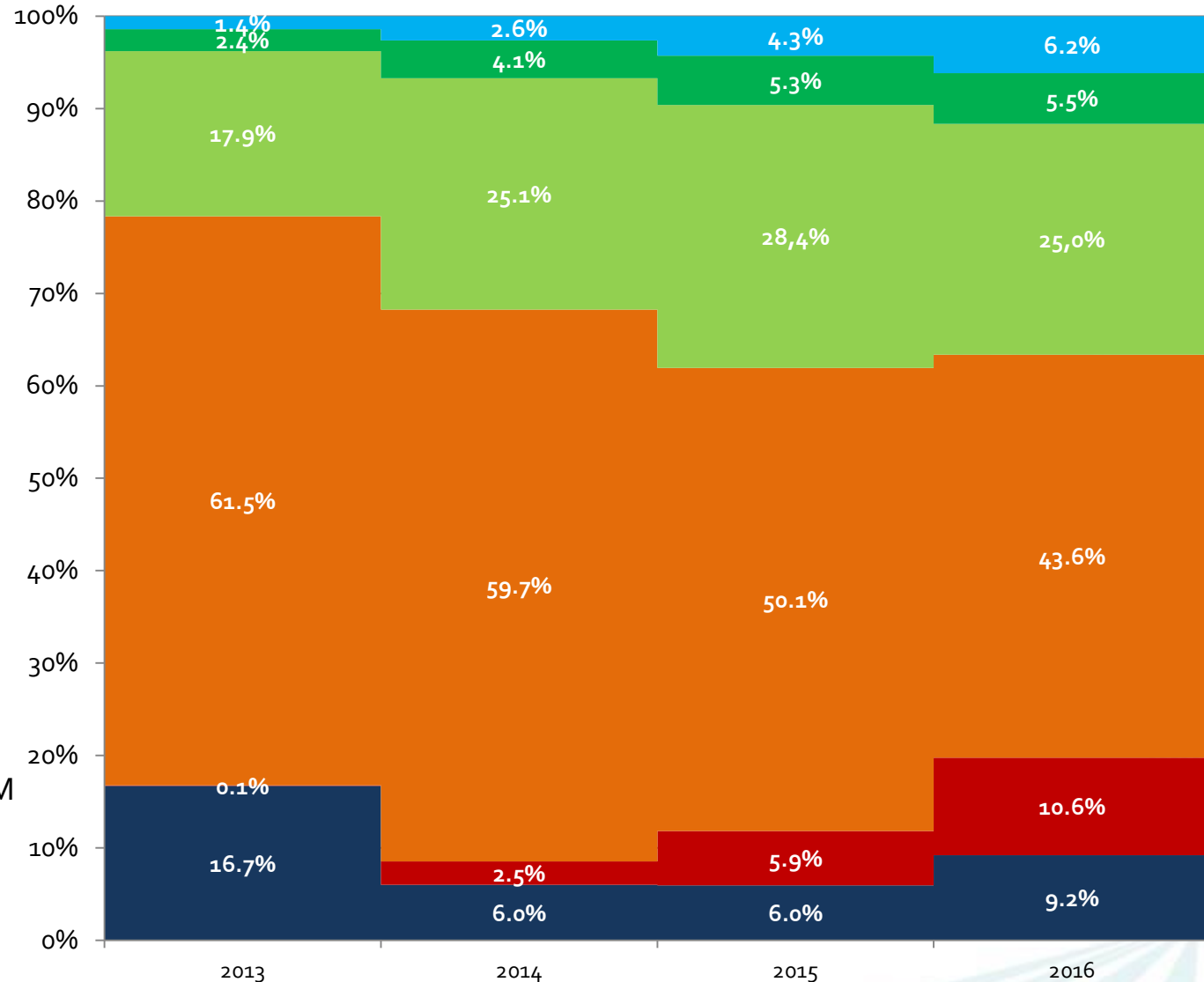
## Startups registered in 2013:

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1 out of 10 ceased their business

### Key:

- ceased trading
- up to €100,000
- between €100,000 and €500,000
- between €500,000 and €1M
- more than €1m
- N.A.



# What is the Italian Startup Act for? a first “selection effect”



Compared to other limited companies, innovative startups have some distinctive features:

- They are «**younger**»: more than 1 in 4 are predominantly owned by under-35 y.o. shareholders, a share 3 times higher than that registered for all other limited companies;
- They **invest more**: their rate of **fixed assets on total assets** is **3 times higher** (27% vs 3% for other limited companies), and research (Bankitalia 2015, OECD 2018) shows that they mainly invest in **intangible assets**;
- They generate more **value added**: **€0.33** per each euro of production vs. €0.22 for other limited companies;
- They represent a sizeable group in the most **innovative economic sectors**, accounting for 25% of Italian companies classified as «**Research & Development**».

# What is the Italian Startup Act for? to support startups in overcoming the “death valley”



The **survival rate** among innovative startups is still very high.

At date, only **6%** of startups founded in 2014 and **10%** of those incorporated before 2013 **terminated their business**.

→ This is an expected effect of the policy.

There are various measures supporting startups even if their turnover is not yet substantial:

- exemption from paying annual fees, registration fees and duty stamp to the Chambers of Commerce
- extended “grace period” to cover systematic losses
- exemption from regulations on dummy companies and on companies registering systematic losses.

Year of incorporation	Survival rate per year					
	2012	2013	2014	2015	2016	2017
2011	100%	100%	98.5%	95.9%	92.8%	90.5%
2012	100%	99.8%	97.9%	95.3%	92.3%	90.1%
2013		100%	98.0%	95.2%	91.3%	89.3%
2014			99.8%	98.3%	95.3%	93.6%
2015				99.5%	97.5%	95.9%
2016					99.8%	99.2%



# Results so far: the new procedure for incorporation, digital and for free



From 20 July 2016, innovative startups can write their deed of foundation and articles of association **online**

- **for free**
- by using a **standard** customisable **model**
- validating them by **electronic signature**

From 22 June 2017, this procedure is also available for **subsequent amendments of the founding acts**.

It can be followed independently or with free-of-charge assistance by the Chamber of Commerce: unlike the standard procedure, **the validation of a notary public is not required**.

The **National Council of Notaries** appealed against the procedure **12** times in the last year.

On 3 October 2017, the Administrative Court of Lazio (TAR) finally deemed the procedure **legal and fully legitimate**.



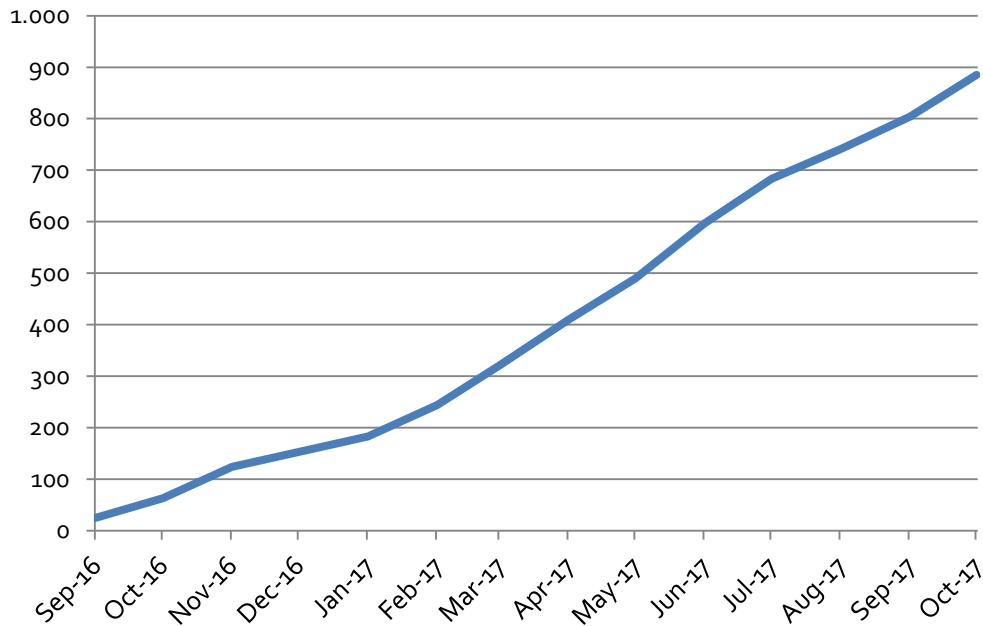
Massive reduction of  
startup costs:  
**≈2.000 euro**

# Results so far: the new procedure for incorporation, digital and for free



Data at 30 September 2017

- **878 new companies incorporated** and registered as innovative startups,  $\approx 700$  in 2017 (744 entirely online, 134 with the Chamber of Commerce's support)
- More than **40%** of startups founded in 2017 were incorporated through the new procedure (in Veneto region the ratio is **70%**)



## Territorial disparities in the use of the new procedure:

- **Provinces with high adoption rate (>50%):** Verona, Bari, Rome
- **Provinces with low adoption rate:** Turin, Naples, Florence, Modena

# Results so far: Italia Startup Visa and the attraction of foreign talent



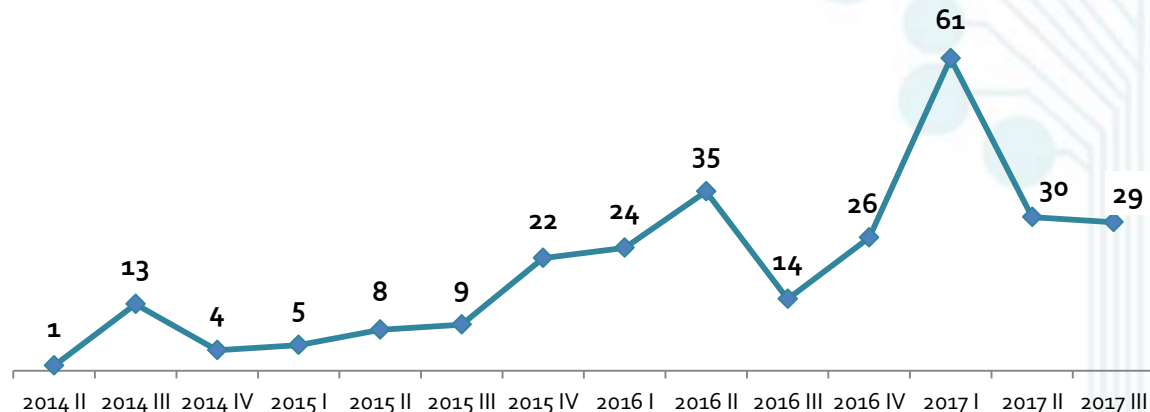
Data at 1 December 2017

A new smart visa for non EU entrepreneurs who want to establish an innovative startup in Italy. The procedure is **fast, centralised and free-of-charge**.



- **36 applications** were backed by a **certified incubator**.
- **146 applicants** were part of an **entrepreneurial team** (58 projects, 37 approved).
- **76 applications** aimed at joining an **already-established startup**

**149 applications** received only in **2017**, 50 more than in 2016 (99).

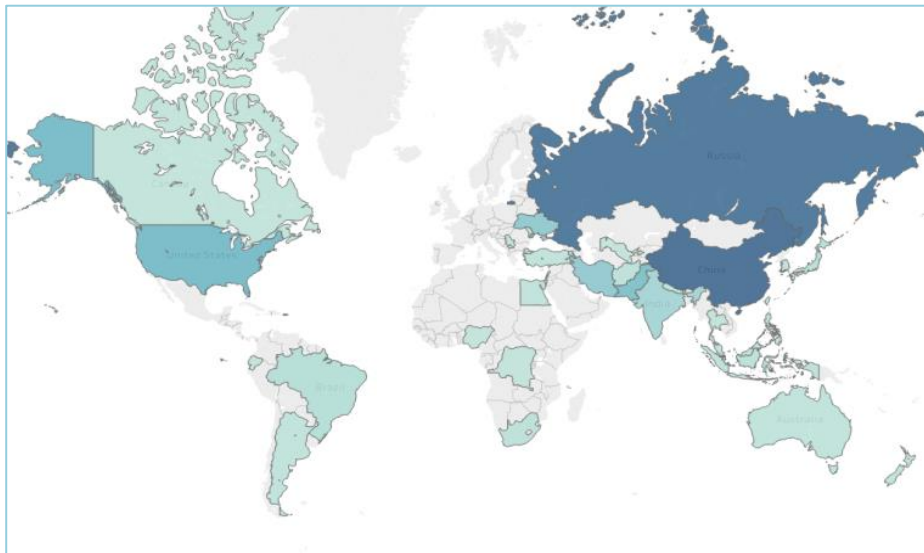


# Results so far: Italia Startup Visa and the attraction of foreign talent



Data at 1 December 2017

- Average age of applicants: **36.8** years
- Almost **90%** of successful candidates are **graduated** (engineering, management, design...)
- Mostly with an entrepreneurial background– there are several serial startup entrepreneurs. Many are managers, engineers, IT specialists, employees in big companies or students.



## 39 countries of origin

	x64		x3		x1		x1
	x60		x3		x1		x1
	x25		x2		x1		x1
	x22		x2		x1		x1
	x17		x2		x1		x1
	x16		x2		x1		x1
	x10		x2		x1		x1
	x5		x2		x1		x1
	x4		x2		x1		x1
	x3		x2		x1		

# Results so far:

## Easy and smart access to bank loans



From September 2013, innovative startups benefit from the public guarantee on **bank loans** provided by the **Public Guarantee Fund for SMEs** with a preferential access:

- **Free** intervention
- **Fast-track** procedure
- Guarantee on up to **80%** of the total amount, with no evaluation of the business plan and balance sheets, and with **no additional guarantees** to be requested by the bank
- Maximum amount guaranteed: **€2.5m**, which can also be spread on several operations

From 2016 similar conditions apply to **innovative SMEs** as well.



# What is the Italian Startup Act for?

## Easy and smart access to bank loans



Data at 30 September 2017

After 4 years from the introduction of the measure:

- **1,661** innovative startups and SMEs were granted a public guarantee for one or more bank loans.
- Total financing granted: **€ 573,101,168**
- Average amount of loans to startups: **€ 212,661**
- Average duration of loans: **54.3 months**



Operation status:

- 311** loans granted and **fully repaid**
- 2,279** loans granted, **repayment in progress**
- 51** loans granted, but **not returned**

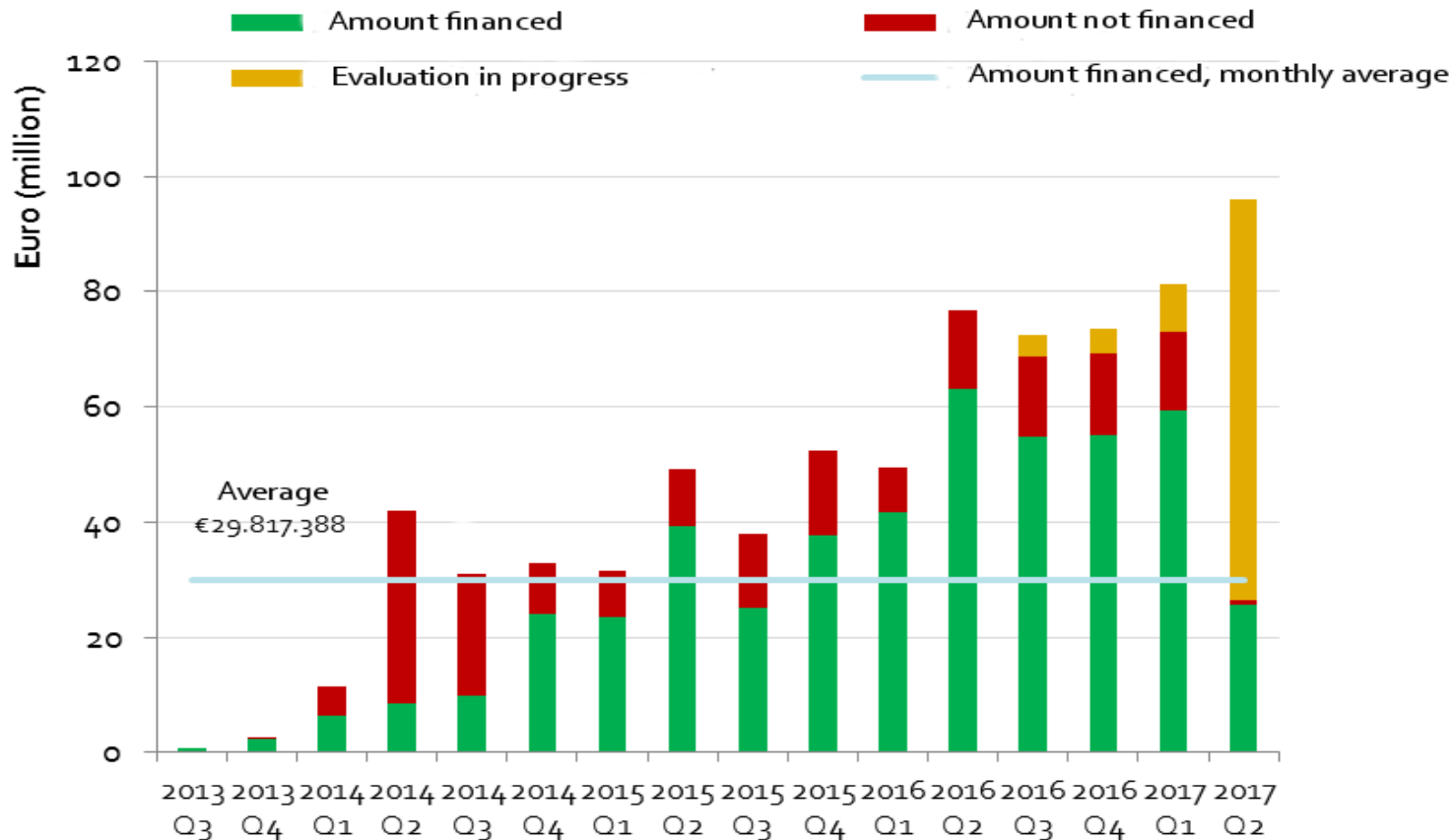
**1.5% of startups defaulted on their credit, triggering the public guarantee, vis à vis 7.9% of all other limited companies with less than three years**

# Results so far: easy and smart access to bank loans



Data at 30 September 2017

Operations towards innovative startups authorised by the SME Guarantee Fund per quarter, amount funded (millions of €)



# Results so far: equity crowdfunding



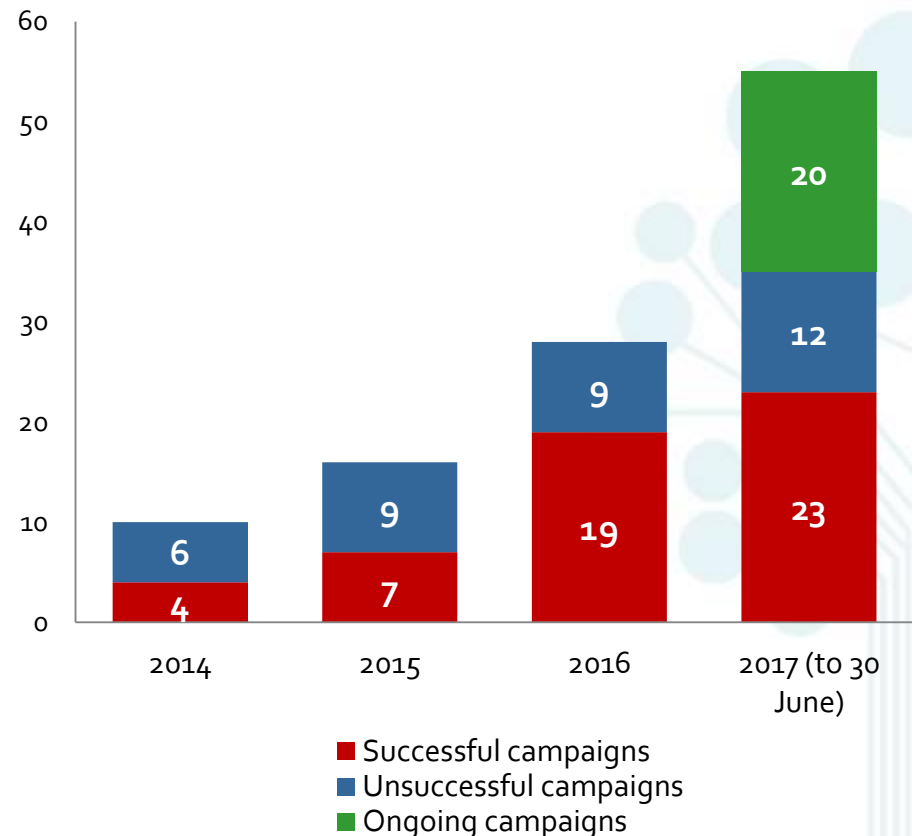
**150** campaigns launched  
(126 by startups, 14 by innovative SMEs)

- 75 were successful (60.5%)
- 26 are still ongoing (11 already met their target)

**Significant growth** in the last months:

- **€18.3M collected**  
(3x the amount collected 18 months ago)
- **60** campaigns between 30 June 2016 and 30 June 2017
- **70** new campaigns in 2017. 45 were successful, collecting more than **€10.8M**

Data at 8 December 2017  
Source: Polytechnic University of Milan





# Tax relief for seed- and early-stage investment: how it works



## Changes introduced with 2017 Budget Law

The 2017 Budget Law **stabilised** and **strengthened** the incentives for equity investments directed towards innovative startups – provided for by decree-law 179/2012 – as follows:

### *Personal income tax relief*

*Until 2016*

19%



*From 2017*

30%

### *Deduction from corporate taxable income*

*Until 2016*

19%



*From 2017*

30%

### *Max. incentivised investment for individuals*

*Until 2016*

500k



*From 2017*

1M

### *Holding period*

*Until 2016*

2 years



*From 2017*

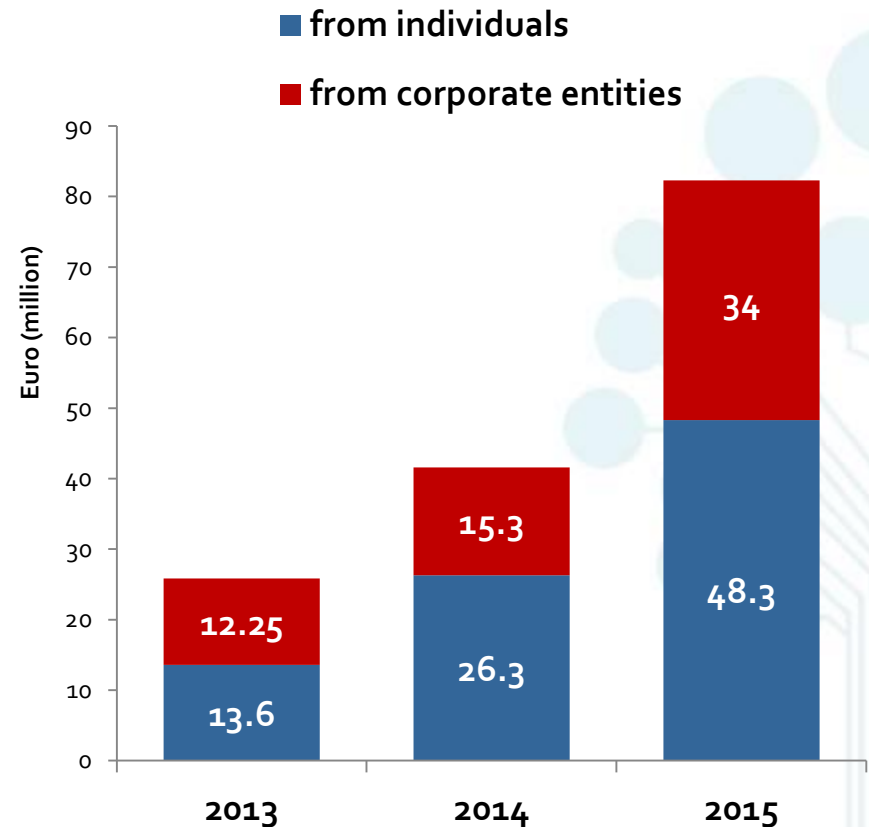
3 years

# Results so far: incentives for equity investments



## Data from fiscal year 2015

- More than **€82m** incentivised investments (**+64%** from 2014), out of  $\approx$ € 100m VC investments in Italy in 2015
- **666** startups received investments from individuals (**+29.3%**) and **222** from corporate entities (**+18.7%**)
- **2,703** investors (+61.6%)
- **2,481** investments from individuals and **369** from corporate entities
- Overall fiscal deduction: **€11.6m**

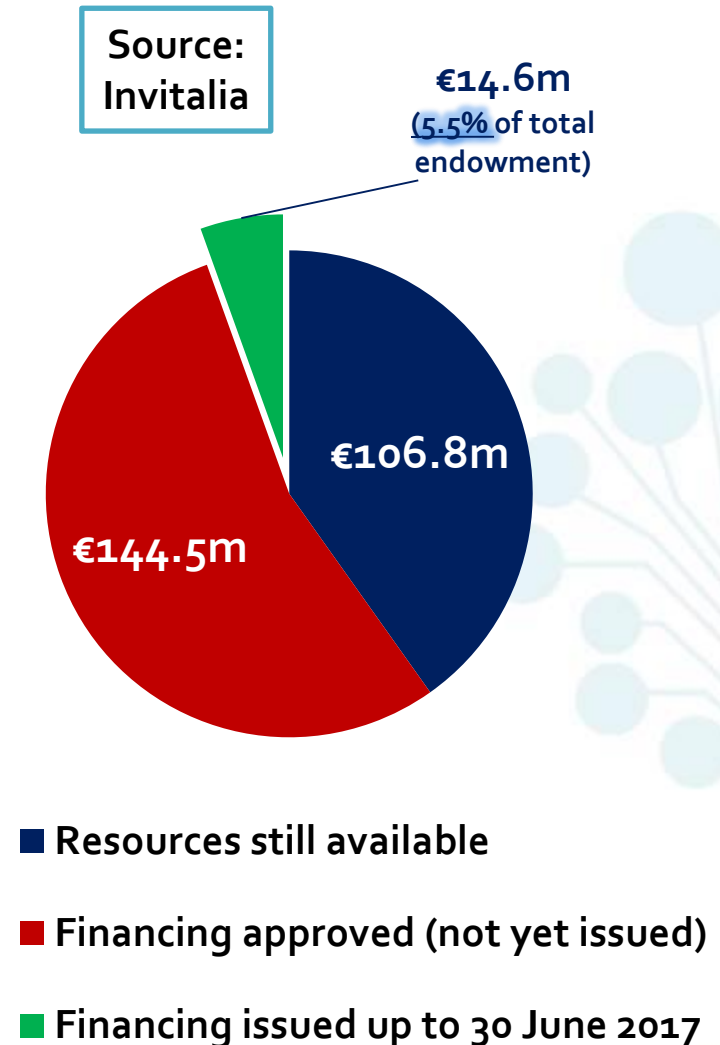


# Results so far: Smart&Start Italia subsidised finance scheme



- National funding programme for innovative startups launched on **February 2015**, refinanced by the 2017 Budget Law
- Total endowment: **€266m**, of which **€159.1m** pre-allocated so far
- **1,393** applications (43 under evaluation)
- **332** startups accepted for funding (approval rate: 24,6%)
- **181** startups received funding
- Around **€ 15m** funds disbursed (**5.5%** of potential financing)

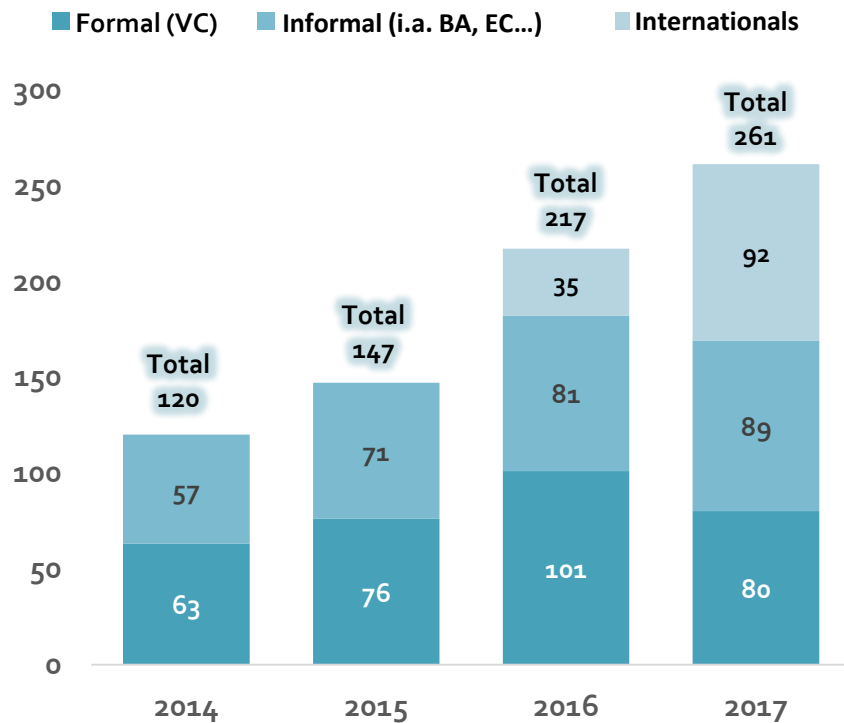
Data at 30 June 2017





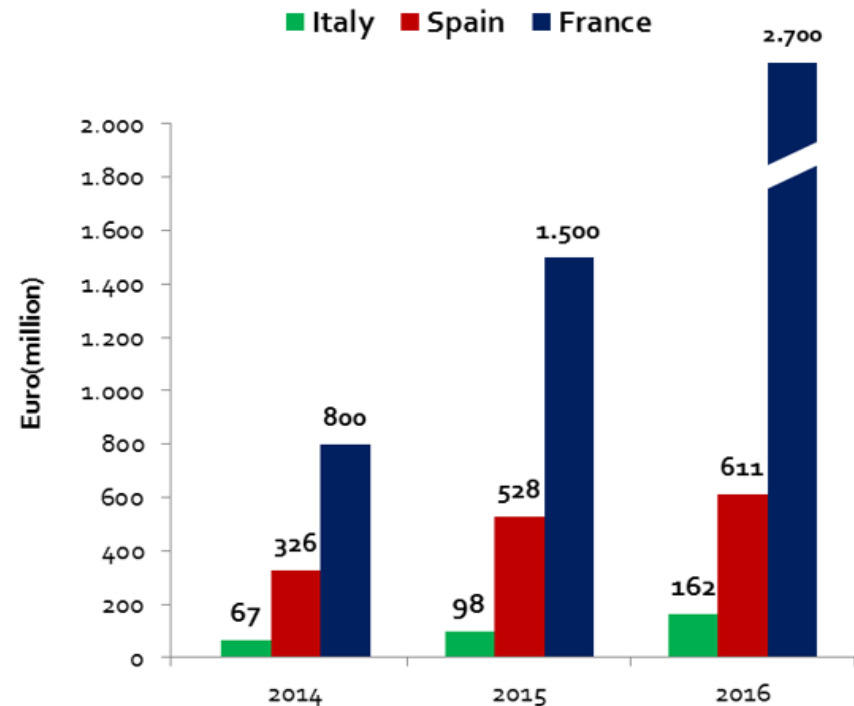
# Italy's VC market: the best is yet to come

The Italian VC market is **growing steadily**. **Foreign investments** played a major role in 2017, outpacing national VC...



Source: Startup Hi-Tech Observatory, PoliMi

...however, growth of the market in other similar European economies was more fast-paced. Hence, **the gap is widening**



Source: Dealroom.co

Number of operations in 2016  
Italy: **95** Spain: **185** France: **590**

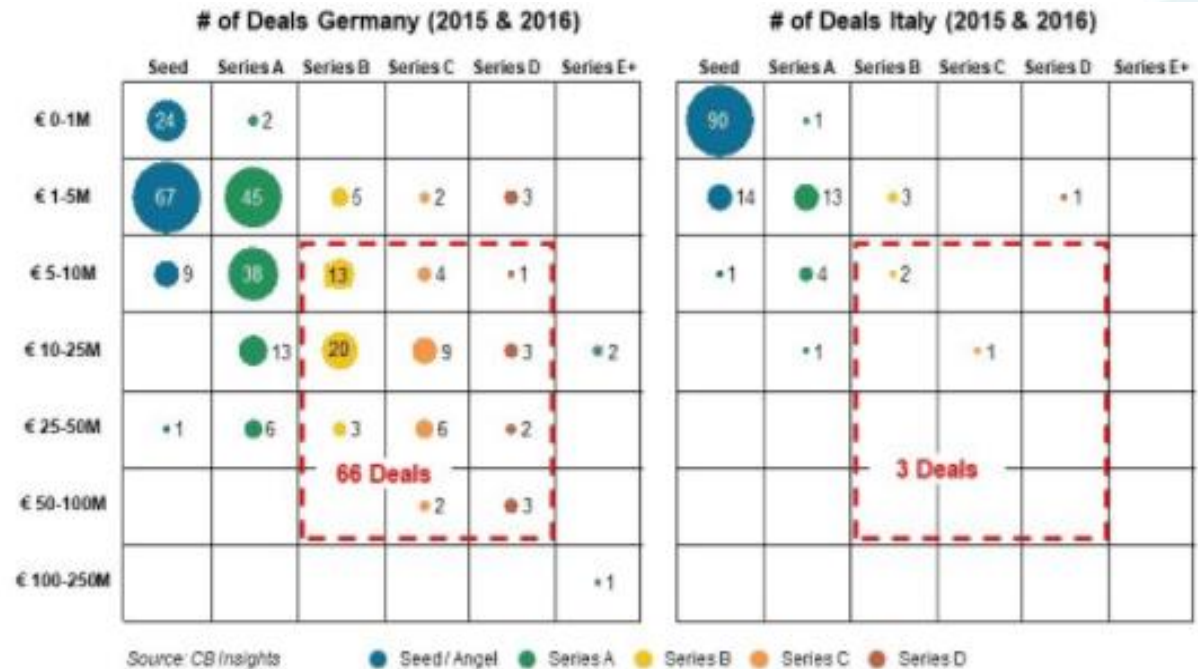
# Italy's VC market: the best is yet to come



## Is it a scale-up issue?

The major gap between the Italian VC market and other EU countries is not found among seed investments. It rather affects bigger investments, directed towards companies in their scale up phase.

As shown in the figure, B-C and following rounds are very small in number and size in the Italian market, compared to Germany.



**Fonte: Nauta Capital, "Opportunities and challenges of the Italian ecosystem within the international technology landscape"**



*Ministero dello Sviluppo Economico*

## For further information:

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