

Italy to host TechChill Milano as its startup scene thrives

Booming startup ecosystems rarely get more exciting than the Baltics – Estonia, Latvia and Lithuania – which has grown from almost nonexistent to over 5,000 startups and 12 unicorns in just a decade. And now, Italy's own startup scene hopes to follow suit.

According to data from *Dealroom*, the Italian economy is the fourth biggest in Europe and has raised €3.6B in VC investment in the last five years. The combined enterprise value of Italian startups is €21B.

So far, Italy has created two unicorn companies valued at over \$1B – Yoox and MutuiOnline – and is home to 12 future unicorns valued between \$250M and \$1B. However, Italy isn't short on innovative minds. Multiple unicorn companies were initially born in Italy before relocating in order to scale overseas. One example is London-based Depop, which was acquired by Etsy in June for \$1.6B.

The vast potential of Italian startups is why TechChill, the key tech and startup event in the Baltics, is heading to Milan and hosting *TechChill Milano* from September 28-29. The two-day event will bring together startups, investors, media and tech enthusiasts on a mission to bridge the gaps in knowledge, skills and network in the startup world.

Hurdles for startups

“In recent years, the Italian startup ecosystem has displayed strong growth, with capital invested in startups overcoming the €1B threshold in 2021, four times more than in 2016,” says Fabio Mondini de Focatiis, founder partner at *Growth Capital*, an Italian financial advisory firm focused on fundraising for startups, scaleups and SMEs.

“Despite global macroeconomic and financial tensions, the Italian VC world is expected to significantly grow in percentage more than the other European main ecosystems. At Growth Capital, we expect it to reach the €1.6B-€2.0B range by the end of 2022.”

Fabio believes that most of the difficulties for startups in Italy’s ecosystem are experienced at the very early stages of a startup’s lifecycle.

“It can be a challenge to raise the very first round,” he says. “The shortage of Italian institutional players compared with other EU countries and the small size of their tickets limit the number of startups finalising a significant seed round. In early stages, the few Italian VC funds might also use their bargaining power to negotiate nonstandard conditions to protect their investment that might be better to avoid.”

Hazim Nada is cofounder and CEO at *AEHRA*, a Milan-based electric vehicle startup, and has faced challenges as a startup looking to grow from Italy.

“Our main challenges have been slow bureaucracy and the lack of a sizable autochthonous funding scene able to support large scale projects like ours,” says Hazim. “Italy is one of the most creative nations on the planet with a severely disorganized and dysfunctional public system.

“The plethora of startups is a testament to this, and the main problem is the scaling up process. The mentality remains small scale, and the ecosystems in place are not supportive of scaling up. Capital is dry and forces anyone with serious growth intentions to have to look beyond only the largest of funds in Italy.”

Supporting Italian innovation

As Italy’s startup scene continues to blossom, the need for built-out support systems to facilitate this continues to grow. To help achieve this objective and support the ecosystem, Growth Capital has launched A-Road, an accelerator for Italian Series A-ready startups.

“Italy lacks high quality programmes that can be compared to the best-in-class accelerators worldwide, like Y Combinator,” says Fabio. “While France, the UK or the USA have more active seed investors who are entrepreneurs and have already realised a significant exit, there are very few similar scale angels in Italy that invest millions or tens of millions per year.”

Regardless of job role or sector, mentors are a key part of professional growth and Fabio believes more successful entrepreneurs and managers are needed to devote their time to support Italian startups.

“Cultivating a ‘give back culture’ with founders that have completed successful exits will help new founders to avoid predictable mistakes, find capital and follow a sustainable growth path,” he adds.

Investing in Italy

So, why should VCs look to Italy’s startups for their next investment?

“Italy has plenty of the key ingredients of successful startups, including talent and tenacity,” concludes Fabio. “I love meeting brilliant individuals who aim at changing the world we live in with their job, both at national and international level.

“Italian founders are passionate and very much attached to what they do. They are willing to do the extra two miles both when things are great or when they are turning bad, displaying a truly uncommon tenacity and often proving most people wrong.

“Even if some of them need to go to other countries to find a more fertile ground to raise capital, better terms and conditions and a more convenient legal and bureaucratic framework, they care a lot about their origins and would be more than willing to do business here at the right conditions. I feel proud that, notwithstanding the aforementioned criticisms, many of them decide to launch their startups in Italy and I believe they should.”

TechChill Milano will take place at Bocconi University in Milan, Italy from September 28-29.