

# INNOVATION AND VENTURE CAPITAL IN ITALY

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Cadence Design Systems

Investment Committee (Fondo Atlante, Fondo Next)

Advisory Board (Walden International, Sofinnova,  
Innogest, Xseed (MDV))





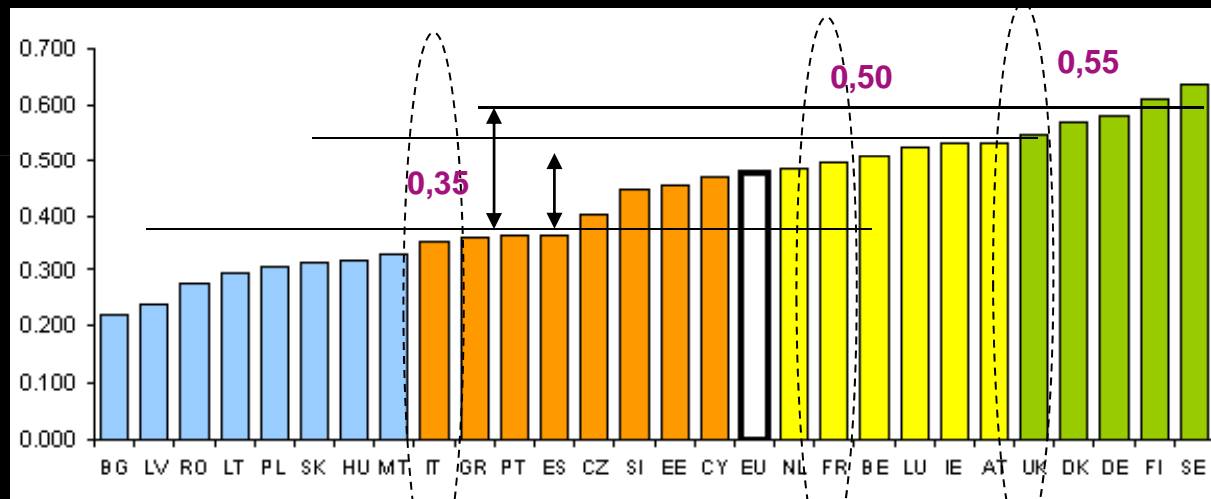
## Innovation and Venture Capital in Italy (and Europe)

A New Venture Capital Model ?

**THANKS TO THE ATLANTE VENTURES TEAM AND  
IN PARTICULAR TO DAVIDE TURCO FOR MAKING  
THE SLIDES AVAILABLE FOR THIS  
PRESENTATION**

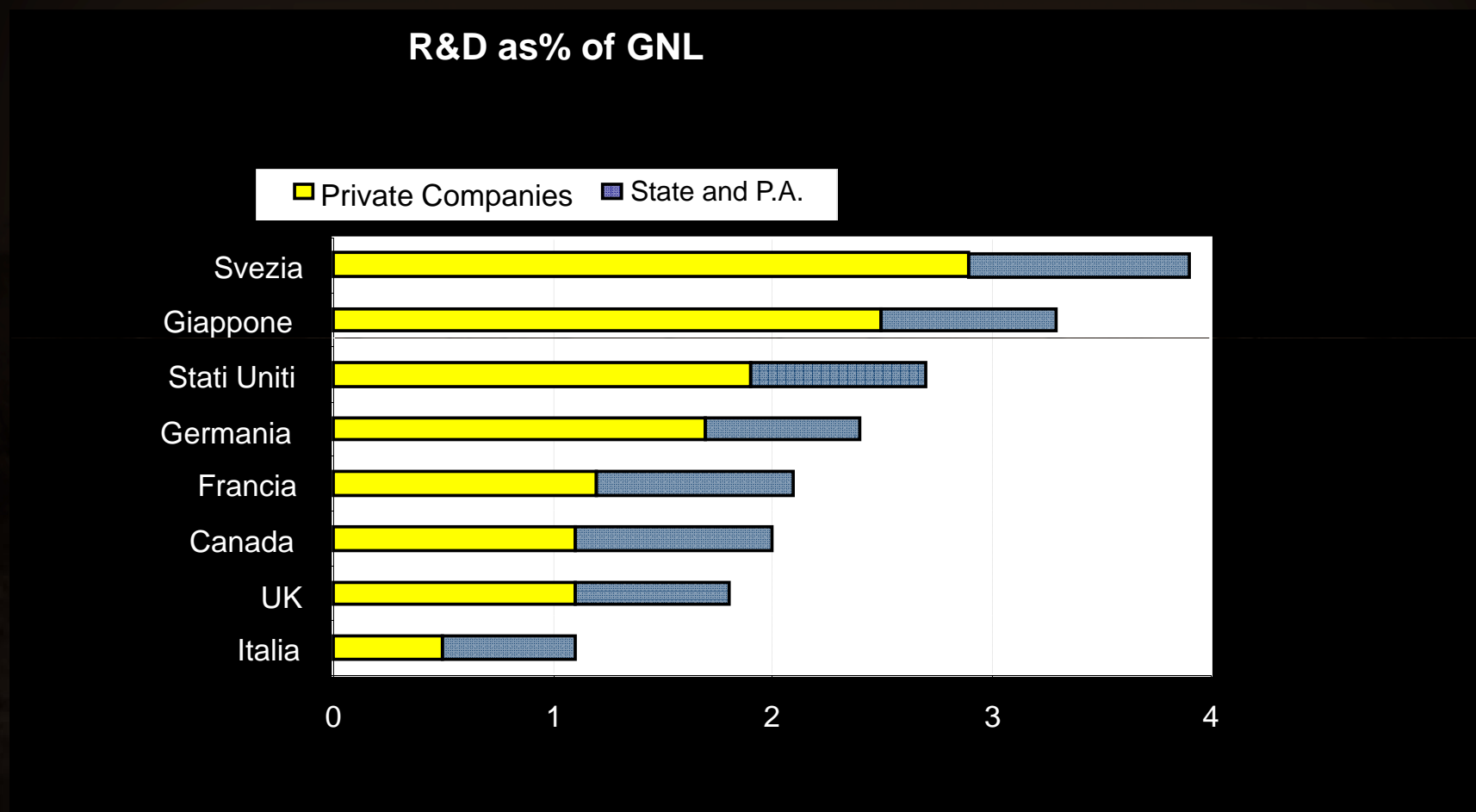
# Italy Innovation 40-60% below comparable nations

## EU 27 "European Innovation Scoreboard"



Source: European Community: "European Innovation Scoreboard 2008"

# R&D Gap is in the Private Sector



**Fonte:** Intesa Sanpaolo, Servizio Innovazione della Divisione Corporate su dati OECD 2005 - The Economist - August 2007

# 47% of research and innovation is in University and Research Centers

## University

- 77 Universities
- 59.344 employees in 2005 (18.781 full profs, 18.525 associate (22038 assistan)
- Res. Expenses= **5,098** Millions euro (2006) – 30,3% of total expense for R&S

## Public Research Centers

- Large:: CNR, ENEA, ASI, INFN, ISS, ISPESL
- Small: 10 managed by MUR
- 32 Research Centers of Health Ministry
- 23 agriculture experimentalcenters of the Agriculture Ministry
- 30,000 researchers
- Research expense = **2,897** millions euro (2006) – **17,2%** of total expenses.

## Nonprofit

- Research expenses = **630** Millions euro (2006) –**3,7%** of total.

## Industrial

- 70,200 researchers
- Research expenses = **8,210** millions euro (2006) – 48,8% of total.

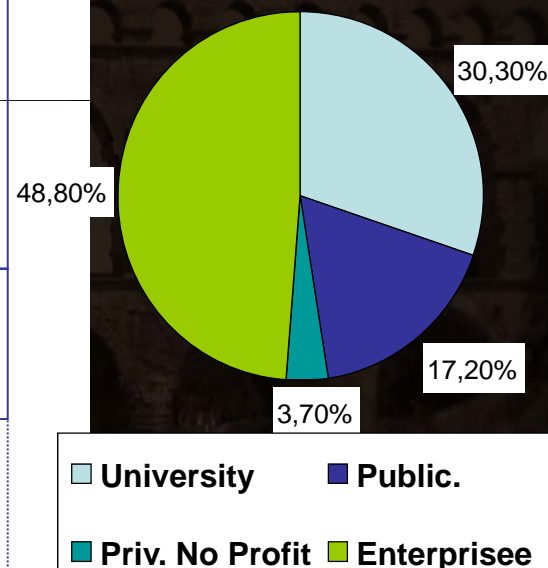
**Total R&D = 16,835** milions euro (2006)

7,995 Public (Univ.\* Publ.) -47,5% del tot.

Source: ISTAT – Nov 2008

Fonte: Intesa Sanpaolo, Servizio Innovazione Divisione Corporate su dati ISTAT 2008

R&S Expenditures



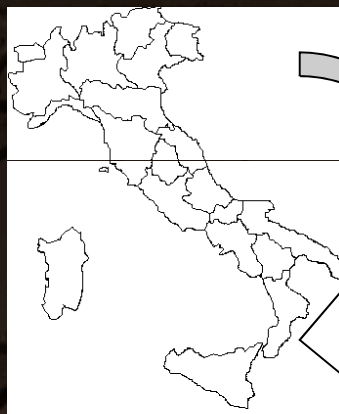
# Some positive signs

**Numero 1** in Europe  
for entrepreneurship

First Quartile EU-27 for non R&D  
innovation

**+50%** new patents (2003  
vs. 1998)

**Human Resources**



**University**

**Capital**

**Infrastructure**

**621** new  
enterprises  
born in  
University

**50%** of all  
University  
driven  
enterprises of  
the last three  
years

**400**  
million€  
of new  
venture  
capital  
2007-2008

**14 public actors to sustain technology innovation in  
2008**

**Latent Innovation that should be explored and exploited**

Fonte: Eurostat 2007, Netval, Servizio Innovazione Divisione Corporate Intesa Sanpaolo, Elaborazioni Atlante Ventures

# Some Excellence by Sector

## Example of High-Tech Sector

### Nanotechnology

- 169 active entities
- 70% located in Center and North
- 4,300 researchers
- 314 patents in 2004-2007 (1)

### Biotechnology

- 228 firms
- Total revenues > 4.8 bln
- 11% year to year growth
- 1,3 billion euro invested in R&D
- 14,000 researchers
- 77 drugs in experimental trial  
farmaci in fase di sperimentazione clinica
- 599 farmaci di matrice biotech  
avviati a sperimentazioni nel periodo 2001-2007(2)

### Medical Devices

- 70 companies in Mirandola  
dealing with biomédicales for a total estimated revenue of 500 mln euro
- Export >60% of revenues

**Even if large number of small players can be a systemic weakness**

(1) Fonte: AIRI Nanotech, Il Censimento Italiano delle nanotecnologie, (2007)

(2) Fonte: Blossom & Associati, Assobiotec, Farminustria, Rapporto Biotech 2008

IPI, il settore della biotecnologia in Italia, 2007. Lo studio indica in 300 le aziende presenti in Italia, includendo anche le filiali italiane di multinazionali

(3) Fonte: Consobiomed

# Italy is below the average in available capital

## Italia ranking in EU 27 -2008

### Venture Capital

Posizione	Paese
1	Svezia
2	Danimarca
3	Finlandia
..	..
..	..
<b>15</b>	<b>Italia</b>
..	..
27	Malta

### Credit

Posizione	Paese
1	Irlanda
2	Cipro
3	Lussemburgo
..	..
..	..
<b>14</b>	<b>Italia</b>
..	..
27	Romania

### R&D corporate

Posizione	Paese
1	Finlandia
2	Svizzera
3	Austria
..	..
..	..
<b>18</b>	<b>Italia</b>
..	..
27	Cipro

### R&D

Posizione	Paese
1	Svezia
2	Danimarca
3	Finlandia
..	..
..	..
<b>15</b>	<b>Italia</b>
..	..
27	Malta

### Innovation corporate NON- R&D

Posizione	Paese
1	Estonia
2	Cipro
3	Malta
..	..
<b>6</b>	<b>Italia</b>
..	..
..	..
27	Grecia

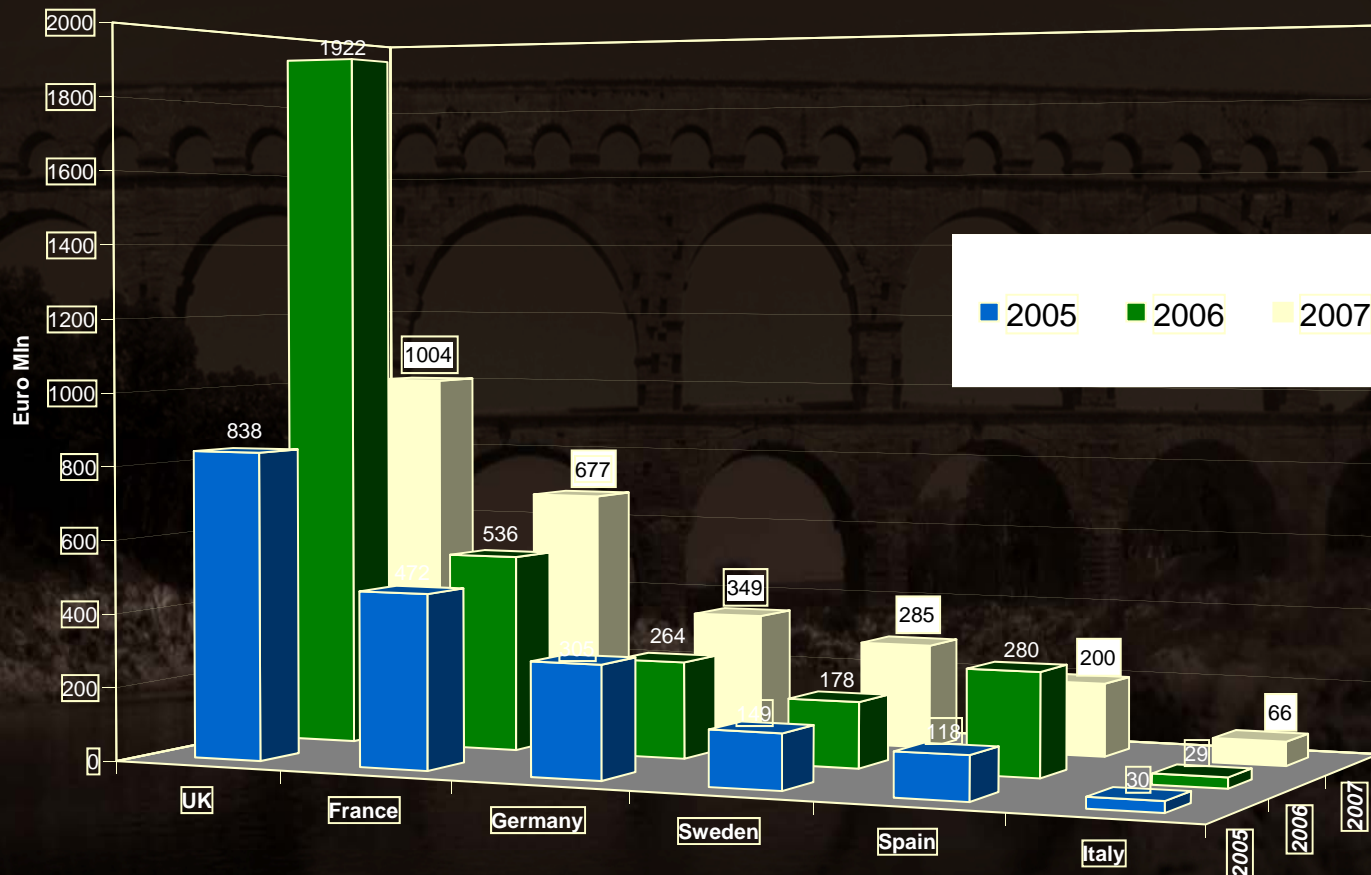
### Capital investments

- Typically at the beginning
- High Tech
- Very large opportunities

Fonte: Elaborazione Intesa Sanpaolo su dati EIS 2008– Pro Inno Europe

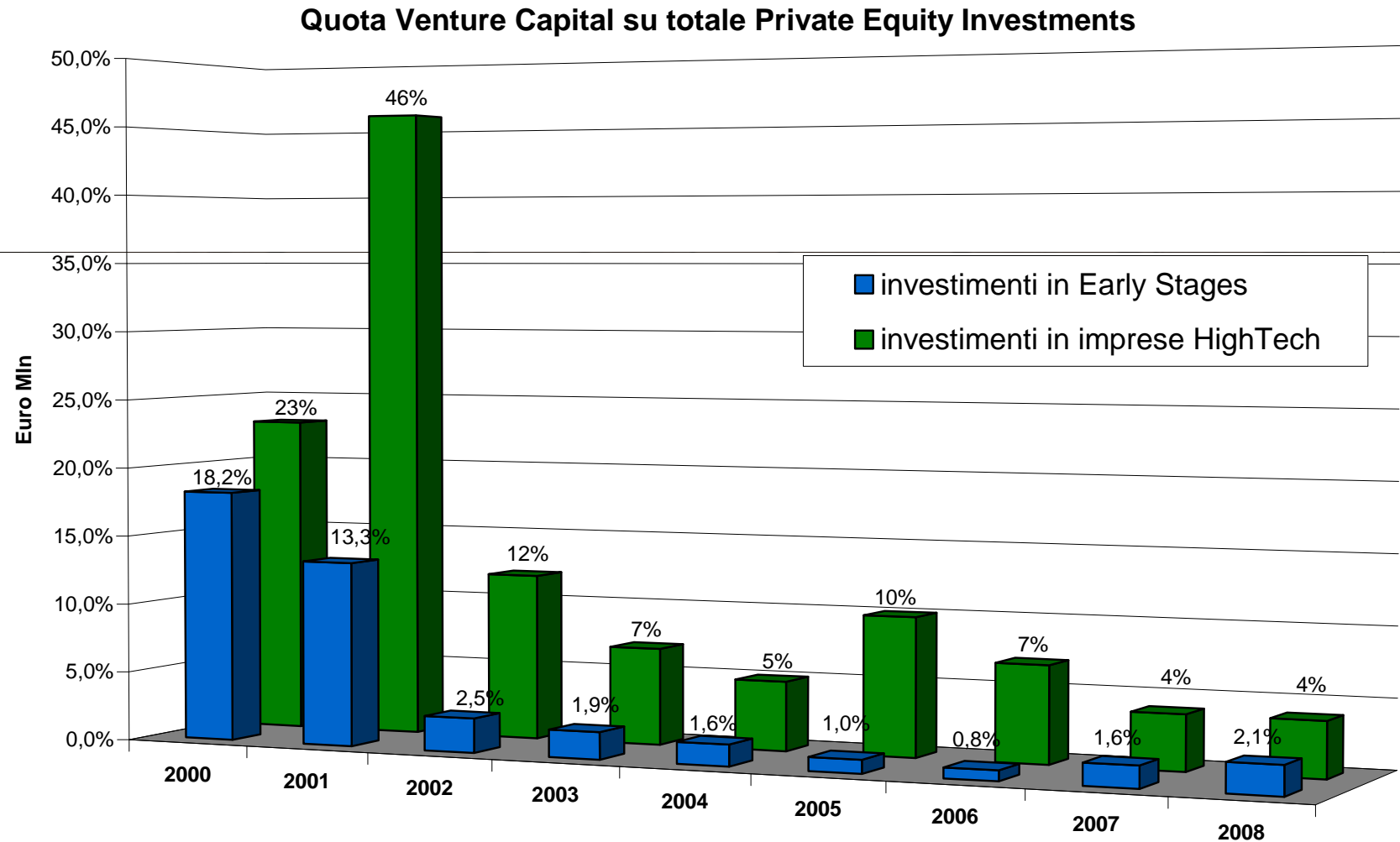
# VC is not as developed in Italy wrt other EU countries

Comparison of VC investments, 2005-2007



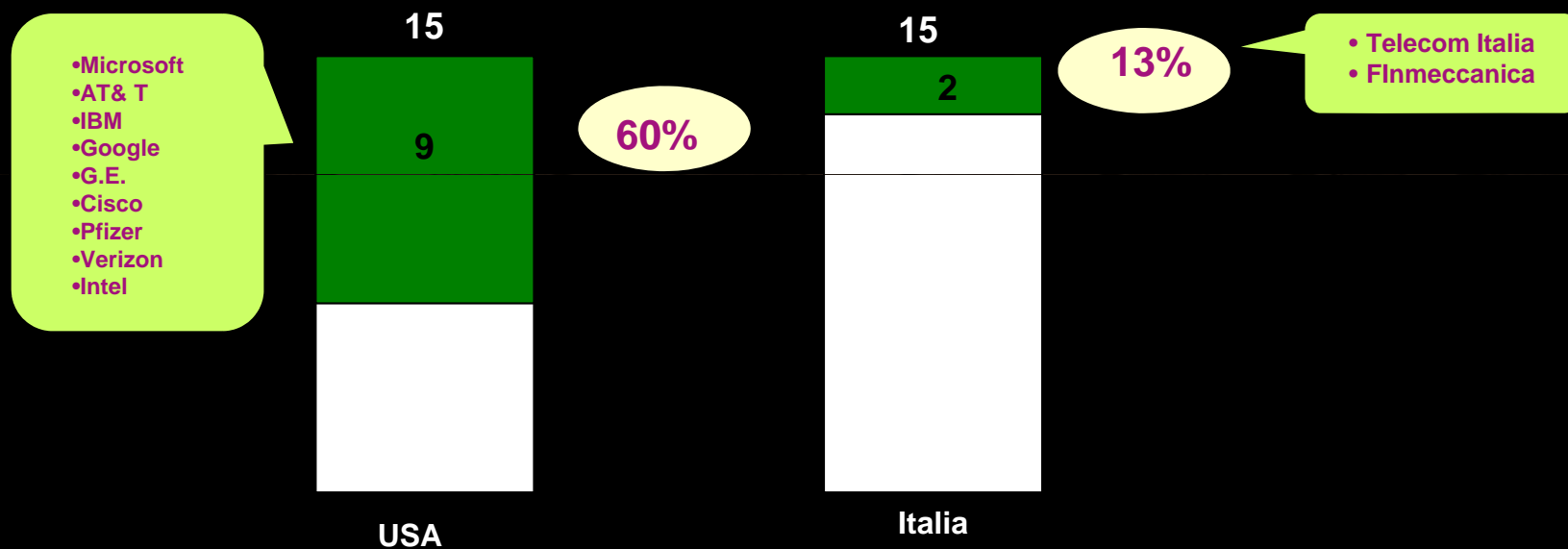
Fonte: Elaborazione Intesa Sanpaolo su dati AIFI

# VC funds are in the noise on total PE funds



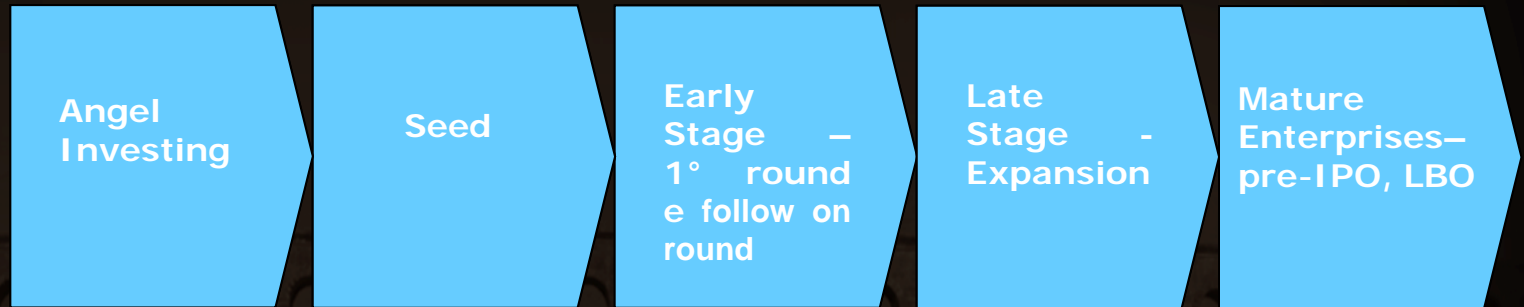
# Effects on industrial sector

High Tech companies in the first 15 public companies: USA and Italia



Fonte. Elaborazioni Atlante Ventures su dati Financial Times e dati di borsa al 13 marzo 2009

# Competitive Landscape



## Italian Funds



Interesting Recent New Initiatives

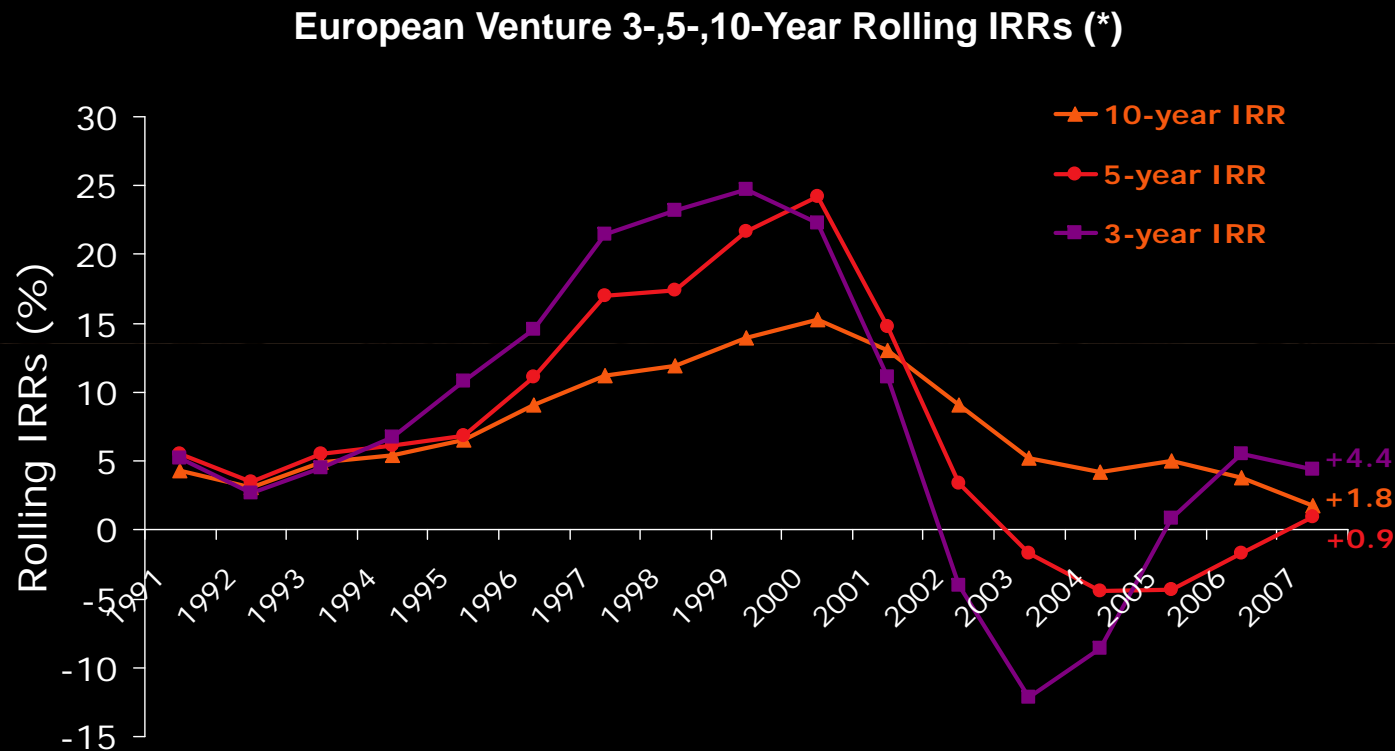
Not always possible to position them

## Main European Funds



- Many players
- Specialized

# VC in Europe gives low return of interest



Source: Thomson Financial on behalf of EVCA

(\*) Performance computed on the basis of the value of Net Asset Value at the beginning, cash flow during the period and of the estimated Net Asset Value at the end of the period excluding management fees and carried interest.

# Past Experience

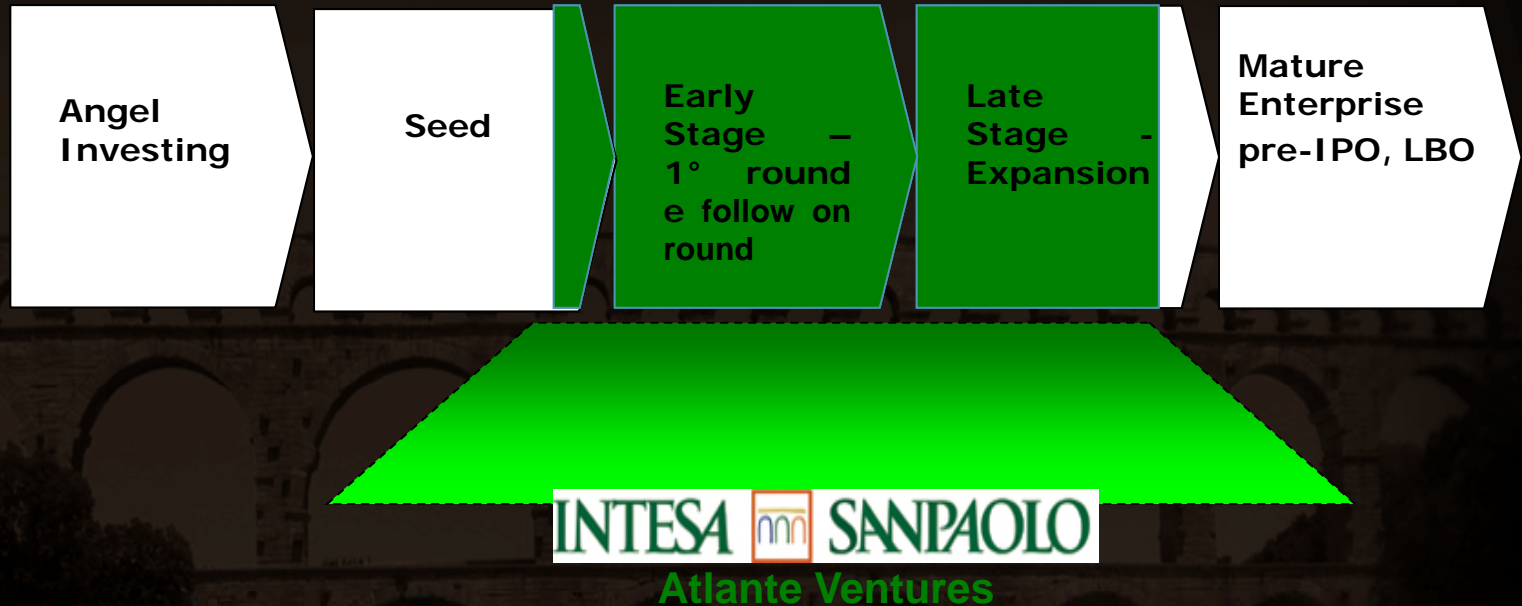
- Insufficient selection process not based on industrial sector analysis
- Too much emphasis on product/technology and too little on innovation development process
- High valuations wrt risks
- No or little dialog among start-ups, established companies and institutions
- Little synergy public-private sector
- Not enough leverage of scientific know-how of the University system

**Need new rigorous and flexible approach**

# Innovation and Venture Capital in Italy (and Europe)

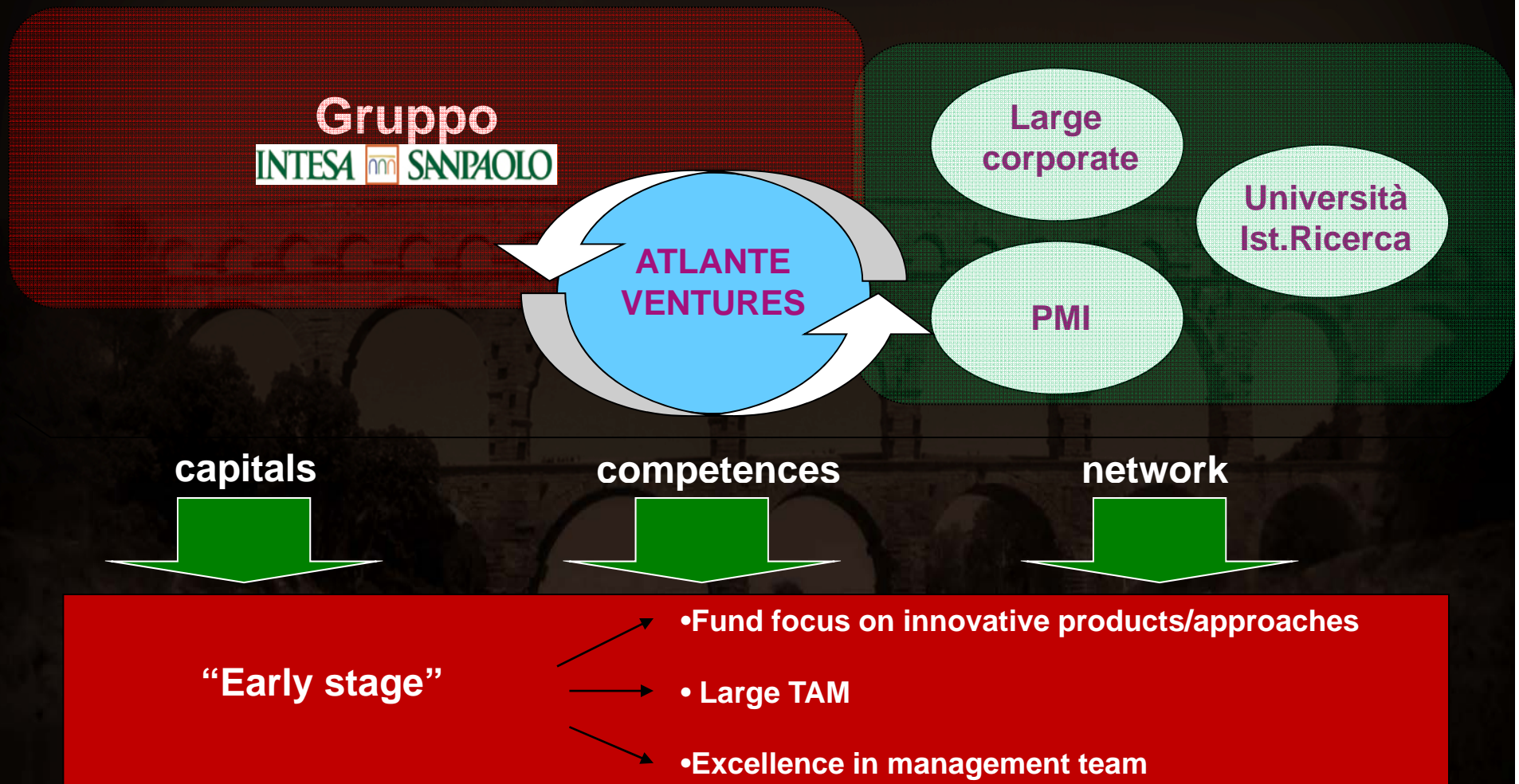
A New Venture Capital Model ?

# Atlante Ventures



- Synergy with internal partners such as Intesa Sanpaolo Eurodesk, and external ones such as Filarete to give max value to oportunites that are too early for Atlante
- Collaboration with other VC funds (e.g., Innogest, Fondo Next)

# Italy as a Lab: a way of connecting all players



# ...Team organized as independent unit with ample discretionality

Management Team

4 people Team in Milan

*The team presents investment proposal*



Investment Committee

A. Perrazzelli  
L. Hassan  
C. Bastioli (Indipendente)  
A. Sangiovanni Vincentelli (Indip.)  
D. Turco (Responsabile)  
A. Mezzotero (Investment Director)

Advisors

*Advisory Board with world reknown experts to support Investment Committee incented with stock options in companies they recommend*



Implementation

Executive Committee  
Sanpaolo IMI Fondi Chiusi SGR  
Bologna

# Atlante Ventures and its Innovation Network

