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Spotlight on Italian reality

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Abstract

L'accesso ai finanziamenti è stato riconosciuto, da parte della ricerca e dei professionisti, come uno dei fattori più importanti per l'attività di start-up e per lo sviluppo e la crescita delle PMI. Tuttavia, manca una visione olistica del mercato italiano in termini di tipi di investitori, fasi d'investimento e modelli di investimento dominanti, così come manca un confronto con il più grande contesto Europeo.
Ci impegniamo a far luce su questo argomento per individuare e spiegare le potenziali differenze nelle pratiche di investimento per start-up e PMI. Tali risultati saranno di grande valore per tutti gli attori coinvolti. Gli imprenditori potrebbero essere in grado di affrontare meglio la loro richiesta di investimento. Gli investitori potrebbero trovare un utile benchmark con l'Europa, per sviluppare o riallocare le loro attività attuali. I policy makers saranno in grado di identificare e progettare programmi che siano in grado di colmare il divario tra gli investitori privati e le esigenze di investimento delle imprese di avviamento e delle PMI.
La nostra analisi mostra che, rispetto alla pratica europea, l'investimento in Italia resta prevalentemente preconfezionato nelle fasi iniziali mentre il finanziamento della crescita e dell'espansione è trascurabile; individuiamo anche differenze nei livelli di investimento e nella distribuzione settoriale.

Access to finance has been acknowledged on research, practitioners and policy sides as being one of the most important factors for start-up activity and SME development and growth. Notwithstanding this importance, a holistic view of the Italian market in terms of types of investors, investment stages and dominant investment patterns is missing as is a comparison with the larger European context.
We aim to shed more light on this topic in order to identify and explain potential differences in investment practices for start-ups and SMEs. Such findings will be of great value for all players involved. Entrepreneurs may be able to better address their investment request. Investors may find a benchmark with Europe useful in order to develop or re-address their current activities. Policy makers will be able to identify and design programs, which are able to fill the gap between private investors and investment needs of start-ups and SMEs that are the backbone of economic activity in Italy.
Our analysis shows that, as compared to the European practice, investment in Italy remains mainly confined to the early stages while funding of growth and expansion is negligible but we also identify differences in investment levels and sectorial distribution.

Keywords: Start-Up, SME, investor, investment stage, investment features.

1 – Introduction

The paper deals with the theme of the Italian Equity market, with a particular focus on different investors, investment stages and potentially different investment patterns with regard to Start-ups and longer established SMEs. Access to finance is one of the most important factors for start-up activity and overall SME development and growth (European semester thematic factsheet, 2016). Accordingly, policy makers at national and supra-national level are concerned with the creation of eco-systems that offer a fertile ground for enterprises to properly develop and grow, and also academic research has devoted much attention to the impact that investment (or the lack thereof)

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has on start-up activity and development. However, although much extant research has dealt with the topic, the Italian situation has only been partially described with very little attention to a comparison with the broader European context. Relatedly, an in-depth analysis of differences and commonalities in investment patterns and involved actors along the firm's lifecycle, connected to its success or failure, is absent. The identification of differences and commonalities between countries' markets would help to explain dominant investment patterns and practice, and be of great value to investors, founders and SME managers and policy makers alike.

In an attempt to shed some light on these open issues, the paper provides a first and detailed overview of both the European market and Italy in terms of investment scenarios in order to compare and identify and better explain Italian features and peculiarities. The comparison will provide a better understanding of overall investment processes and practices. Importantly, such insight valuable for firms as it may offer advice regarding whom to approach for financial support, how and when to do it best. For investors, instead the paper offers an integrated perspective and so may open minds regarding established and potential new practices and opportunities.

Accordingly, in the next paragraphs we present briefly the key players in the equity market, we then move on with European and Italian overview followed by a comparison between Europe and Italy. Conclusions and future research directions terminate the paper.

2 – The Equity Market: Key Players

Before proceeding with the analysis of the Italian Equity market, a definition of the key players involved is necessary. These can be grouped within two main categories: the demand side, i.e. enterprises, and the supply side, investors offering funds.

2.1 – *Start-ups and established small- and medium-sized enterprises (SMEs)*

Enterprises can be classified in a variety of ways, on the basis of many different variables (CRENOS, 2004). For the purpose of our study, we mainly divide firms according to their age, in order to divide Start-up companies from longer established firms. Start-ups, following standard definitions, are all those firms younger than 4 years. However, it is not enough to simply define them on the basis of their age. It is important to bear in mind that they are companies at the beginning of their lifecycles, which are designed to scale the market and become bigger firms in the very next future (Blank, 2011). We also classify the firms according to the number of employees. It is the most common way in a statistical context: categories of micro, small and medium-sized enterprises which employ fewer than 50, 250 or 500 persons respectively and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro" (EC, 2003).

Size, age and lifecycle related definitions for start-ups apply across all markets but the introduction of the "Innovative Start-ups" in the Italian legal framework deserves to be cited in order to have a complete overview of Italian Start-up environment.

The Italian Government approved the Decree Law on "Further urgent measures for Italy's economic growth" on October 4th, 2012 defining support measures for innovative start-ups. Following this Decree Law, a start-up " must fulfil a number of requirements, including: (a)it must reside or be subject to taxation in Italy; (b) it must have been established for no longer than 48 months; (c) it has no turnover or has a turnover that does not exceed 5 million € (around 6.4 million $); (d) is owned directly and for at least a 51% share by individuals, also in terms of voting rights; (e) it does not distribute profits; (f) its core business consists of innovative goods or services of high technological value...." (MISE, 2012). The Italian Law also includes start-ups with a Social goal, as those that have a considerable social value (MISE, 2012).

The distinction we make between start up and established SMEs is important in the analysis of investment level and type of investor and overall investment patterns. These two groups – although similar in size and/or turnover – are at different stages in their life cycles which come with different challenges, objectives and investment needs. For example, the choice concerning the capital structure, that is how to invest, and to whom to ask for financial help typically refers to the initial stages of a firms' development although such a decision may also occur in established SMEs. They typically have already overcome difficulties related to a "liability of newness", e.g. they lack an established brand and reputation altogether with an emerging firm structure.

2.2 – *The different types of investors*

The first investors in a start-up firm are usually the so-called four FFFF, which stands for **Founders, Family, Friends, and Fools**. Those people are the first to believe in the project, and to actually provide financial support in order to give life to the new firm. They are important as, sometimes, it is easier for entrepreneurs to convince people around them about the validity of their idea, instead of going directly to more experienced investors, which will likely ask for control over the company, or will turn down entrepreneurs' expectations. Apart from FFFF, the actors that help

enterprises get off the ground are, typically, **business incubators and accelerators**.

The business incubator "is an organisation that accelerates and systematises the process of creating successful enterprises by providing a comprehensive and integrated range of support, including: incubation space, business support services and clustering and network opportunities" (EC, 2002). We can then add that Business incubators are typically based on non-for-profit business models. However, the existence of groups of incubator created by corporations and investors, which take the form of for-profit organizations is increasing as their importance is improving overall (Bruneel *et al*, 2012).

The other group of actors that help firms at an initial stage are accelerators, which are similar to business incubators, but their role is slightly different. To define business accelerator, we have to say that they perfectly fit in the above-mentioned definition of business incubators, with the addition of business support programs focused on firms that have grown past the start-up phase and therefore need a different kind of assistance in order to be able to develop further (Desmarais, 2012).

Another way of connection between the new venture and investors, is represented by crowdfunding, an internet based platform through which entrepreneurs can (try to) raise the amount of money needed at the time. More in detail, the term crowdfunding represents the process through which a group of people invests some money in order to help financing a project or entrepreneurial initiative through the use of Internet sites (Castratar and Pais, 2012).

The above-mentioned sources of investments have the main aim of connecting the enterprise, which needs funding, with the network of investors, willing to offer funds. However, they usually do not directly invest capital, or they do it in smaller amount if compared to other type of investors. Those other investors are **Business Angels, Venture Capital and Private Equity.**

Among this last group of actual investors, Business Angels help companies go through their earlier stages, by financing them through their own private savings and offering their knowledge and experiences, as main support for firms' development. This last type of supporting activity is the main reason why Business Angels usually invest in those sectors in which they have been working themselves, and for which they have developed stronger know-how and have built bigger networks of connections. An important characteristic of the majority of business angels, is that they prefer anonymity, they do not want their name to appear within investor's groups and they prefer to stay in the background (Mason, 2007).

Many dynamics and innovative companies have to thank Venture Capital firms, the second group of investors, for helping them growing. Venture Capital are private-equity funds which raise money from investors, or use institutional money, to invest in firms which usually have the characteristics of small, young and high-tech enterprises. Apart from the financial support, they also monitor firms' management and participate in strategic decision making. They are made up of multiple managers whose expertise and experience can be really helpful to firms at any stage of their development. Moreover, in exchange for the high risk they face while investing, they usually get a high portion of the company ownership (Vacca, 2013; Rosenbusch *et al*, 2013; Arvanitis and Stucki, 2013; Capizzi, 2013).

Business Angels are smaller investors when compared to Venture Capital, both in terms of the capital at disposal as well as in terms of firms targeted.

Private Equity includes investors and funds which raise money in order to invest in private companies not listed on the stock exchange market, or to conduct buyouts of public firms (EVCA; Fenn and Liang, 1998; Wright *et al*, 2009; Manigart and Wright, 2011). They typically go for long-term deals that request the investment of a high amount of capital, which is usually raised through funds (among which there are i.e. pension funds which offer long term investments accompanied by low risk taking). PEs' investments are addressed to different categories of firms and their main goal is to invest in a company and make it more valuable (Blackman, 2014).

3 – Investment stages

Before moving to the situation analysis in Europe and Italy, it is necessary to define "investment stages". This is important in order to have a clear understanding of firms' lifecycle processes and the stages in which investors may decide to step in.

One of the main difficulties that entrepreneurs face during their firms' lifecycles is represented by the different forms of funds that they may raise. From the point of view of the founder, it is fundamental to be able to understand investment phases in order to better respond to firm's needs, and to approach the most suitable and available among the different offers of diverse investment sources and to increase chances of being financed adequately.

In order to have a clear understanding of the investment phases, we should say that fundraising is an on-going process throughout the firms' lifecycle that could be expressed by a timeline which starts at the time of the idea development (AIFI, 2011). Starting from the actual creation of the business idea, firms begin their paths through which they will reach out different thresholds and milestones, several of which are represented by funding benchmarks. When referring to the investment and financing stages, we have

to highlight at least 6 phases, starting from pre-seed up until the mezzanine round (EVCA, 2013).

The earliest stage in the development of a firm is the "Pre-seed" stage. It is represented by that moment in time in which firms do not yet receive capital from actual investors. If there is some amount of capital raised, it would come from FFFF's sources, and at this stage entrepreneurs typically decide whether to take part to incubation or acceleration projects or not. They may decide to not ask for any help as the initial capital received from FFFF may be enough to start bootstrapping[1] procedures, which is a form of self-sustainability.

There is then the "seed" round. At this stage, the business idea is usually developed, founders mainly need expertise and managerial consultancy in order to actually examine the feasibility of their business idea and prepare the firm to access the market. Firms at seed stage typically need both financial capital as well as support in terms of know-how and managerial experience. Financial help at this time typically comes from FFFF, business incubators or accelerators, and Business Angels (AIFI, 2011).

The following stage is the "start-up" one. It is characterized by financing provided with the main aim of developing product and/or service. The main source of financing at this stage is represented by Business Angels, even if Venture Capital may be important investors too (Newton, 2001).

Another financing stage is often referred to as "B round", meaning that it comes after the first investment. The money received at this time is typically used for further R&D, increasing the number of staff, build up new strategic and marketing plans, and so on. The sources of capital at this stage are mainly Venture Capital and Private Equity funds (Newton, 2001).

The next phase is the "expansion". We refer to it when we consider firms with historical values that want to exploit new market opportunities. Typically, it occurs by accessing a new market or developing a new product line (Newton, 2001).

Expansion typically is followed by the "buyout" stage. It is a financial deal meant to represent the acquisition of controlling interests in one firm, by means of another corporation with the underlying aim to get possession of assets and/or operations. (EVCA, 2002)

When firms experience trading problems and difficulties, the "turnaround" stage should help them. The rescue or turnaround stage is made of financing offered to already existing businesses with the main aim of "re-establishing prosperity" (EVCA, 2013).

We figure it is important to have a general understanding of the overall investment process, therefore we have decided to define also the so-called "mezzanine round" which is a hybrid form of financing. It can be made of debt or equity, or even both of them. It usually occurs through Private equity funding (EVCA, 2013).

Figure 1: Investment Stages

According to what we have seen up until now, we have summarized results in Table 1.

Table 1: Summary: Type of investors, investees and investment stages

Investor	Typical investment stage	Typical contribution to firms	Firms
FFFF	Pre-seed round	Idea development and support	Start-up
Business incubators	Seed - start-up	Support at initial stage	Start-up
Accelerators	Seed - start-up	Business support programs	Start-up
Crowdfunding	Seed - start-up	Fundraising	Start-up
Business Angels	Seed- Start-up	Know-how	Start-up – Small Enterprises
Venture Capital	Start-up – B Round	Fundraising	Small Enterprises
Private Equity	B Round – Expansion - Buyout	Fundraising	Established SMEs

4 – European Overview

Having discussed all key elements for our analysis, ie types of firms, types of investors and investment/lifecycle stages, we are now ready to present a detailed European Overview along these dimensions. Additionally, we analyse investment levels.

The analysis is mainly based on the data and reports from the European Private Equity and Venture Capital Association (EVCA), from the European Small Business Finance Outlook (ESBFO) and from the European Business Angels Network (EBAN).

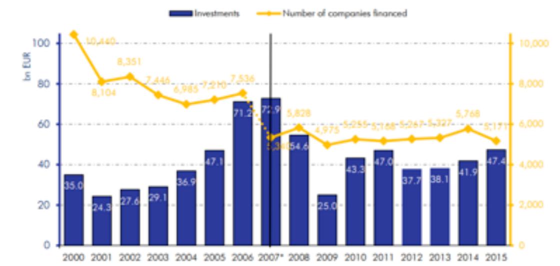
European **Private Equity** suffered a contraction in raised funds of 76,5% after the global crisis of 2007-2008 which hit the world as a whole. Partial recovery in the years after was followed by a further reduction of the amount raised, which was probably mainly due to the burst of the European sovereign debt crisis that occurred in late 2010 and early 2011. During this last crisis, the main hit countries have been the so-called PIIGS (or GIPSI if we consider the timing at which they entered into crisis): Portugal, Ireland, Italy, Greece, and Spain (Bianchi, 2014).

After those two crises that occurred in the last decade, it is very interesting to see how Private Equity market in Europe re-established its power, and ended 2013 with a growth in total fund raised that reached

[1] Bootstrap is made of all the possible means that a firm has, in order to be able to maintain itself financially, while keeping the biggest part of stake of ownership equity within its hands (Sapienza *et al*, 2003).

up 118% more in comparison with 2012. The recovery continued in 2013 and 2014, but at lower levels. In 2015, investments by PE funds located in Europe increased by 13%, compared to the year before, to EUR 47.4bn, according to Invest Europe data. (European Small Business Financial Outlook, 2016). Still, the levels are far below pre-crises, as reported in Figure 2.

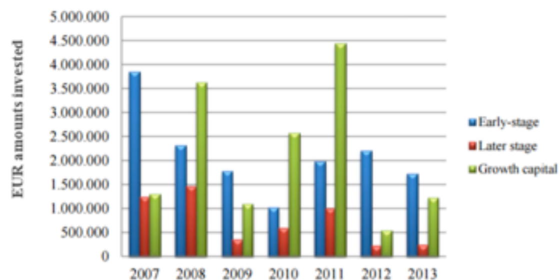
Figure 2: PE investment in Europe



If we look in detail at the stages of firms' life in which European Private Equities invest the most, we have the confirmation that they mainly focus on buyout deals.

Nonetheless, it is important to see (Figure 3) how the results of EVCA research highlight that PE firms oscillate between "early-stage" ("Seed" and "Start-up" stages) and "growth capital" ("buyout" stage) as second main recipients of funds.

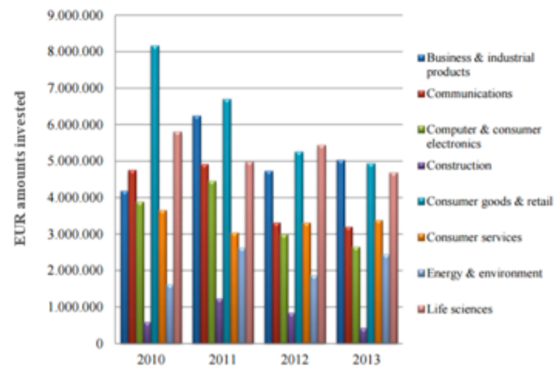
Figure 3: PE by fund stage (EVCA, 2013)[2]



Thanks to EVCA, we have (Figure 4) then an overview of those sectors that European PEs target the most.

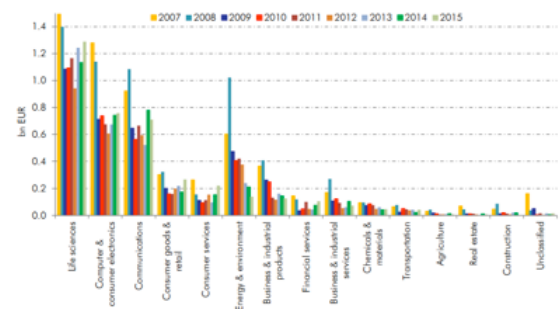
First and foremost, the fact that "Consumer goods & retail" sector has been among the first recipients of capital from European Private Equity firms since 2007 is noticeable. It has lately been reached by "Life sciences", and "Business & industrial products", which are gaining more and more importance.

Figure 4: PE investment by sector (EVCA, 2013)



For the study of **Venture Capital** European environment, we have referred once again to Ernst & Young and the European Small Business Finance Outlook reports.

Figure 5: VC investment by sector (ESBFO, 2016)



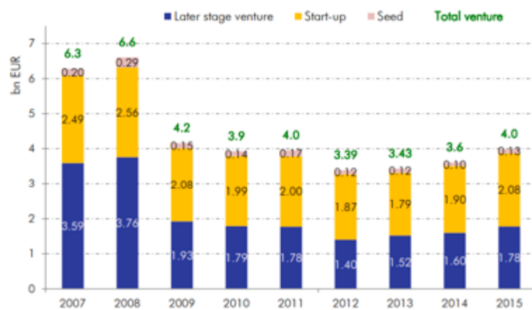
The percentages expressed in those reports show that European Venture Capital firms mainly target "Consumer services" and "Health care" sectors for their investments. "Information Technology" lies at the third place among the main recipient of VC funds in the European Union.

As is evident from Figure 6, also Venture Capital levels shrunk as a consequence of the crises, although the decrease was less dramatic than those shown for PE (Table 1).

Also, as already mentioned and seen on graphs, Venture Capitalist typically invest fewer amounts of capital and target earlier stage firms if compared to Private Equity. On the other hand, they invest more money and in later stage firms when compared to Business Angels and Incubators.

[2] Early-stage= "Seed" and "Start-up" stages; Later stage= "B round" and "Expansion"; Growth capital= "Buyout deals"

Figure 6: VC investment in Europe (ESBFO, 2016)



The **European Business Angel** Network (EBAN) reports an increase in BA investment by 5%, compared to the year before, to EUR 6.1bn in Europe in 2015 (EBAN, 2016). However, this number is based on the assumption that the visible market, for which EBAN reports investments of EUR 607m, represents 10% of the whole market (ESBFO, 2016). As a consequence of their preference for anonymity the BA segment is difficult to identify as an important part of their investments are informal and not publicly reported (ESBFO, 2016). The analysis for the different stages of development as targets for BA and incubators funding, underlines that the majority of this capital is addressed to the "middle stages" (Ernst&Young, 2014). As a matter of proof, Figure 7 shows that the biggest investments have targeted "Start-up" (which is also known as BA's "product development" stage) and "B Round" (also known as BA's "revenue generation" stage) stages. Actually, BAs provide firms with both capital as well as "smart money". The latter typically represents the most important form of support that firms could receive at any stage, but particularly at their initial development stages. They mainly help firms by offering competences, know-how and related skills. One of their main roles is to create opportunities to connect entrepreneurs with the network of investors, rather than directly invest capital by themselves (Mason, 2007).

Figure 7: BA investment stages

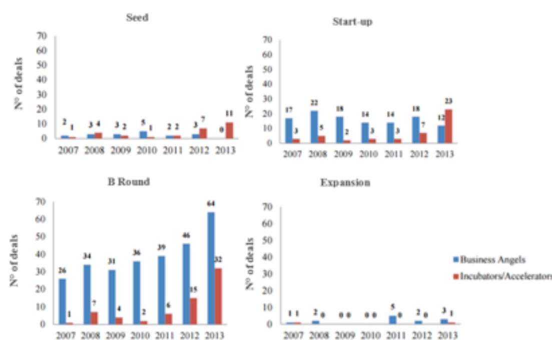


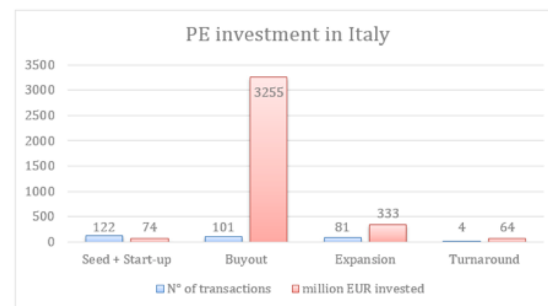
Table 2 provides a recap of the differences we have underlined during the paragraph.

Table 2: Summary: Investors' characteristics

Investor	Typical investment stage	Sector	Typical contribution to firms
Business Angels	Start-up – B Round	-	Know-how and funds
Venture Capital	B Round - Expansion	Consumer Services	Fundraising
Private Equity	Buyout deals – Start-up	Consumer goods and retail	Fundraising

As clearly shown by Table 2, there are differences between what literature says and the analysis run at the European level. Firstly, Business Angels mainly invest in "Start-up" and "B Round" stages. This is an interesting outcome as according to literature BA and incubators should mainly focus on the first two stages of development, filling up the gap left by VC and PE which typically invest in later stage firms (Capizzi, 2013). Secondly, Venture Capitalist do not stop at the "B Round" stage but they invest also in the "Expansion" stage helping out already existing firms to exploit new market opportunities. Lastly, we have seen that PE firms have "early stage" firms as second main recipients of funds; different from literature idea according to which PEs mainly focus on Established SMEs.

Figure 8: PE in Italy (Studio associato-consulenza legale e tributaria KPMG, 2016)



We have now a European overview and we are ready to move to Italian market, with its features and peculiarities.

5 – Italian Overview

In order to explain the current Italian Equity market situation, we have analysed all reports from Private Equity Monitor (PeM) and Italian Business Angel Network (IBAN).

PeM is the private equity monitor, which has been running data collection since 2000. PeM releases those data through reports which are published yearly

on the website. Its main aim is to monitor activities on the Italian Equity market and to be able to achieve this goal it publishes two different studies: the first one is the "PeM" report, which focuses on later stage investments (Buyouts, Expansion, Replacement and Turnaround); the second one is the "VeM" Report (Venture Capital Monitor), which instead focuses on the earlier stage investments. The latter started in 2009, and since 2010 it is published yearly (privateequitymonitor.it).

With regard to these investment stages, there is also the Italian association of private equity and venture capital (AIFI). The VeM together with the IBAN (Italian Business Angels Network Association) publish a report on "Early stage in Italy".

According to the Italian Private Equity Venture Capital and Private Debt Association, domestic and foreign investors closed 322 new transactions involving 245 companies in Italy in 2016 for a total value of €8.191 billion corresponding to a 77% increase over the previous year, when the total amount reached €4.620 billion. This figure, says Aifi, is heavily influenced by some large-scale deals. The overall number of transactions, instead, saw a 6% contraction compared to 2015. To better understand those interesting results, we analyse the percentages of investments distributed by the different development stages. The majority of Private Equity investments target Buyout deals, in terms of money invested, and Early stage, in terms of numbers of transactions.

Results shown in Figure 9 show both a difference as well as a common feature between PE investment in Europe and in Italy. At both levels, PE mainly focus its investments on buyout deals. However Italian PE investments saw that early stage investments strongly took over buyouts in terms of numbers of transactions. In terms of amount invested, buyouts still remain the main recipient of funds as shown in Table 3 which is the result of PEM (Private Equity Monitor) report of the last 5 years.

Figure 9: PE transaction by investment stages (PEM reports 2016, 2015, 2014, 2013, 2012)

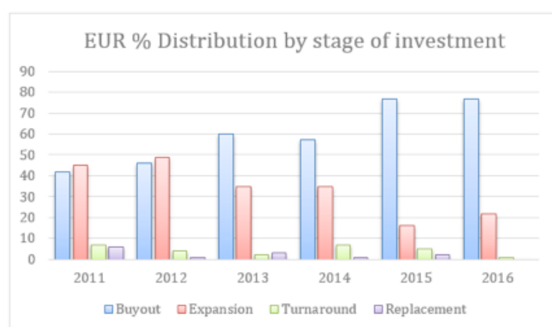


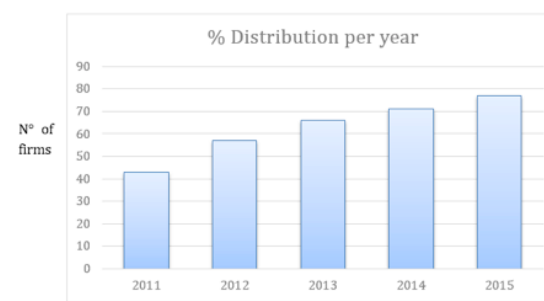
Table 3: PE investment features in Italy (Private Equity Monitor 2016, 2015, 2014, 2013, 2012, 2011)

Investment stage (N° of transaction)	Early Stage
Investment Stage (Amount invested)	Buyout deals
Acquired stakes	>50%
Size of the firm	<€30m

Further studies divided Italian PE investments across North, Center and South of Italy. The majority of PE investments is done in the Northern part of the country. The North accounts of 71 %, followed by the Center and South with 16 % and 9 % respectively.

We have prepared a table (Figure 10) as to recap the outcomes of the analysis run on Private Equity Investments in Italy. The dominant pattern over the 2011-2016 period shows a changing trend: in 2011-2012 PEs mainly targeted Expansion stage, from 2013 on buyout deals have been the main recipient of funds for Italian PEs transactions.

Figure 10: VC Investment per year (VEM report 2015, 2014, 2013, 2012, 2011)



Italian PEs are in line with literature, as they typically go for long-term deals, on big firms that request the investment of a high amount of capital. (Blackman, 2014).

Venture Capital investments are provided byVenture Capital Monitor (VeM) which allows to understand the distribution of VC funds by number of employees, size of the firm, deal origination, lead investor acquired stake, and Italian regions. Figure 10 shows how VC investments increased in 2011-2015 period

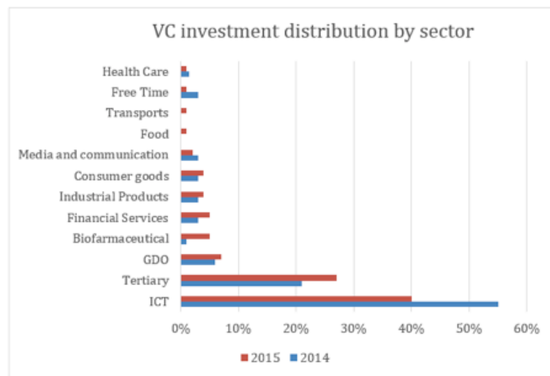
Table 4 allows a quick understanding of Italian VC investments' main characteristics.

Table 4: VC Investment features in Italy (Venture Capital Monitor 2015, 2014, 2013, 2012, 2011)

Investment stage	Start-up and B Round
Acquired stakes	21%<x<50%
Size of the firm	2<x<3m
Sector	ICT
Deal Origination	Private Enterprises[4]

Here, another difference with European reality has come to light: VC investments in Europe is mainly addressed to "Consumer Service", "Health Care" and "Information technology" while in Italy they show high preferences for "ICT" sector, followed by "Cleantech", as shown in Figure 11.

Figure 11: VC Investment per sector (Venture Capital Monitor 2015)



Getting real and complete data on BA activities is a hard task as they prefer anonymity and they have no obligations, up until now, of reporting the activities undertaken.

This may be a problem when trying to define a realistic sample for this type of investors, as it makes not easy the data collection for scholars and researchers in general (Mason, 2007).

The report from VeM and IBAN is the most reliable source of data available for free and thus we base our BA analysis on these two reports.

The most interesting outcome from the analysis shows differences between VC and BA investments (2011-2014 period) among "Seed" and "Start-up" stages. Business Angels mainly focus on "Seed" stage deals, while VC mainly address "Start-up" stage as shown in Table 5. This is in line with literature.

Table 5: BA and VC distribution by investment typology (Early Stage in Italy, 2013, 2012)

	BA investment typology			VC investment typology		
	2011	2012	2014	2011	2012	2014
Seed	70%	70%	47%	47%	60%	4%
Start-up	30%	30%	53%	53%	40%	96%

Business Angels' analysis main results are summarised in the Table 6 in which we underline BA preferences on investments as accordingly to VeM and IBAN reports.

Table 6: BA investment features in Italy

Investment stage	"Seed" or "start-up"
Acquired stakes	X<21%
Sector	ICT
Investment deals	Many different deals, small amount of capital[5]

We have seen Europe and Italian patterns which show differences that should be pointed out. Table 7 offers a recap on typical investment stages and sectors that different investors target in European and Italian realities.

Table 7: Investors' characteristics- European and Italian realities

Investor	Typical investment stage		Sector	
	EUROPE	*ITALY*	*EUROPE*	*ITALY*
Business Angels	Start-up – B Round	Seed and Start-up	-	ICT
Venture Capital	B Round - Expansion	Start-up and B Round	Consumer Services	ICT
Private Equity	Buyout deals – Start-up	Buyout deals	Consumer goods and retail	-

As a matter of fact, all types of investors mainly invest in the initial phases of a firm's life. This holds even for Private Equity which was expected to invest in later stages as is confirmed at the European level. Contrary to Italy, European PE mainly invests in buyout deals. In Italy they rather go, in terms of number of transitions, for early stage firm investments. This mirrors the Italian reality: a firm universe that is highly skewed towards the small (micro) family owned firms, which survive because of their –almost- perfect understanding of the sector in which they operate. Typically, these Italian firms survive but they do not grow big.

Investment opportunities in the later stages therefore may simply be too few. Here, investors may proactively identify candidates for growth, offer know how and funds to those that try to hit the market in different ways, knowing that they will face not only higher risks but also higher growth prospects. For the enterprise side this means that competition for, but also chances for early stage funding are high and that they can choose across the type of investors which "best" fit their needs, ranging from capital to know-how.

Second, Business Angels in Italy, perfectly follow literature predictions as they mainly invest in "Seed" and "Start-up" stages. Differently, at the European level, they are involved also in B Round investment stage which concern higher investment amount. This can be explained by bigger investment opportunities, on a liquidity level, that European BAs have compared to Italians. It can also be a consequence of Italians lower risk profile when compared to European BAs. We leave here an open point for future research.

Thirdly, Investors at a European level mainly focus their investments in 2 sectors: Consumer goods and retail, and Consumer services. Contrary to our expectations, in Italy, they prefer investing in the ICT sector, which is associated with innovation and technology. We would have expected that, knowing the Italian landscape, investors would have invested in typical "Made in Italy" sectors such as food, furniture and textile and a world class machinery industry. In this context, the Italian Decree Law may have helped opening the route for new investment sectors.

Fourthly, investment activity in Italy seems to be reduced with regard to both, number of deals as well as investment levels. As a matter of fact, the Italian market has not yet completely recovered from the crises and many Italian investors and managers seem to prefer international firms as main target for their funds.

6 – Conclusion

We departed from the fact that the study of investment patterns in extant literature neglects a fine-grained analysis of investment stages and, relatedly, a link to firm age and lifecycle. Additionally, a comparison of patterns and the identification of commonalities and differences in various contexts may be of great value for all key players, i.e. investors, start-ups and longer established SMEs, and policy makers.

In order to shed some more light on these topics, we have developed an in-depth comparison of the European and Italian reality based on key players, investment stages, and investment levels. Our findings show more differences than commonalities between European and Italian practice. Overall, European investors invest more, they invest in more stages and they invest more broadly with regard to sectors. Importantly, what emerges from our analysis is a dominant investment practice in early stage projects while funding expansion and growth is negligible. We do not know whether this is a cause or an outcome of the Italian "stay small" attitude which is a topic of lively discussion also at policy level. We leave this question to future research as well as the question how comparable pairs of firm develop once they have or have not received funding. This may also be linked to the evolution of the relationship between investments and funded firms, trying to develop a hypothesis of why funded firms may not make it through.

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