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 19th December 2017
(in Italian)
A structured monitoring system for a truly evidence-based policy

<table>
<thead>
<tr>
<th>every Monday</th>
<th>every 3 months</th>
<th>every year</th>
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</table>
|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|4 reports:  
- Italia Startup Visa (it – en)  
- Digital incorporation  
- SME Guarantee Fund  
- Trends in the Business Register|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 (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.

Source: InfoCamere
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.
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 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%, 10th), Rome is below (0.41%, 71st).

**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.
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.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>30-09-2015</th>
<th>30-09-2016</th>
<th>30-09-2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>N. startup</td>
<td>4,249*</td>
<td>5,942 (+39.9%)*</td>
<td>7,398 (+24.5%)*</td>
</tr>
<tr>
<td>Average turnover</td>
<td>131,000 €</td>
<td>152,000 €</td>
<td>164,000 €</td>
</tr>
<tr>
<td>Total turnover</td>
<td>349,192,469 €</td>
<td>585,211,807 €</td>
<td>773,170,993 €</td>
</tr>
<tr>
<td>N. employees</td>
<td>4,891*</td>
<td>9,042*</td>
<td>10,262*</td>
</tr>
<tr>
<td>N. shareholders</td>
<td>16,861</td>
<td>23,045</td>
<td>29,651</td>
</tr>
</tbody>
</table>

* Data at 30 June of relevant year
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.

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<tbody>
<tr>
<td>Total turnover</td>
<td>€ 118,246,057</td>
<td>€ 264,561,910</td>
<td>€ 346,357,217</td>
<td></td>
</tr>
<tr>
<td>Average turnover</td>
<td>€ 83,389</td>
<td>€ 176,728</td>
<td>€ 262,591</td>
<td></td>
</tr>
<tr>
<td>Annual variation in total turnover</td>
<td>-</td>
<td>+123.7%</td>
<td>+30.9%</td>
<td></td>
</tr>
<tr>
<td>Overall growth</td>
<td></td>
<td></td>
<td></td>
<td>+214.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year of statement of accounts</th>
<th>Registered in 2015</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total turnover</td>
<td>€ 194,552,033</td>
<td>€ 380,860,784</td>
<td></td>
</tr>
<tr>
<td>Average turnover</td>
<td>€ 103,983</td>
<td>€ 212,297</td>
<td></td>
</tr>
<tr>
<td>Overall growth</td>
<td></td>
<td></td>
<td>+95.8%</td>
</tr>
</tbody>
</table>
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:
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
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
■ more than €1m
■ N.A.
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.

<table>
<thead>
<tr>
<th>Year of incorporation</th>
<th>Survival rate per year</th>
</tr>
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<tbody>
<tr>
<td>2011</td>
<td>100% 100% 98.5% 95.9% 92.8% 90.5%</td>
</tr>
<tr>
<td>2012</td>
<td>100% 99.8% 97.9% 95.3% 92.3% 90.1%</td>
</tr>
<tr>
<td>2013</td>
<td>100% 98.0% 95.2% 91.3% 89.3%</td>
</tr>
<tr>
<td>2014</td>
<td>99.8% 98.3% 95.3% 93.6%</td>
</tr>
<tr>
<td>2015</td>
<td>99.5% 97.5% 95.9%</td>
</tr>
<tr>
<td>2016</td>
<td>99.8% 99.2%</td>
</tr>
</tbody>
</table>
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

- **878 new companies incorporated** and registered as innovative startups, ≈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

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.

310 applications
173 accepted
123 rejected

- 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).

More information: italiastartupvisa.mise.gov.it
Results so far: Italia Startup Visa and the attraction of foreign talent

- 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
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.

Results so far: 
Easy and smart access to bank loans
What is the Italian Startup Act for?
Easy and smart access to bank loans

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

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

Data at 30 September 2017

Average €29,817,388
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
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 ≈**€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

- **€14.6m** (5.5% of total endowment)
- **€106.8m**
- **€144.5m**

Resources still available

Financing approved (not yet issued)

Financing issued up to 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...

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

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

*Source: Dealroom.co*
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”*
For further information:

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