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ITALIAN
**Tech
Week**

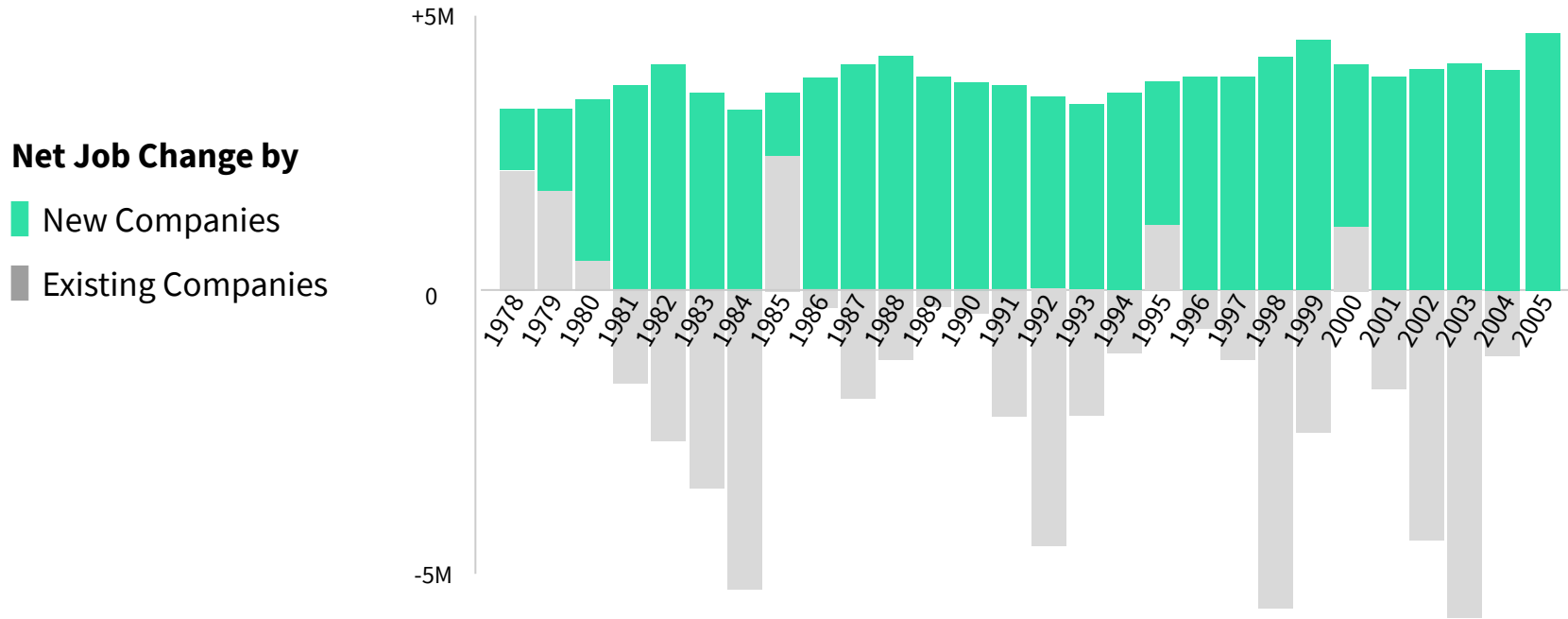
Startups and investment: where is Italy at?

Startups & investment in Italy

- 1 Why startups matter
- 2 Where Italy is at
- 3 Conclusions & recommendations

Why Startups Matter: The Entrepreneurial Age

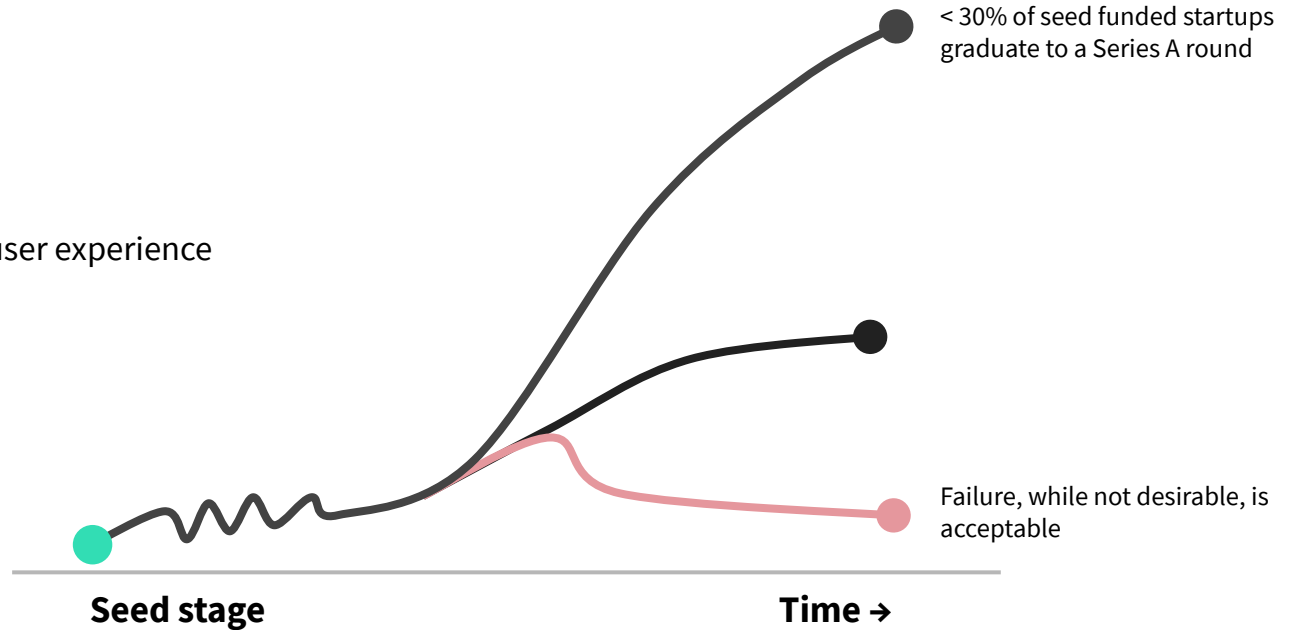
New company formation creates virtually all net new job *



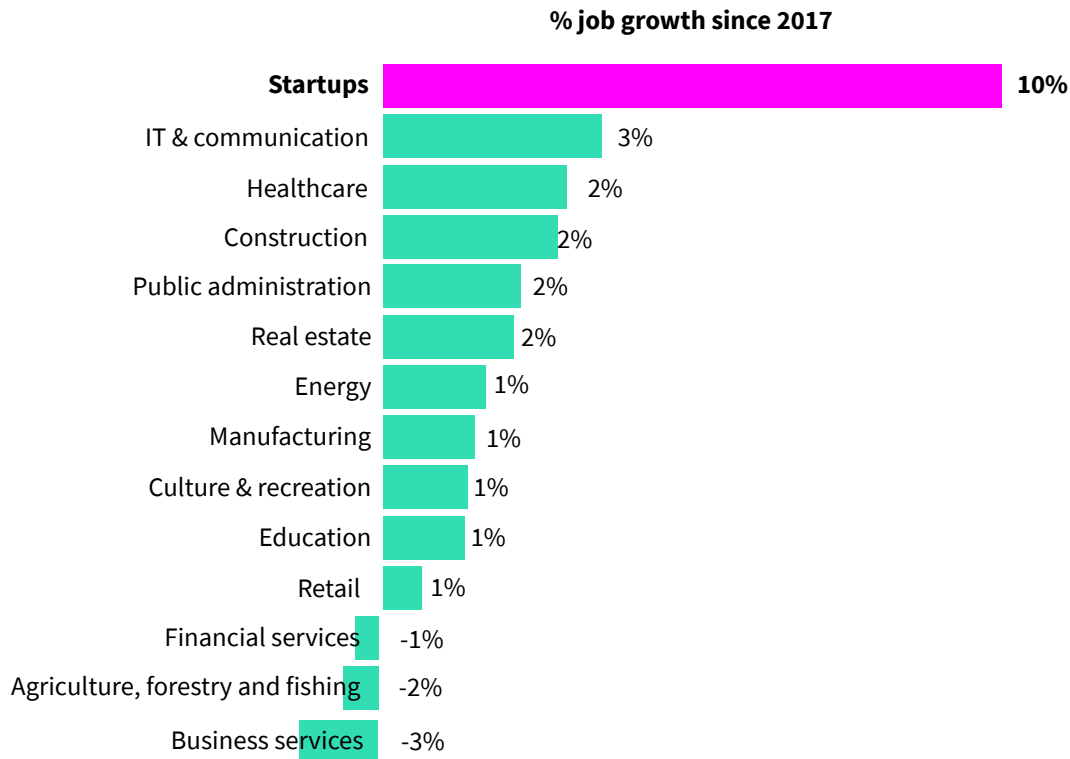
* The Kauffman Institute.

“Startups are companies designed to grow fast.” - Paul Graham

- ✓ Skin in the game
- ✓ Rapid iteration
- ✓ Exploit tech to create new user experience

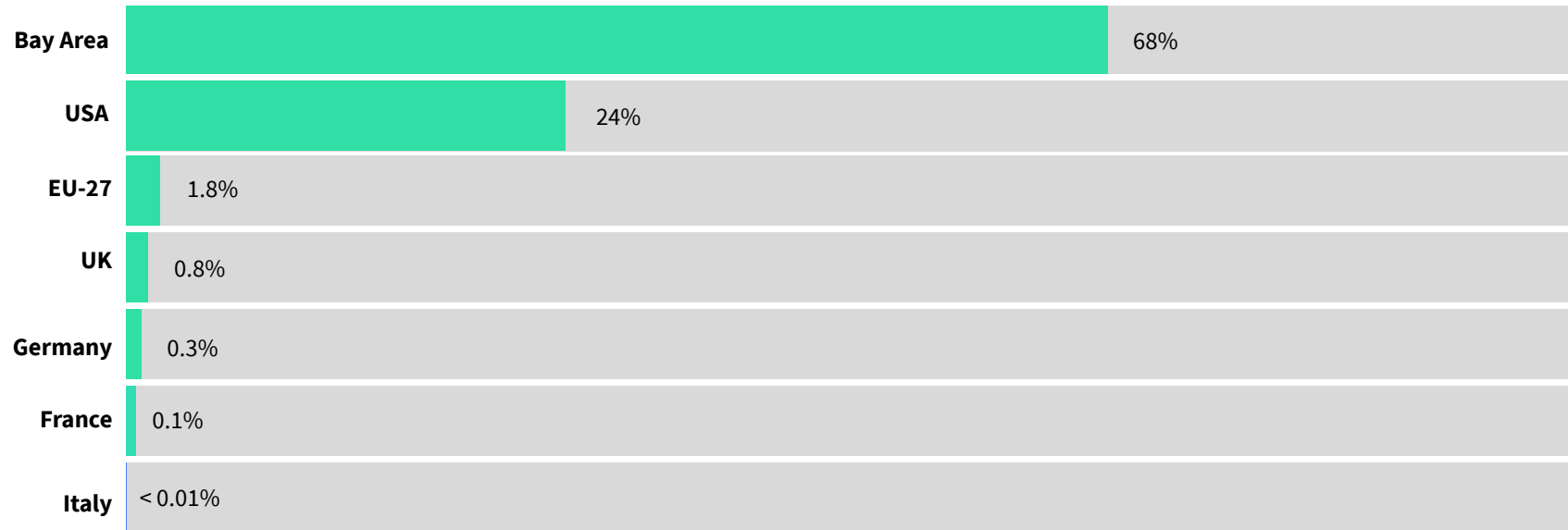


Startups in aggregate grow about 3x faster than the traditional economy.



VC-backed entrepreneurship is becoming the job engine.

% of jobs that are at VC-backed companies (public companies only)

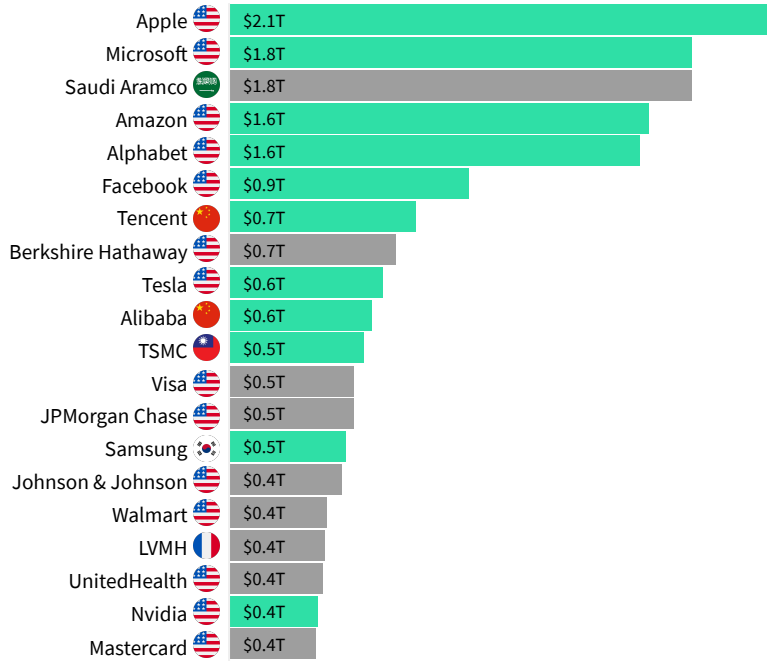


Dealroom.co analysis of 1,494 public companies in Europe (596 companies), UK (185) and USA (713).
The list was sourced from the European Commission's R&D Investment Scoreboard of 2,500 listed companies globally.

Giant VC-backed tech companies are shaping; mostly from the US ...

The world's 20 most valuable companies

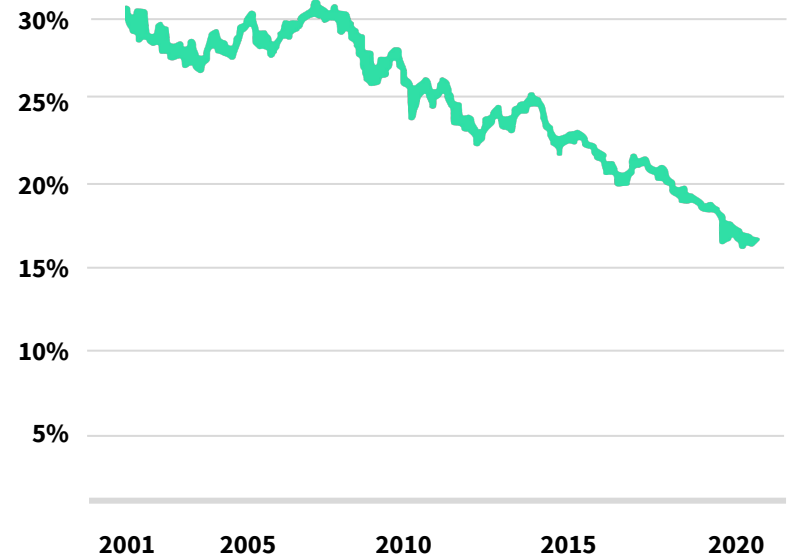
Tech Non-tech



Source: Dealroom.co and Google Finance data as of Sep 13, 2021.

... Europe's share of global equity has shrunk considerably.

Europe's share of world equity market capitalisation (MSCI)



Sources: Refinitiv, FT calculations, Bank of America Global Research



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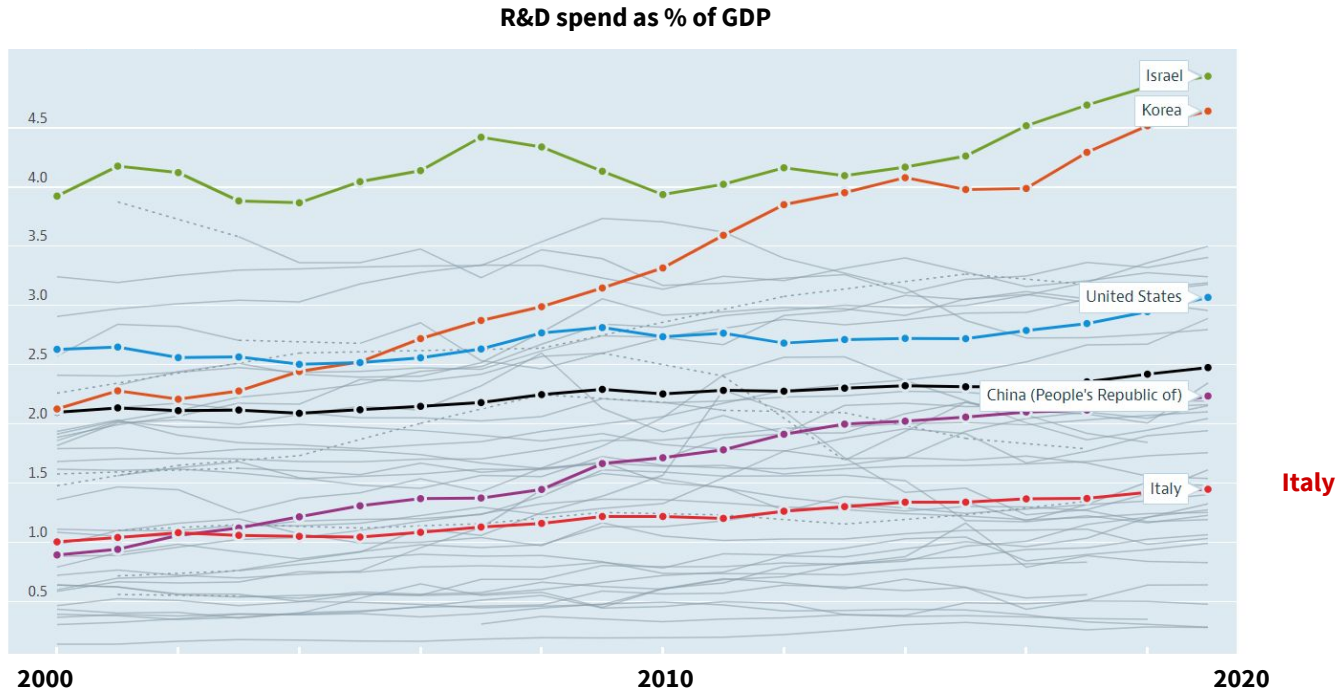


The big R&D budgets are gravitating towards the digital & health.

Corporate R&D spend in 2018 (\$ billions)

	United States	EU-27	Japan	China	South Korea	United Kingdom	Germany	France	Italy
Internet, software, hardware	114	9	9	15	17	1	4	2	0
Semiconductors	39	5	3	1	2	0	1	0	0
Pharma, biotech, healthcare	84	52	14	1	0	13	8	8	0
Automotive	19	46	39	6	4	4	34	8	5
Aerospace and Defense	11	8	0	0	0	2	0	2	2
Telecom	13	16	2	3	0	1	1	1	1
Oil & Gas	1	3	0	3	0	0	0	1	0

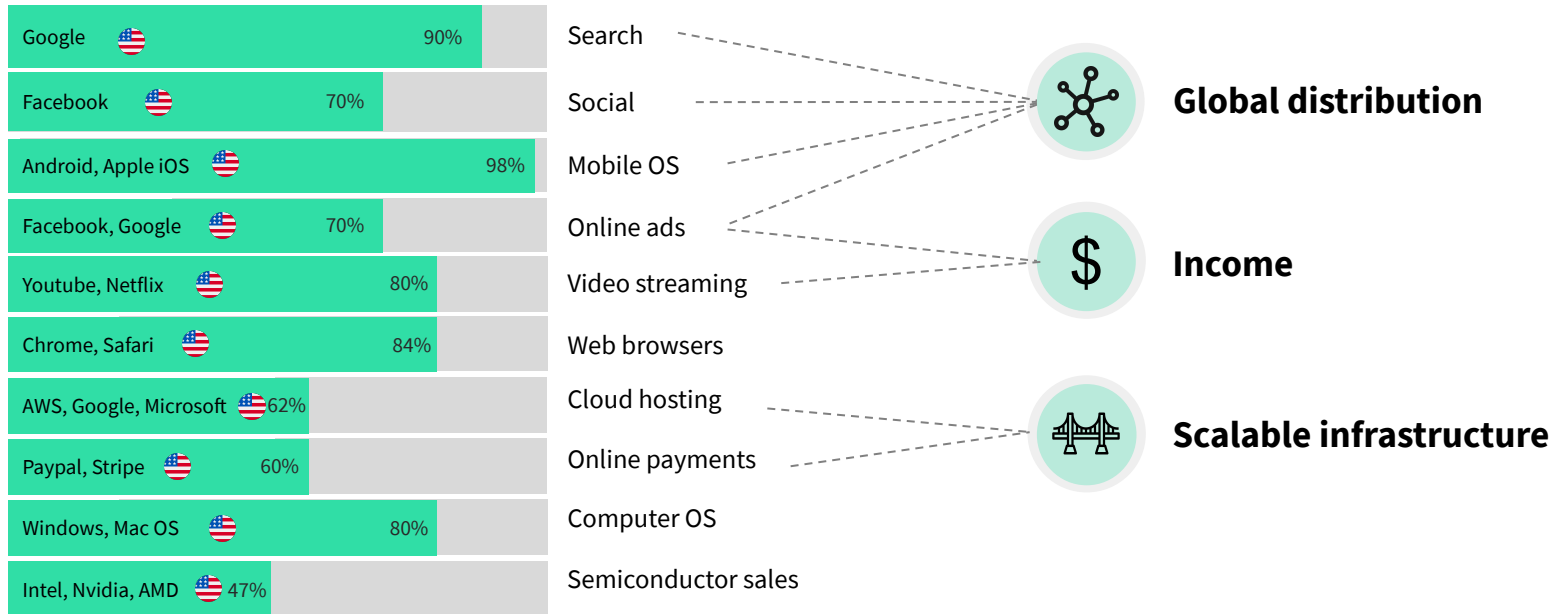
Low R&D is another reason why Italy really needs startups, that can become big tech companies.



Yes there's a lot of concentration in tech. But Big Tech is also an enabler: creating precisely the platforms that entrepreneurs exploit to grow their business.

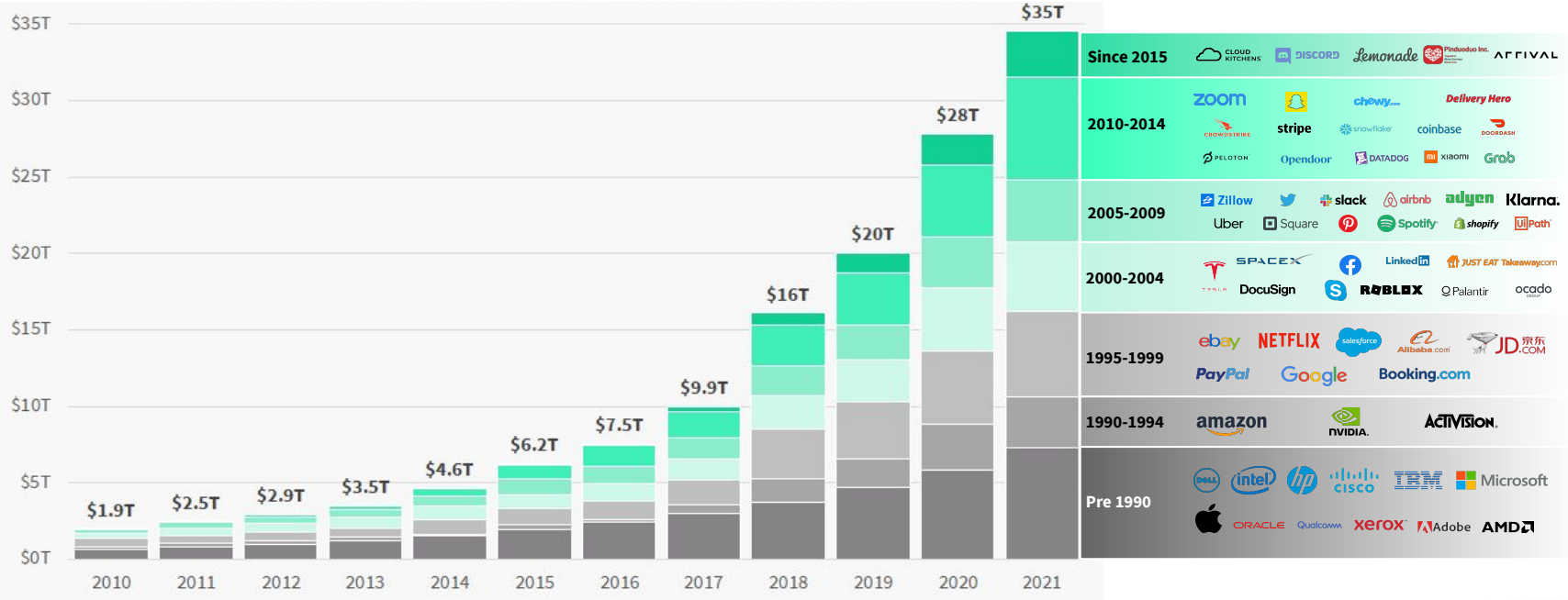
Big tech is dominating many key tech domains ...

... but they are also enablers for entrepreneurs.



Tech is now a \$35 trillion industry and it's not just Big Tech. Younger generations of startups are creating just as much value as older ones.

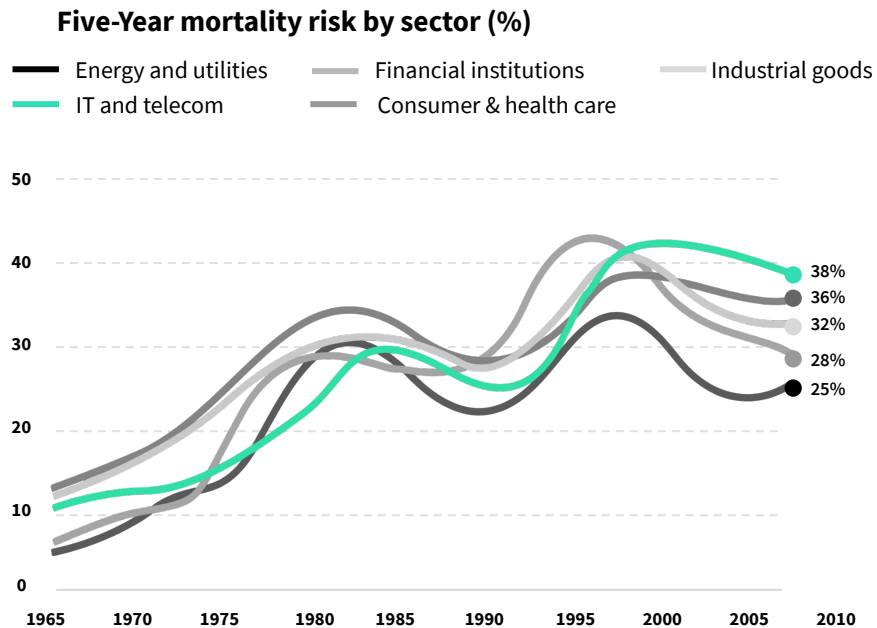
Combined enterprise value of all tech companies globally



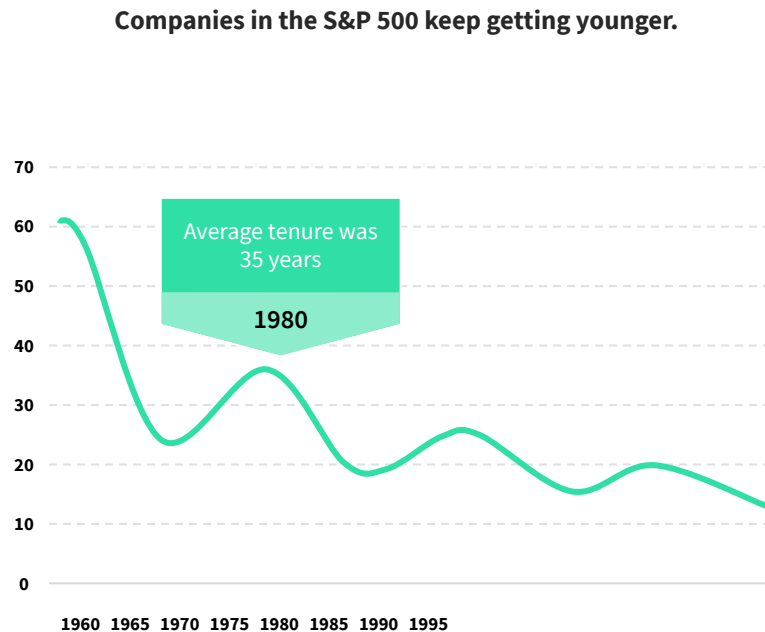
Source: Dealroom.co



**So concentration, yes, but not monopolies.
Mortality risk of companies has increased ...**



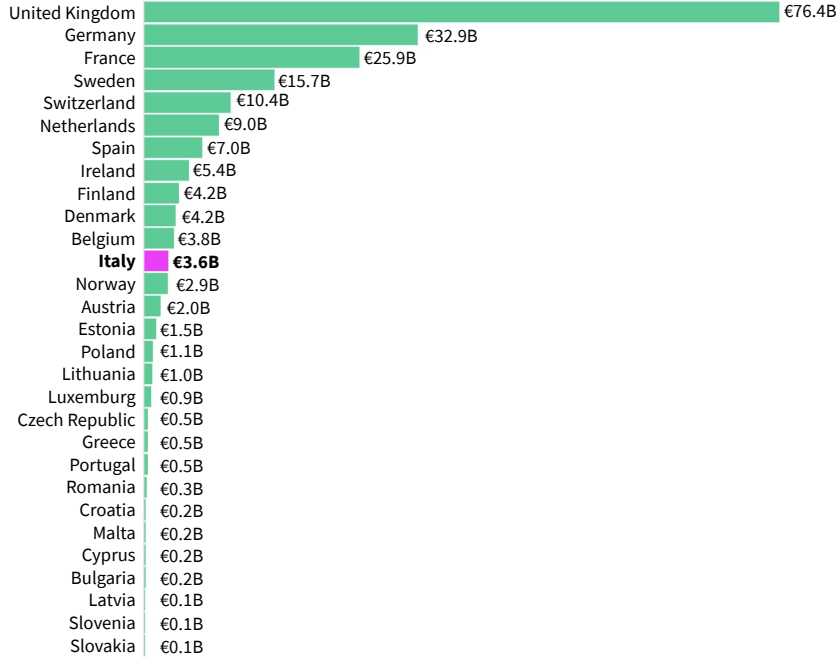
... companies in the S&P 500 keep getting younger. Economic dynamism is up.



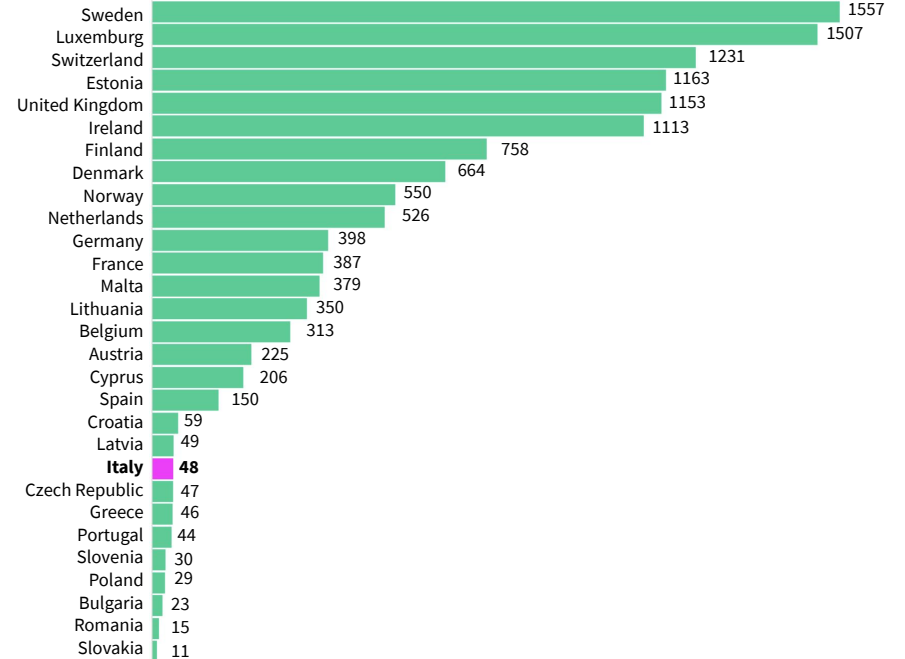
Where Italy is at

Europe's #4 economy (and part of G7), but only #12 by VC investment.

VC funding by country (2016 - 2021)

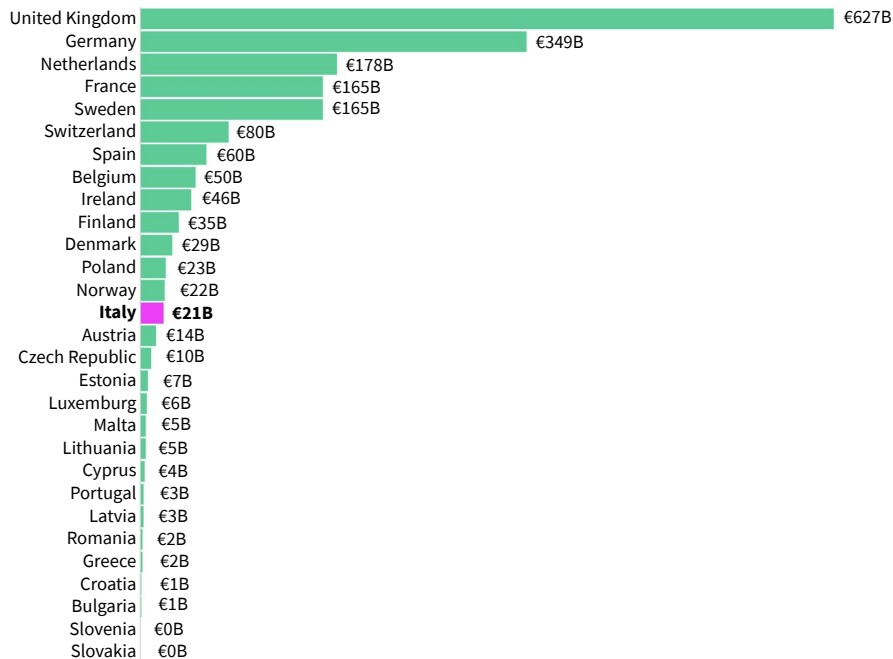


VC funding per capita by country (€M, M inhabitants)

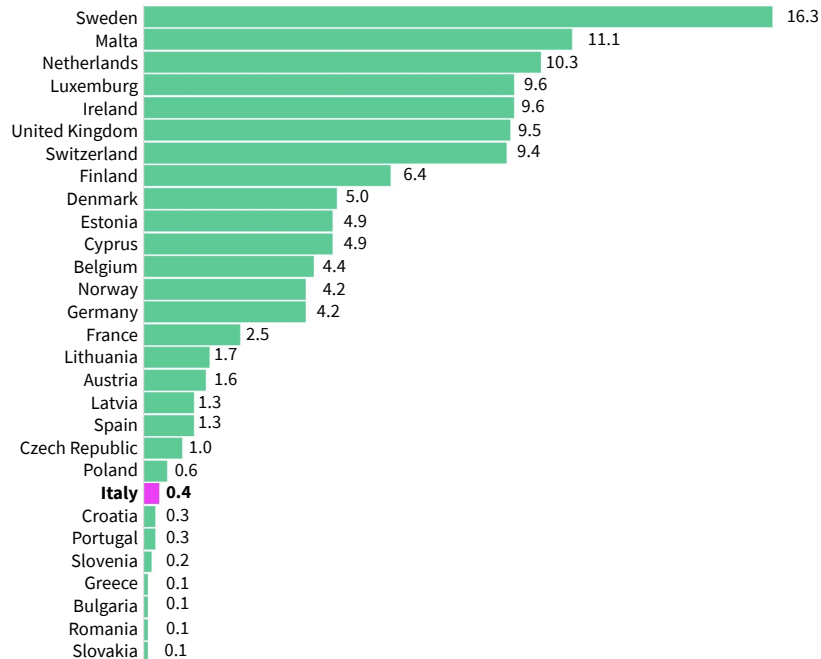


... and #14 tech ecosystem by enterprise value, behind Ireland, Poland etc.

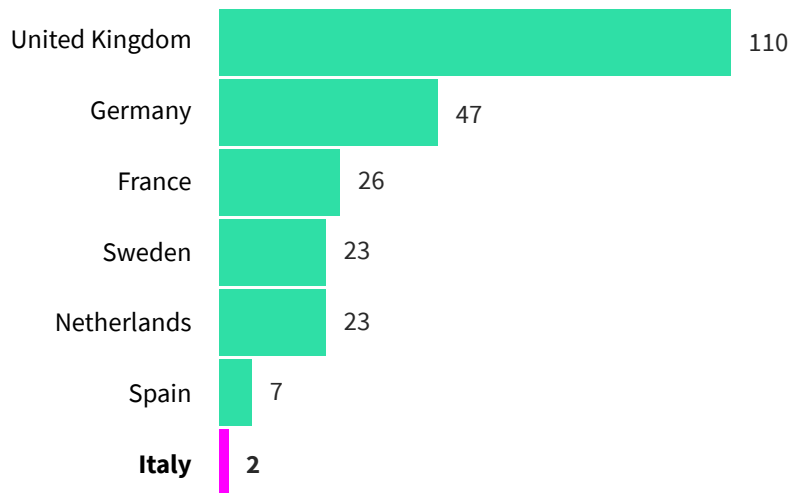
Combined enterprise value



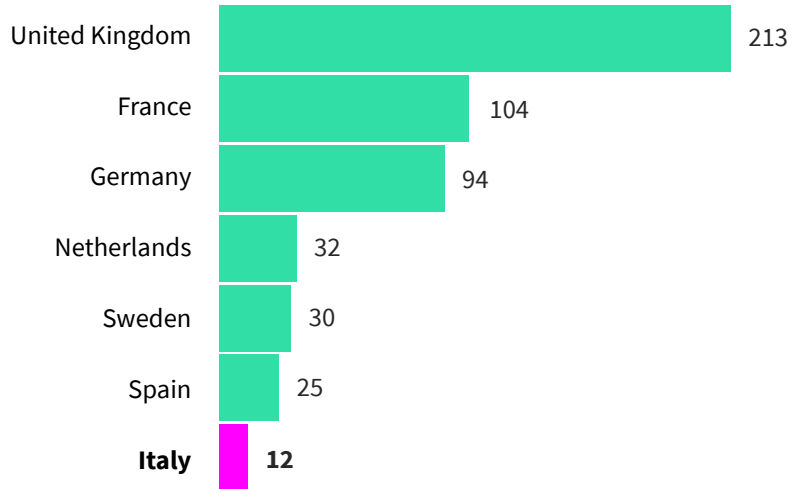
Combined enterprise value per capita



Italy has very few unicorns and \$1B+ exits ...



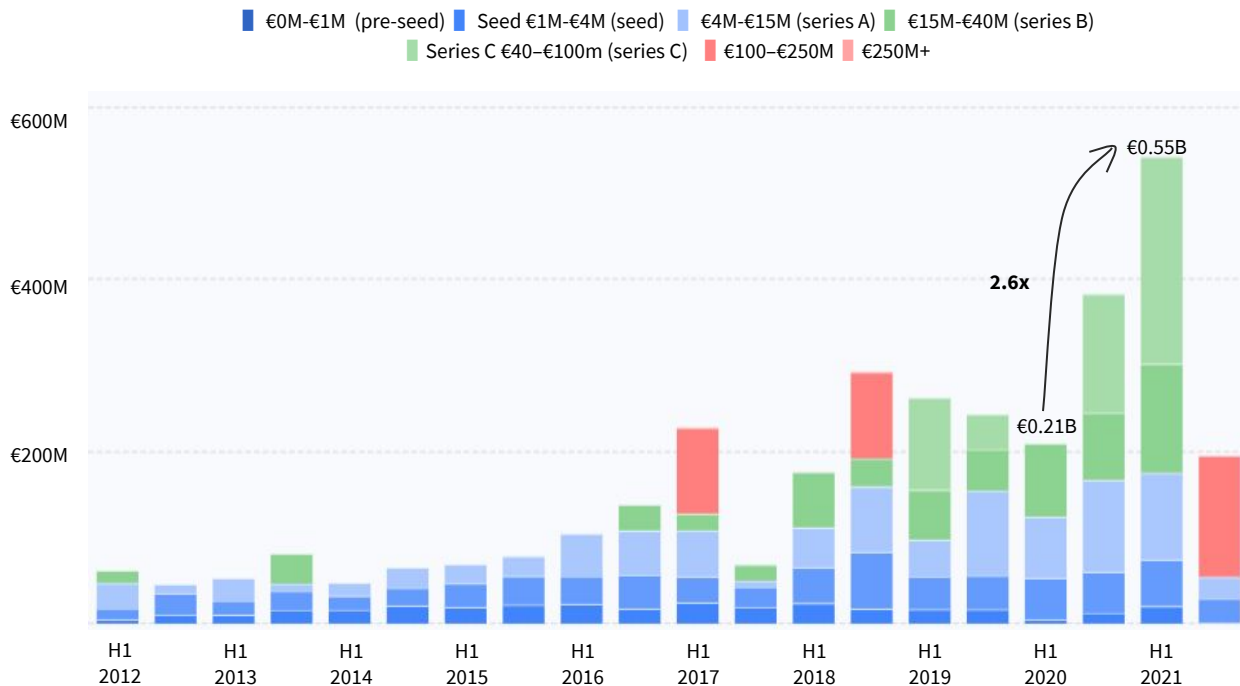
... and very few future unicorns.



But some steps have been taken recently.

- CDP Venture Capital and the National Innovation Fund
- Enea Tech for tech transfer (despite the ups and downs)
- Recovery fund

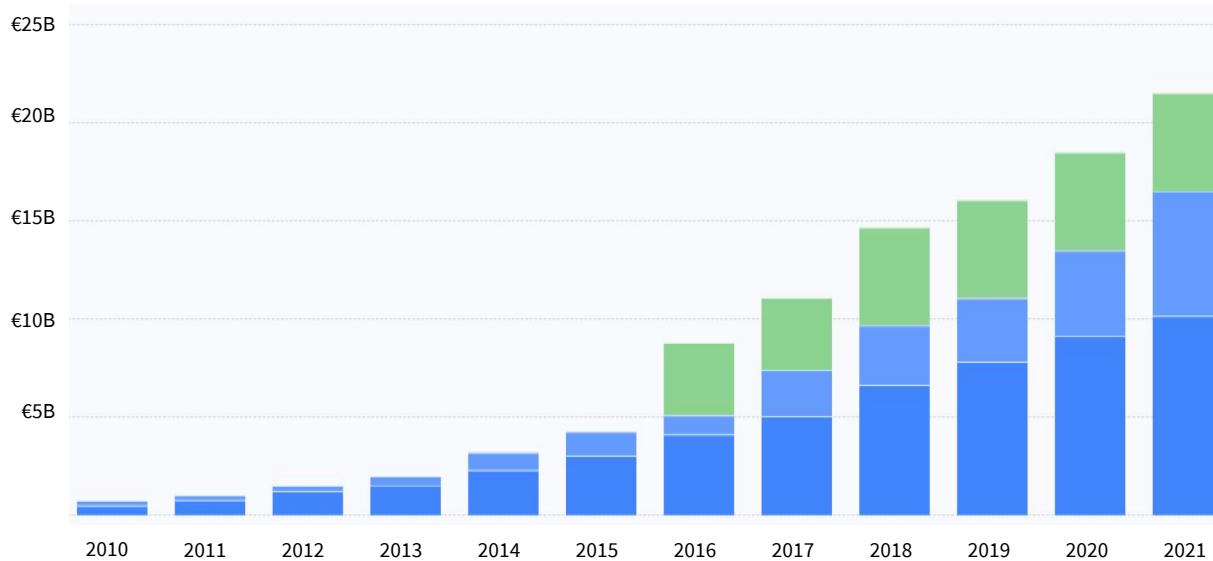
Venture capital funding in Italy in H1 has grown 2.6x from last year...



Combined enterprise value of Italian tech companies is now €22B.

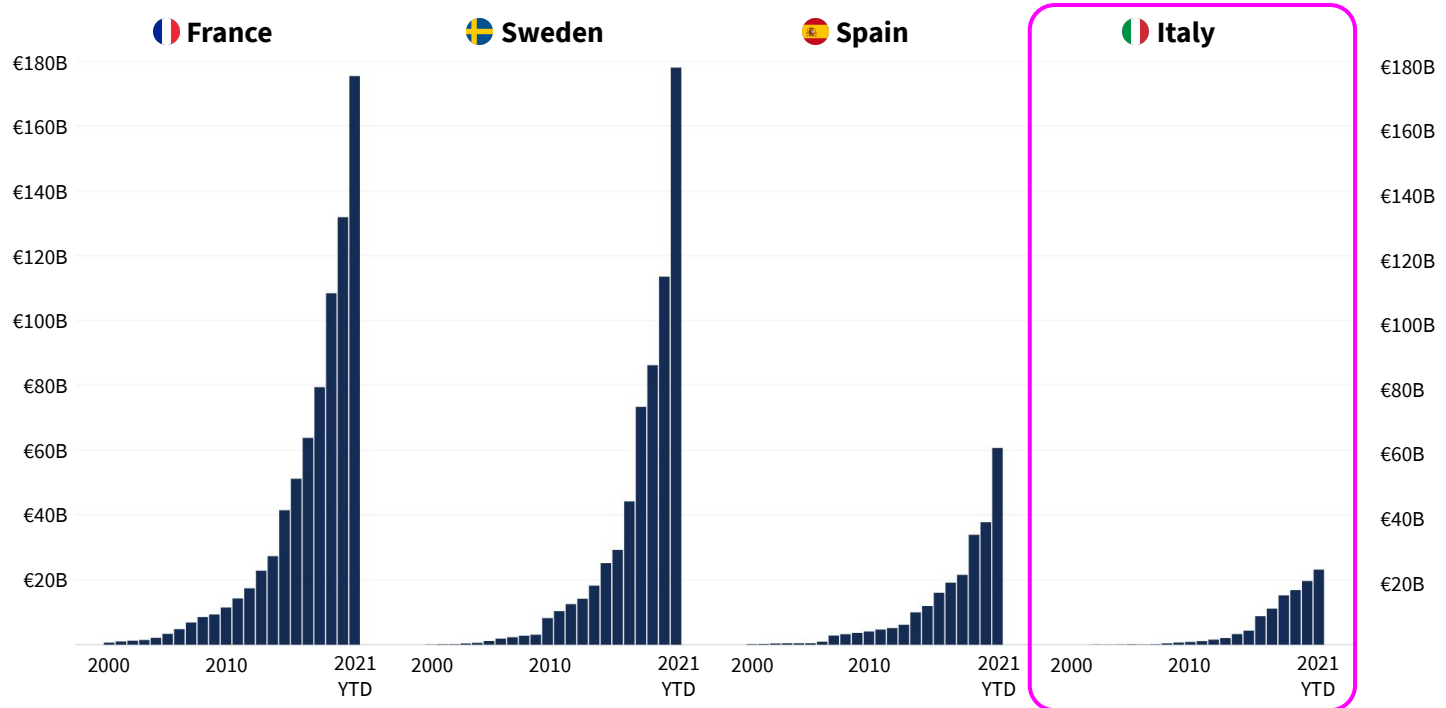
Enterprise value of Italian tech companies founded after 2000

■ €0-250M ■ €250-1B (Future unicorn) ■ €1B-10B (Unicorn) ■ €10B+ (Decacorn)



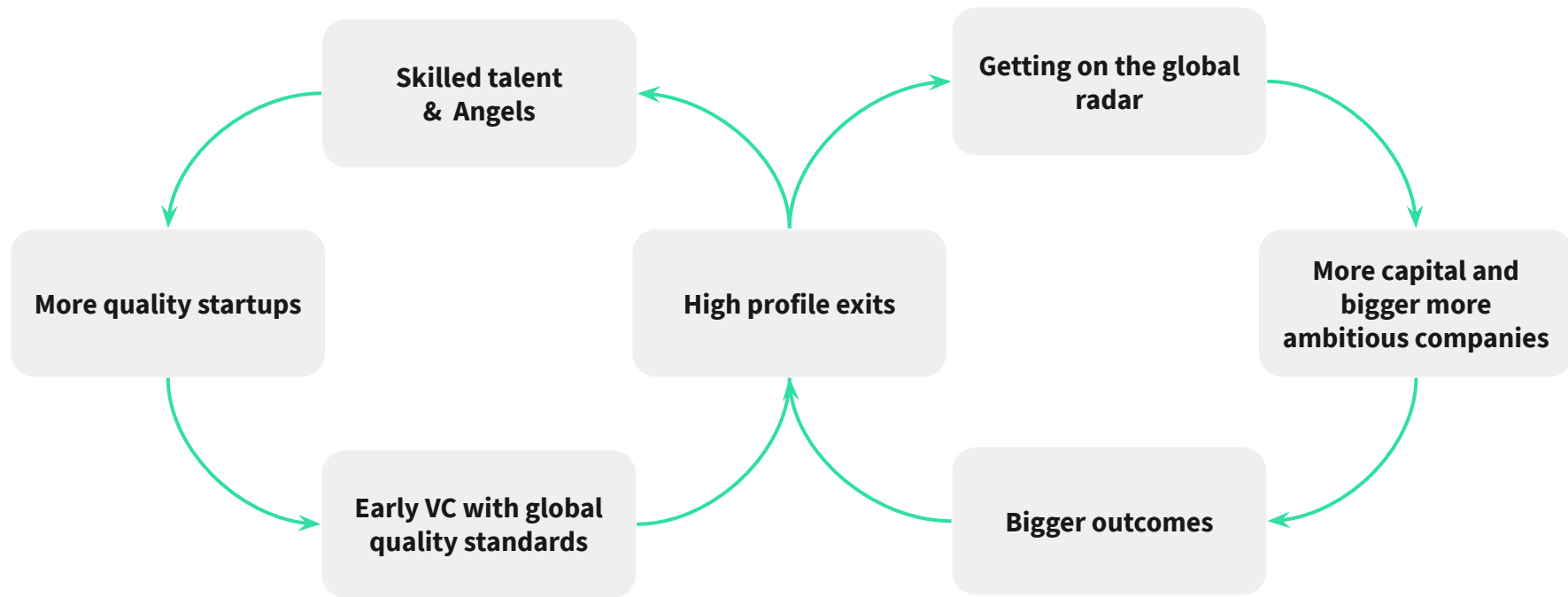
Italy is where Spain was 4-5 years ago, or France 7 year ago.

Enterprise value of all startups in the ecosystem



Sum of the valuations of all startups in the ecosystem. Using estimated valuations based on most recent VC rounds, public markets and publicly disclosed valuations

Italy needs the flywheel to start spinning.



Conclusions & recommendations

Conclusions & recommendations

- In tech, the tables can turn quite fast (look at Berlin, Miami)
- Regulating Big Tech is not the answer to closing the gap
- Avoid too much top down government involvement (but France shows it can help if done right)
- Focus on bottom-up: ease of doing business, employee ownership



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