

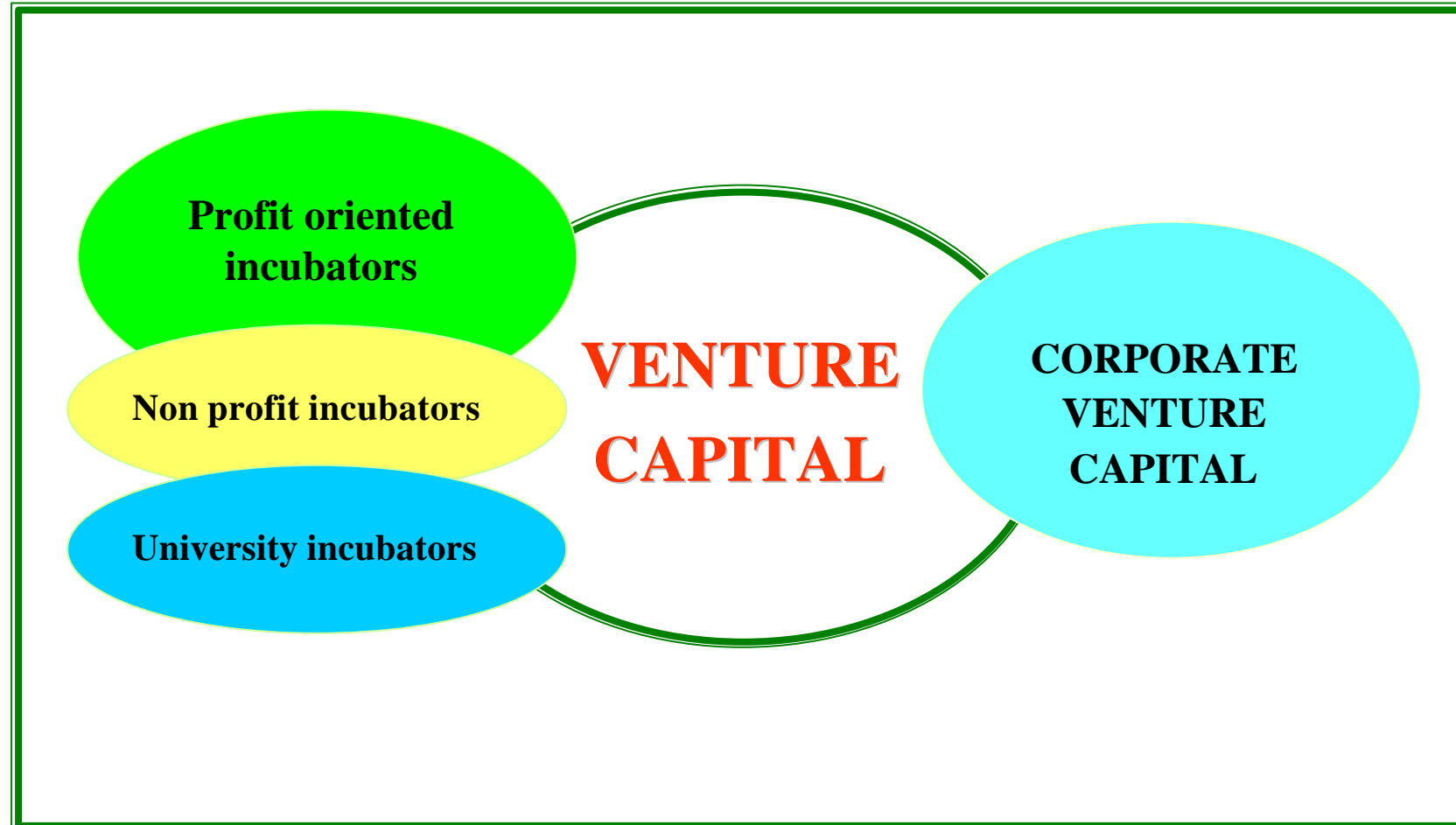
A.I.F.I.

Associazione Italiana degli Investitori Istituzionali nel Capitale di Rischio

**The Incubation activity: the
Italian Market**

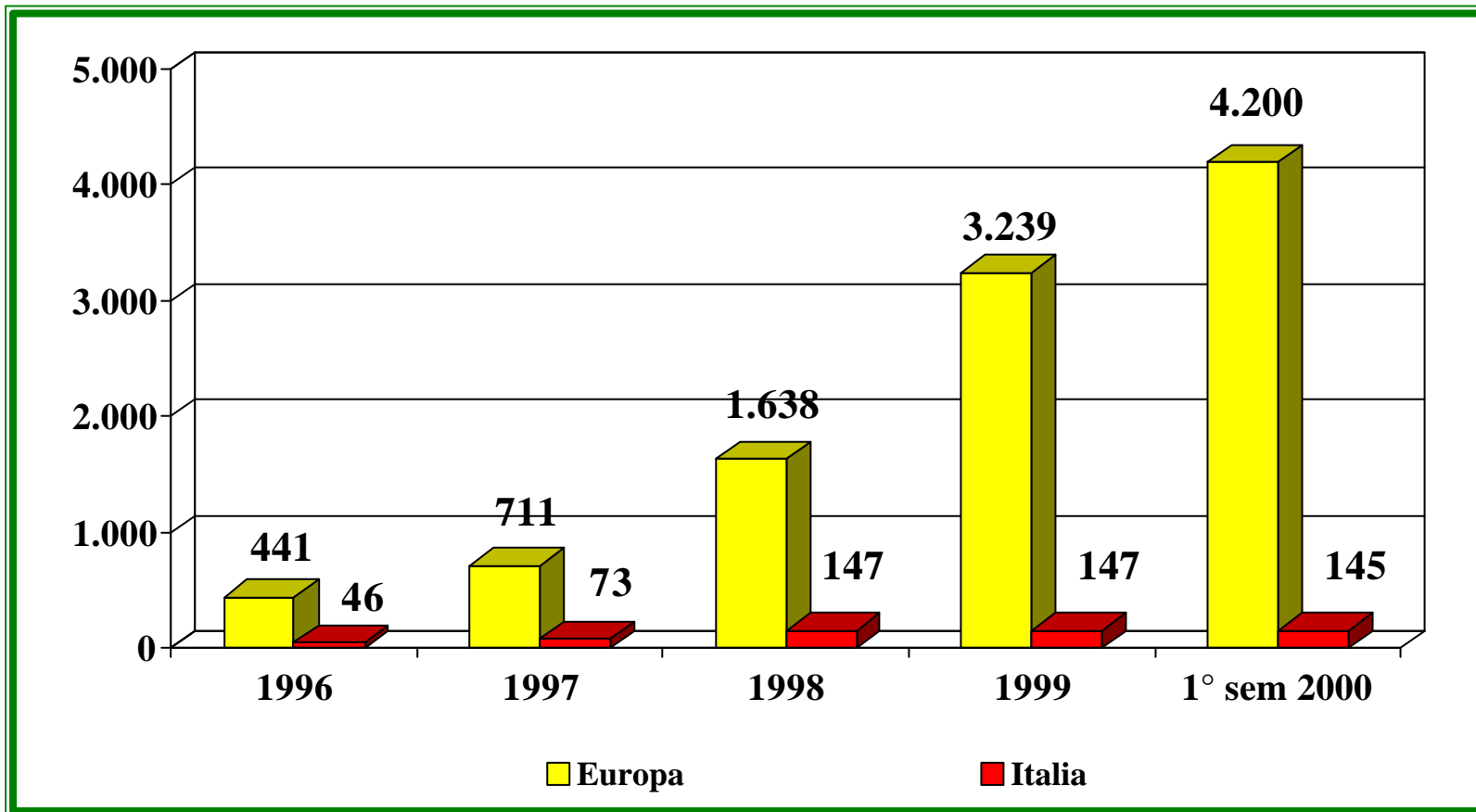
The context...

The convergence to Venture Capital



A.I.F.I.

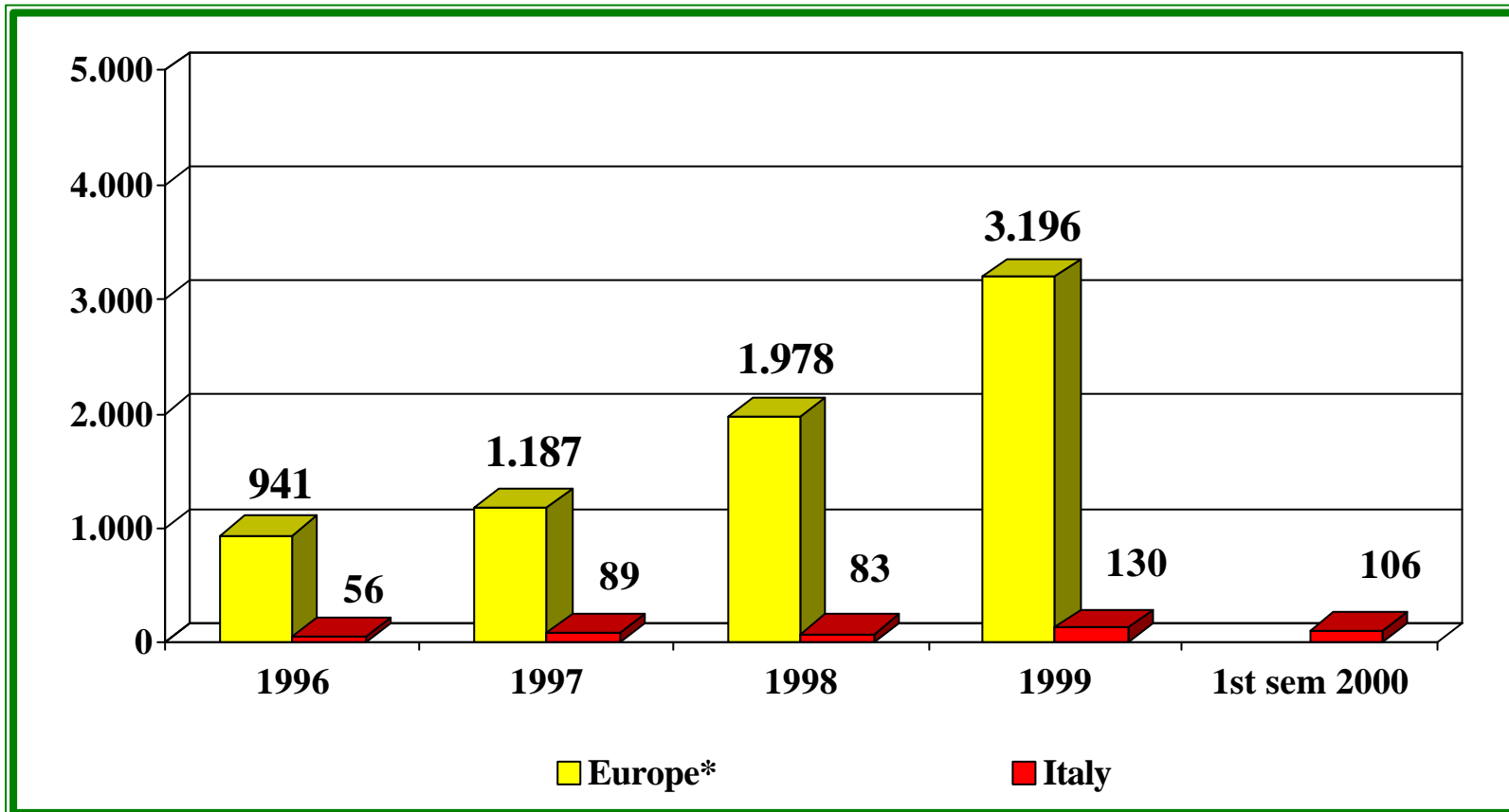
Italian and European **venture capital*** sector: investment activity (Amount in Euro mil)



*Only stage "start up".

EVCA - A.I.F.I.

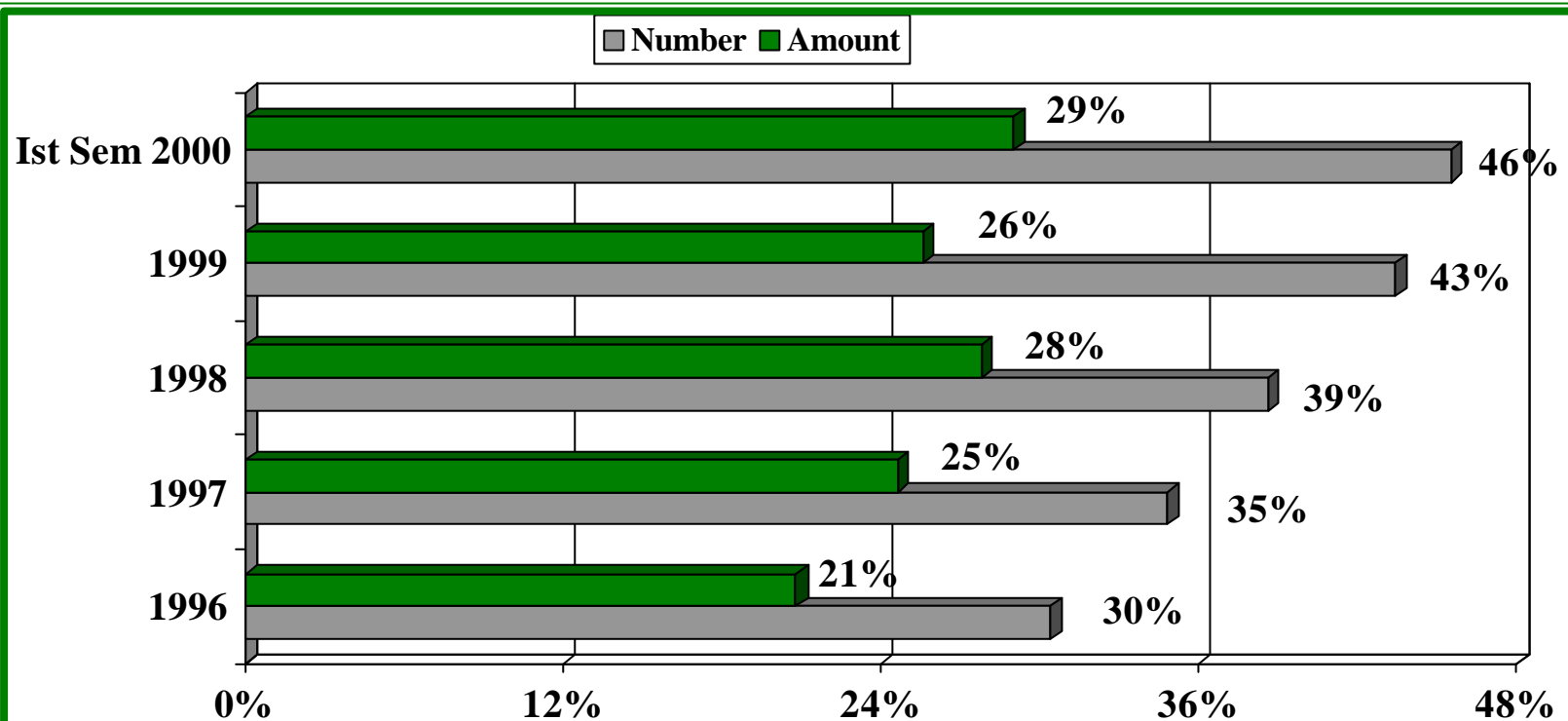
Italian and European **venture capital*** sector: investment activity (number)



* Only stage "start up". 1° semester Europe not available

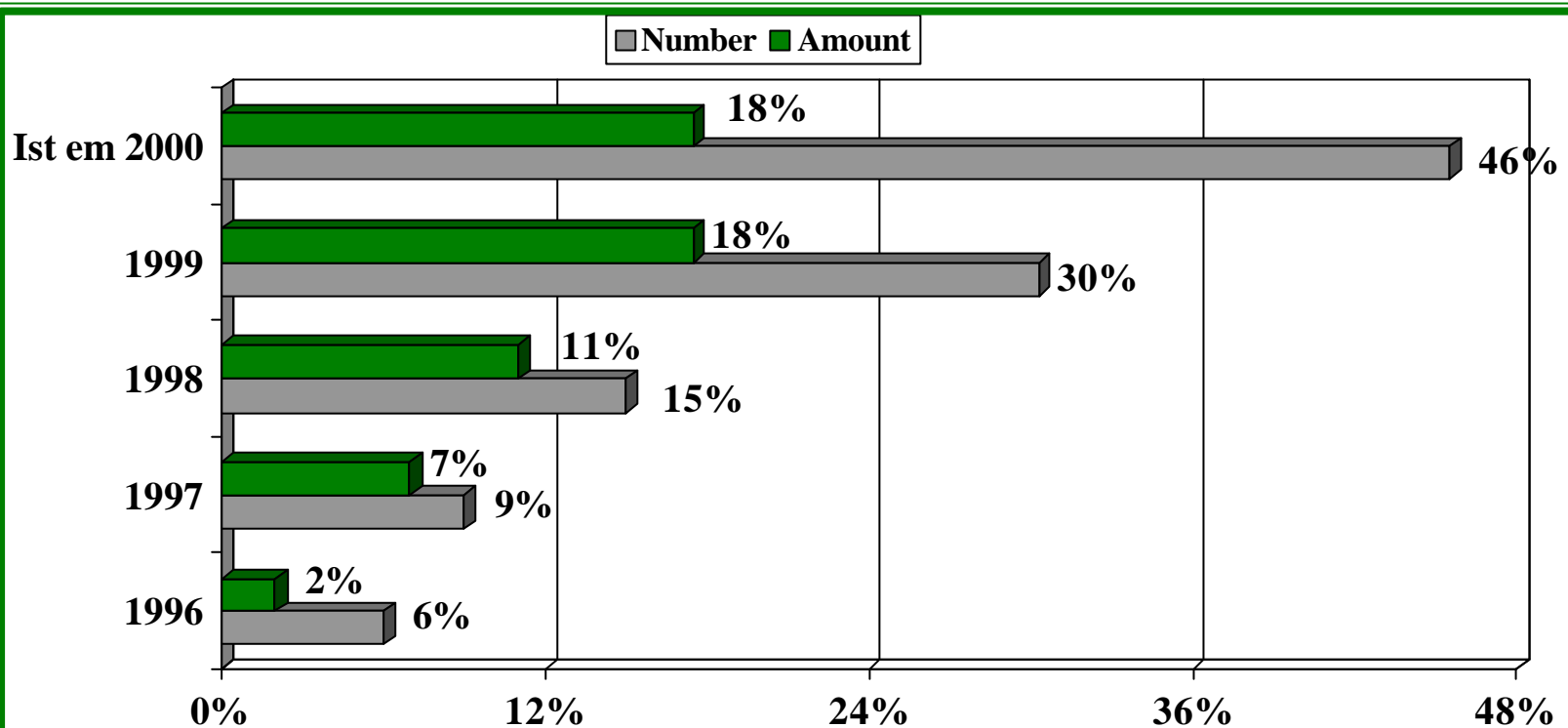
EVCA - A.I.F.I.

Europe: % of amount and number of investments in the high tech sectors*



* High tech sectors: computer related, communications, other electronics related, media/health related

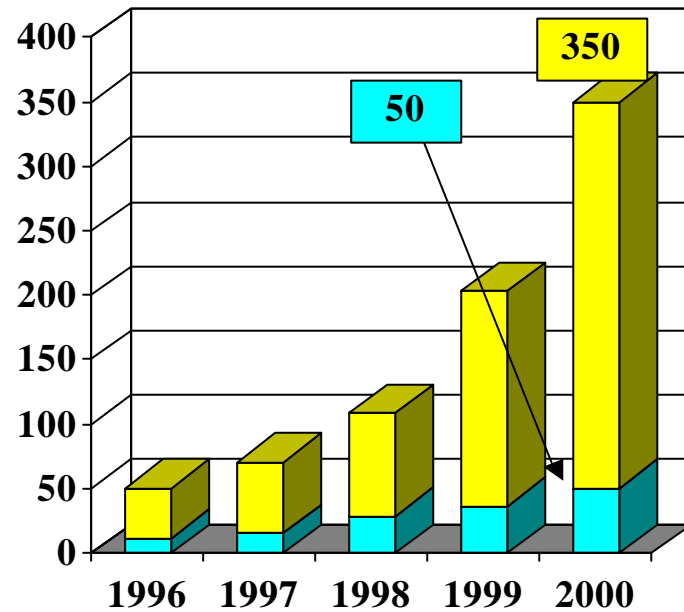
Italy: % of amount and number of investments in the high tech sectors*



* High tech sectors: computer related, communications, other electronics related, media/health related

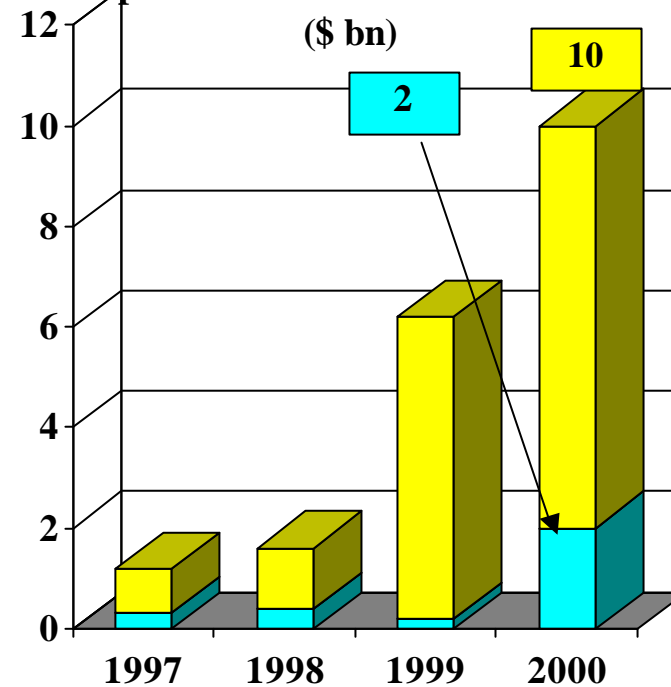
Corporate Venture Capital: a new competitor for the European market

Companies with future iCVC plans



■ Europe ■ Rest of the world

**Expected allocation of CVC funds
(\$ bn)**



■ Europe ■ Rest of the world

Corporate Venture Capital: some Italian examples

- Enel;**
- Telecom Italia;**
- Seat;**
-**

Business incubators: one definition

FOR N.B.I.A. INCUBATION ACTIVITY...

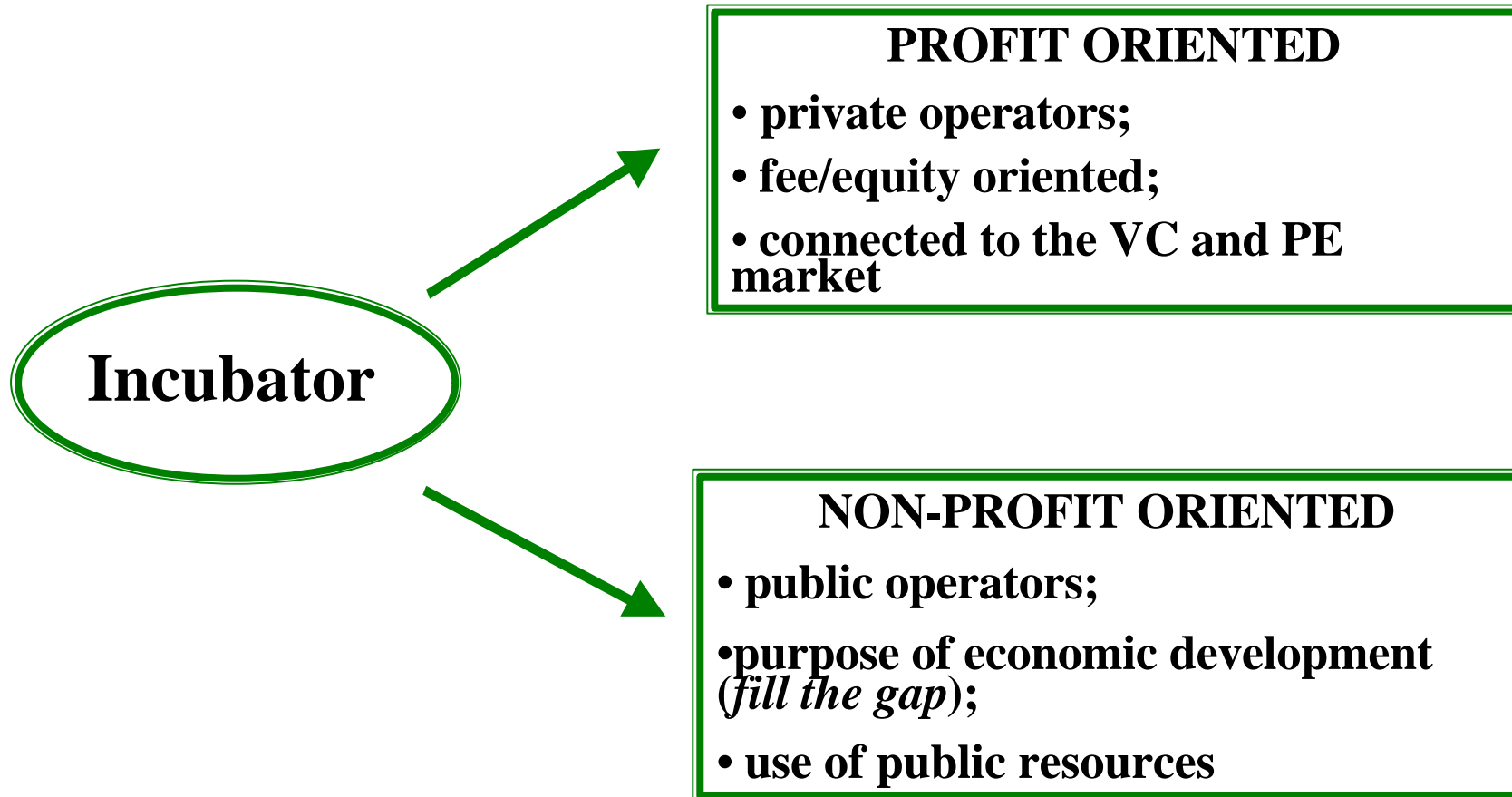
....REPRESENTS A DYNAMIC PROCESS TO DEVELOP AND CREATE NEW COMPANIES. INCUBATORS GIVE NEW RESOURCES TO YOUNG COMPANIES, HELPING THEM TO SURVIVE AND GROW DURING THE START UP STAGE.

INCUBATORS GIVE MANAGERIAL ACTIVE ASSISTANCE, EASY ACCESS TO VENTURE CAPITAL AND SUPPORT INTO CRITICAL TECHNICAL AND BUSINESS SERVICES.

MOREOVER, THEY OFFER OFFICES SPACES, INFRASTRUCTURES AND SPACES FOR BUSINESS ACTIVITIES.

....facilitator, accelerator, lab.....?

Business Incubators: two different kinds



University incubators

Distinctive features :

- **absence of sure funds;**
- **interest on scientific research projects;**
- **physical presence in the university;**
- **focus on universities subjects;**
- **incubation of ideas and projects of graduate students;**
- **strong relationships with industry that usually sponsor university research;**
- **patent development.**

The USA model

In the USA incubator activity is always growing

Some numbers:



800 business Incubators are in Nord America and:

- **75%** are non profit;
- **25%** are profit oriented.



87% of start up are “**still in business**”



Incubated companies revenues rise of **240.000 \$** a year e the occupation of **3,7%**

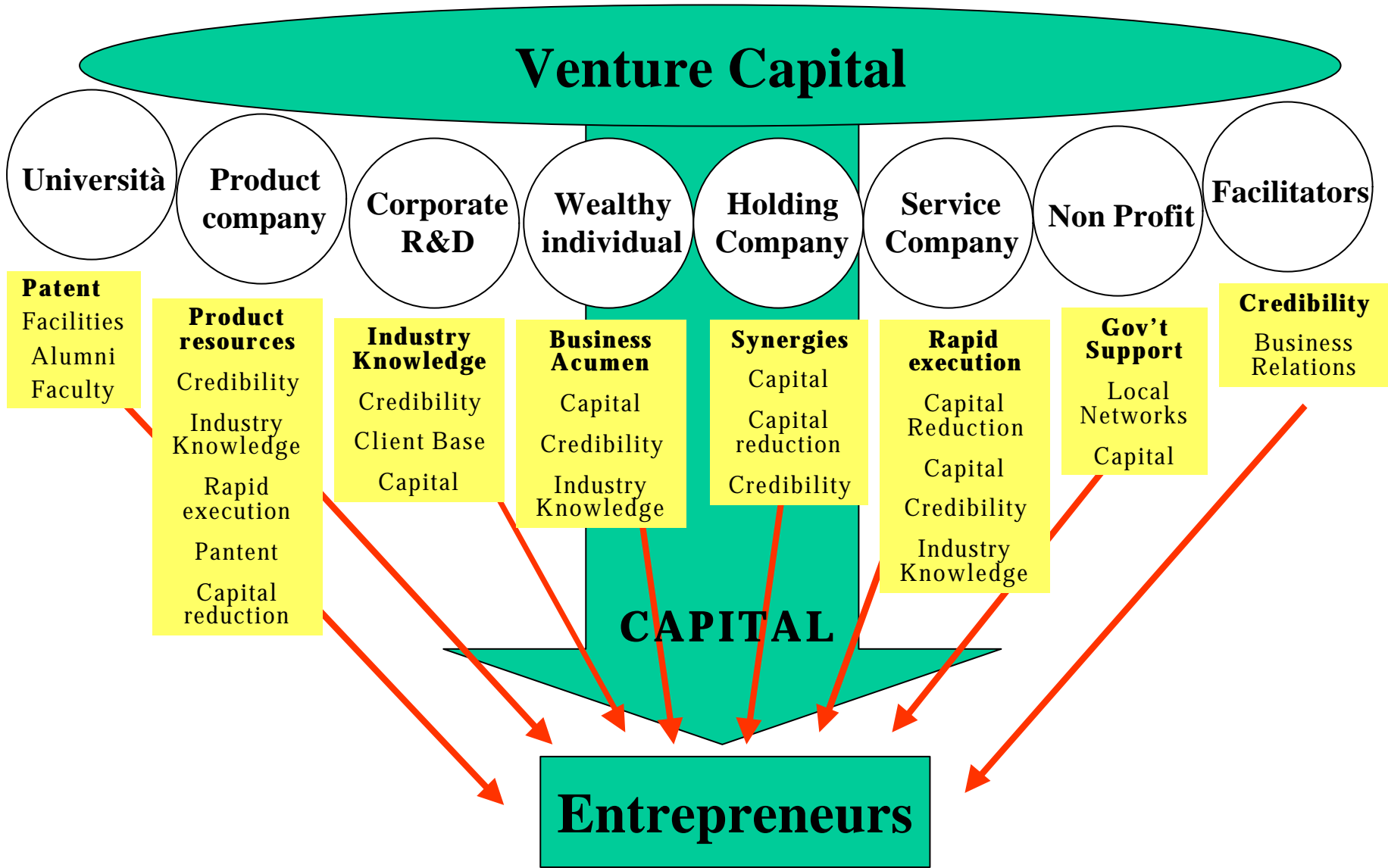
Between the profit oriented Incubators the *Networked Incubator* model is gathering.

Main differences between Business Angels, Venture Capitalist and Incubators

Main Differences	<i>Business angels</i>	<i>Incubators</i>	<i>Venture Capitalist</i>	<i>Corporate Venture Capital</i>
<i>Personal</i>	Entrepreneur	Manager	Investor	Manager
<i>Firms funded</i>	Small-Early Stage	Seed-Early Stage	Early Stage Large-Mature	Seed-Early Stage
<i>Due diligence done</i>	Minimal	Extensive	Extensive	Extensive
<i>Location of Investment</i>	Important	Important	Not Important	Not Important
<i>Contract used</i>	Simple	Comprehensive	Comprehensive	Comprehensive
<i>Monitoring after investment</i>	Active-Hands on	Active-Hands on	Strategic	Active-Hands on
<i>Exiting the firm</i>	Of lesser concern	Important	Highly Important	Of lesser Concern
<i>Rate of Return</i>	Of lesser concern	Highly Important	Highly Important	Of lesser Concern

M.Van Osnabrugge; R.J. Robinson: Angel Investing - A.I.F.I.

The incubation system



The research...

Objectives

- **Identification and mapping of the incubator Italian market *profit oriented***
- **Valuating synergies and co-operations with the venture capital market**

The sample

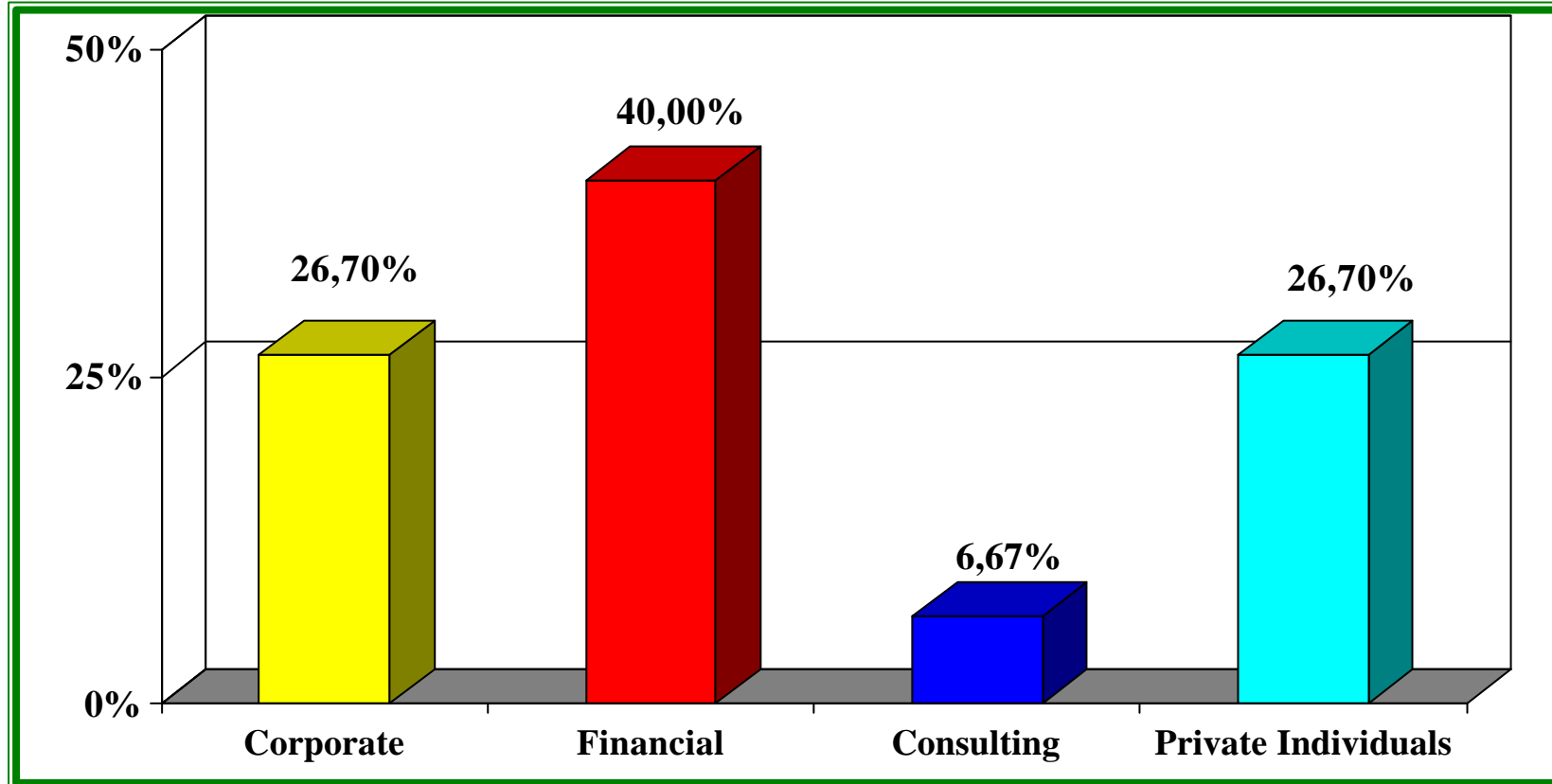
- **15 different players on 18**

Antfactory; Bain Lab; Biz 2000; Bizmatica; Cirlab; e@archimede; e-Do; e-Nutrix; Ideaup; Internet Partnership Group; MyQube; Speed Egg; Speed Ventures; Tocamak; We cube

- **2 years old, working in Italy**

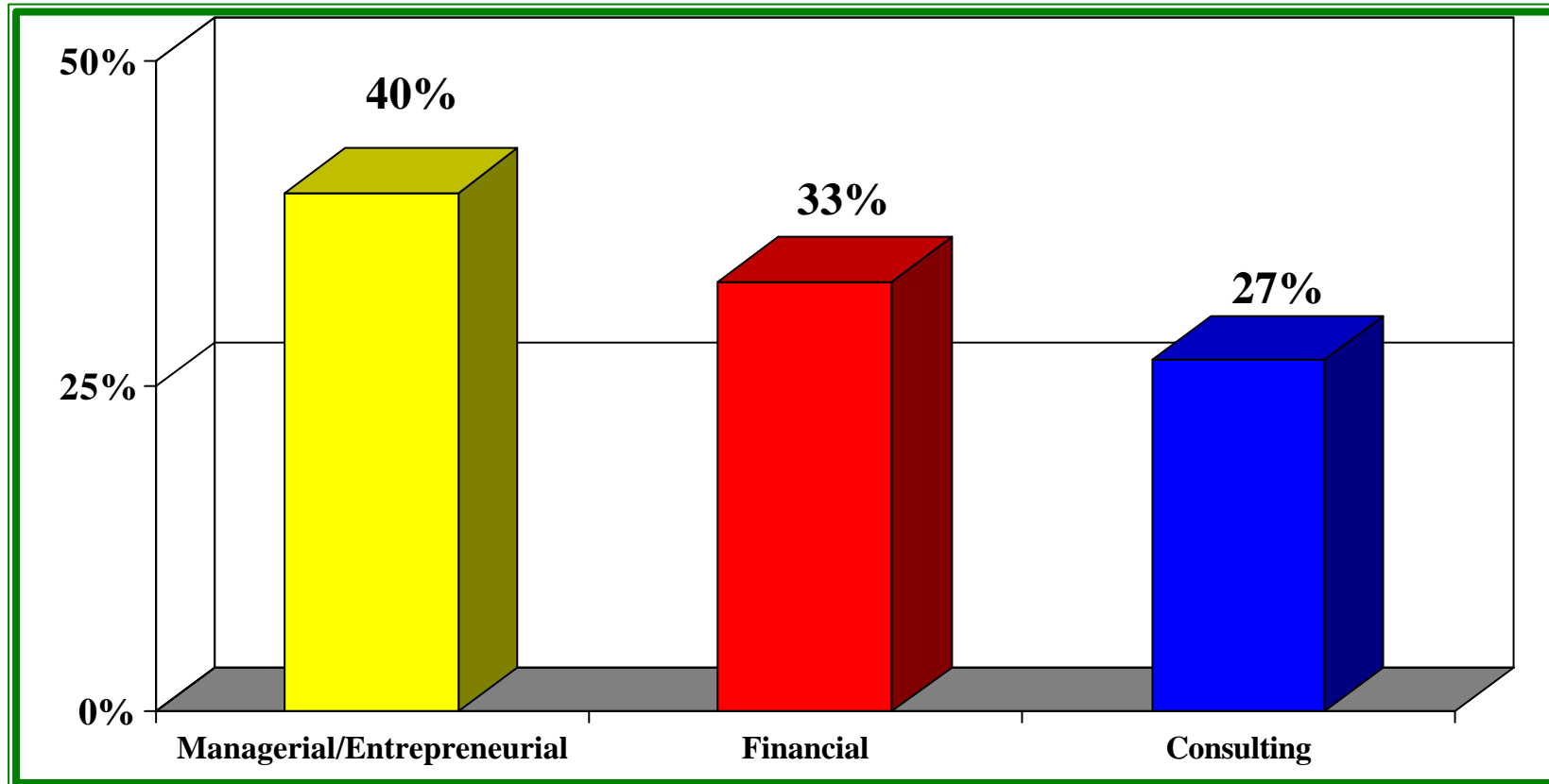
A.I.F.I.

Distribution of operators by %



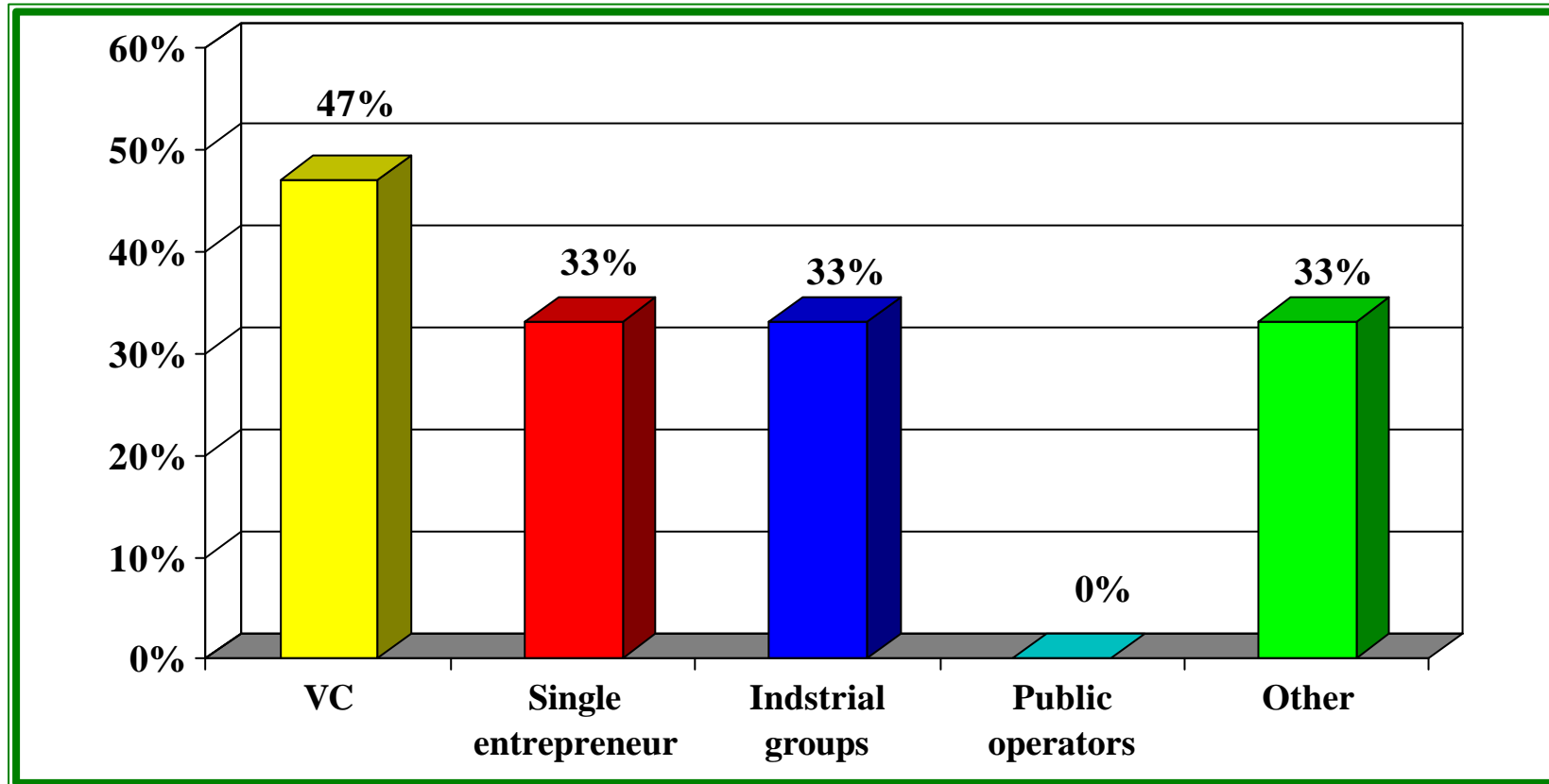
A.I.F.I.

Leaders background by %



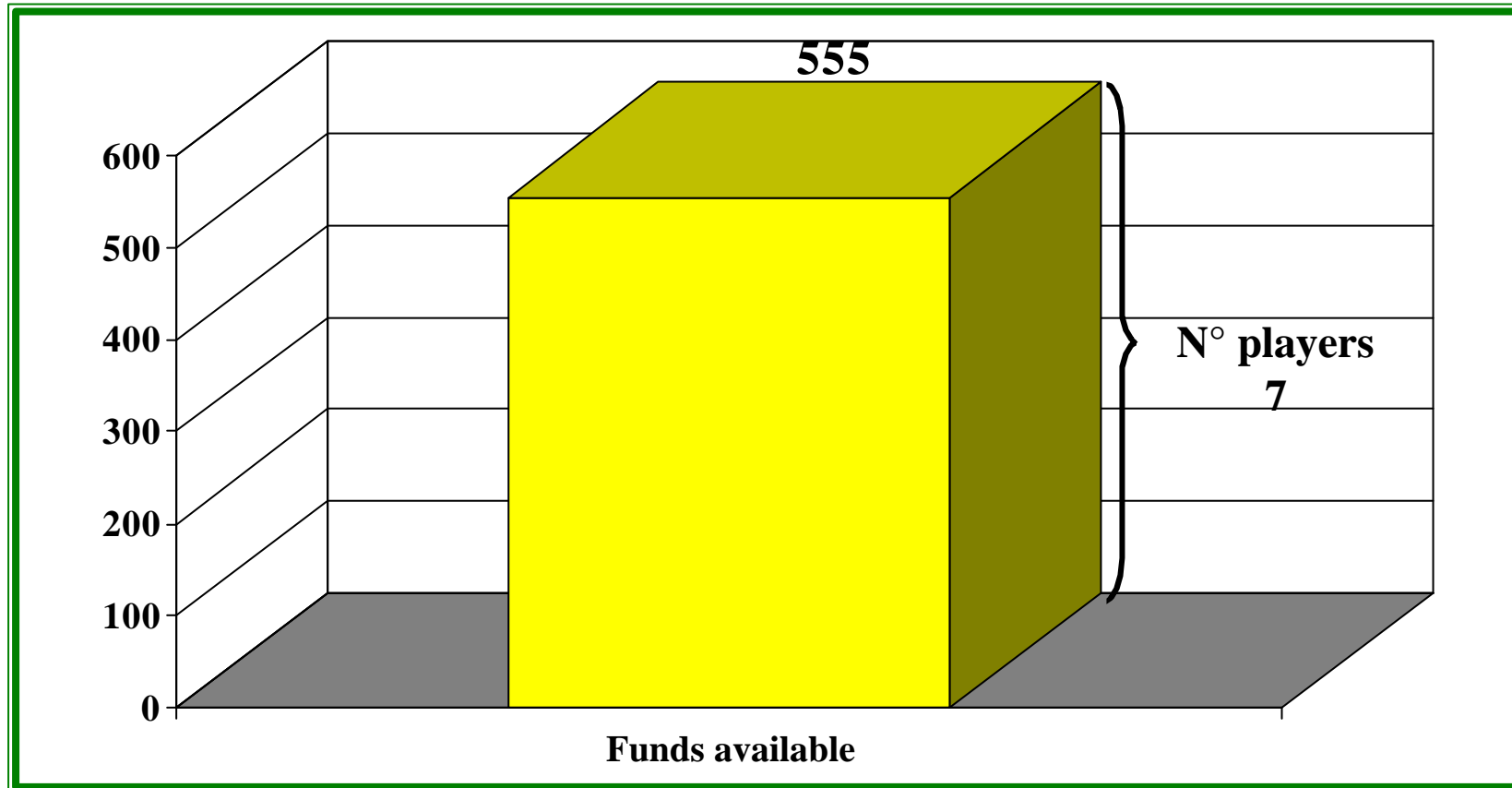
A.I.F.I.

Sources of funds raised on the market by %



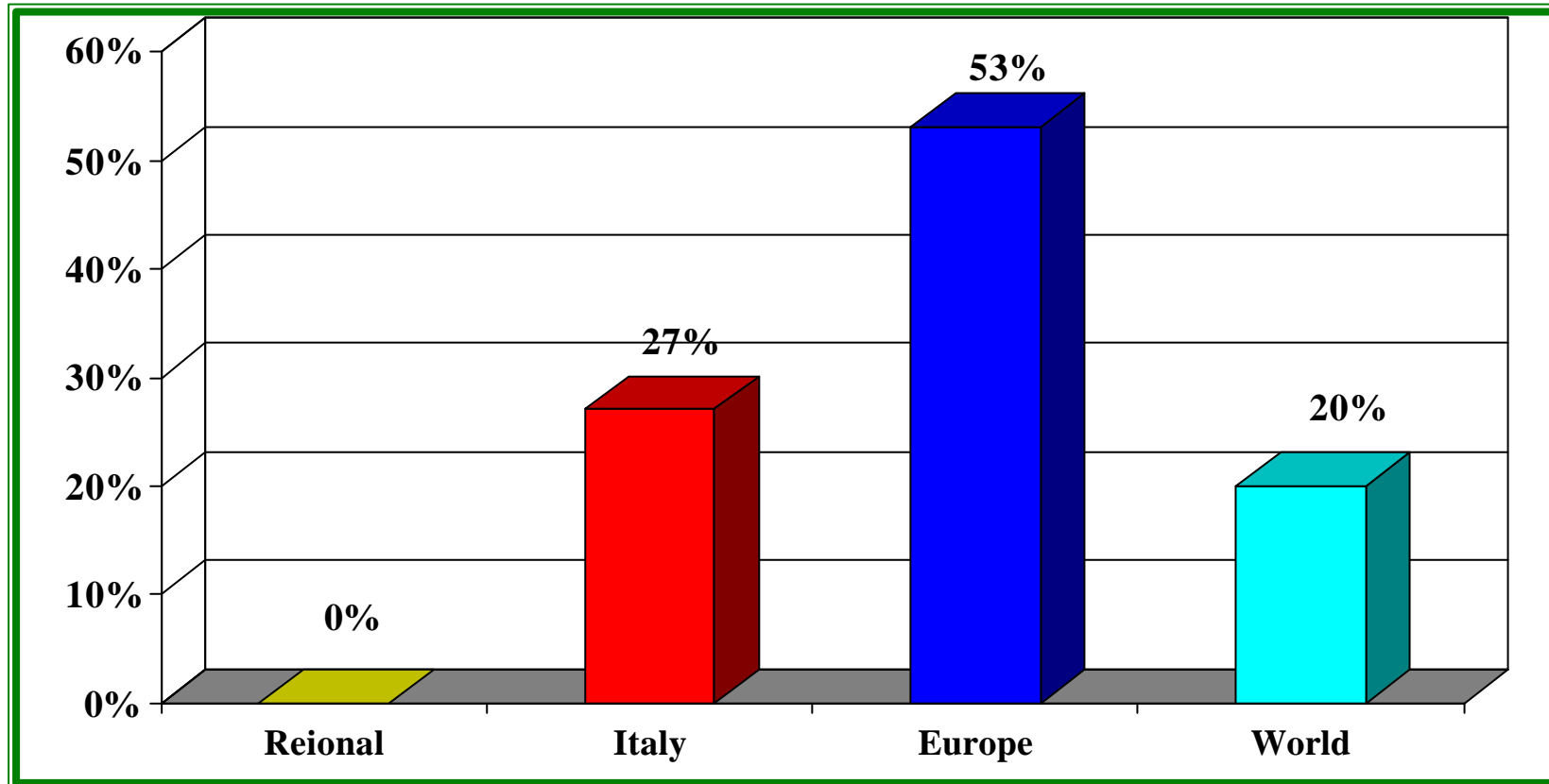
A.I.F.I.

Funds immediately available (Euro mil)



A.I.F.I.




Geographical breakdown of total funds raised by %



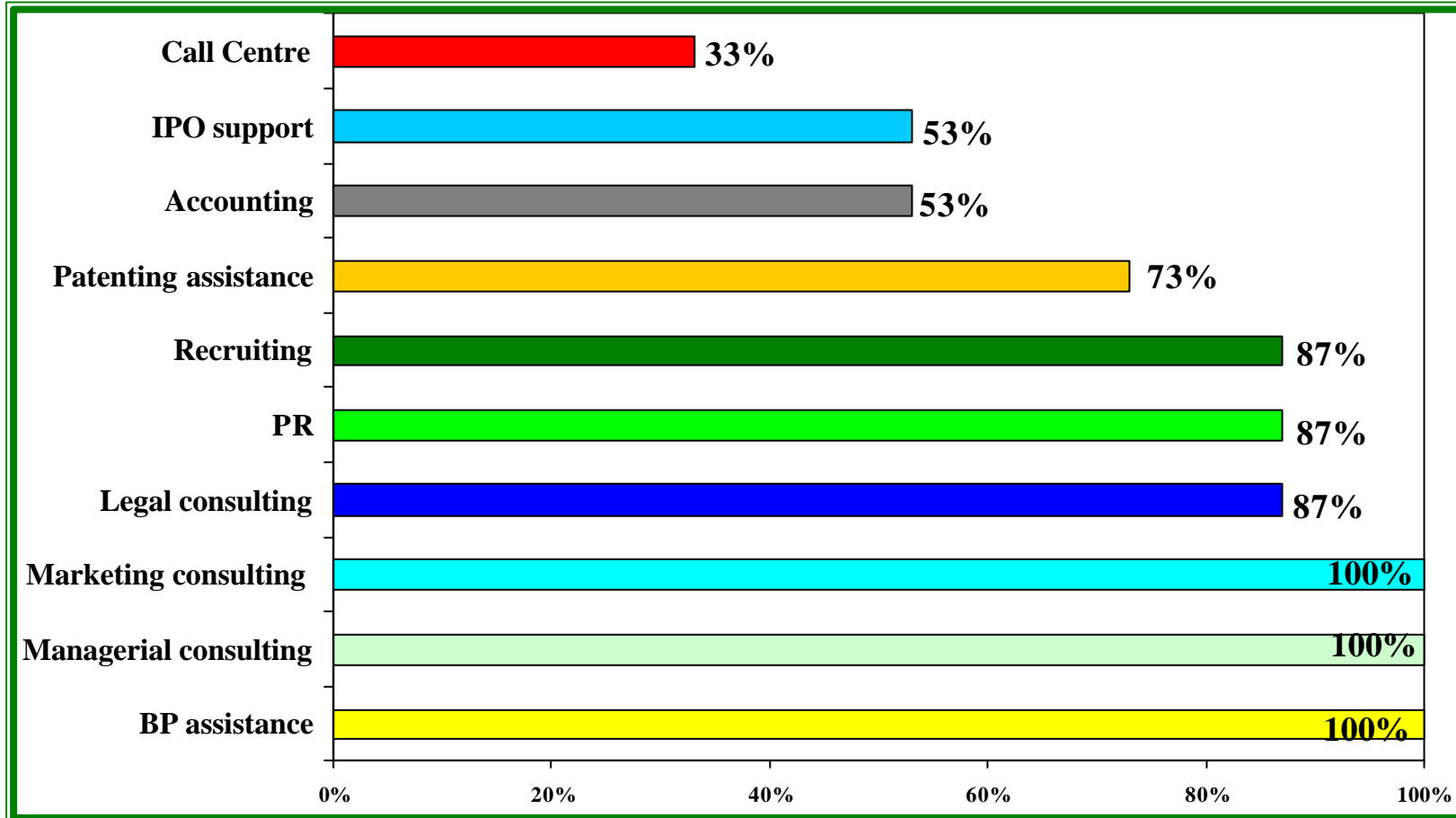
A.I.F.I.

Incubators main characteristics

Italian Incubators average size:

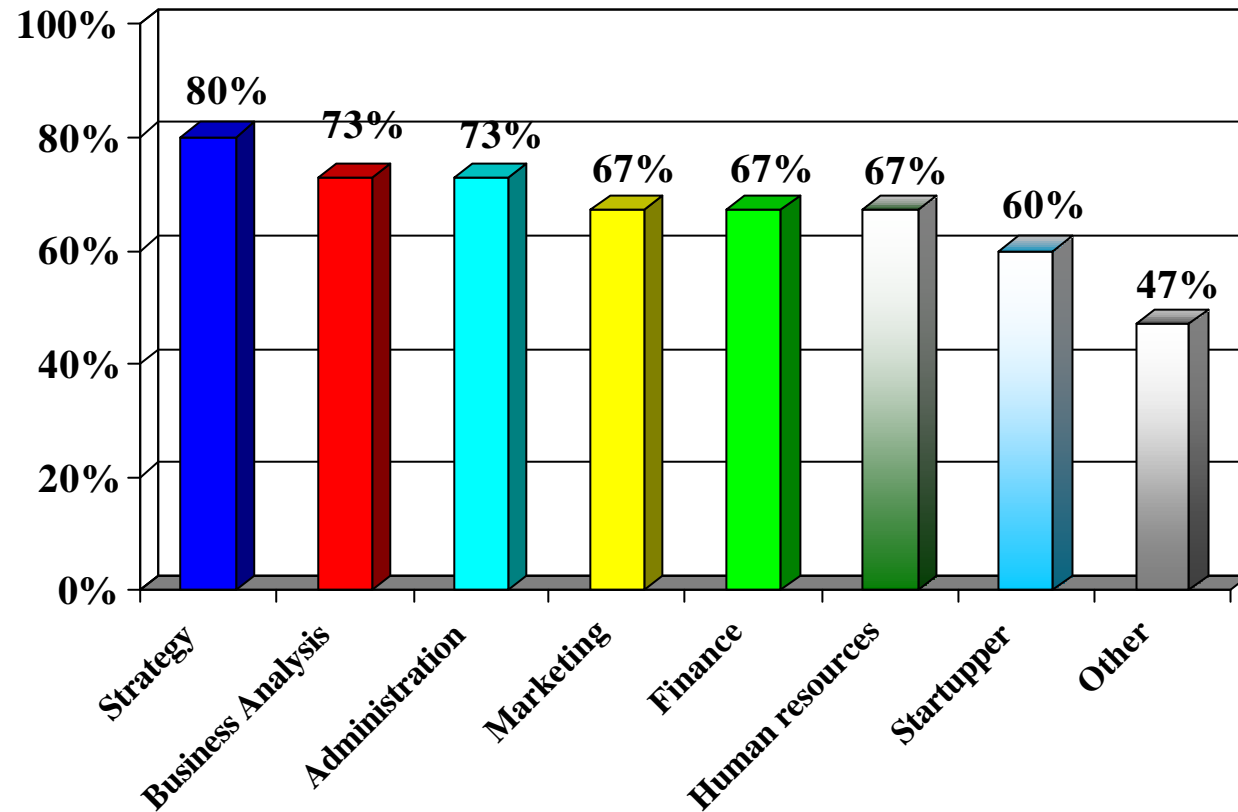
-  - **307 mq** of space to work
-  - **35** working spots for the incubated companies
-  - **15** full time collaborators

Stage distribution of services offered by %



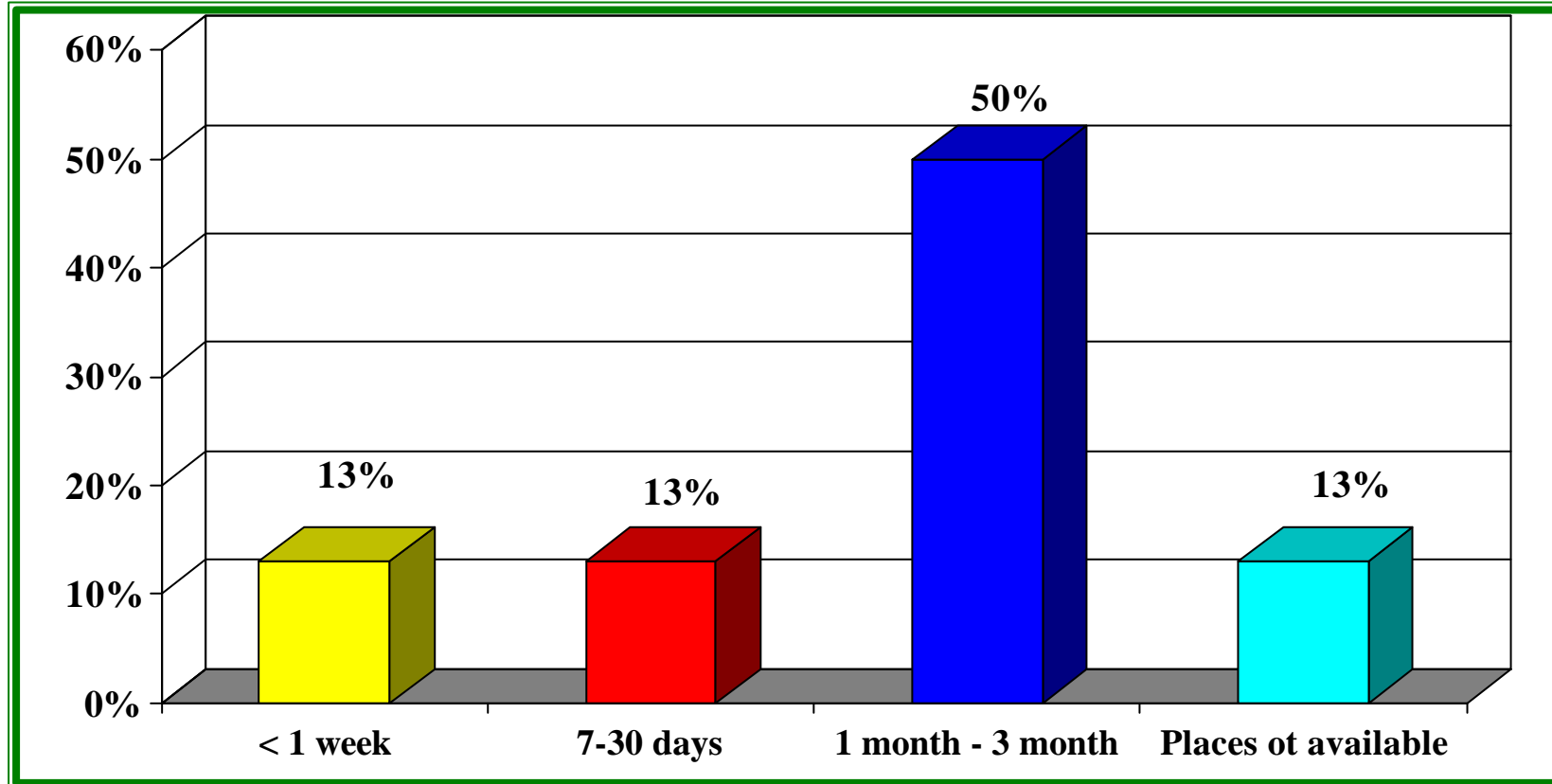
A.I.F.I.

Incubators internal competences by %



A.I.F.I.

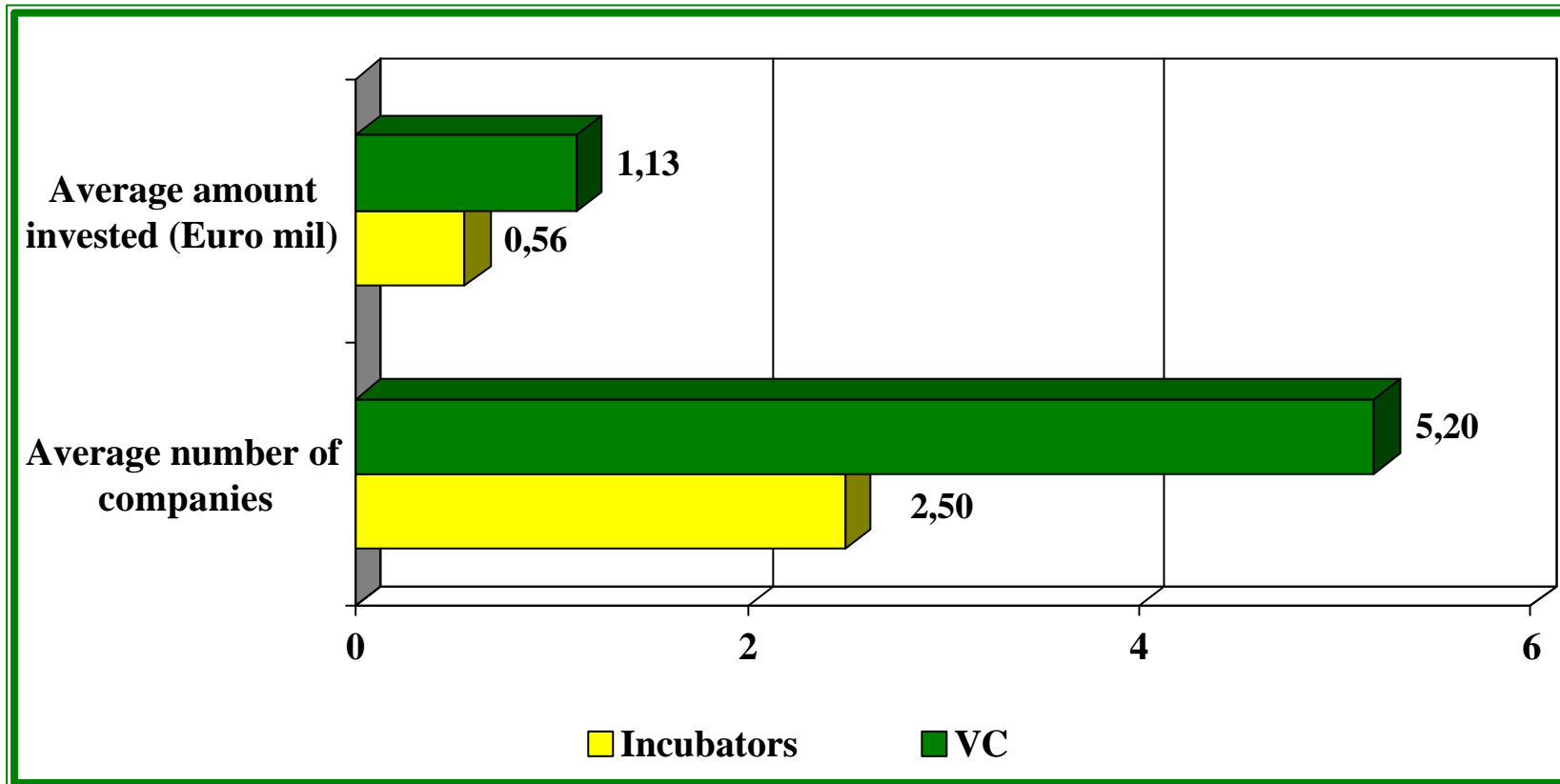
Maximum time to start the activity*



* Between the business plan and the entrance into the incubator activity.

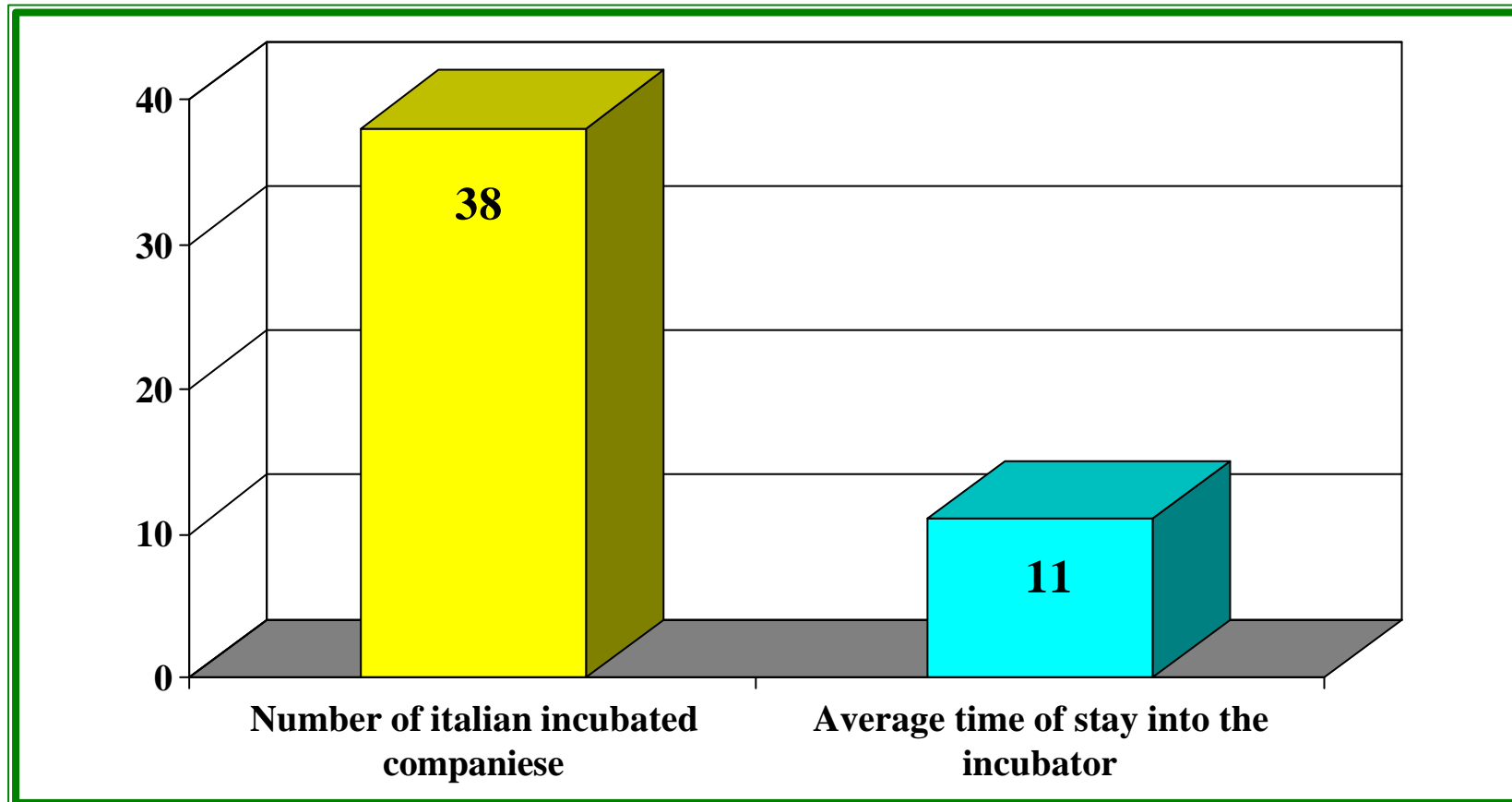
A.I.F.I.

Average amount invested and average number of companies



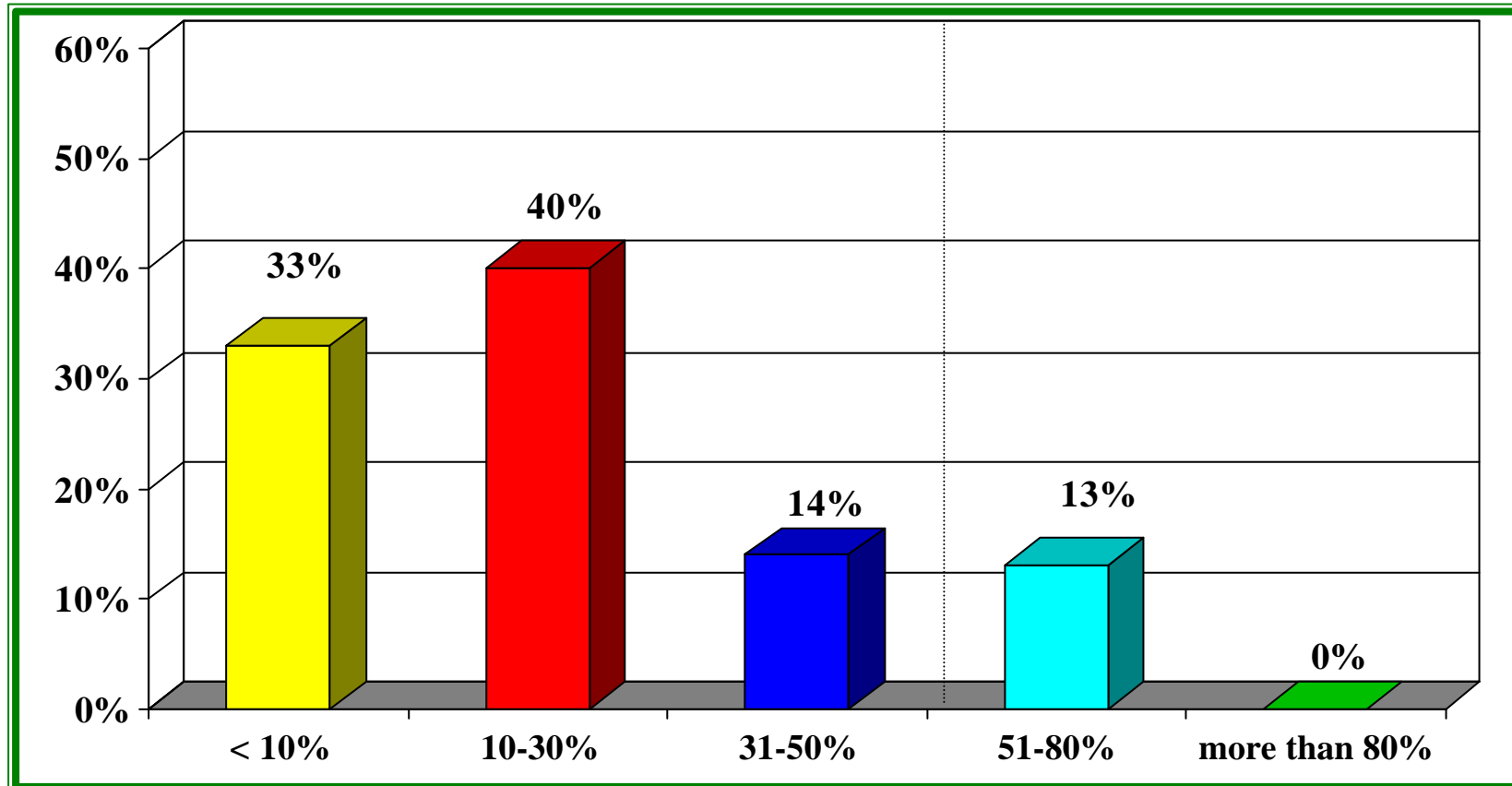
A.I.F.I.

Number of incubated companies and average time of stay into the incubator



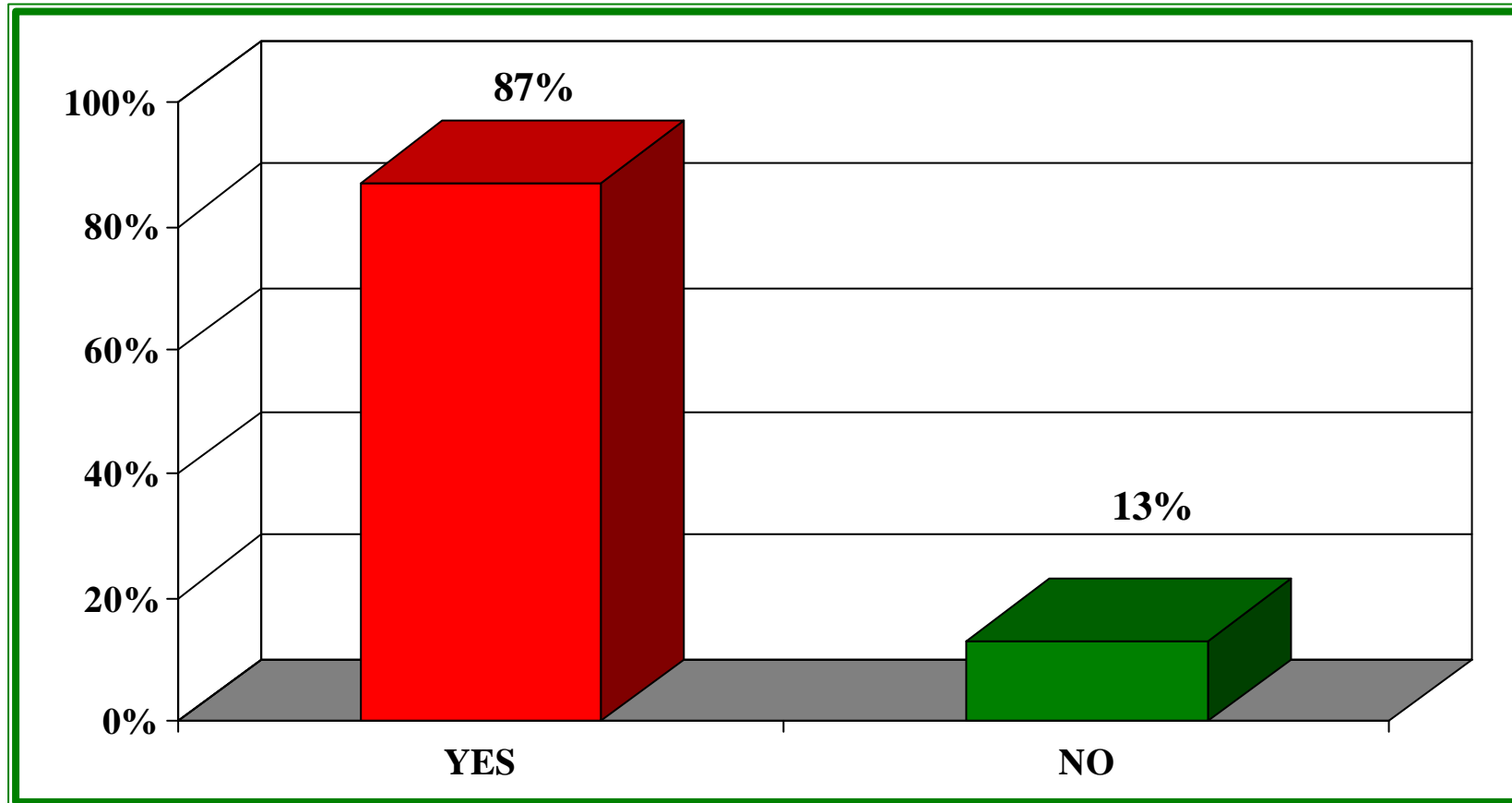
A.I.F.I.

% of average participation in the capital



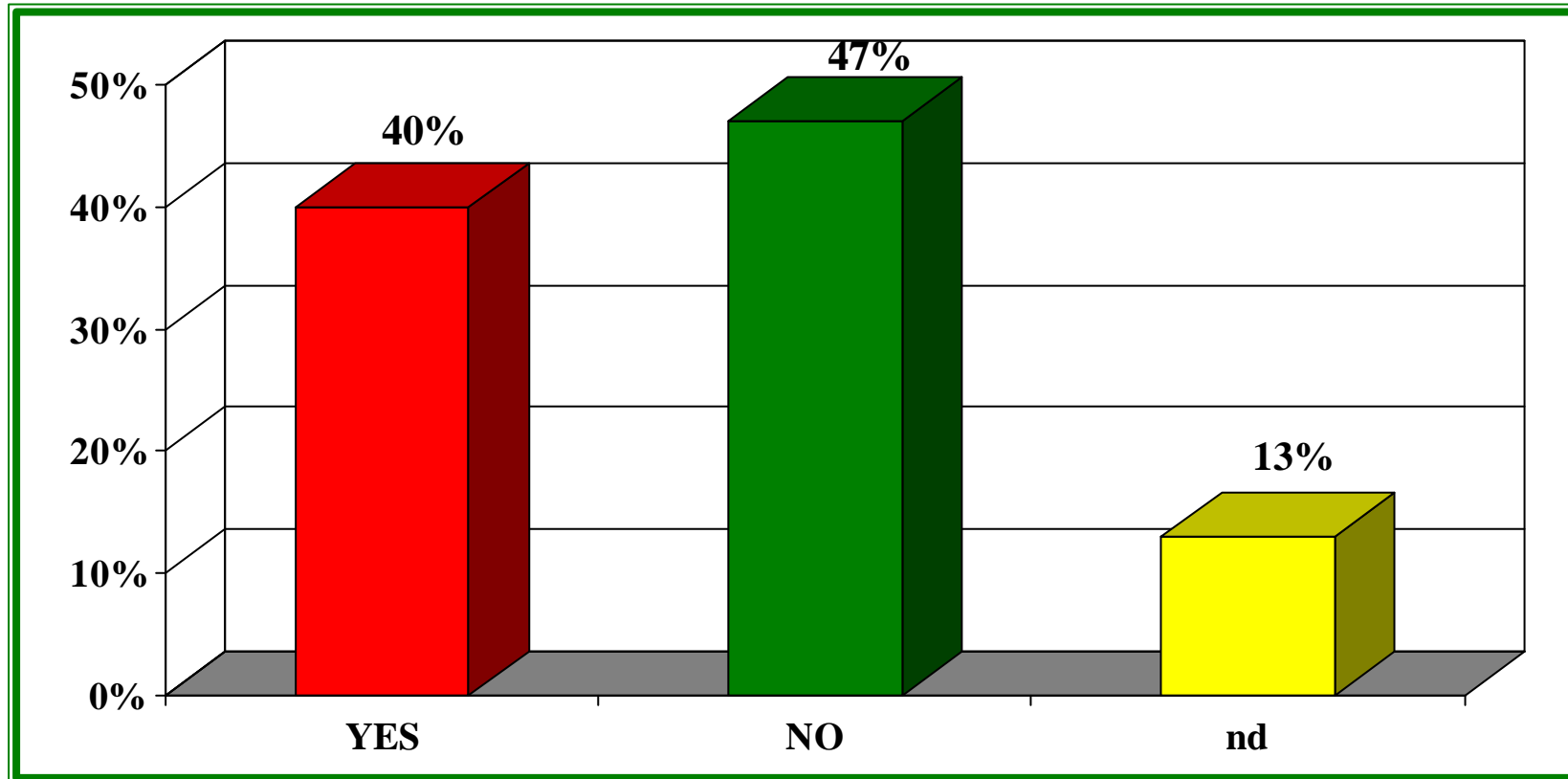
A.I.F.I.

Do Incubators managers work in the incubated companies boards of directors?



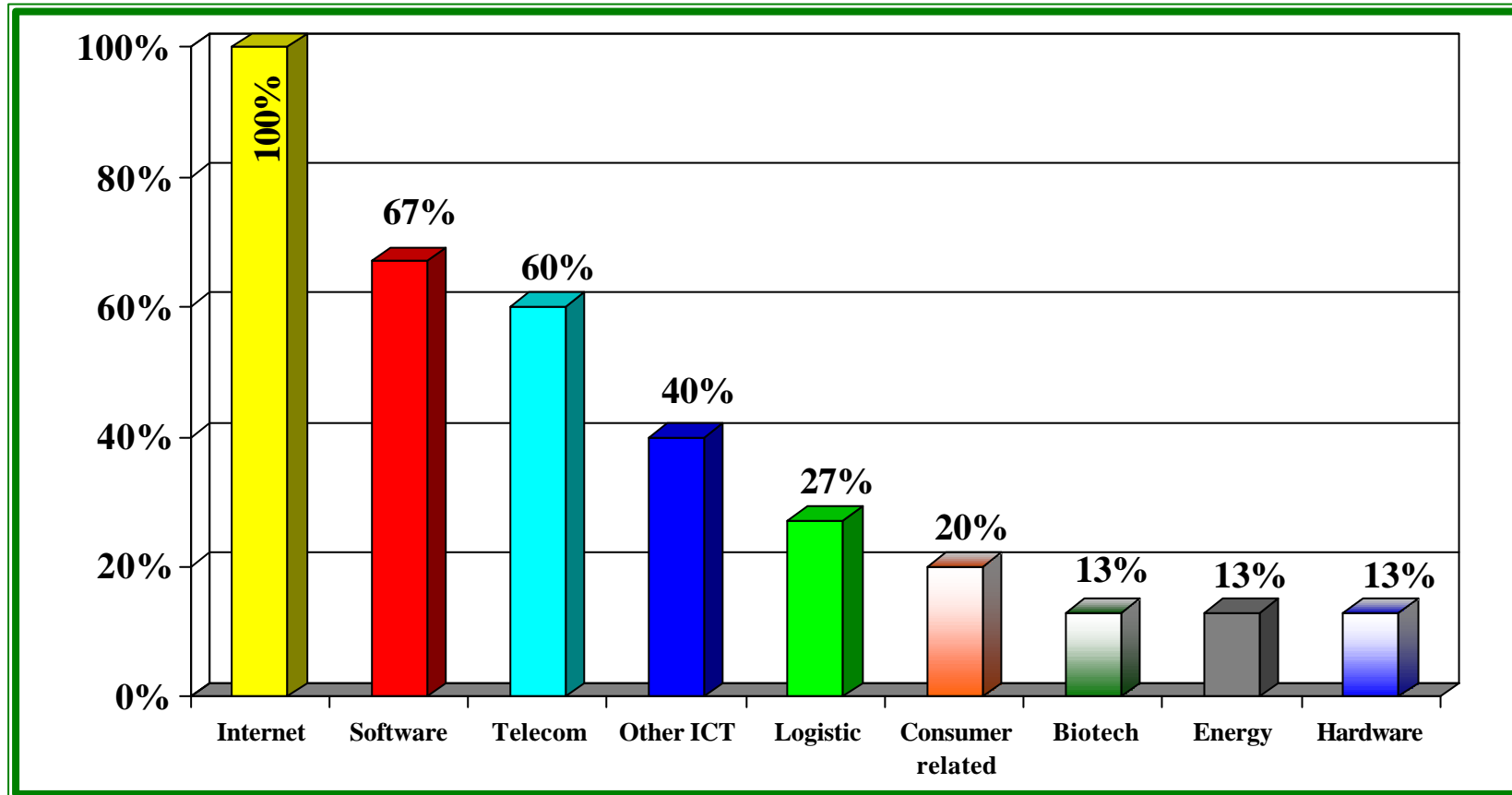
A.I.F.I.

Are there “lock in” clauses?



A.I.F.I.

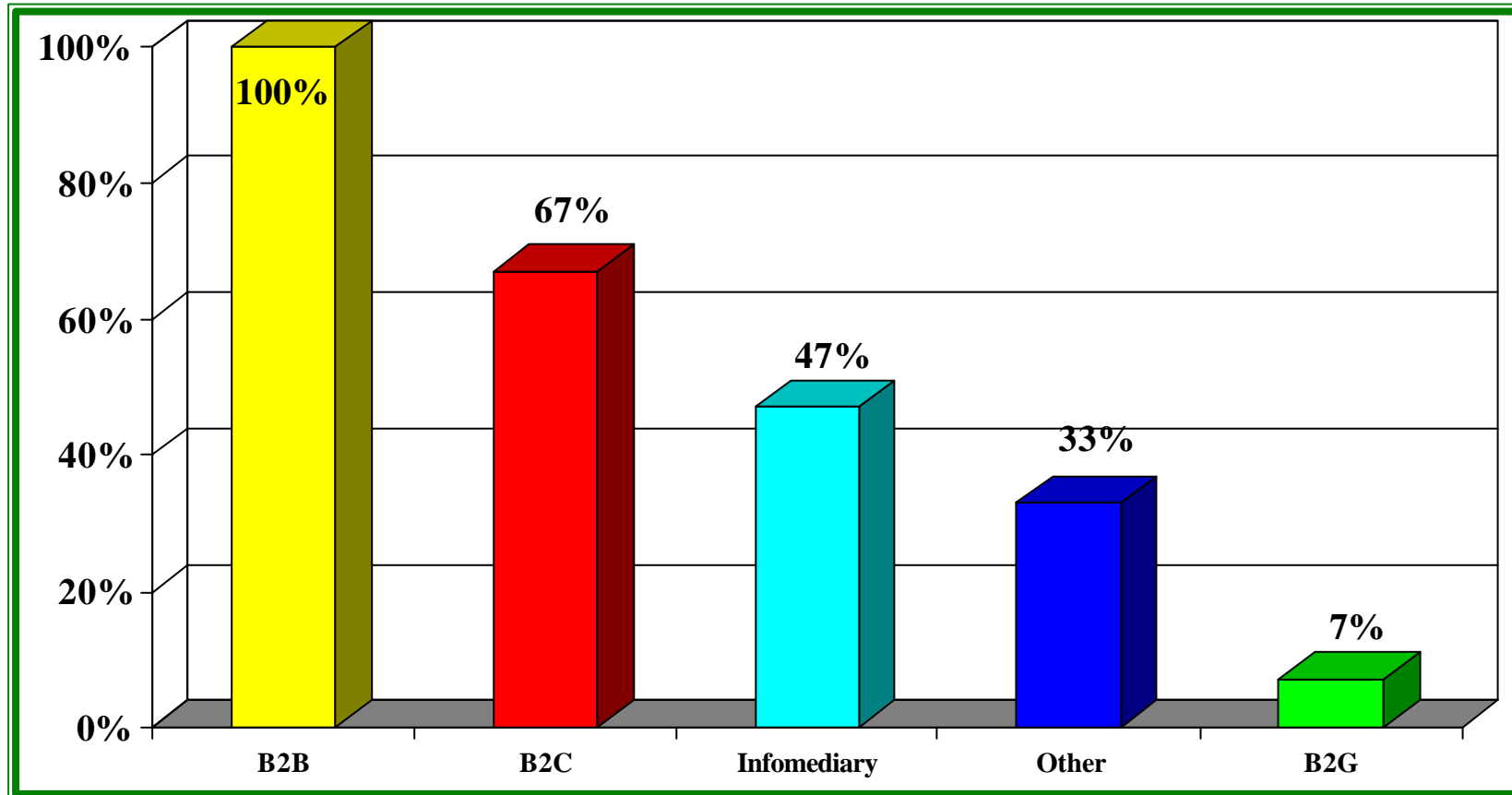
Distribution of investment sectors* by %



* Multiple choice

A.I.F.I.

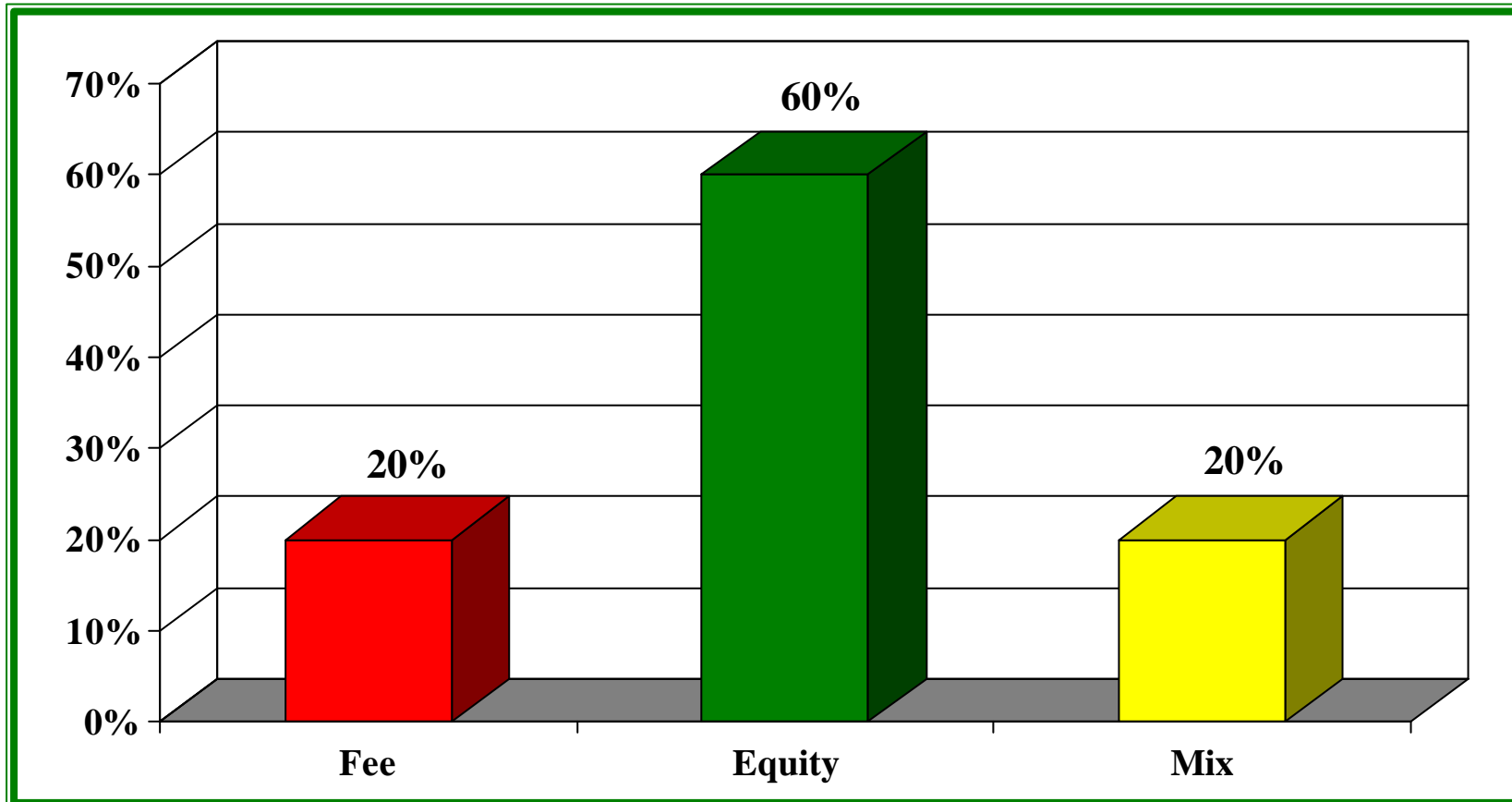
Internet business focus*



* Multiple choice

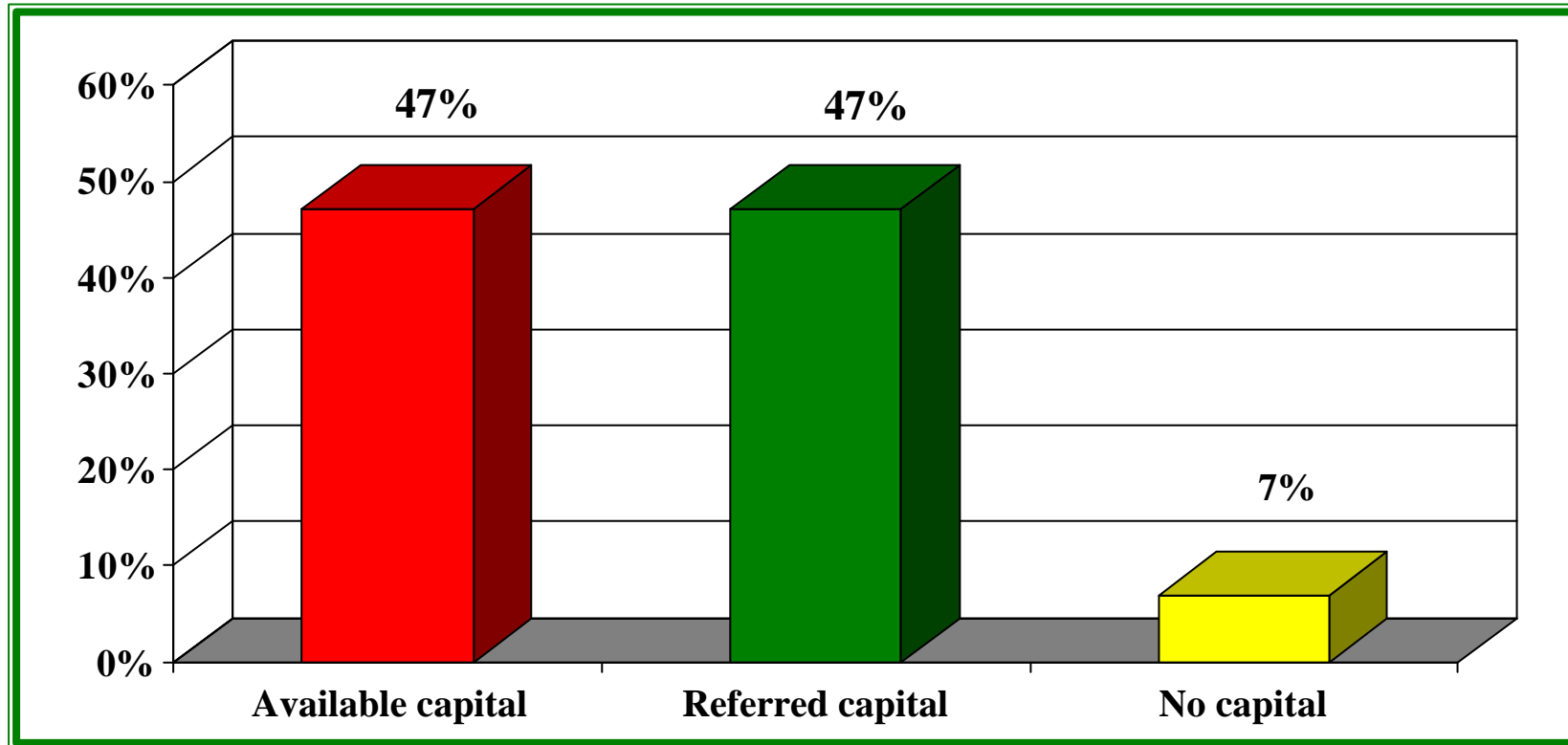
A.I.F.I.

Revenue model by %



A.I.F.I.

Funds availability for start up investments by %



Divestment activity

Distinctive features:

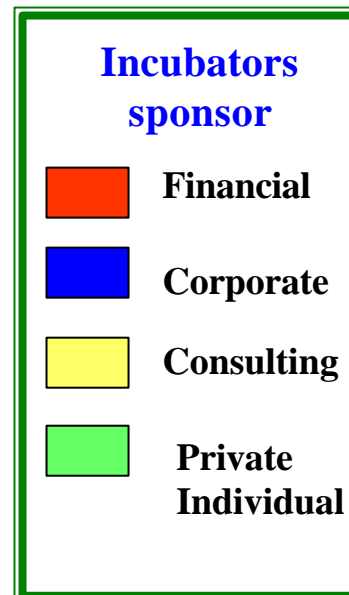
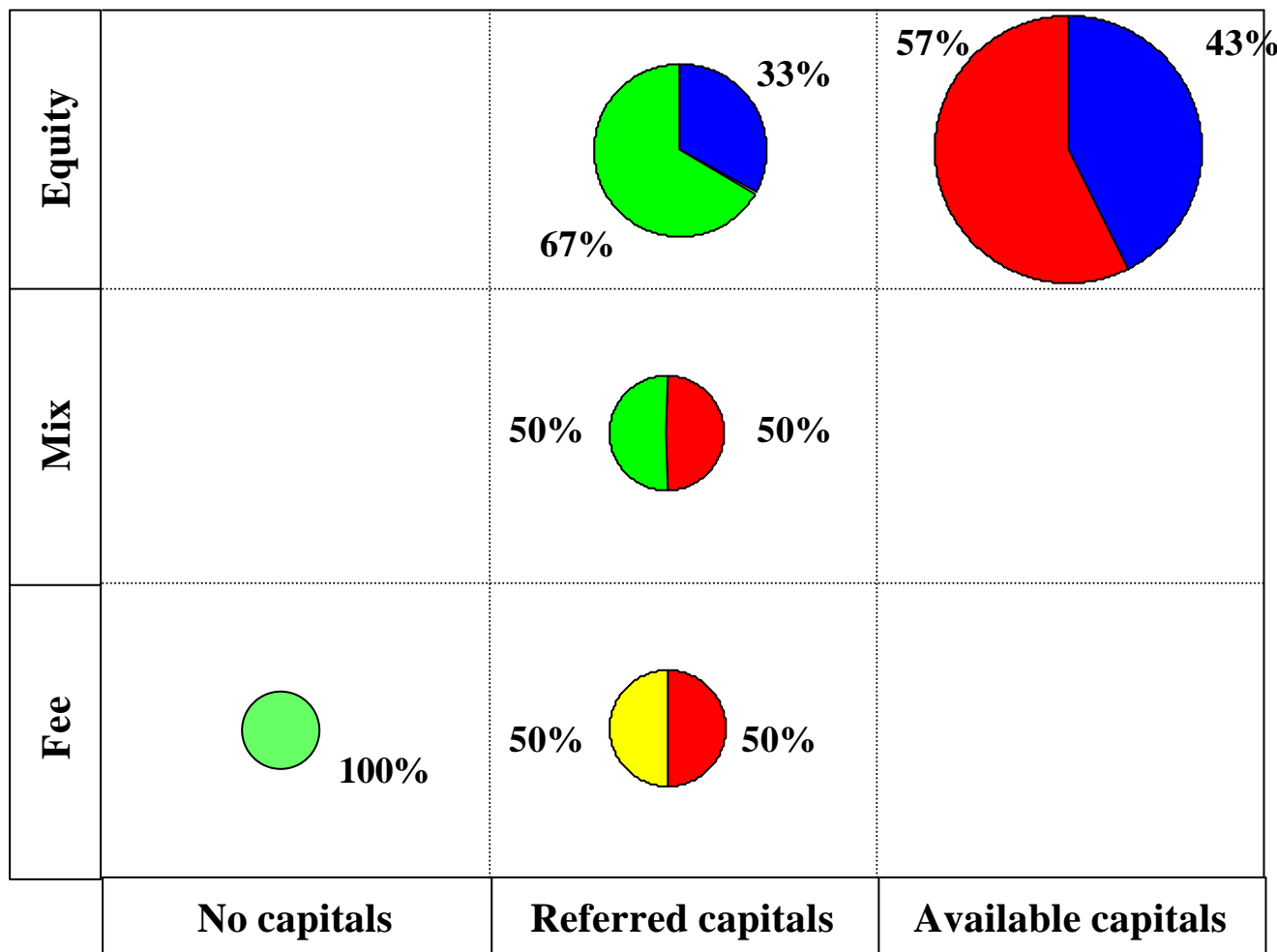
- absence of a typical way of doing;
- average time, if expected, of 2 years;
- frequent use of *Tag along* and *Drag along* clauses;
- in two cases write off divestment is not foreseen, instead of the conservation in the long term.

A.I.F.I.

Italian incubators: reference model

Variables: Incubators sponsor

Revenue model for start ups



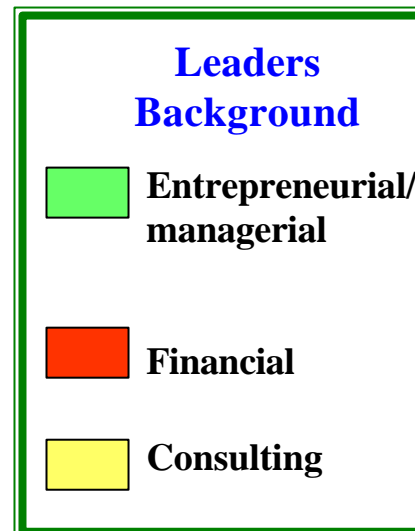
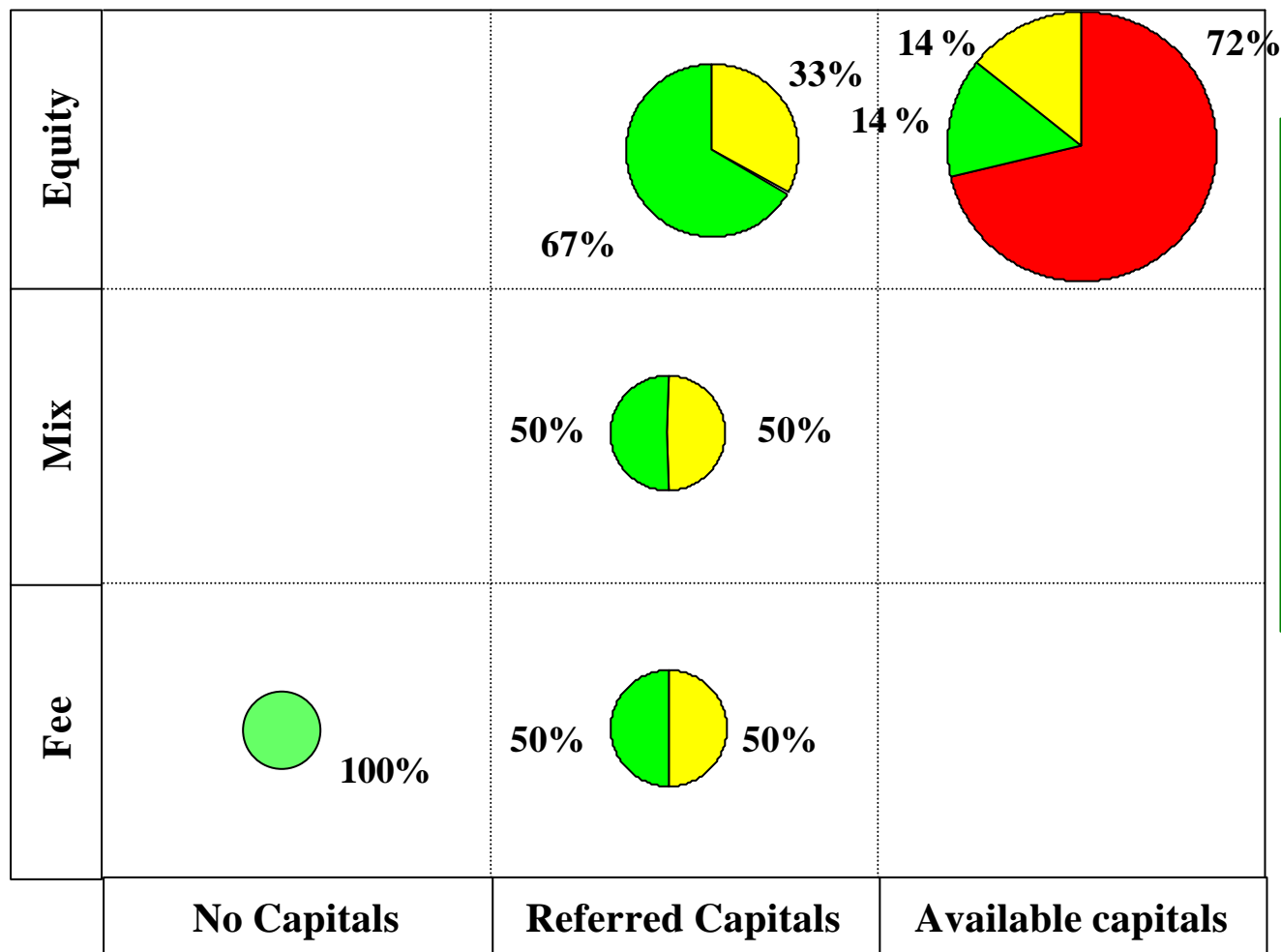
Available capitals

A.I.F.I.

Italian incubators: reference model

Variables: Leaders Background

Revenue model for start
up



Available capitals

Some focuses...

Focus on incubators

- ⇒ There are many networking opportunities between incubators, venture capitalists and institutions;**
- ⇒ cooperation can be based on a structured network;**
- ⇒ the incubators industry is still in its start up phase, leaving many spaces for new entrants;**
- ⇒ there are many basic services over which it would be important to reach scale and scope economies;**
- ⇒ incubators are important leverage the internationalization process of enterprises;**
- ⇒ incubators are deal selection facilitators.**

A.I.F.I.