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***The Acceleration Process:  
From Luiss EnLabs to ELITE***

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## INTRODUCTION

Markets are changing due to the fourth industrial revolution giving space to the entrance of new businesses and creating a much more competitive environment characterized by a growing speed and complexity. In support to Italian companies two successful realities were born: Elite and Luiss EnLabs. Elite is an innovative program created by the Italian stock exchange (Borsa Italiana) in collaboration with Confindustria, that support the worthy SMEs in their potential growth bringing them closer to the financial markets. On the other side, LUISS EnLabs born from the joint venture between Luiss University and LVenture Group, is a program that supports innovative startups guiding them through their growth path. The main purpose of this document is to analyze these two realities starting from the market trends and continuing with their acceleration models and successful case studies.

The thesis is divided into four chapters as mentioned below. The first more theoretical chapter is initially dedicated to a description of the third and fourth industrial revolution and the effects on companies and society. This first analysis will show the reasons that lead companies to a difficult choice among the ways to finance themselves to seize growth opportunities. The advantages and disadvantages of all the methods will be analyzed first, and secondly, more attention will be paid to two methods, public equity and private equity. Furthermore, will be explored in depth the main characteristics of these two methods such as the advantages and disadvantages, types of companies that are more likely to use it, types of companies that are reluctant to them and market trends of both companies and funding methods. This analysis helps to understand the market need that led to the creation of LUISS EnLabs and Elite programs as will be explained in depth in the subsequent chapters.

The second chapter is dedicated to the analyses of Luiss EnLabs. After a presentation of the story of the Acceleration Program from the joint venture between LVenture Group and LUISS University and the description of their interaction, LVenture Group reality will be shortly described with referral to its Business model. Furthermore, in the second part of the chapter, the acceleration model will be explored in depth through the description of the selection process and the structure of the program from the beginning till the final presentation called “Demo Day”. Moreover, the subsequent part put effort on the actual

portfolio of LVenture Group composed by the start-ups that already finished the program and on the localization strategy of the two Hubs. To deeply understand the above-listed characteristics of the program and portfolio, I had the opportunity to interview the CEO Assistant Federico Alagna, that I thank for the contribution. Finally, the presentation of different cases of exits that took place last years and the description of a start-ups' sample with particular stories.

The third chapter is dedicated to the analyses of ELITE Network. The first part is dedicated to a small presentation of the program history with a study on the growth of ELITE from 48 companies in 2012 to 1130 in April 2019. The second part will go deeper into the subject through a detailed description of the access requirements, the advantages and the structure of the program which is divided into three steps: Get ready, Get Fit and Get Value. Furthermore, is underlined the diversity and origin of the more than 700 Elite Companies in the Italian field. The companies that join ELITE have access to various services, among which the one that most help them also after the conclusion of the program is the Elite Funding Platform described in the subsequent part. It gives companies and investors the opportunity to virtually meet and conclude three types of options: Single Transaction, Basket Bond and SPAC in Cloud. To deeply understand the potential of these opportunities in the final part some cases for each option will be introduced.

The fourth and final chapter underlines the similarities and contrast of the two programs thanks to the help of a detailed comparison table that outcomes the key points of both.

The thesis, through the chapters, answers the following questions:

1. How market changes impact the companies funding choices?
2. Which are the market trends of the SMEs listing in the stock exchange?
3. Which are the market trends of Venture Capital and Startups in the Italian field?
4. Why a start-up should start an acceleration program like LUISS EnLabs?
5. Why does a small/medium company decide to join Elite Network?

# 1. THE ECOSYSTEM

## 1.1. Market changes: The fourth industrial revolution

*The change that has been going through the economy in the last 50 years and still is*

From the second half of the 20<sup>th</sup> century, society faced the beginning of the third industrial revolution consisting of the introduction of electronic and nuclear energy, personal computer and much more. This naturally led to the development of the fourth industrial revolution, characterized by the spread of internet all over the world thanks to the development of new transportable devices (e.g. smartphones, tablets) and the introduction of machine learning<sup>1</sup> and AI<sup>2</sup>.

The increasing level of integration of new technologies changed and is still changing not only the economy - transforming it into “*industry 4.0*” - but, also the interaction with the society through a parallel development. One of the main trends caused by this revolution is the *Digital disruption*, the moment in which companies driven by new technologies create shifts in business models and value chains of an entire sector. This phenomenon is caused not only by the availability of intelligent machines but also by the constant innovations in different parts of the economic ecosystem. Through this new revolution, technologies and innovations are spread with a higher velocity and with the same pace companies are changing and growing.

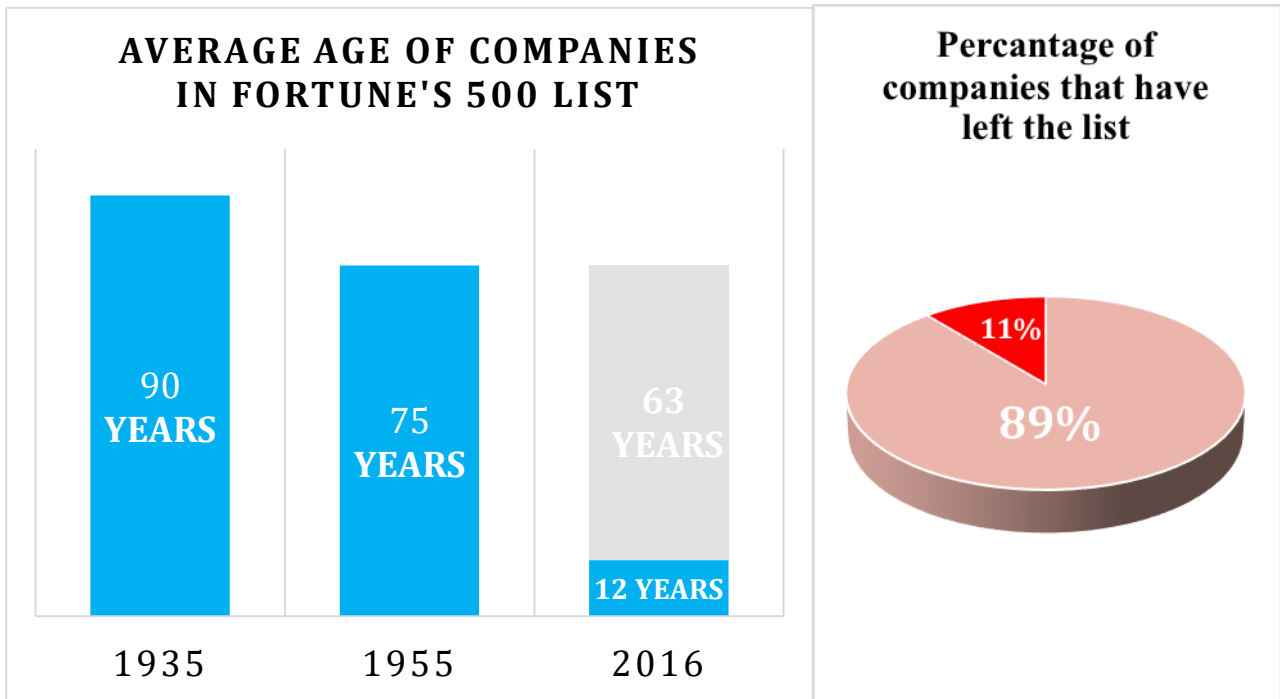
As pointed out by Ivan Mazzoleni<sup>3</sup> in his speech in the Web Marketing Festival 2017, the mechanisms in the economic market are changing drastically and companies need to face this problem as soon as possible if they want to be competitive in future markets.

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<sup>1</sup> **Machine learning:** the possibility to make the machines learn by studying the behavior of human

<sup>2</sup> **AI:** artificial intelligence.

<sup>3</sup> **Ivan Mazzoleni:** Business Digital Transformation Leader & Executive Coach in Microsoft



*Figure 1,2: the average age of companies in fortune'500 list in 1935,1955 and 2016.<sup>4</sup>*

Furthermore, he compares Fortune 500<sup>5</sup> ranking in 1935, 1955 and 2016 to underline how the impact of digital transformation is changing the market. In 1955 the companies present in the list had an average lifetime of 75 year and that after only 61 years the average age in 2016 was 12 years with a odds of 63 years, meaning that 89% of the companies that where in the list are not present any more with a new entrant each 8 days. This numbers clearly describe the impressive impact of technologies and innovation on any sector, creating new competitive advantages and permitting companies to scale up in few years.<sup>6</sup>

<sup>4</sup> **Figures 1,2:** Personal report, data source: Ivan Mazzoleni speech at Web Marketing Festival 2017

<sup>5</sup> **Fortune 500:** is a list published every year by the magazine Fortune that ranks the top 500 listed company based on their revenue.

<sup>6</sup> **Data source:** Ivan Mazzoleni speech in the web marketing festival 2017

**THE INCREASINGLY CROWDED UNICORN CLUB:  
PRIVATE COMPANIES VALUED AT \$1B+**  
as of 1/31/2017

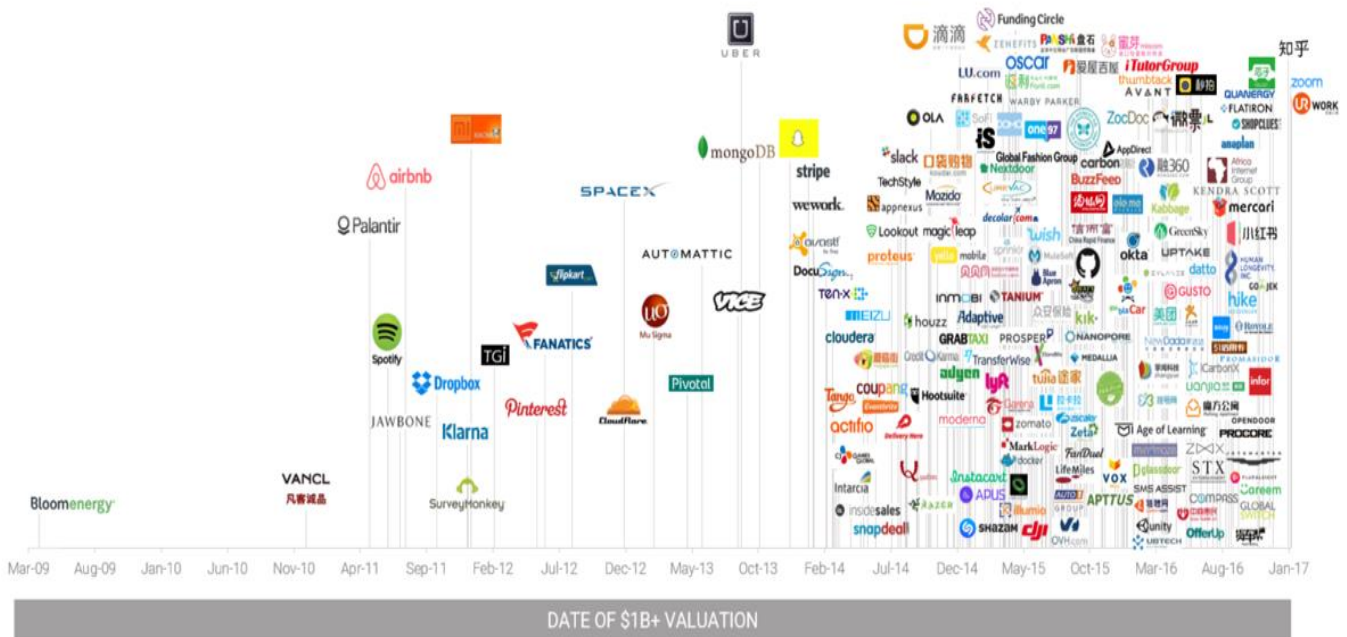


Figure 3: unicorn frequency from 2009 to 2017<sup>7</sup>

Analysing the above figure that shows the new entrance in the Unicorns<sup>8</sup> Club from March 2009 till January 2017, it's easy to underline how, in a range of less than 10 years, the frequency had increased drastically with an unbelievable speed. This help to understand how the economy is passing an era in which the constant growth and change of companies is fundamental to remain in the market and be competitive.

Most of all, firms need to develop new “skills 4.0” to face with no fear the growing complexity and catch opportunities even if often is hard to balance potential revenue and future risk. Due to this, businesses of all ages need to choose carefully how to finance themselves.

<sup>7</sup> Figure source: [www.CBINSIGHTS.com](http://www.CBINSIGHTS.com)

<sup>8</sup> **Unicorns**: companies not listed that are evaluated one billion or more and that are owned by the founders



## 1.2. Ways to finance a business

*Study of the market needs with the focus on the way of financing businesses.*

One of the hardest challenges that a company need to face through its lifetime is to create the right mix between the financial sources which allow her to invest in sustainable growth opportunities. The firm can choose rather collect money *internally* - reinvesting the profit and cash flow made - or *externally* - through the systems of debt or equity. This choice can lead to different advantages and disadvantages.

	Internal	External		
	Profits & Cash flows	Debt	Equity	
			Private Equity	Public Equity
<b>Advantages</b>	The risk of the company is limited to the initial investment.	Lower cost in term of: - Reach the credit.	High risky companies choosing this solution don't have bankruptcy risk.	Lower cost in term of: - Lower risk of bankruptcy - Lower interest rate with banks due to the higher transparency - Higher visibility and better reputation internationally
<b>Disadvantages</b>	The growth opportunity is limited to the annual revenue.	- Limit due to the risk of suffering bankruptcy. - Risks are carried by the companies. - In long term can lead to high interest rates.	Companies that choose it are too risky to be financed by banks so there are no disadvantages for them.	High cost in term of: - Adapt to entrance requirements - Stich to the information transparency - less control on the companies

Figure 4: Advantages and disadvantages of the financing methods<sup>9</sup>

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<sup>9</sup> **Figure 4:** personal report

The collecting of funds through the increase of equity can be realized with a *private* or *public* mechanism.

### I. Private Equity

Professional investors acquire part of the shares of the company with an expected return much higher than the money invested, due to the potential growth of the business. Furthermore, this type of investor differs from each other from the time frame they are willing to wait before receiving a return and the expected IRR.

- Private Equity Funds: expected investment duration from three to five years with an IRR from 1,5X to 2,5X.
- Venture Capital Funds: expected investment duration from five to seven years with an IRR from 3,7X to 10.5X.
- Business Angels: expected investment duration from eight to ten years with an IRR from 13,8X to 28,9X.

### II. Public Equity

Through an IPO (Initial Public Offering) - when the company want to go public - or an SEO (secondary Equity Offering) when the company is already in the market.

In the following chapters, will be analysed in dept the main characteristics of these two methods such as:

- the advantages and disadvantages
- type of companies that are more likely to use it
- type of companies that are reluctant to them
- market trends

This analysis helps to understand the market need that led to the creation of services in support of the companies as will be explained in dept in the second and third chapter.

### **1.3. Public equity**

*Market conditions that lead to the creation of Elite*

#### **1.3.1. Advantages and disadvantages**

Companies with different structure and size face different advantages and disadvantages in choosing between the different methods. Indeed, a company could finance new projects of growth by resorting to debt, however this method is limited to a certain level of leverage beyond which this option is no longer convenient due to the risk of suffering bankruptcy<sup>10</sup> costs. Only to the extent that self-financing is a sufficient source, the company could choose to stay out of the market with an obvious constraint to growth.

Overcoming the limits linked to the use of debt, equity seems to be the best alternative for that category of companies that have a high debt-equity ratio, but mostly a high current investments and profitable future growth opportunities detected by a high average market-to-book sector value, i.e. the relationship between market value and book value of companies' equity (M. Pagano, 1998).

#### **1.3.2. Market trends of listing**

Despite the advantages that a company has in resorting to equity as a method of financing, the common tendency that is observed is a reluctance to go on the Stock Exchange or, if the company is already listed, to make a capital increase. Furthermore, an anomaly emerges in several markets. Paradoxically, in the Italian field, small and medium-sized enterprises (SMEs), young companies and high-tech companies that should have great incentives to become public decide not to undertake the listing process, while large and mature companies that should be less motivated to go on the market are often the subject of most IPOs or SEOs.

The answer to these pieces of evidence is to be found in the fact that there are imperfections on the capital market that make it considerable and above all expensive to access the various

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<sup>10</sup> **Bankruptcy:** is a legal process through which people or other entities who cannot repay debts to creditors may seek relief from some or all of their debts. In most jurisdictions, bankruptcy is imposed by court order, often initiated by the debtor.

financial sources by describing a significant gap between those generated internally and external ones. (Hubbard, 1998)

Here the market fails because it is unable to reach the social optimum in terms of efficiency and Equity. The nature of the **imperfections** existing on the market derives from the incentive problems and from the presence of information asymmetries. Carpenter and Petersen (2002), conducting a study aimed at understanding the impact of capital market imperfections on SMEs, have found that these almost do not distribute profits, collect very little external capital and on average have growth rates aligned with the trend of cash flows. Thus, the growth of SMEs seems to be limited by internal sources of financing, while access to the market is almost completely prohibitive. In fact, having a brief history and tendentially a low visibility on the market, SMEs and young companies bear more the costs linked to the presence of information asymmetries both in terms of adverse selection and moral hazard.

Shifting attention to incentive problems, considering a high incidence of **family business** in the Italian field, it is reasonable to think that also bigger companies are reluctant to let people from outside and not close to the family enter the capital. Therefore, the choice of the capital structure will define a configuration that allows them to maintain the highest possible level of control. Consequently, it is likely that those companies are reluctant to go public because the manager-founder does not want to risk losing control of the company. Obviously, this is a problem of maximum importance when it limits the natural growth of the company.

### **1.3.3. Collateral advantages of listing in the stock exchange**

#### **- Risk profile and reputation**

The listing often imposes strict disclosure and transparency obligations on companies that reduce the presence of information asymmetries. The increased information available makes the investor market more competitive by ensuring companies expand their access to the capital market at a more advantageous cost. The improvement in the risk profile and reputation of the company obtained with the listing also guarantees a better contractual position vis-à-vis the banks, allowing a significant reduction in the cost of access to the debt. It follows that the listing is particularly advantageous for those

companies that bear high-interest rates and a very concentrated credit. These will, therefore, go to the market mainly with the aim of exploiting the possibility of accessing debt at the most economically advantageous conditions. Thanks to this side benefits, companies find an added reason to adapt to the strict rules of listed companies, maintaining the possibility to decide later not to go public.

- Visibility advantages

Listing on the main stock exchanges could bring significant benefits to companies due to the possibility of gaining great visibility on the market. In fact, it is likely that the share price will increase with the knowledge investors have of the company. These reflections seem to find justification in real cases. Consider the choice of Ferrari Spa to be listed on the NYSE or Prada Spa on the Hong Kong market.

The above-mentioned market gap created the need to develop a program that can connect the most reluctant companies to the stock market listing. These lead to the foundation in 2012 of the **Elite** program from the collaboration between Borsa Italiana and Confindustria. The main objective is to accelerate the growth of worthy companies through an innovative path of organizational and managerial development aimed at making them even more competitive, visible and attractive towards investors globally. The program will be explained in depth in the third chapter.

## **1.4. Private Equity**

### *Market conditions that lead to the creation of Luiss EnLabs*

Analyzing furthermore the different type of companies and their reaction to finance opportunity, a particular group of companies with different needs is the one composed by the startups. Those ones are the main target for the investors previously described, due to the high expected growth that characterised them. Particularly, innovative start-ups as below described by the definition of the law are the ones with the higher potential.

### 1.4.1. What is an innovative startup<sup>11</sup>

A company can be named as a startup when it fit some particular prerequisite defined by the law, is important that it is *recently established* or established for less than 5 years, that has its *head office in Italy*, or in another EU Member State or member of the European Economic Area, provided it has a production site or a branch in Italy.

Furthermore, it has to have an annual production value of *less than 5 million euros* and does not have to distribute or had distributed profits. It is important that the corporate has an exclusive or prevalent purpose of development, production and marketing of *innovative products or services with high technological value*.

Furthermore, it is not constituted by a merger, corporate demerger or following the transfer of a company or business unit; and it has to possess at least one of the following three innovation indicators:

- a. share equal to 15% of the greater value between turnover and annual costs is attributable to R&D activities;
- b. the total workforce consists of at least 1/3 of doctoral students, research doctors or researchers, or at least 2/3 of members or collaborators in any capacity in possession of a master's degree;
- c. the company is the owner, custodian or licensee of a registered patent (industrial patent) or holder of a registered original computer program”

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<sup>11</sup> **What is a startup**: the definition of innovative startup was introduced by article 25, paragraph 2, of Decree-Law n. 179/2012

### 1.4.2. Advantages and disadvantages

As determinate by the law start-up cannot be listed in the stock exchange market but as well as the SMEs, they are one of the categories that most need a way to finance themselves different from the debt due to the high risk of their businesses, that could lead to high bankruptcy<sup>12</sup> cost.

Furthermore, a valid alternative to public funds are the private ones represented by the Venture Capital<sup>13</sup> or the Business angels<sup>14</sup> that invest their own money on start-ups with the hope of a high return if the companies grow in the following years, that - as explained in the first chapter - is always more likely to happen. On the other side, private investments are more secure for start-ups because differently from debt the money given by the investors cannot be asked back if the company doesn't grow or fail – a common scenario for a big percentage of start-ups.

### 1.4.3. Market trends of Venture Capital

*Study of the actual situation of Venture Capital investment in Italy underlining the future potential growth.*

The incidence of investments in venture capital on Italian GDP is very low compared to the average of developed countries: today it represents less than 0.006% of GDP, a value that places the Italian economy in the last positions of the OECD's ranking.<sup>15</sup>

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<sup>12</sup> **Bankruptcy:** is a legal process through which people or other entities who cannot repay debts to creditors may seek relief from some or all of their debts. In most jurisdictions, bankruptcy is imposed by court order, often initiated by the debtor.

<sup>13</sup> **Venture Capital:** institutional subjects, who mostly use a fund as a vehicle, that finance the start-up of a high-risk activity but also with a high potential of growth.

<sup>14</sup> **Business Angels:** the individual subjects that acquire shares of startups drawing on their personal assets and bringing not only capital but also managerial know-how and a network of relationships to the company.

<sup>15</sup> **Data Source:** OECD, Entrepreneurship at a Glance Highlights, 2018

## Total venture capital investments as a percentage of GDP

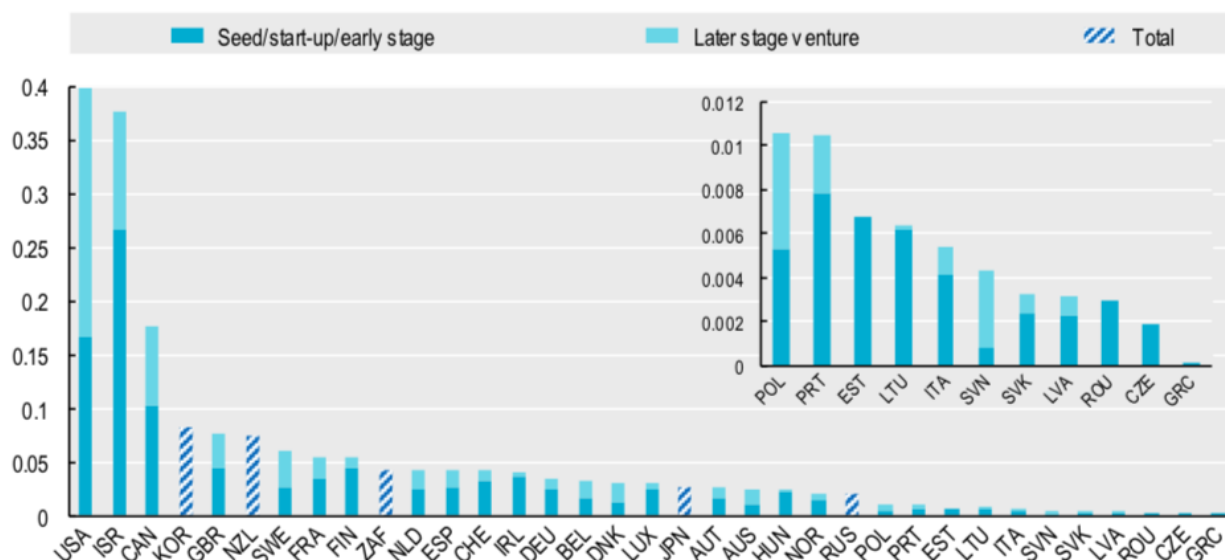


Figure 5: Total venture capital investments as a percentage of GDP<sup>16</sup>

Even though Italy is behind on investments in venture capital compared to other European countries there are signs of potential future growth. Indeed, the legislator has proactively taken an interest in the issue of innovation, with the aim of increasing the availability of funds in the Italian market and allowing the innovation market in Italy to mature.

The proposals in the 2019 Budget Law<sup>17</sup> are different, but are based on five main pillars:

- A) an increase in the tax rate from 30% to 40% (deduction for individuals, deduction for legal persons);
- b) a tax deduction of 50% in the case of the acquisition of 100% of the capital of an innovative startup by a legal person;
- c) the strengthening of tax incentives, from 5% to 10% of dividends or capital gains, granted to pension funds and pension funds for investments in Venture Capital;
- d) the obligation for the new RIPs (Individual Savings Plans) to invest at least 3.5% of their resources in Venture Capital funds;

<sup>16</sup> **Figure 5 source:** OECD, Entrepreneurship at a Glance Highlights, 2018, [www.oecg.org](http://www.oecg.org)

<sup>17</sup> **Budget Law:** La legge di bilancio, legge n.145 del 2018 [www.temi.camera.it](http://www.temi.camera.it)



- e) State commitment to invest 15% of the dividends of companies with state participation, in the National Fund for Innovation.

With the application of this law the mobilization of up to 2 billion euros is expected, this would allow the Italian market to improve its competitive position with other European countries.

#### 1.4.4. Market trends of startups

Among the 354 thousand joint-stock companies established in Italy in the last five years and still in active status, 2.75% was registered as an innovative startup.<sup>18</sup>

From the 2017 Annual report to Parliament, the total number of innovative startups registered on 30 June 2017 is 7398, with a growth rate of +24% in one year and +74% in two years. Furthermore, there have been an average amount of 250 each month but, only half was defined as an innovative startup in the moment of its foundation and 2 out of 3 within 2 months.<sup>19</sup>

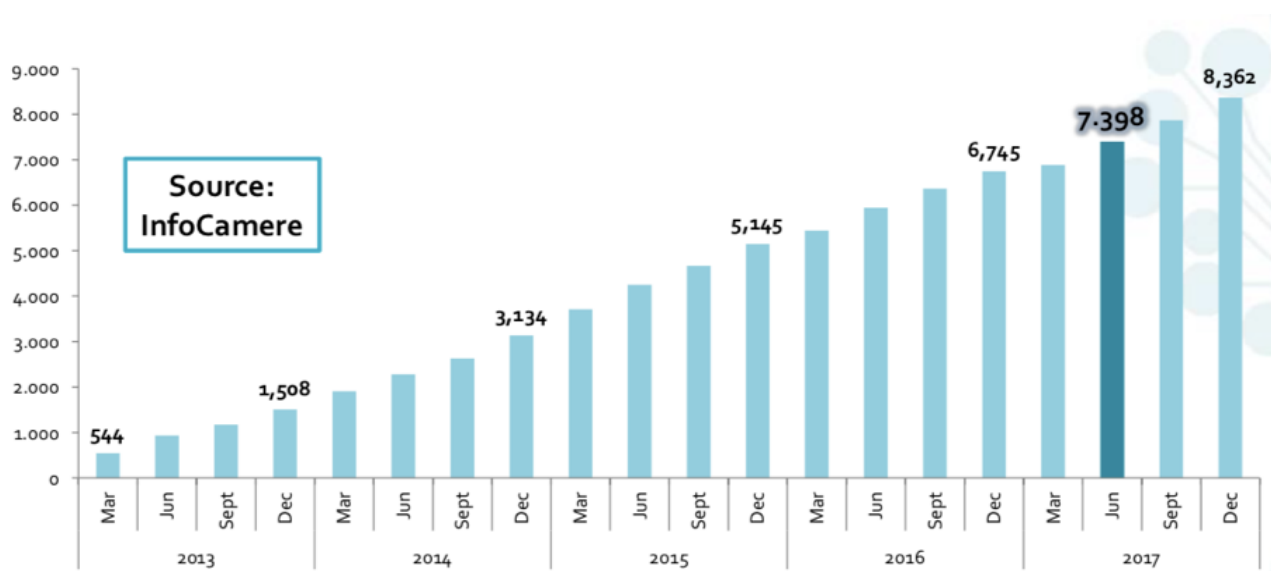


Figure 6: Number of innovative startups registered from March 2013 to December 2017

<sup>18</sup> **Data source:** Report with structural data on innovative startups, 4<sup>o</sup> trimester 2018. processing date: 01 January 2019

<sup>19</sup> **Data source:** 2017 Annual report to Parliament on the implementation and impact of legislation in support of innovative startups and SMEs

Between those registered in the last 18 months, 43% are trading companies and the number in December 2018 is 8391.

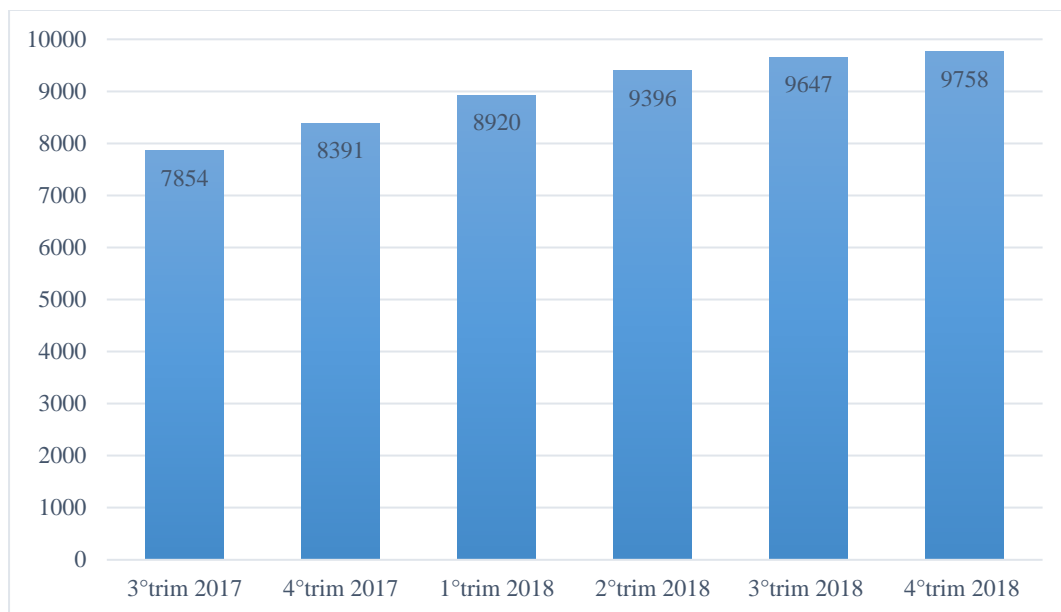


Figure 7: Number of innovative startups registered from the 3°trimester of 2017 to the end of 2018<sup>20</sup>

As can be seen from the graph, the expectations have been exceeded with progressive growth in the last years up to the registration of 9758 innovative startups for the end of 2018.

Very effective, in support of startups, is the activity of the guarantee fund for SMEs. From the first loan operation to an innovative startup in September 2013, the SME guarantee fund approved 5,472 transactions, of which 4,219 were then translated into financing, for an amount of just under 900 million euros. A total of 2,889 innovative startups were involved (1,122 requested more than once), for an average amount of approximately 200 thousand euros. at 31 December 2018, the innovative startups that obtained bank credit thanks to the intervention of the guarantee fund are 2,457, up by 140 units compared to the previous quarter. on the other hand, in the last 3 months of 2018, the FGPMI gave its clearance to 473 innovative startup operations, 78 more than in the previous three months and higher value in over 5 years of operation.<sup>21</sup>

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<sup>20</sup> **Figure 7:** Personal report, data source: Report with structural data on innovative startups, 4° trimester 2018. processing date: 01 January 2019

Furthermore, 2018 had been a record year for Italian startups. According to the estimates of the start-up hi-tech observatory, conducted by the school of management of the Politecnico di Milano in collaboration with Italia startup, the total investments in startups would amount to around 600 million euros - almost doubling the overall value of the sector compared to the previous year - of which 38% comes from foreign investors. Those results are very positive but, they are still low compared to the main European countries. In England and Germany, for example, in 2018 startup investments amounted to approximately 7.8 and 4.1 billion dollars, respectively, while Spain said it had exceeded the barrier of 700 million dollars.<sup>22</sup>

The offer of innovation and the dynamism of the Italian productive fabric are also an unrepeatable opportunity both for those seeking growth in a global context of uncertainty and volatility, both for the Italian economy itself and by stimulating its startups more innovative could find new ways of growth.

As showed by the ANVUR<sup>23</sup> Report, Italy is growing in term of scientific publications and researches compared to the others European countries. Indeed, between 1993 and 2017, the number of students that graduate among the working age population raised from 5,5% to 16,5% and from 7.1% to 26,9% among people between 25 to 34 years old. Furthermore, The Report shows as well that the trade between the resources invested and the number of researchers, quantity and quality of Italian research has increased. Indeed, over the last decade our country has seen its share of world production increase from 3.4% in the 2001/2005 period to 3.9% in the 2015/2016 two-year period.

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<sup>21</sup> **Data source:** Report with structural data on innovative startups, 4° trimester 2018. processing date: 01 January 2019

<sup>22</sup> **Data source:** LVenture 2018 balance sheet

<sup>23</sup> ANVUR: Agenzia Nazionale di Valutazione del Sistema Universitario

Therefore, Italy shows that it has:

- d. high level of human resources
- e. availability of qualified workforce, ideal for supporting the initial development of startups;
- f. excellent know-how on technology, design and creativity;
- g. evaluations of the most contained startups also due to the effect of a market that is not yet mature as in the rest of Europe.

#### **1.4.5. The development of acceleration and incubation programs**

As analyzed above in recent years we have witnessed the birth of many technologically innovative companies able to successfully scale their business in a short time. At the same time, the ecosystem that revolves around the creation and incubation of technology startups has been transformed, due to the effect of various acceleration programs promoted by investors and entrepreneurs.

Generally, these programs offer physical spaces in which to host new companies, technological infrastructures, small investments in exchange for minority company shares and, above all, an intense activity of mentoring and supporting the business project. these acceleration programs have spread rapidly in the united states of America - since 2005 - and, subsequently, also in Europe.

A British study commissioned by Nesta<sup>24</sup> showed positive impacts for startups participating in these programs. It was found that the startups participating in the acceleration programs have a significant increase in the success rate, measured in terms of economic development and a decrease in the mortality rate.

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<sup>24</sup> **Nesta**: formerly NESTA, National Fund for Science, Technology and the Arts - P. Miller, K. Bound, The Startup Factories, 2011.

## 1.5. The J Curve

*How Elite and Luiss Enlabs position themselves in the market*

As underlined in the previous chapters, the period economy is going through now is characterized by a growing complexity, due to this the companies are showing a raising necessity to be accompanied in their growing path to help them approach with the world of capital.

Furthermore, it is important to underline how these two different acceleration programs interface themselves with companies.

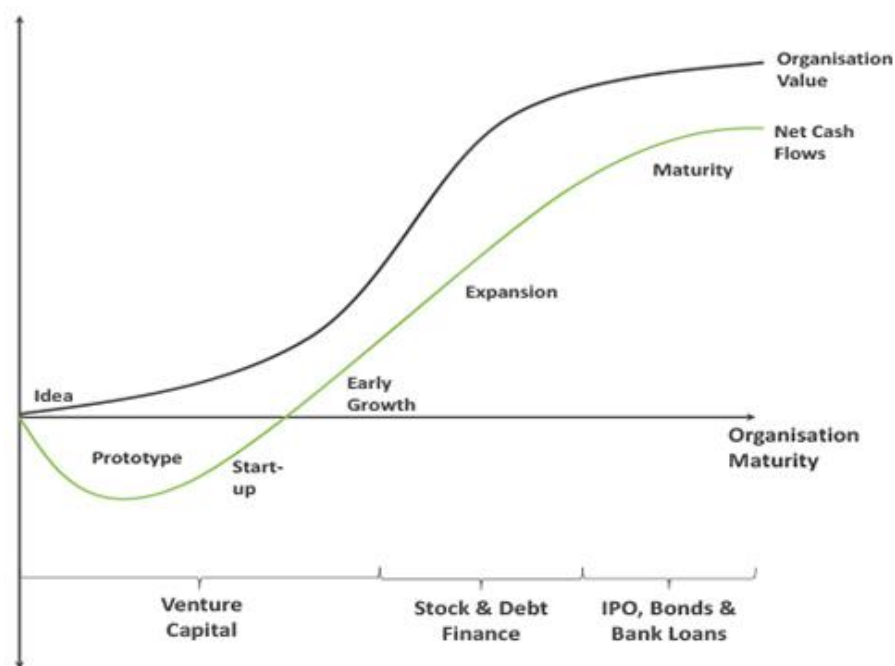


Figure 8: The J curve of the lifetime of a company<sup>25</sup>

Analyzing the evolution curve of a standard enterprise, it can be noticed how in the first period of life there is the valley of death - moment in which the launch of the company involves high costs not yet covered by the revenues and the companies risk to die - , in the second period the enterprise starts to grow, up to the moment of breakeven in which revenues start to exceed costs. In these first two periods startups emerge and LVenture

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<sup>25</sup> **beyond the J Curve:** Managing a Portfolio of Venture Capital and Private Equity Funds, Di Thomas Meyer, Pierre-Yves Mathonet, 2005

Group intervenes with Luiss EnLabs to accelerate, train and help them to take off and face the first critical moment, overcoming it and starting to grow exponentially.

Moreover, in an advanced stage of growth the company starts financing itself with profit and debt. As previously explained, this type of financing has limits that lead the company to feel the need to enter the world of risk capital. In the final stage the growth of the company is financed by public equity (IPO), bonds or bank loans.

In these stages of uncertainty is positioned the ELITE program which aims to encourage and prepare companies to the final step making them feel ready and conscious.

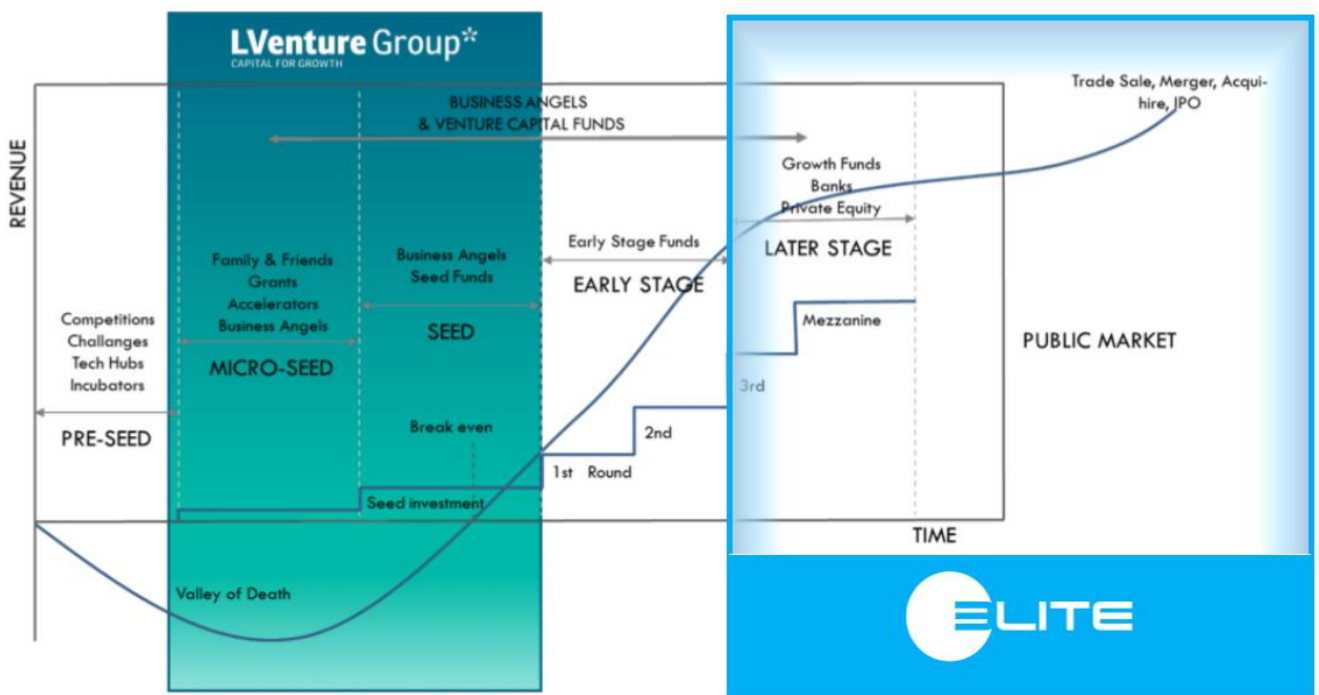


Figure 9: The positioning of Luiss EnLabs and Elite in the lifetime of a company <sup>26</sup>

<sup>26</sup> **Figure 9:** Personal report, data source: LVenture Group balance sheet [www.LVentureGroup.it](http://www.LVentureGroup.it)

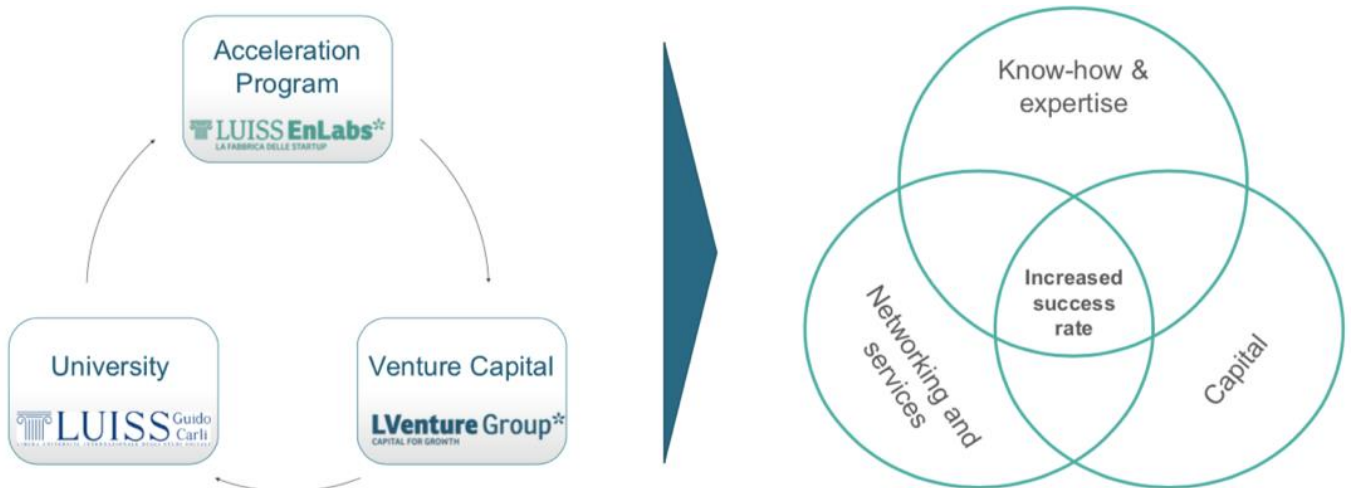
## 2. LUISS ENLABS



### 2.1. Presentation

*Presentation of the main characteristics with a focus on the impact of LVenture Group*

LUISS EnLabs "The Startup Factory" is one of the main startup accelerators in Europe. Born in 2013 from the joint venture between *LVenture Group* and *LUISS Guido Carli University*, its main objective is helping new startups to become successful enterprises, providing different services for different types of needs. Thanks to the collaboration between these two bodies, the environment that has been created provides not only investment funds but also know-how and training for the customers.



*Figure 10 Interaction Between Luiss University, LVenture Group and Luiss EnLabs<sup>27</sup>*

As graphically shown by the above figure the collaboration between the university, the venture capital and the acceleration program are fundamental to increase the success rate of startups. Each year they organize two *Accelerating Programs* and an *Open Innovation Program* to develop new entrepreneurial ideas in collaboration with big corporations.

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<sup>27</sup> **Figure10:** LVenture Group presentation, Lugano Small & Mid Cap Investor Day 23.09.2016

### 2.1.1. LVenture Group

LVenture Group SpA is a holding company listed on the MTA of the Italian Stock Exchange, operating in the field of Venture Capital. The core business of the company is to invest in digital startups with the intent to make them grow through direct and indirect management of seed and pre-seed.



Figure 11 organigramma societario di LVenture Group al 31.12.18<sup>28</sup>

As can be seen in the above diagram LV.EN. Holding has the 32,03%<sup>29</sup> of LVenture Group but it doesn't impact the autonomy of the second one. LVenture gives the possibility to talented people and startup with a highly scalable business model to make it throw the difficulties that most likely tend to kill the new businesses.

<sup>28</sup> Figure 12: LVenture Group Balance Sheet 2018, [www.LVentureGroup.com](http://www.LVentureGroup.com)

<sup>29</sup> Data source: LVenture Group balance sheet



This is possible thanks to the 4 strategies implemented to reduce the risk and maximize the possibility of success:

I. Small initial investment:

Investing only a small percentage of the heritage in each start-up the company has the possibility to diversify the portfolio minimizing the risk with the possibility to raise the offer in a following moment.

II. Company protection clauses within the investment agreement.

III. Support and Assistance

The startups, especially in the first periods will be supported by experts in the developing of all the entrepreneurial aspects (e.g. marketing, branding), those topics will be discussed in dept in a dedicated chapter.

IV. Network

Creating a direct contact between the startups and the Individual investors, Business Angels and Venture Capitalist.

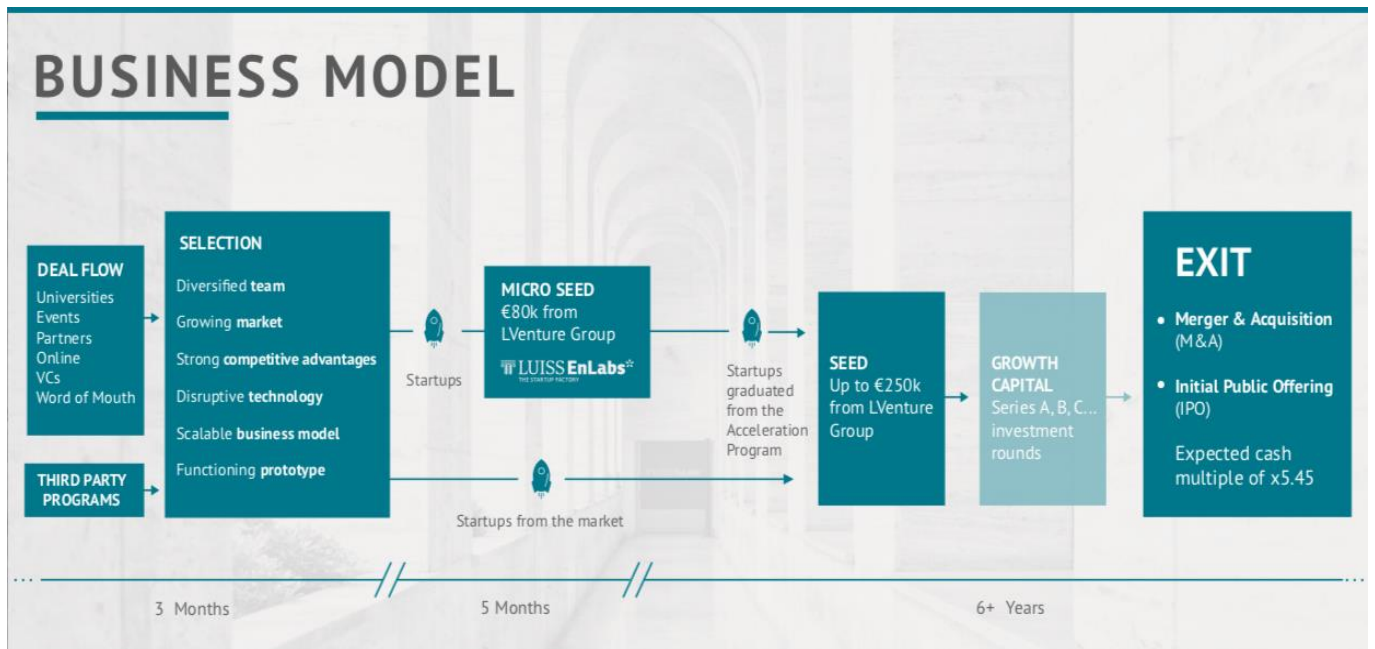


Figure 12: Business model of LVenture Group<sup>30</sup>

<sup>30</sup> Figure 12: Company Profile Presentation June 2016

LVenture Group provides financing resource to startups just before the beginning of their acceleration process through micro-seed investments, by contrast, seeds investments are given to the startup that already finished the program or outsider that are already in an advanced stage.

Furthermore, the company decided, at the end of the last term, to develop a program called “Growth-LV8” to support on marketing and new technology the startups that already finished the acceleration process, to help them to maintain their growth trends.

The business model is based on three key activities:

1. *Accelerator programs:*  
mainly actuated by Luiss Enlabs
2. *Capitals & Know-how*
3. *The Ecosystem*

Furthermore, through the years, they developed secondary activities as Open innovation programs, Co-working in the 5000 m Rome office and Events. The final objective for this Venture Capital company is to reach the EXIT through an M&A<sup>31</sup> or an IPO<sup>32</sup> and get a return on the investments and support they gave to the startups.

## **2.2. LUISS EnLabs Acceleration Program**

*Description of the acceleration programs offered by Luiss Enlabs*

LVenture Group through the Luiss EnLabs Acceleration program ensures startups with both financial resources and training opportunities, due to this the success rate for their programs is up to 80%, measured in terms of third-party investments at the end of the path. Overall, more than 60 startups in their portfolio have collected 49 million euros, 13 from LVenture Group and the remaining from other international venture capital funds and Business Angels.<sup>33</sup>

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<sup>31</sup> **M&A:** Merger and Acquisition when the start-up is acquired by another company or it merges with it.

<sup>32</sup> **IPO:** Initial Public Offering, when the company go public

<sup>33</sup> **Data source:** LVenture Balance sheet

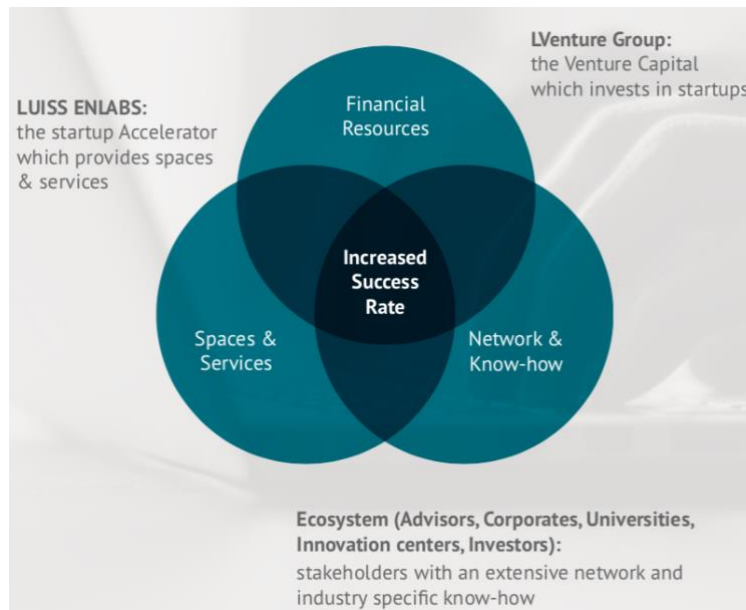


Figure 13 Interaction between Luiss EnLabs, LVenture Group and the Ecosystem<sup>34</sup>

Thanks to the support of its network of investors, corporates and institutions - including LUISS University - and its partners Wind Tre, BNL Gruppo BNP Paribas, Accenture and Sara Assicurazioni, LUISS EnLabs has grown into a real point of reference for innovation in Italy. Today the Acceleration Program is boosted by Hatecher+, an international data-driven venture firm based in Singapore. Startups in Enlabs/LVenture portfolio are characterized by high digital innovation and scalability.

### 2.2.1. Selection Process

All the Startups that would like to join the acceleration program can submit the online application twice a year then they need to go through some steps to be accepted. First of all, the startup must meet some strict requirements:

- Team

Is important for the stability of the startup that the team is balanced and united by a stable relationship, made by collaboration and respect. Often the idea evolves and changes, but the team remains the same and if the people that compose it don't cooperate this will compromise the future of the company. Furthermore, it is important that the team is made of people that have first hand experience of the

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<sup>34</sup> Figure sources: Company Profile Presentation June 2016

problem the company is trying to solve and that can, due to this, understand all the needs of the customer and also people that are specialized in the technology and the sector in with the company is willing to enter.

- Working Prototype

The startups need to bring to the committee a tested prototype of the idea that can make them realize better the potentiality of the innovation.

- Innovative Technology

As explained in the first chapter is important that a startup, to be named as it, use innovative technology. Moreover, there are some sectors in which they are more interest such as:

- Corporate Welfare
- Cybersecurity
- Enterprise software
- Fintech
- Healthcare
- Retail
- Smart manufacturing
- Personal care

Or enabling technology such as:

- Artificial Intelligent (AI)
- Augmented Reality (AR) & Virtual Reality (VR)
- Blockchain
- Internet of Things (IoT)

As well as this they are also open to new proposals.

- Scalable Business Model

As Previous explained the startups that join the program are financed by LVenture and other outsider investors, for them, is important to have a return in 5/7 year that is willing to be much higher than the amount of money they spent. Due to this, is important that the business in which they are investing is scalable and could provide this revenue in this short time.

- Unique Value Proposition

To compete in the market and reach the growth and success rate that they expect.

Is important to underline that these criteria are only guidelines and that the Acceleration team can decide to select a startup that doesn't fit all of them if they believe in its potential. Furthermore, through the application, the startups need to fill all the modules required that will be examined and screened to decide which ones can meet the selection committee. After a hard selection process, they choose up to 12 worthy startups that can start the path.

### **2.2.2. Deal**

The startups that are selected receive through Participatory Financial Instruments a seed up to 145 000 Euros of which 60 000 Euro of services, such as the possibility to work in an inspiring space of their Rome Hub. At the end of the program, the investors can decide to convert the Participatory Financial Instruments into 9% equity.<sup>35</sup>

### **2.2.3. Structure of the program**

The LUISS EnLabs Acceleration Program lasts 5 months and the worthy startups previously selected, in groups of up to 12, start their journey together twice a year. The structure of the program has common points for all the startups even if, it is often adapted to the needs of each of them. I had the opportunity to interview LVenture Group CEO Assistant Federico Alagna that helped me to understand the key points of the program and how they are customized to fit the startups need as analyzed in the following part.

First of all, is important for the Acceleration team to be in direct contact with the startups, for this reason, part of the open space at the LUISS EnLabs Rome Hub has been dedicated to them. This allows startups to work for all the 5 months in an innovative and inspiring environment, sharing with each other the growth experience.

The entire duration of the program is divided into checkpoints of two weeks, in which, the acceleration team assigns to each startup, goals and tasks to be reached. At the end of the previous period, a meeting is held and the startup team together with the acceleration team

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<sup>35</sup> **Data source:** Luiss EnLabs web site, [www.luissenlabs.com](http://www.luissenlabs.com)

evaluates the progress and decide the tasks and objectives for the next two weeks. At this meeting also the other startups have the opportunity, hearing each other progress, to learn from others error and be inspired by their improvements.

Furthermore, the three main parts into which the program is divided, according to the topic that has to be implemented by the startups, are:

i. *Business Model*

This period lasts almost 2 months and it's the most important, indeed, through this first part the start-up define a stable base for their future business. As explained in the previous chapter the start-ups that enter the acceleration program need to present a business model and a working prototype, by contrast, it often happens to favour a start-up that has a better idea, innovative technology and team that one that has already a well-defined business model. This led to the necessity for all the start-ups to dedicate the first period of developing and improving their original business model.

ii. *Entering the market*

Is time to test the business model and the prototype entering the market. Indeed, is important for the start-ups to face the reaction of the industry and even more the feedbacks of the customers. They need to embrace serendipity and to react positively to difficulties and criticisms changing all the aspects of the business that are not working in the right way. It takes more and less 2 months to collect all the data and statistic that will be used to illustrate to the investors the potentiality and the evolution of the business.

iii. *Pitch*

Last month of the program is dedicated to the training of the startups to prepare the final pitches, made to present the results of the program to a bunch of potential investors at Demo Day.

Parallel to the Check Points, every month Luiss Enlabs organize the Sneak Peeks, these events are planned first of all to show the preview of the start-ups and then to present in the following weeks their evolutions to a small group of investors. These are usually selected

from those closest to the accelerator that could be interested in those specific businesses because they work in the same sector or adjacent. It's important to underline that not all the start-ups take part in all the Sneak Peeks but only those that in that period showed significant signs of improvement and growth that can be interesting for investors.

Moreover, if a start-up has a problem, Luiss EnLabs offers them a group of mentors composed by experts from different sectors such as marketing, finance. In case of necessity, the start-up asks one of them to intervene and the Advisor will help and follow them in their path to solve the problem. The remuneration of the Mentors is based on the results that the start-up is capable to reach thanks to his presence and on the start-up feedback. Usually, their recompense is composed of shares of the start-up.<sup>36</sup>

#### **2.2.4. Demo Day**

The Demo Day is an event organized by Luiss EnLabs at the end of each acceleration program. Furthermore, each start-up that took part in the program, have the opportunity to present themselves and their innovative business to a large network of investors through a Pitch made by the CEO. The Pitch is a short speech united to a presentation that illustrates: the main results, the main characteristics and the potential of the start-up. In particular, all the Pitches have some common elements that are fundamental to give investors all the instrument to make a choice:

- *Problem*

First of all, describes the problem they are willing to solve

- *Solution*

Illustrates the solution developed and how does it work

The following elements can be shown in a variable order or criteria depending on the start-up and the meaning of the Pitch:

- *Market analyses*

Describe how the market in which they are entering is evolving and its potential

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<sup>36</sup> Source: interview with Dott. Federico Alagna, LVenture Group CEO Assistant

- Metrics

For each customer segment identified are shown the estimation of the average cart, amount of revenue and sales. These data are collected in the acceleration process and can help investors to understand the potential of the startup.

- Revenue stream

Illustrates the actual and potential revenue

- Road map

A timeline that describes the future goals of the start-ups, how is willing to reach it and how long will it take.

- Competitors

Illustrate the positioning of their actual competitors and the competitive advantage they might have.

- Customer

Potential or actual clients.

- Financial needs

How many moneys they need from investors and how they are willing to spend it.

- Team

Fundamental tools to conquer the investors is to show a variegated team, composed by expert of the new technology and insights that can fully understand the customer need and as well a cooperative team that know how to face difficulties and work together to solve the problems.

Choosing the best criteria to make a good impression and show a confident approach is fundamental for the future of the start-ups that's why they spend all the last month focusing only on this. Furthermore, at the end of the Pitches the investors and the teams of the start-ups have the opportunity to meet each other during an informal aperitif and to deepen the topics previously discussed.

### **2.2.5. Investor night**

From 2018, LVenture Group launched a new recurring event: The Investors Night; that permit to present the improvement of the worthiest startups of the portfolio also after the



finish of the acceleration program. This event is important for both startups and investors to keep in touch and to create a solid network through time.

### 2.3. Actual Portfolio

For EnLabs Program last year has been a record one in term of application with a 27% growth rate compared to the previous one, counting 500 application. Furthermore, from 2013 till 2018, as shown by the figure, they received more than 1515 application, met more than 123 startups and select the worthiest 76 ones that started the program, 63 of which had the ability to successfully finish it.<sup>37</sup>

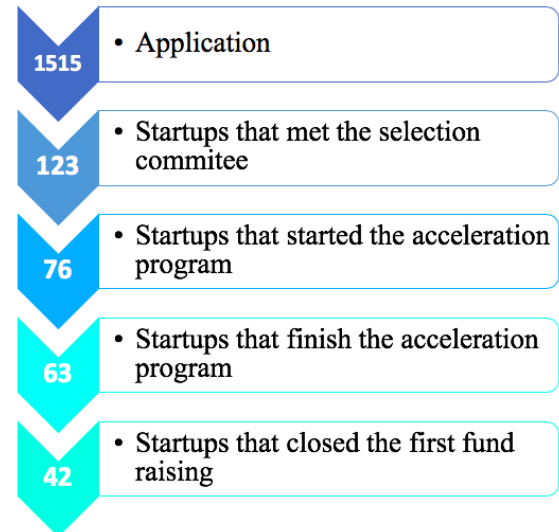


Figure 14: N° of start-ups between 2013 and 2018

From the 80% of the startups that finished the route, 42 (80%) also successfully closed the first round of investment, as showed in the following graph these two rates came closer in the last years.

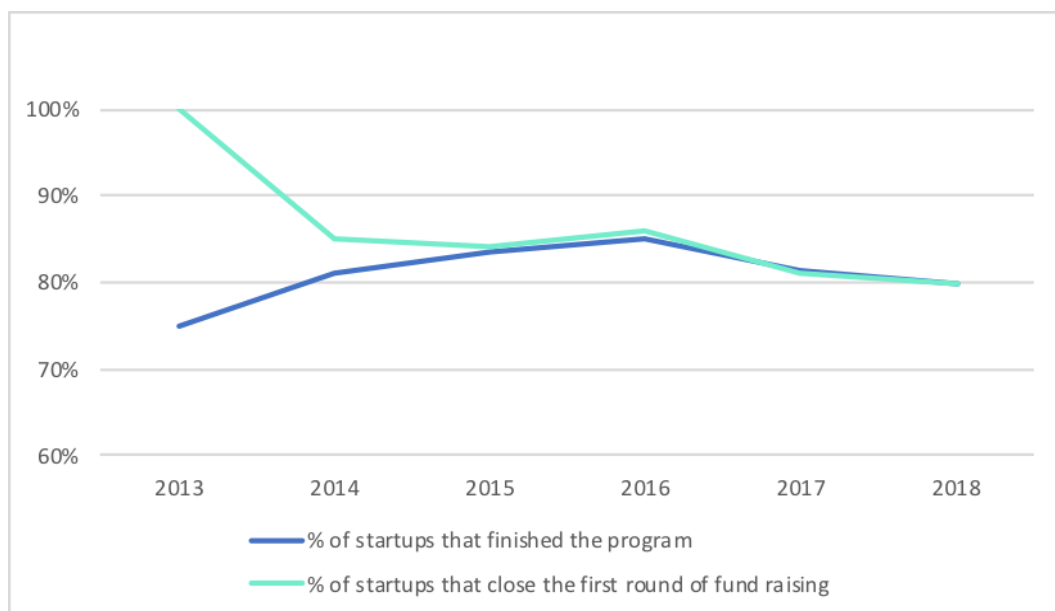


Figure 15 Comparison between the % of start-ups that finish the program and those how close the first fundraising round between 2013 and 2018

<sup>37</sup> Data Source: LVenture Balance Sheet, [www.LVentureGroup.it](http://www.LVentureGroup.it)

In the last 6 years, Luiss EnLabs accelerated more than 60 startups giving them the opportunity to meet investors and inspiring corporate. As can be underlined by the following graph this opportunity had been crucial for the future of the startups indeed, more than 21 million Euro had been invested by third-party Investors thanks to the network created by Luiss EnLabs and LVenture Group.

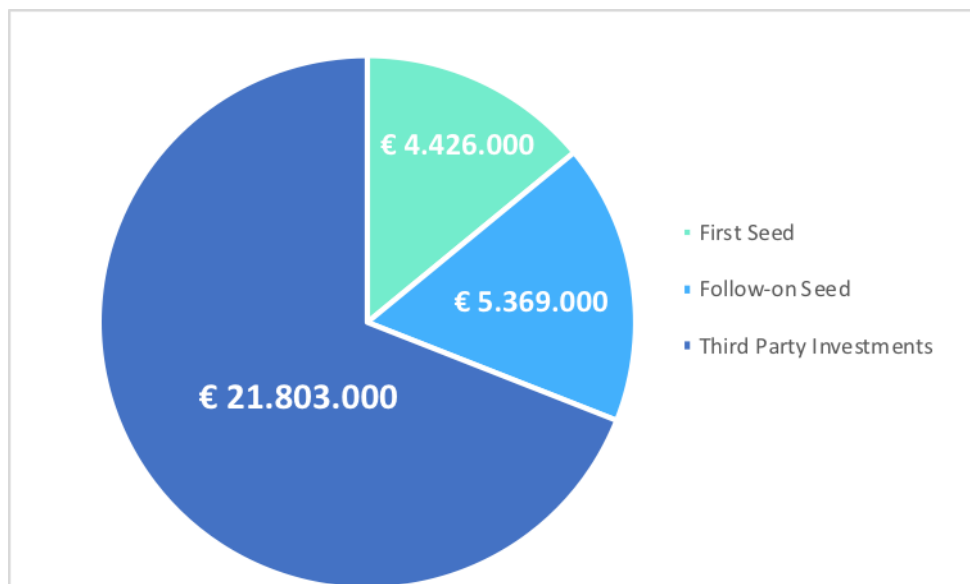


Figure 16 Investments in startups accelerated by EnLabs between 2013 and 2018

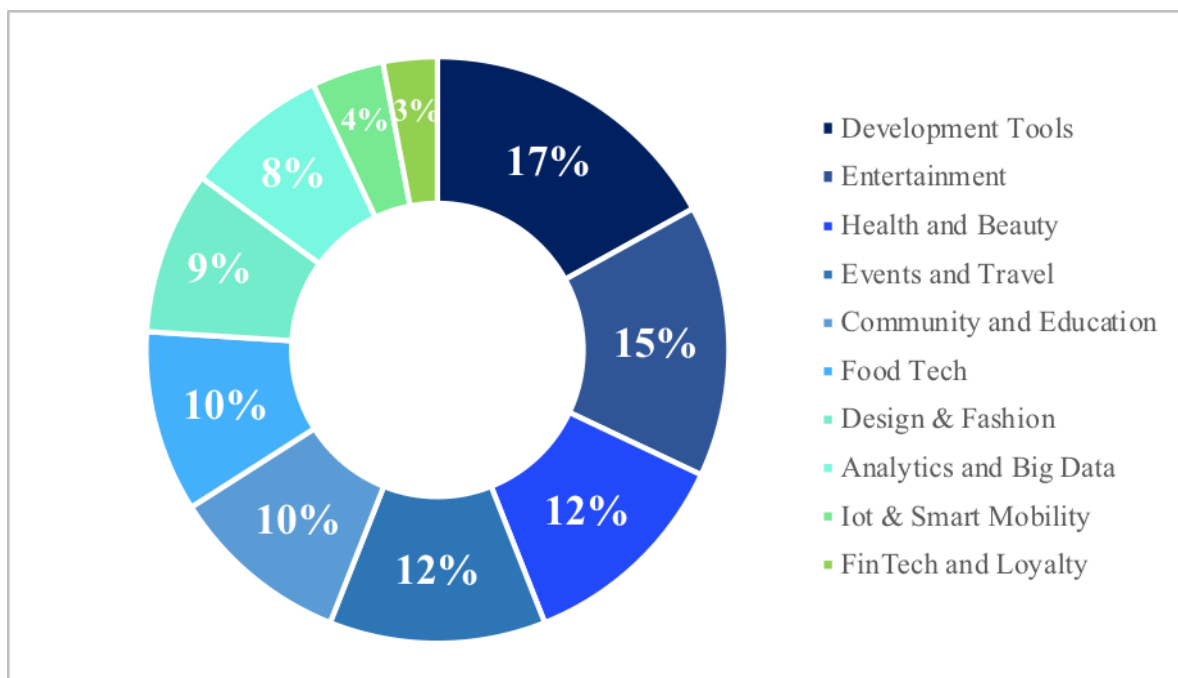


Figure 17 Sectors in which the start-ups belong

LVenture Group follows a strategy of differentiation of the portfolio that leads to a lowering of the risk. Indeed, as can be underlined by the above graph, they accelerated and invested in startups coming from ten different sectors with a quite similar percentage of effort. As previously described startup are risky business and this strategy can help them to lower the risks in case a particular sector loses its potential.

## 2.4. EnLabs in Italy

### Italian Ecosystem

Analyzing the geographical distribution of the Startup in Italy as can be seen by the map (figure 9), Lombardy is the region where the largest number of innovative startups is located: 2,417, equal to 24.8% of the national total. Furthermore, this record is followed by Lazio, the only other region to exceed one thousand (1,079; 11.1%). Particularly, **Milan** is by far the province in which the highest number of innovative startups is located: at the end of September 2018, there were 1,687, 17.3% of the national total. In second place appears Rome, which continues to grow and touches 969 (9.9%).

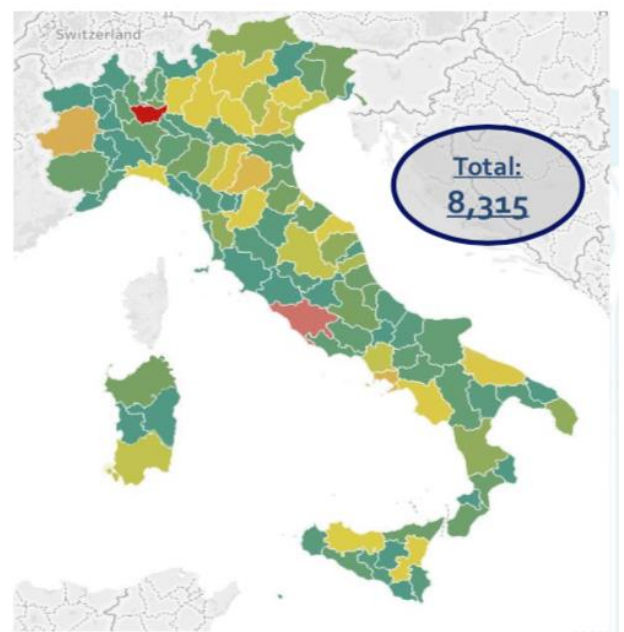


Figure 18 Italian Start-ups localization in 2018

### LUISS EnLabs Choice

Luiss EnLabs to adapt to this phenomenon decided to localize his Hub in Rome and Milan with the main objective to help innovation talent to have best services in the best environment.

The **Rome Hub** is located near the main train station to be as well easy to be reached by the investors and by the startups. Furthermore, it provides a 5500 square meter of offices, conference rooms and open space, this gives the possibility to collaborate and interact with other startups and corporate. These spaces are exploited as well by outsider companies to organize events, workshop, training courses and conferences.

The **Milan Hub** is located in the inside of the Milan Luiss Hub where the startups have 280 square meters dedicated to the Luiss EnLabs acceleration program, in which as well are organized event, conference and courses.



Figure 19 Luiss EnLabs Italian Localization

## 2.5. Case studies

### 2.5.1. EXITS

As explained in the previous chapter, the main strategy of LVenture Group is to achieve revenue through the exits. This is possible selling the stocks owned by the venture capital company (usually 9%) and can be done in a different way depending on how is willing to acquire it: a big company applying an open innovation strategy or the team of the startup that would like to own the entire equity or through an IPO. Exits can be achieved after a variable range of years that can change due to the characteristics of the startups and the sector in which is willing to enter.

LVenture Group in 2018 only after 5 years from the beginning of the Luiss EnLabs Acceleration Program reached the exit of 4 startups that had been acquired by bigger companies of the sector as followed illustrated. One had been acquired in 2016 instead, the others in 2018.



Figure 20: startups that had been acquired

### 2.5.2. Startups still in the Portfolio

The 60 startups that are still in LVenture Group portfolio have all different story and growth experience due to the fact that they started in a group of max 10 each semester from 2013, and that they operate in 10 different sectors. Furthermore, two success cases will be analyzed.

# SHAMPORA

Shampora is a start-up that offers the possibility to create a customized shampoo and conditioner that fit perfectly the customer needs. The algorithms implemented by the team permitted to analyze the different hair necessity, pointed out after a previous questioner submitted to the potential client, and create a personal product that will be produced and sent directly to the customer house.<sup>38</sup>



Figure 21 Example of the product offered by Shampora

This successful business model permitted to create a unique value proposition based on a customer-centric approach and conquer the investors. Furthermore, the acceleration process offered by Enlabs helped them to grow fast and enter with a strong structure in the market of customized cosmetics. As underlined by a study implemented by Cosmetica Italia<sup>39</sup> this market has big growth potential, indeed, 42% of the respondents declared that is willing to buy a cosmetic product that can be customized to fit their needs.<sup>40</sup>

At December of 2018, Shampora closed its first round of fundraising, collecting 300 000 Euro, from LVenture Group, Boost Heroes, SAF Venture, some business angels from Angel Partner Group (APG) and third-party investors.<sup>41</sup>

What really makes the difference in this start-up is the team. The CEO Manuel Corona, for example, worked In L'Oreal, a multinational company in the hair product sectors for years and this help him to get to know the industry fully and catch it potentiality. This permitted him to apply all his know-how and background on his new business. Furthermore, the team is composed also by other members that by opposite experienced the need of having a product that can fit the variety of need the different hair can need.<sup>42</sup>

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<sup>38</sup> **Figure 21 source:** Shampora website [www.shampora.com](http://www.shampora.com)

<sup>39</sup> **Cosmetica Italia:** National Association of Cosmetics Company

<sup>40</sup> **Data Source:** Beauty Report 2018 [www.cosmeticaitalia.it](http://www.cosmeticaitalia.it)

<sup>41</sup> **Data source:** il sole 24 ore, [www.ilsole24ore.com](http://www.ilsole24ore.com)

<sup>42</sup> **Data source:** Interview with Manuel Corona, CEO of Shampora

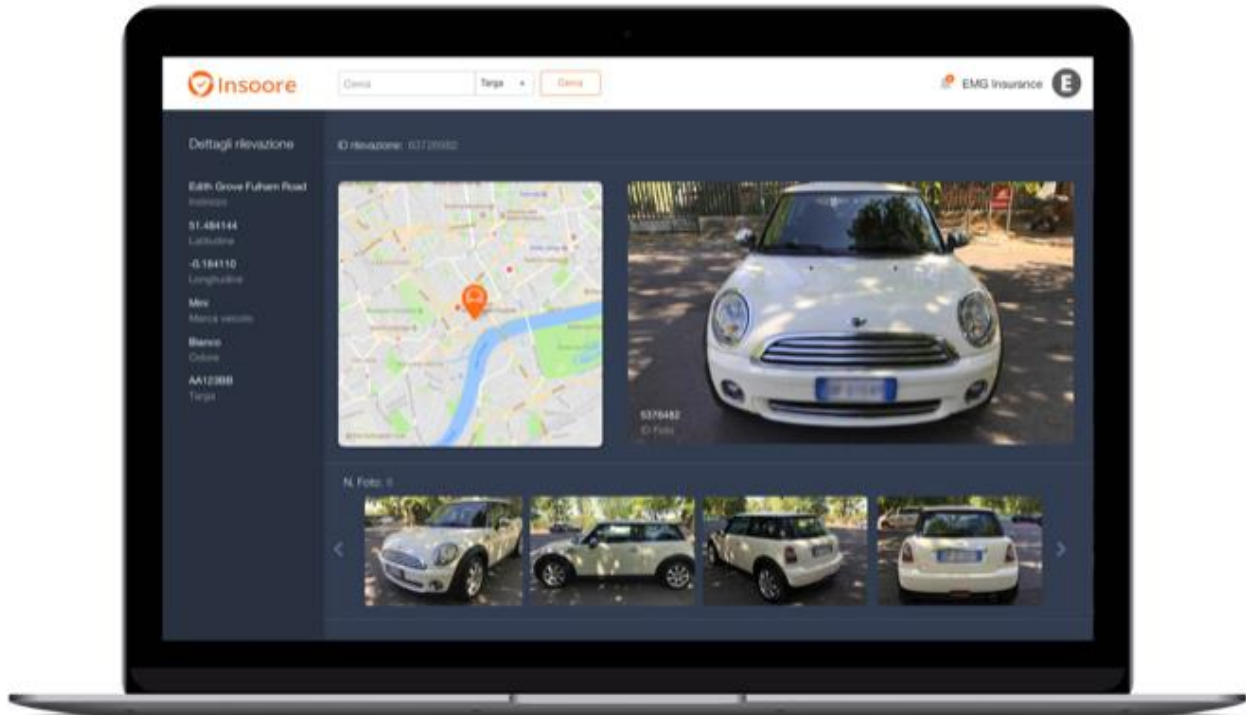


Figure 22: Sample of a screen-type of the platform

Insoore is a platform that helps to reduce drastically the losses caused by insurance fraud in case of an accident or in case of other needs. This is possible through accurate data and photos report in real time and On Demand of the vehicle state, thanks to the many Insoorer that are ready to reach the accident location. Furthermore, they define also the verified GPS position and the correct time and date.<sup>43</sup>

Their case is unique; indeed, they didn't start the program as Insoore but as Whoosnap. This startup joined EnLabs program as a guest in 2014 receiving only 30,000 euros in services and the chance to be accelerated because their initial business plan doesn't convince completely the committee. After the achievement of

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<sup>43</sup> **Data source:** Insoore web site, [www.insoore.it](http://www.insoore.it)

some results such as the collection of 5000 subscriptions in the last months of the acceleration program, the startup suffered a period of difficulty that lasted three years.

During an Investor Day, they had the opportunity thanks to the network of investors and mentors of Luiss EnLabs to meet two managers of Octotelematics, a company that deals with the production of a system that localize in real time the vehicle and permit to protect the insurance companies from frauds and helps insured to lower the fee. They gave them the tip to apply the original Whoosnap system, designed to collect professional images of events through the users of the platform and sell them to newspapers, to the insurance world as previously described. This meeting marked a turning point in the business model, bringing the CEO Enrico Scianaro to make a drastic decision and revolutionize the business creating Insoore, that has been launched in December 2017. This is considered a branch of the original company which still operates with poor results. Also, the latter has been renewed in the last years. Indeed, it opened up to the world of social networks, helping the match between influencers and companies that want to sponsor a product through professional photos using Whoosnap not only as a place where to sell the photos but also as a meeting place.<sup>44</sup>

Furthermore, this case helps to underline the high risk of failure the startup has and how much the network and services offer by Luiss EnLabs can make the difference. As well it proves how a good team can adapt the business model to the market need achieving success, through collaboration.

I would like to thank the Insoore CEO Enrico Scianaro and the Shampora CEO Manuel Corona for the interviews and the time offered.

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<sup>44</sup> **Data source:** interview with Enrico Scianaro, CEO of Insoore



### 3. ELITE



#### 3.1. Presentation

Elite is an international platform of London Stock Exchange Group created in 2012 from the collaboration between Borsa Italiana<sup>45</sup> and Confindustria<sup>46</sup> that both have the goal to sustain the best Italian companies. The main objective is to accelerate the growth of worthy companies through an innovative path of organizational and managerial development aimed at making them even more competitive, visible and attractive towards investors globally.

While entrepreneurs try to create added value through the implementation of innovation, they also have to minimize financing risks looking for the best solutions and options to choose from. This acceleration process allows them to transform their ideas and opportunities into clear plans, actions and results able to attract funding by providing them with:

##### 1. Skills

The companies are walked through a training path that allows them to acquire all the skills required to create a sturdy business.

##### 2. Capital

Through the program, the firms learn/improve all the competences indispensable to be prepared to take the final step into the financial world leaving them the choice to achieve it thru a stock exchange listing (IPO), a secondary service such as the basket bond or other methods.

##### 3. Network

Thanks to the high demand for participation in the program, Elite has become an international network offering the opportunity to get advantage of the proximity with other worthy companies learning through their testimonies of growth.

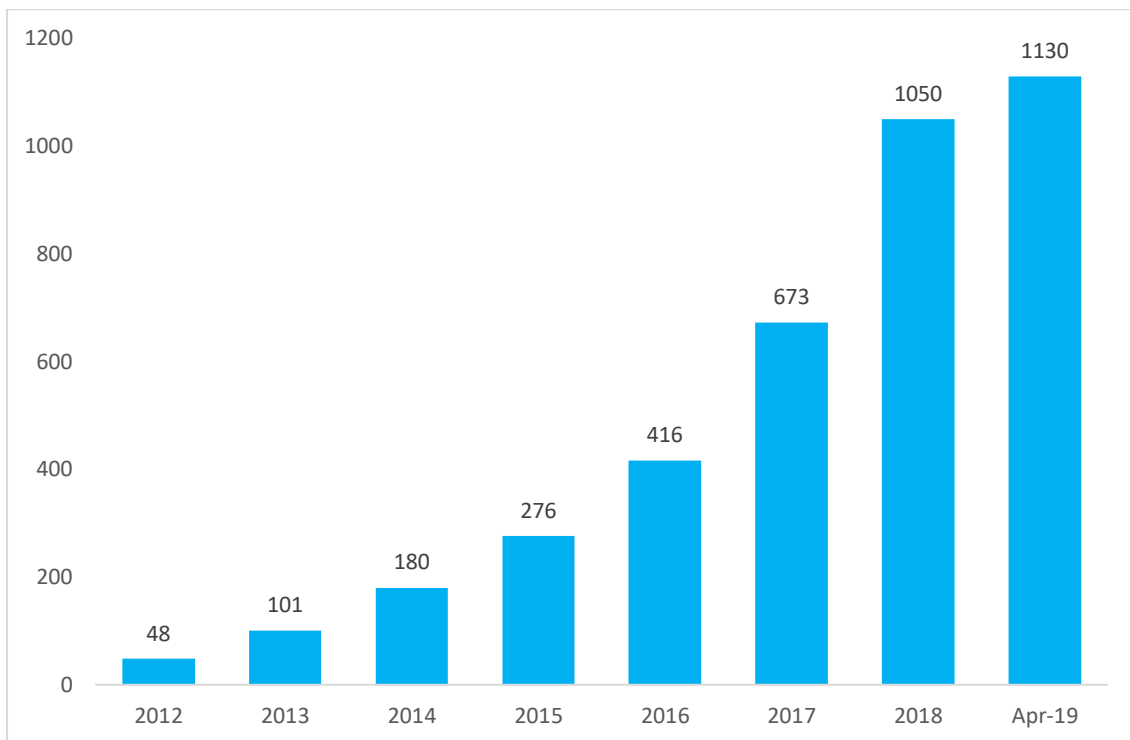
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<sup>45</sup> **Borsa Italiana:** Italian Stock Exchange based in Milan

<sup>46</sup> **Confindustria:** most important representative body for manufacturing and service companies in Italy

Considering the last twenty-five companies that joined the program in April 2019, the number of companies went up to 1134, 700 of which are Italian, with a total revenue of 84 billion euros and 485K employees.

### *ELITE Companies*



*Figure 23: Number of companies that joint Elite Program from 2012 till April 2019<sup>47</sup>*

Working directly with the companies and their leaders, Elite gives them the possibility to scale up their businesses, make a lasting economic impact and achieve their potential.

As explained by ELITE CEO Luca Peyrano “The future of our country is closely linked to the ability to do business and enhance the most virtuous companies. This is the fundamental role of ELITE: enabling change, creating value and supporting growth. ELITE is first and foremost a platform for growth, only then is finance, which serves the ideas and ambitions of the company. Today ELITE is a global network of over 1,100 companies from 41 countries, testifying how this model can meet the needs of top companies regardless of their geography”.<sup>48</sup>

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<sup>47</sup> **Figure 23:** Personal Report, data source: [www.elite-network.com](http://www.elite-network.com)

<sup>48</sup> **Luca Peyrano,** CEO di ELITE, press release of 17 April 2019

## 3.2. The ELITE Programs

### *Description of the acceleration programs offered by Elite*

Born in 2012 from the idea to help SMEs to approach to the exchange would in a simple way, the Elite program have an average duration of 2/3 years and give companies the possibility, from then on, to take advantage of the services being part of an international network that count more than 1000 companies.

As explained in the previous chapter Elite program aims to potentiate companies' growth making them reach the right finance method to fully exploit the potential of the market and of the company.

### 3.2.1. Access Requirements

In fact not all the firms have the possibility to join the program, to enter it is required to pass rigid controls. First of all, companies need to fit certain economic access requirements that are:

- a. Turnover higher than euros **10 million** or **5 million** if it increased by at least **15%** in the last year.
- b. Operating earnings higher than 5% of the turnover
- c. Positive net profit
- d. The company need to be private

As shown in the previous chapters this program is designed for SMEs that are reluctant to stock exchange market but also motivated to catch growth opportunities. Due to this, the company needs to fit also other qualitative requirements such as:

- High quality and ambitious company
- Solid competitive positioning
- Evidence of past growth and future potential
- Commitment to participate in the program and motivated to implement valuable changes
- Desire to obtain funding in the future to accelerate growth

- Credible company management

The ELITE selection committee can in some cases accept also companies that don't stick to all the access requirement but considering the macroeconomic aspects are worthy.<sup>49</sup>

### 3.2.2. Advantages

The advantages of joining the program are varied and can change from one company to the other, the ones that gather most of them are:

A. *Diverse Network*

The companies have the opportunity to be part of a network not only of local and international firms from different sectors, but also of a big variety of high level business people: investors, corporate advisers and leading business schools.

B. *Access to investors*

Due to the fact that this program is organized by Borsa Italiana, the companies are provided of a variety of capital options through the Elite Funding Platform furthermore explained in a following dedicated chapter.

C. *Collaborative Experience*

The environment created by the join of a variety of companies gives the possibility to interact learn and share from the experiences of peers. This creates a collaboration that can last also outside the program.

D. *Continual development*

The companies through the years never stop learning new skills that help them to take the right financial or managerial choices for their businesses.

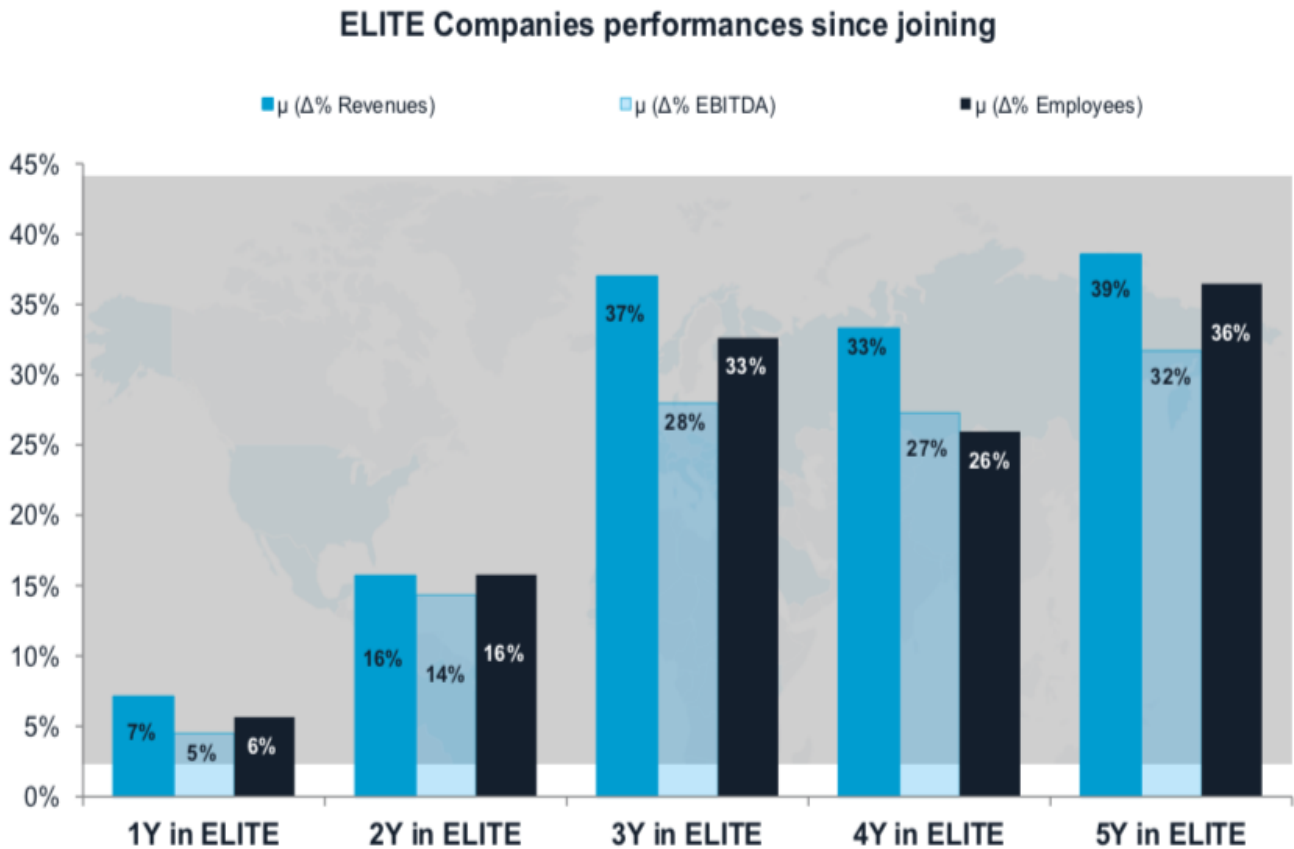
E. *Enhanced profile*

The reputation and visibility of the company raise not only in the financial community but also in the business one at a national and international level.

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<sup>49</sup> Data Source: Elite website, [www.elite-network.com](http://www.elite-network.com)

Is important to underline that the advantages of joining the program are not temporary but grow through the years. This can be proved in the below graph that shows the results of the monitoring on the principal growth KPIs<sup>50</sup> of the companies in a range of 5 years from the joining.



*Figure 24 Elite Companies Performances since joining<sup>51</sup>*

Furthermore, the average elite companies showed a:

- REVENUE growth rate of 21%
- MARGINS growth rate of 16%
- EMPLOYMENT growth rate of 19%

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<sup>50</sup> **KPIs:** Key Performance Indicators

<sup>51</sup> **Figure 24:** Elite Presentation 25/01/2019, [www.elite-network.com](http://www.elite-network.com)

### 3.2.3. Structure of the program

The program is divided into three different part that the company need to go throw, the first is based on training sessions and aims to give companies the basis of the needed knowledge, in the second one the companies have to put into practice all they had learned, and the last one give companies the access to all the benefits. Furthermore, the companies are divided into groups of 20/30 that start the path together due to help them to know each other and to learn from others' experiences.

## 2. GET Ready

In the first step, managers and entrepreneurs follow training courses that allow them to analyze in depth the organizational and financial corporate systems. This is in order to stimulate organizational change and to evaluate long term financing opportunities, adapting them to the requirement of fundraising.



These courses have as main subjects:

- Strategies for growth
- Innovation and internationalization
- Organizational models and governance in leading companies
- Financial corporate systems evolved
  - Strategic planning
  - Management control systems
- Access to fundraising options

Furthermore, the path consists of 8 days of lessons with Bocconi<sup>52</sup> professors and also with experts selected within their partner network, these courses are divided into 4 topics:

- a. Growth's and internationalization's path
- b. Corporate culture and governance applied to a growth strategy

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<sup>52</sup> **Bocconi**: "business school" partner in Italy

- c. Growth impact on managerial role and reporting systems
- d. Strategic communication of the firm and research of funds

In average it takes one year to pass this level.

### **3. GET Fit**

Companies in this phase have the possibility to actualize the learning of the previous courses. They follow specific workshops facilitated, if necessary, by a dedicated team of tutors (ELITE Team), with the aim of continuing to increase the capacity to attract investors. This level is based on a progressive adoption of new management practices to prepare for further growth and investments. In particular, the main purposes of the workshops are:



- Support in the development of a suitable business plan and a clear presentation of the equity story
- Help consolidate corporate and financial communication practices
- Drive potential changes in the corporate governance framework

This level as well lasts one year and at the end of this practice part, the companies get the ELITE Quality Certification.

### **4. Get value**

The last level is longer than the previous ones, but it doesn't have a time limit due to the fact that is the last one. It provides companies with the benefits and opportunity of joining the elite international network. Furthermore, it gives firms the possibility to capitalize on the implemented changes and broad elite community to access new business, networking opportunities and financing options.



The benefits that provide this phase are:

- Visibility with entrepreneurial and financial communities at local and international level
- Structured access through the web platform, to the network of advisors, professional investors and institutions.
- Business matching with other ELITE companies
- Access to funding opportunities such as:
  - Equity and debt capital markets
  - Private equity
  - Venture capital firms
  - ELITE Club Deal

#### **3.2.4. Deal**

The company that joins the program needs to pay a € 12.000 annual fee. The relatively low cost is due to the fact that the greatest investment required is time and effort, indeed the company who enters ELITE cannot enter the program and then not participate, but must devote time to training, assessment, workshops, and also to the most social activities they organize to put entrepreneurs in contact with each other. So, a low economic cost and a more important investment: the time of the entrepreneur, which unfortunately is one of the few resources not infinite.

### **3.3. ELITE in Italy**

Considering the last twenty-five companies that joined the program in April 2019 the number of companies went up to 1.134, among which 700 are Italian. Analyzing in depth the Italian impact of ELITE the studies show that these companies have an aggregate revenue of 68.2 billion euros and 365K employees.



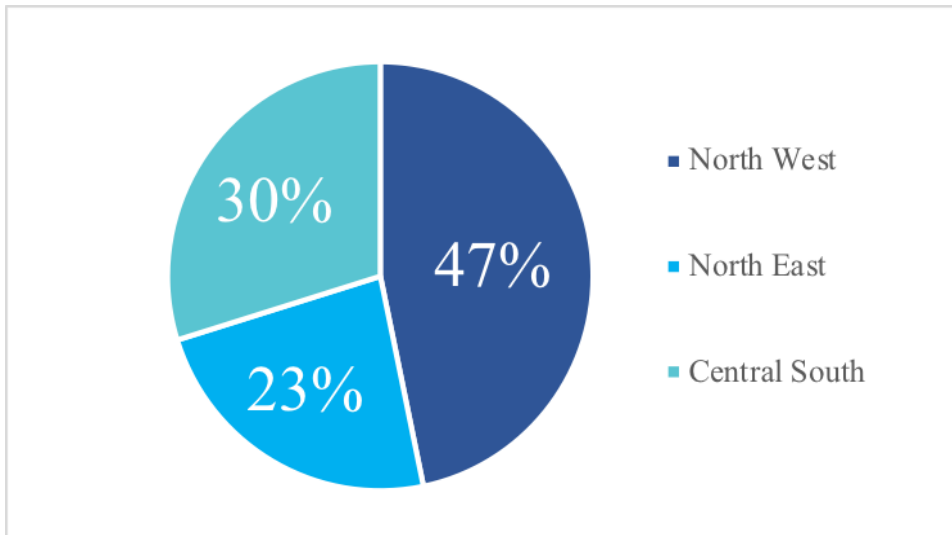


Figure 25 Regions of belonging of Elite companies<sup>53</sup>

The Elite companies belong to 19 different regions divided as described by the above graph in three macro-regions, 30% from the central south area, 23% from the northeast area and 47% from the northwest area. Furthermore, they came from 10 different sectors and how can underlined easily by the following graph a big percentage come from the industrials sector.

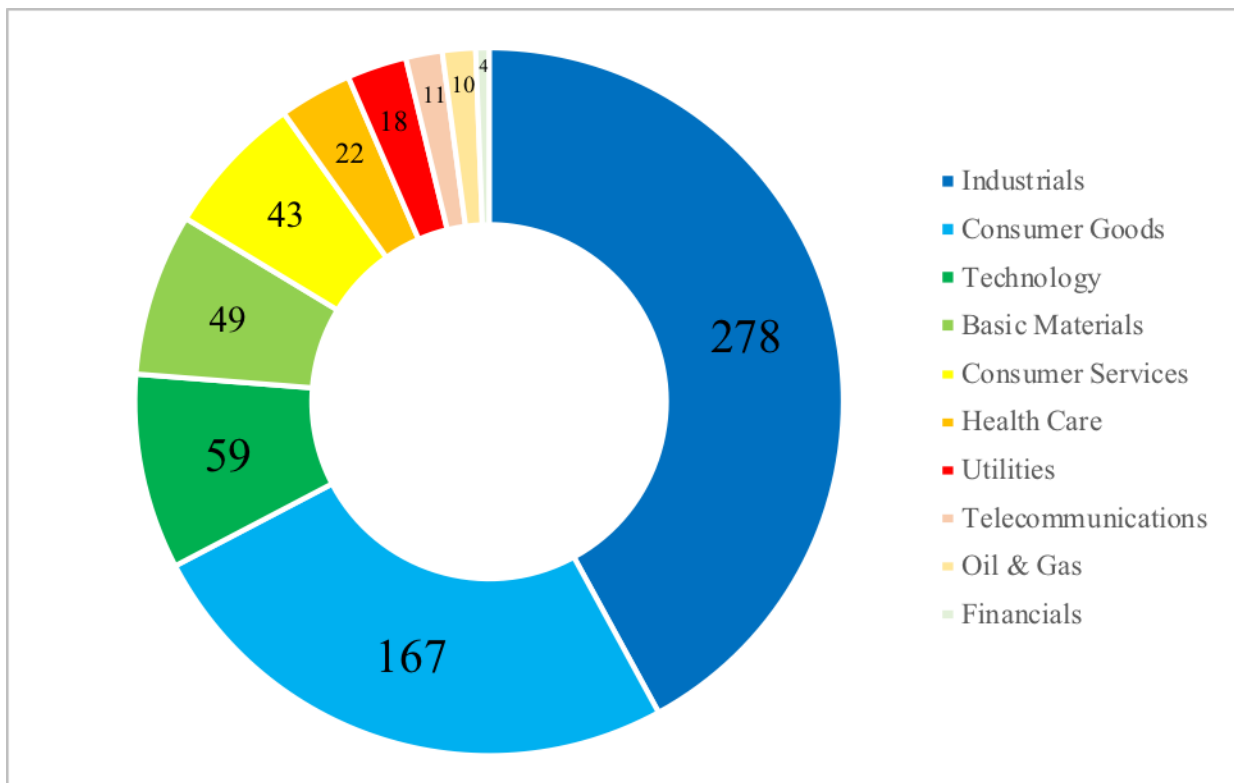


Figure 26 Sectors from which Italian Elite Companies came from.

<sup>53</sup> Figure 25/26: Personal reports, data sources [www.elite-network.com](http://www.elite-network.com)

### 3.4. ELITE Funding Platform

Elite Funding Platform is an online platform reserved for the Elite Companies and to professional investors. Furthermore, it is part of the benefits that the companies receive when they join the program.

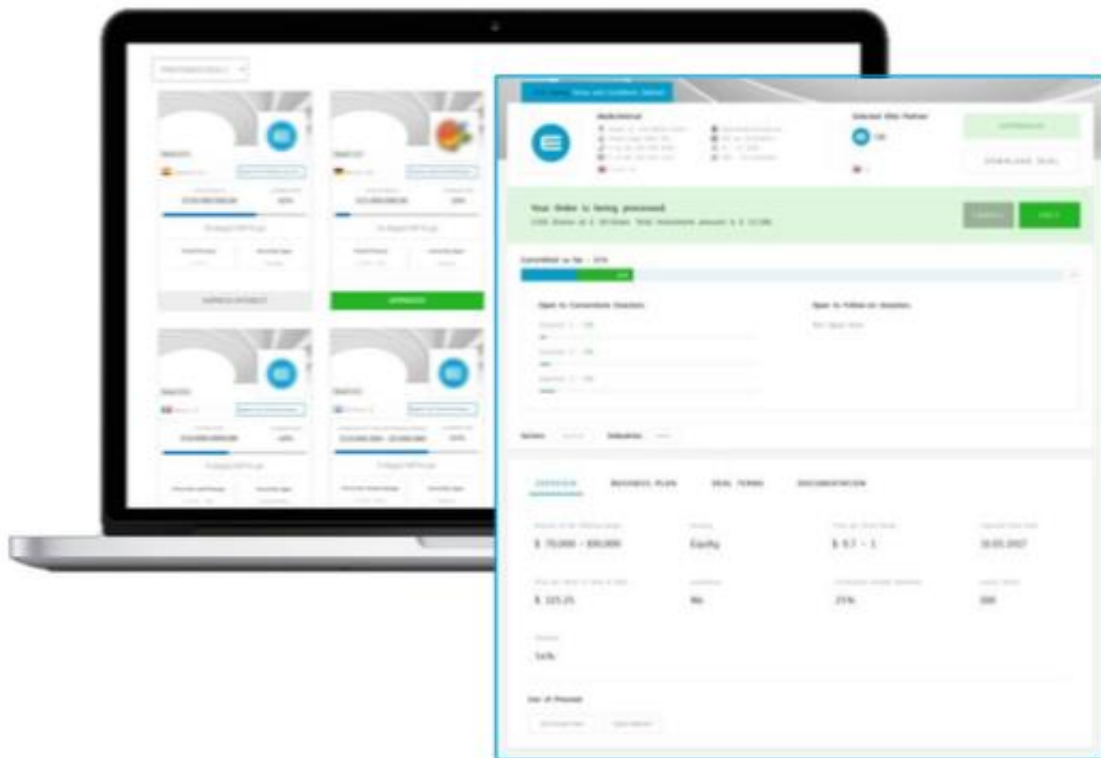


Figure 27: Sample of a screen-type of the platform

The Platform provides companies with the following benefits:

- Multisided Options  
ELITE Platform offers Equity, Bonds, Convertibles, CBOs and other options giving companies and investors funding as well as investment options.
- All-in-one Place Approach  
Once you log in every information and instrument needed to conclude the investment is inside the same place. Furthermore, the platform provides a detailed company profile, Digital Data Room, self-promotion mechanisms and advisor selection.

- Streamlining the capital raising process  
Providing standard documentation and workflow finalize an option is as easy as possible.
- Fees Policies  
Companies pay a fee only in case of success, by contrast, the investors don't pay any fee.
- Web-based portal  
This innovative approach permits in only 2 clicks to conclude an investment process

The Platform gives the possibility to actualize three different solutions:

**1. Single Transactions**

Multiple funding options in a “One-Stop-Shop” customer experience.

**2. Basket Bond**

A selected pool of issuers has the possibility to fund themselves with a debt option that otherwise would be too big for them alone.

**3. SPAC<sup>54</sup> in Cloud**

Combining the advantages of a traditional SPAC and the digital fundraising model to streamlining access to the public market.

These three solutions will be furthermore explained in the following case studies' chapter.

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<sup>54</sup> **SPAC**: Special Purpose Acquisition Company, is an investment vehicle used to fund a company through an IPO, usually through the placement of ordinary shares with a paired free warrant: resources necessary to an M&A operation with a private company

### 3.3. Case studies

Thanks to Elite network and facilities, such as the Elite Funding Platform previously illustrated, Elite Companies completed in last years different types of options. Particularly from 2017, 300 million euros were invested into 15 different companies, in this chapter some cases for each category will be analyzed.

#### 3.3.1. Single Transactions

The first option presented is the single transaction, it involves only one company and it happens all on the Elite Funding Platform.



Figure 28: the case of eToro<sup>55</sup>

The above figure shows the case of eToro a company that counts more than 9 million users and is present in 140 countries, this permitted to raise through the single transaction 100 million euros in the 21<sup>st</sup> March 2018 after only 3 years from the joint of Elite Program in 2015.

#### 3.3.2. IPO

Another option is to go public through an IPO as MONNALISA did the 12<sup>th</sup> July 2018 raising 20 million euros with a Market Cap at IPO of 72 million. In particular, this company counts 98 Monobrand stores and 767 Multibrand stores in 64 countries.

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<sup>55</sup> Data source: elite website [www.elite-network.com](http://www.elite-network.com)

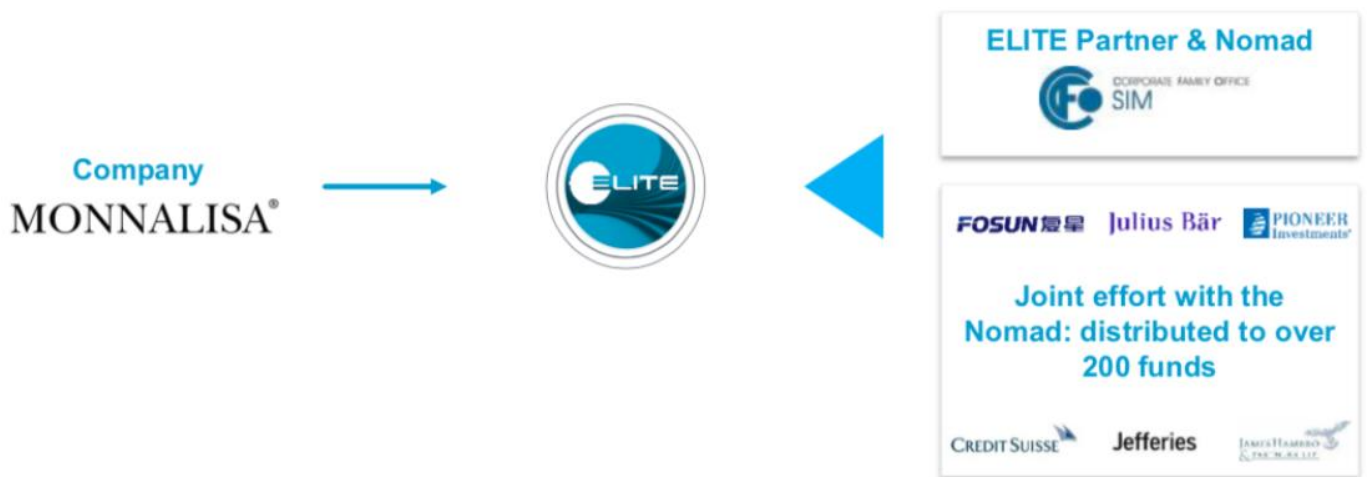


Figure 29: the case of MONNALISA

### 3.3.3. Basket Bond

A selected pool of issuers has the possibility to fund themselves with a debt option that otherwise would be too big for them alone. Furthermore, each company issues a bond with the same characteristics except for amounts and covenants. All of them are subscribed by a Special Purpose Vehicle (SPV) that issues an Asset-Backed Security through the Elite Funding Platform.

Key aspects of the operation:

- Systemic and scalable transaction

It involves ELITE companies that operate in different sectors with strong growth plans.

- Benefits for ELITE companies

Participate in a systemic financing operation that, based on volumes and creditworthiness, allows the Issuer to approach institutional investors at very competitive conditions.

- Benefits for investors

Access a diversified portfolio of ELITE companies.

- Risk diversification

Further diversification of the risk due to the presence of Credit Enhancement.

- Credit Enhancement

Risk sharing between issuers in the event of late payments and default.

**The first Basket Bond**

The first basket bond took place in December 2017 and was launched by Elite in collaboration with Banca Finint.

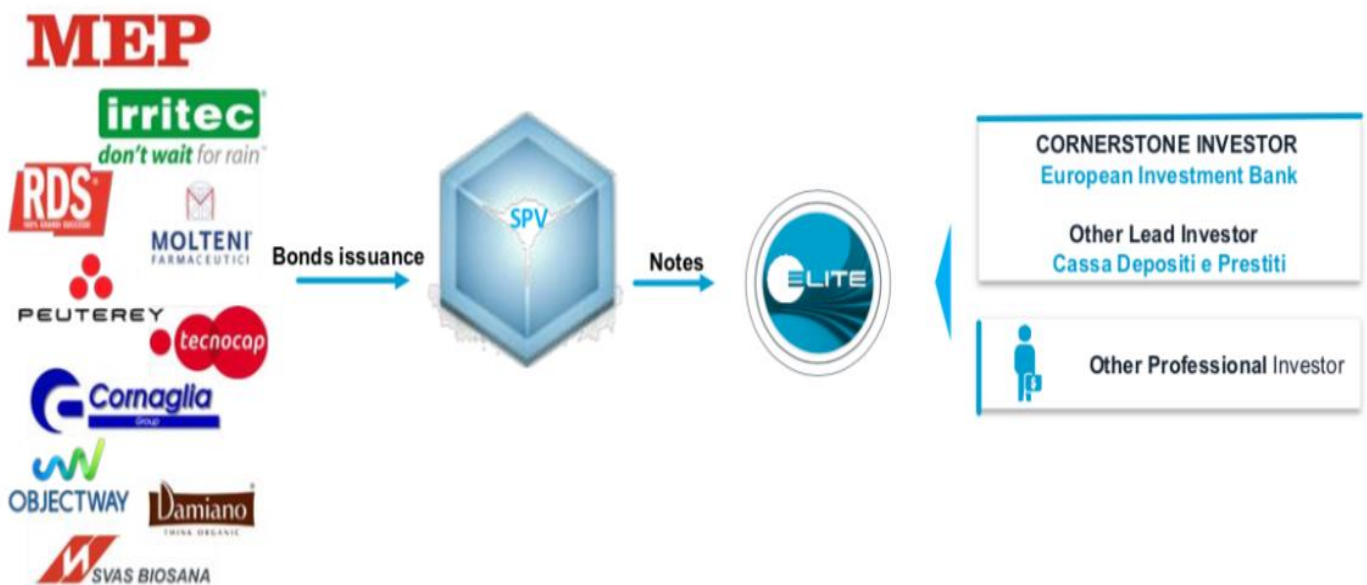


Figure30: the first elite basket bond

Ten companies participated as shown in the above figure, coming from seven different regions and working in 10 different sectors with a total value of 1 billion and more than 4000 employees. Thanks to this opportunity they collected through the Elite Funding Platform 122 million euros.

**3.3.4. SPAC in Cloud**

This option had been created by the collaboration between Elite and Electa Ventures as an innovative type of SPAC. Indeed, it combines the advantages of a traditional SPAC and the digital fundraising model to streamlining access to public funds.

The process follows the successive standard steps:

- The nomination of an Elite Partner, usually the IPO's broker

- Upload of the required documents in the Digital Data Room, and share it with both the Promoter and the Cornerstone Investors
- New agreements are the result of the negotiation between the Promoters<sup>56</sup>, Cornerstone Investors<sup>57</sup> and the company<sup>58</sup>.
- Opening to the Follow-on Investors<sup>59</sup> only on particular certificates
- Orders collection

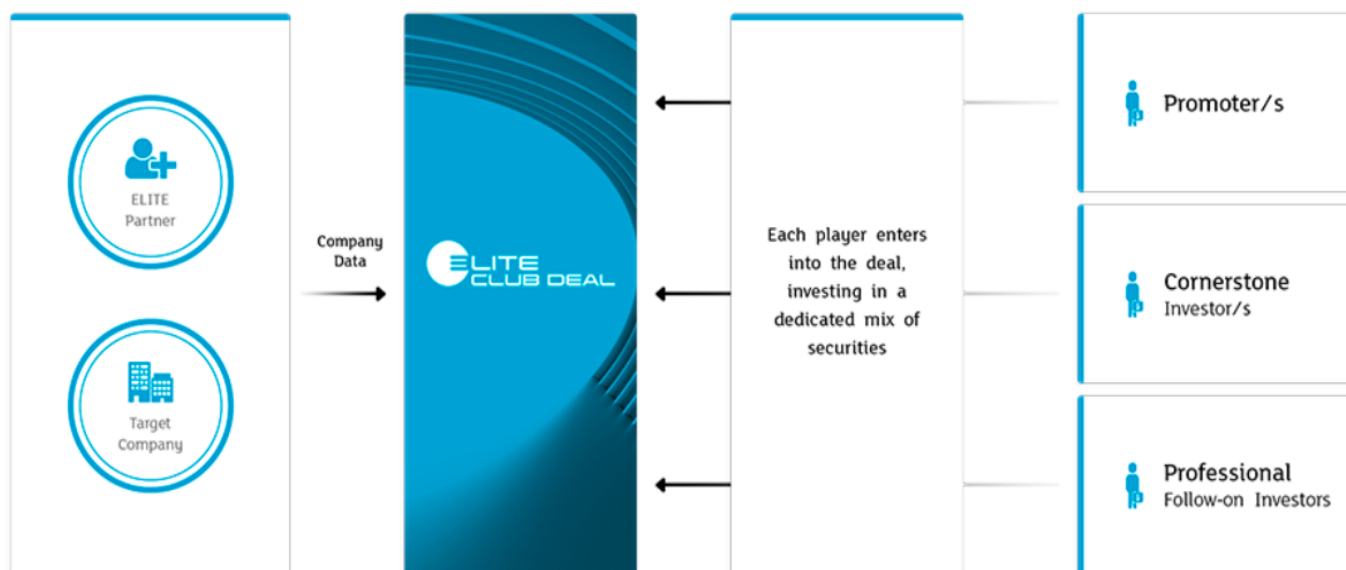


Figure 31: how a SPAC in cloud works

This new facility created to help Elite companies is also an opportunity for investors that can have digital and direct access to potential investments. Indeed, Cornerstone Investors, for example, have the privilege to have a minimum commitment of 20 % of the final total offer before the entering of the Follow-on Investors. By Contrast, the advantages of the

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<sup>56</sup> **Promoters:** they identify the target company, select the cornerstone investors, negotiate and structure the transaction and partially pay the transaction fees.

<sup>57</sup> **Cornerstone Investors:** they have some benefits such as the possibility to enter previously in the company with an appropriate buy-side due diligence and the possibility to have a guaranteed minimum commitment on the deal.

<sup>58</sup> **Target Company** is an Elite company that is willing to go public.

<sup>59</sup> **Follow-on Investors:** they invest in stock or warrant of the target company, that had been separately negotiated in the stock exchange

company are represented by the opportunity to negotiate with promoters and investors. The transaction is considered concluded only if the company is admitted in the stock exchange.

### The case of Digital Value

The first companies that inaugurated this service is Digital Value<sup>60</sup>, that went public the 8<sup>th</sup> November 2018 through the SPAC in cloud system.

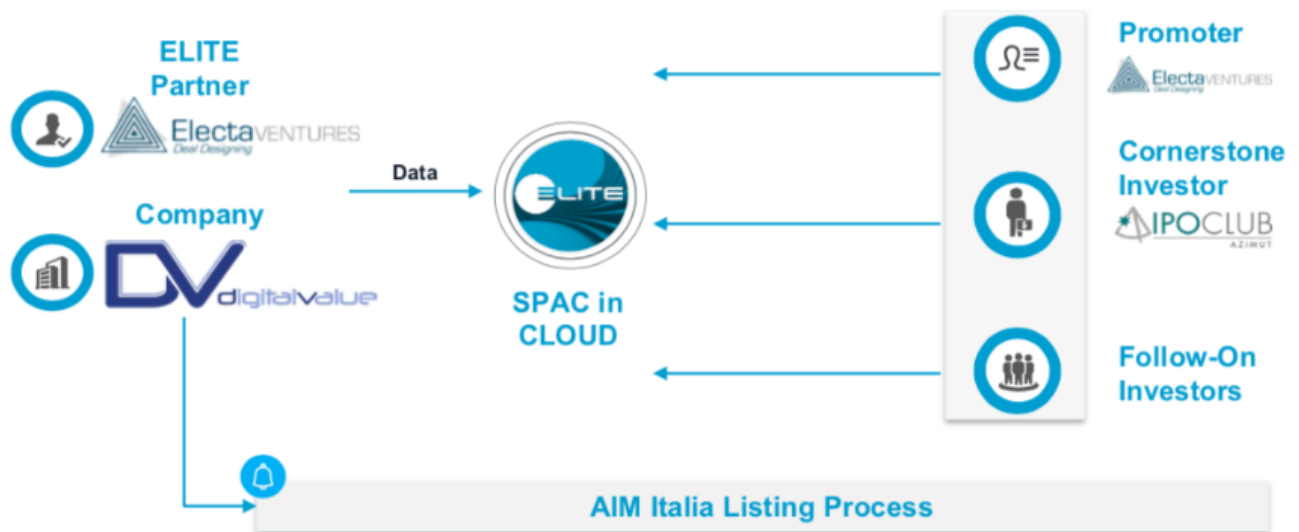


Figure 32: the first SPAC in Cloud, the case of Digital Value

As can be seen in the above figure, Electa Venture had been the promoter and IPO Club the cornerstone investors. This last one, subscribed 30% of the total offer than followed by a group of follow-on investors. All the transaction had been through the Elite Funding platform, they raised 22.5 million with a market cap at IPO of 62 million.

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<sup>60</sup> **Digital Value:** Italian companies that provide services and IT solutions



## 4. Comparison and conclusion

### 4.1. Comparison table

These two programs are considered the most innovative and successful in the Italian field. Indeed, the support given to these two types of companies exponentially increases their growth opportunity. Furthermore, these two realities are a unique example of services that help companies in their financial decisions in different moments of their lives.

<b>Comparison Parameters</b>		
<b>Requirements</b>	<ul style="list-style-type: none"> <li>▪ Team</li> <li>▪ Working prototype</li> <li>▪ Innovative technology</li> <li>▪ Unique Value Proposition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Turnover &gt; <b>10 million</b> or <b>5 million</b> if increase &gt;<b>15%</b> in the last year.</li> <li>▪ Operating earnings &gt; 5% of turnover</li> <li>▪ Net profit &gt; 0</li> <li>▪ Private company</li> </ul>
<b>Duration &amp; Structure</b>	<p>Checkpoints each 2 weeks</p> <p>5. Business model → 2 months</p> <p>6. Entering the MKT → 2 months</p> <p>7. Pitch Preparation → 1 month</p> <p>TOT DURATION &gt; 5 MONTHS</p>	<ol style="list-style-type: none"> <li>1. Get Ready → 1 year</li> <li>2. Get fit → 1 years</li> <li>3. Get Value → unlimited participation of elite network</li> </ol> <p>TOT DURATION &gt; 2 YEARS</p>
<b>Final Goal</b>	<p>Demo Day</p>	<p>Elite Certification</p>

<b>Deal</b>	<p>Companies Receive:</p> <ul style="list-style-type: none"> <li>- Seed up to 145 000 Euro</li> </ul> <p>Companies Give:</p> <ul style="list-style-type: none"> <li>- 9% equity</li> </ul>	<p>Companies spend:</p> <ul style="list-style-type: none"> <li>- Euro 12000 annual fee</li> <li>- Time and effort</li> </ul>
<b>Number of Companies</b>	<p>Portfolio at the end of 2018:</p> <p><b>60</b> startups</p>	<p>Elite network at April 19:</p> <p><b>1130</b> companies</p>
<b>Sectors of the companies</b>	<p>10 SECTORS</p> <ul style="list-style-type: none"> <li>- Development Tools</li> <li>- Entertainment</li> <li>- Health and Beauty</li> <li>- Events and Travel</li> <li>- Community and Education</li> <li>- Food Tech</li> <li>- Design &amp; Fashion</li> <li>- Analytics and Big Data</li> <li>- Iot &amp; Smart Mobility</li> <li>- FinTech and Loyalty</li> </ul>	<p>10 SECTORS</p> <ul style="list-style-type: none"> <li>- Industrials</li> <li>- Consumer Goods</li> <li>- Technology</li> <li>- Basic Materials</li> <li>- Consumer Services</li> <li>- Health Care</li> <li>- Utilities</li> <li>- Telecommunications</li> <li>- Oil &amp; Gas</li> <li>- Financials</li> </ul>
<b>Growth rates</b>	<p>Growth rate 80%</p>	<ul style="list-style-type: none"> <li>▪ REVENUE growth rate 21%</li> <li>▪ MARGINS growth rate 16%</li> <li>▪ EMPLOYMENT growth rate 19%</li> </ul>
<b>Location</b>	<ol style="list-style-type: none"> <li>1. Rome: Luiss EnLabs Hub</li> <li>2. Milan: Luiss Hub</li> </ol>	<ol style="list-style-type: none"> <li>1. Milan: Borsa Italiana</li> </ol>

## 4.2. Comparison and conclusion

These two great successful realities show similarities and differences, underlined by the previous table. First of all, both as shown in the previous chapters were born with the aim of accelerating the potential growth of worthy companies. However, LUISS EnLabs offers an intense daily program that aims to build solid foundations for start-ups in just a few months. Since by definition, the latter are at the beginning of their life and are not yet definitively structured, they do not yet have large revenues and returns for their offering. By contrast, ELITE through a long-term program aims to support companies for years by placing themselves at their side. In this case, companies are already structured and with solid foundations, thus leaving them the freedom to take full advantage of every service provided or only in case of need.

The reason that led to these two different approaches is to be found in the physiognomy of the target companies. Indeed, a feature that differentiates them is in the deal they offer to their customers. Luiss EnLabs through LVenture Group comes into full contact with every aspect of the start-up financing it firsthand by acquiring 9% of the equity. By contrast, Elite offers companies a training path parallel to companies' management, which decisions are left to the CEOs. This permitted to turn Elite Program into a very useful tool still remaining outside the company by asking an annual fee.

The above-mentioned differences help to understand two aspects that can be hardly compared between the two programs. First, the big gap between the numbers of companies that undertook the two paths as can be seen by the above table. Luiss EnLabs program accepts only up to 10 startups in each of her twice a year call for startups. This because is important for a venture capital reality to ponder the potential revenue with the high risk of these businesses. Furthermore, is important to focus all the resources on the best opportunities instead of accepting all possible applicants and exponentially increasing the risk. By contrast, it is very important for Elite to be able to involve as many SMEs as possible, obviously considering the minimum requirements to be considered worthy and growth potential. This to fill the information gap and permitting them to take advantage of the creation of an exclusive international network that in April 2019 counted more than 1000 companies.

The second parameters that can be hardly compared are the growth rates. Indeed, the expected growth rate of a start-up is higher than the expected growth rate of a well-structured SME. By the way, these results, as can be seen in the table, show a big success of both programs and can be considered the proof of reaching the original objective.

In conclusion, thanks to the analysis carried out, it is possible to underline the quality and efficiency of these two programs. The Italian market, as previously described, for some aspects may be less developed compared to other European countries and shows some environmental limits. By contrast, thanks to these innovative initiatives, that support companies, it could be an optimal place for their growth carrying forward the excellence of Italian firms.

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