

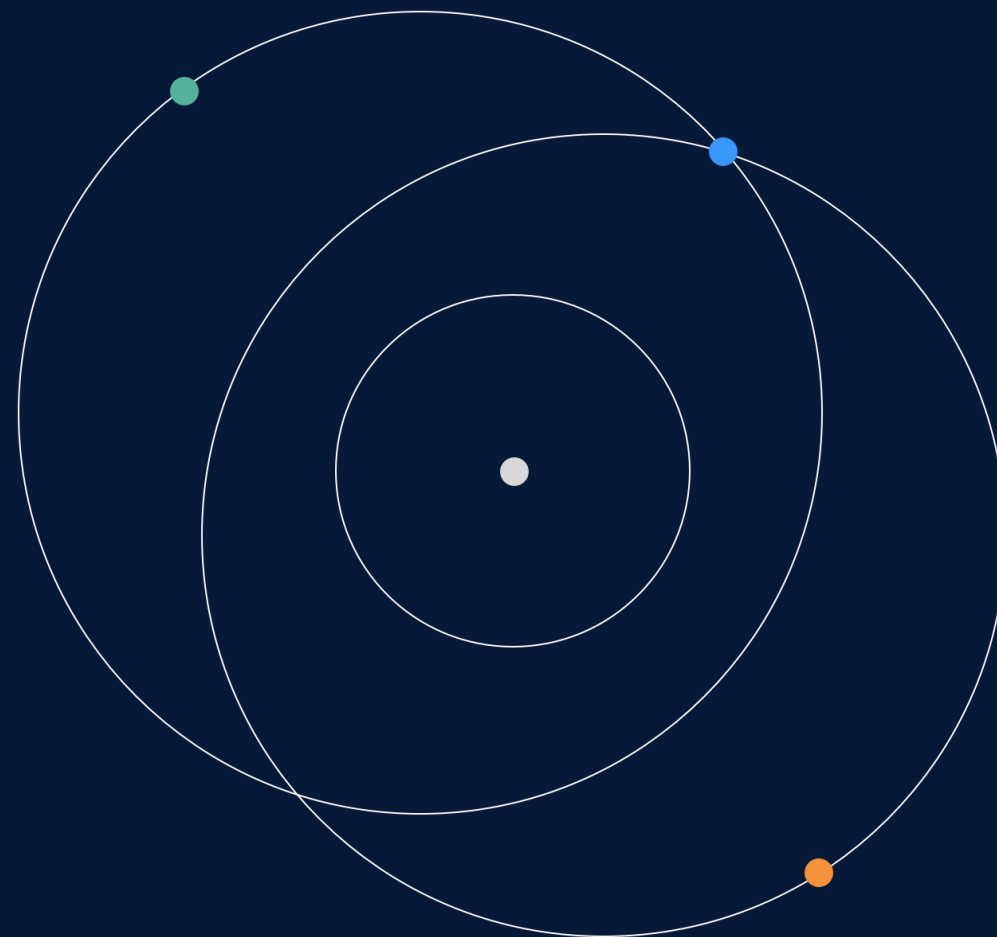


Milan Madrid London



ITALIAN
TECH
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Venture Capital Report Italy Q3-24



 Growth Capital

 growthcapital.it

 Italian Tech Alliance

 italiantechalliance.com

Growth Capital is a tech investment bank in the VC industry

We are a close-knit team of **27** committed and trustworthy VC professionals from 9 different nationalities, sharing the same vision: **to be the catalyst for growth and innovation in the European Tech Ecosystem.**

We enable the best **entrepreneurs** to successfully complete cross-border **fundraising** or **M&A** transactions while maintaining a focus on managing their companies. At the same time, we support **corporate** entities and **investors** in identifying the **most promising tech deals.**

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Senior advisors

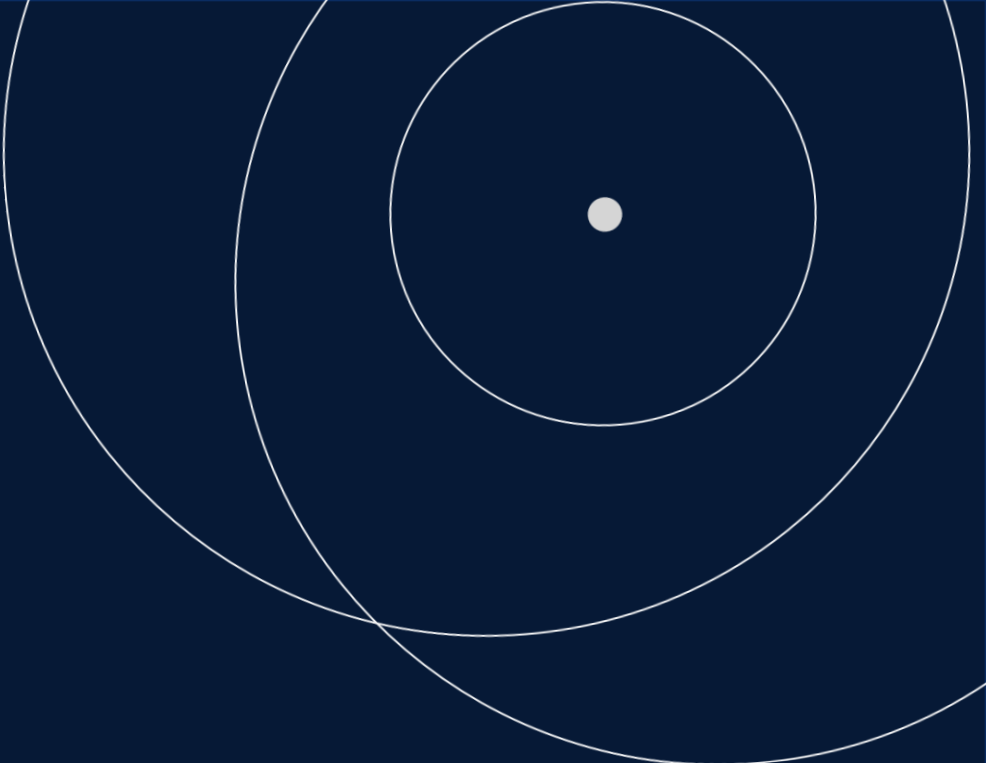


Agenda

- 1 Key numbers unveiled: Q3-24 and 2024-YTD
- 2 VC in Europe
- 3 VC in Italy
- 4 Sectors, verticals, top 5 deals and exits in Italy
- 5 AI: an ongoing revolution
- 6 3 trends that will shape VC
- 7 Final remarks

Methodology

1. The report includes (i) **startups based in Italy** and (ii) **startups with foreign headquarters and Italian founders and 50%+ of employees in Italy**
2. Database created using **PitchBook** data (last consultation on **04/09/2024**) for rounds completed from 2019 to 2024, classified as Early Stage VC and Late Stage VC. PitchBook Verticals (as defined in **point 9**) and sectors (as defined in **point 10**) assigned by Growth Capital (GC)
3. Data obtained following the procedure outlined in point 2 are integrated and compared with **round press releases**, when available. In case of discrepancies, information from the press releases are preferred. Then, data are compared and integrated with the **confidential information** provided to GC **by key investors active in the Italian VC ecosystem**
4. For each **round without stage indication** in the press release or in the PitchBook database, the **equity story** of the company is analyzed applying the following criteria:
 - a) In case of first public funding rounds, (i) **Pre-seed** if the round size is **<€0.2M** or (ii) **Seed** if the round size is **>€0.2M**
 - b) In case of existing funding history, stage is assigned on a case-by-case basis, choosing between Seed, Bridge, Series A, Series B, Series C, Series D+, Growth VC. For example, a €5M round which follows two Seed rounds of less than €2M is defined as Series A
5. Exclusion of all rounds **not unambiguously classifiable as VC rounds**, with **size undisclosed** or with size **below €50K**
6. Exclusion of all VC rounds in the form of **debt** due to their strong sectoral dependence; consistently, for the **«mixed» equity and debt** VC rounds, **only the equity part** is considered. In the case of «mixed» rounds for which the exact split between equity and debt is **not disclosed**, information is **confidentially** asked to the startup or to the investors preserving the confidentiality. If the split is not provided, the round is considered as entirely of equity
7. The procedure described at point 6 is followed also for rounds whose total announced amount includes **sales of quotas/shares on the secondary market** and for rounds with funding subject to **milestones**
8. **Crowdfunding rounds** are monitored by directly consulting the **three** most important Italian **crowdfunding platforms** in terms of amount invested
9. **«Verticals»** refers to the 242 values uniquely used by PitchBook to define the type of sectoral/market activity of the startups under analysis
10. **«Sectors»** refers to the 10 sectors defined by GC, which are assigned according to the clusterization of the 242 PitchBook verticals detailed in the Appendix



1

Key numbers unveiled: Q3-24 and 2024-YTD

1.1. Key numbers Q3-24



70

number of rounds



€524M

amount invested



13

Series A



6

Series B
(2 Series C+)



11

exits



Smart City

sector with the
most rounds



Smart City

sector with the highest
amount invested



AI & ML

vertical with the
most rounds



CleanTech

vertical with the highest
amount invested



NewCleo

largest round

1.2. Key numbers Q3-24 vs Q2-24

Q3-24				
70 =	€524M ↑	13 ↑	6 ↑	11 ↑
number of rounds	amount invested	Series A	Series B (2 Series C+)	exits
Q2-24				
68	€139M	9	2	8
number of rounds	amount invested	Series A	Series B (1 Series C+)	exits

1.3. Key numbers 2024-YTD



246

number of rounds



€1,108M

amount invested



36

Series A



10

Series B
(6 Series C+)



31

exits



Software

sector with the
most rounds



Smart City

sector with the highest
amount invested



AI & ML

vertical with the
most rounds



CleanTech

vertical with the highest
amount invested

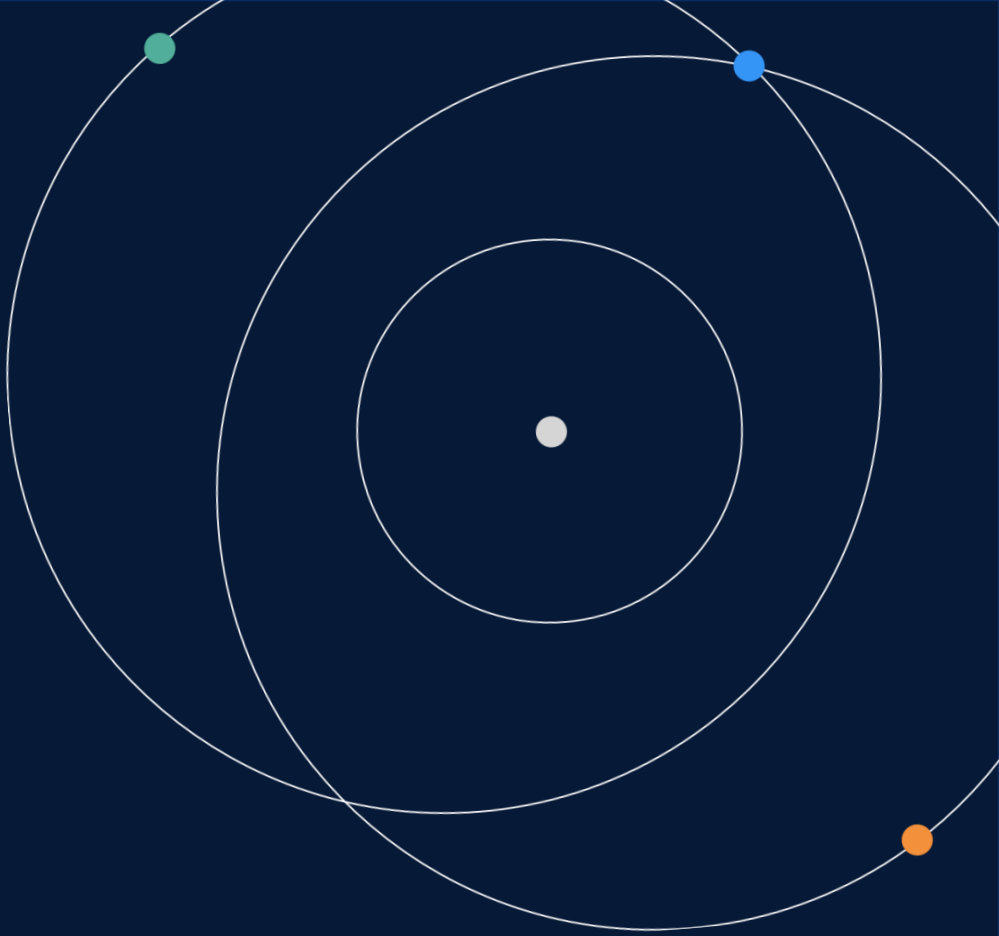


Bending Spoons

largest round

1.4. Key numbers 2024-YTD vs 2023-YTD

2024-YTD				
246 ↑	€1,108M ↑	36 =	10 =	31 =
number of rounds	amount invested	Series A	Series B (6 Series C+)	exits
2023-YTD				
232	€791M	40	11	33
number of rounds	amount invested	Series A	Series B (2 Series C+)	exits

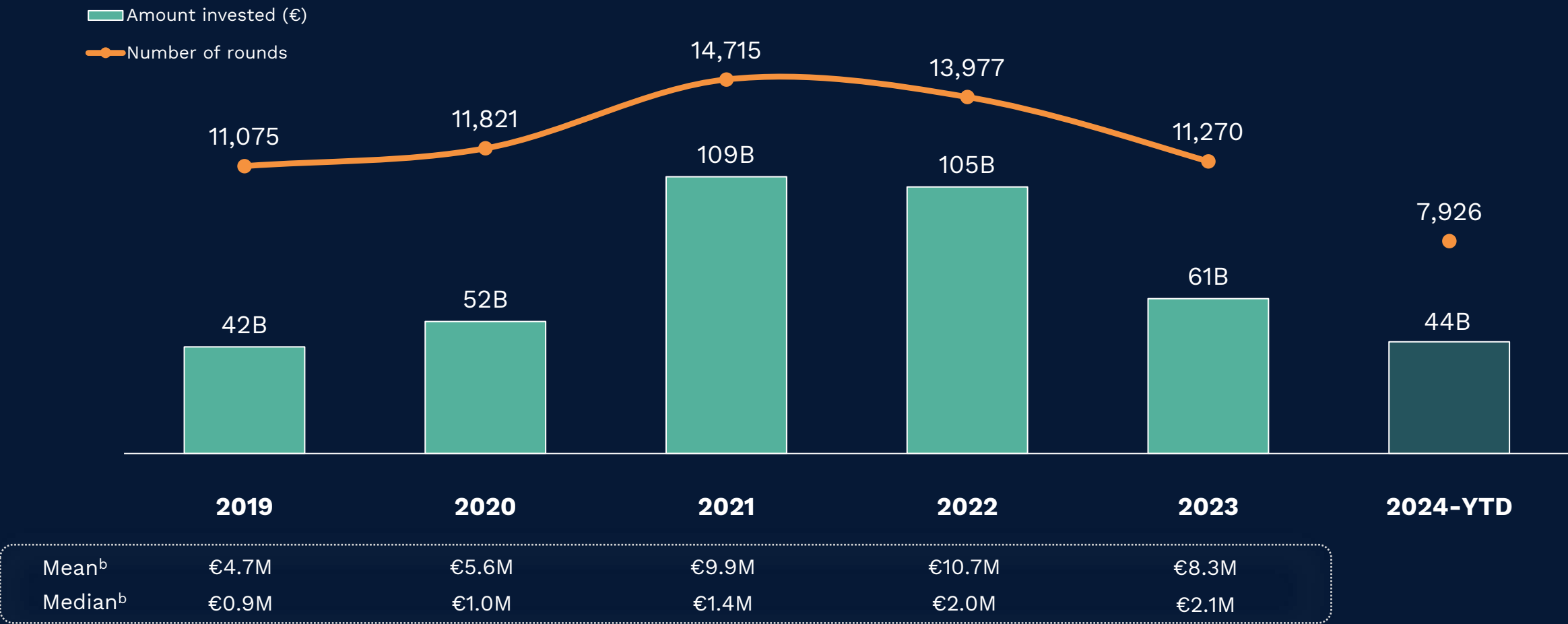


2

VC in Europe

2.1. VC in Europe: historical evolution (1/2)

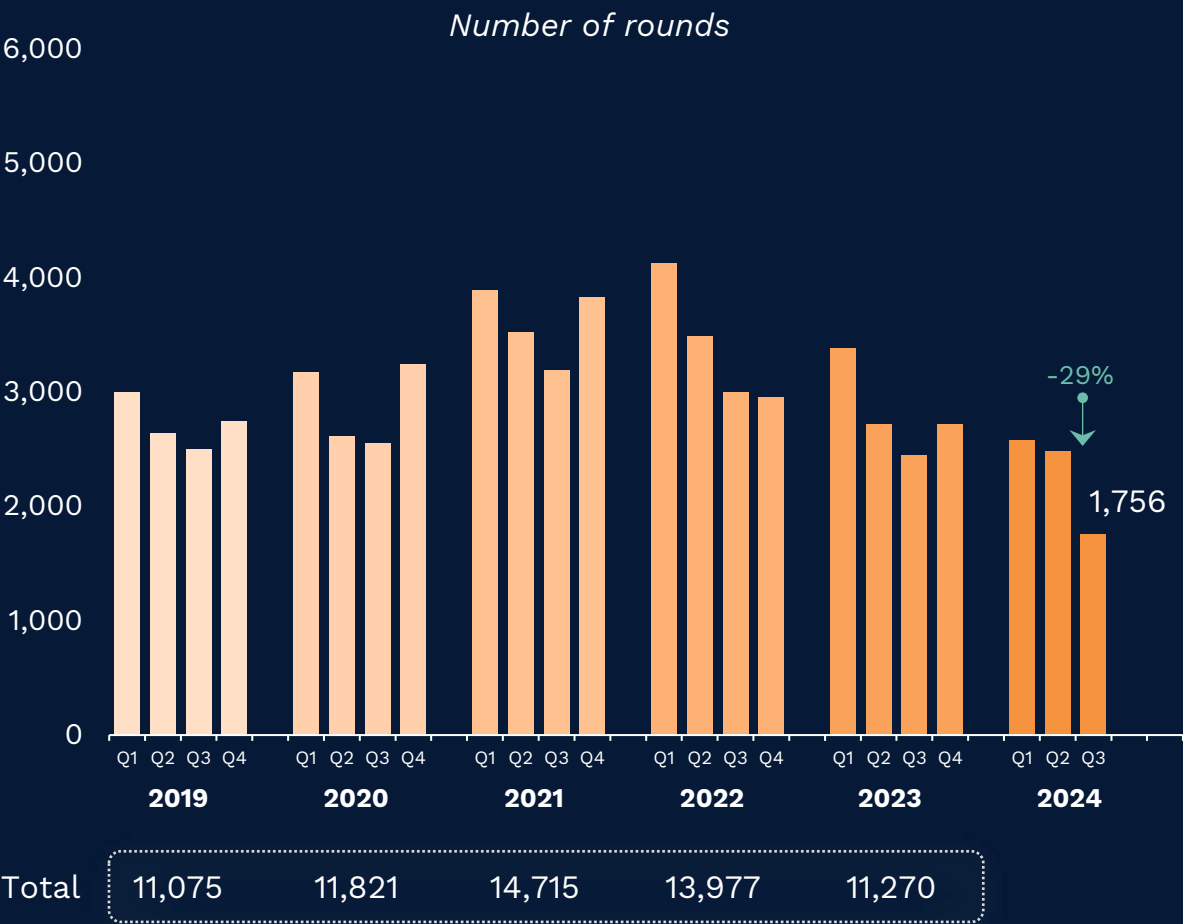
With €44B raised in 7,926 rounds^a YTD, the European VC is showing signs of stability with respect to 2023 (-7% in number of rounds and -4% in amount invested vs Q1-Q3 2023)¹



Sources: a. PitchBook Q2-24 European Venture Report for all data from 2019 to H1-24, Growth Capital elaboration based on PitchBook data for Q3-24; b. PitchBook Q2-23 European Venture Report
Notes: 1. PitchBook data may slightly change in the future, due to delays in data update and constant backward correction

2.2. VC in Europe: historical evolution (2/2)

With €11B in 1,756 rounds, the stability recorded in H1-24 seems to continue in Q3, which is in line with the last 18 months^{a,1}



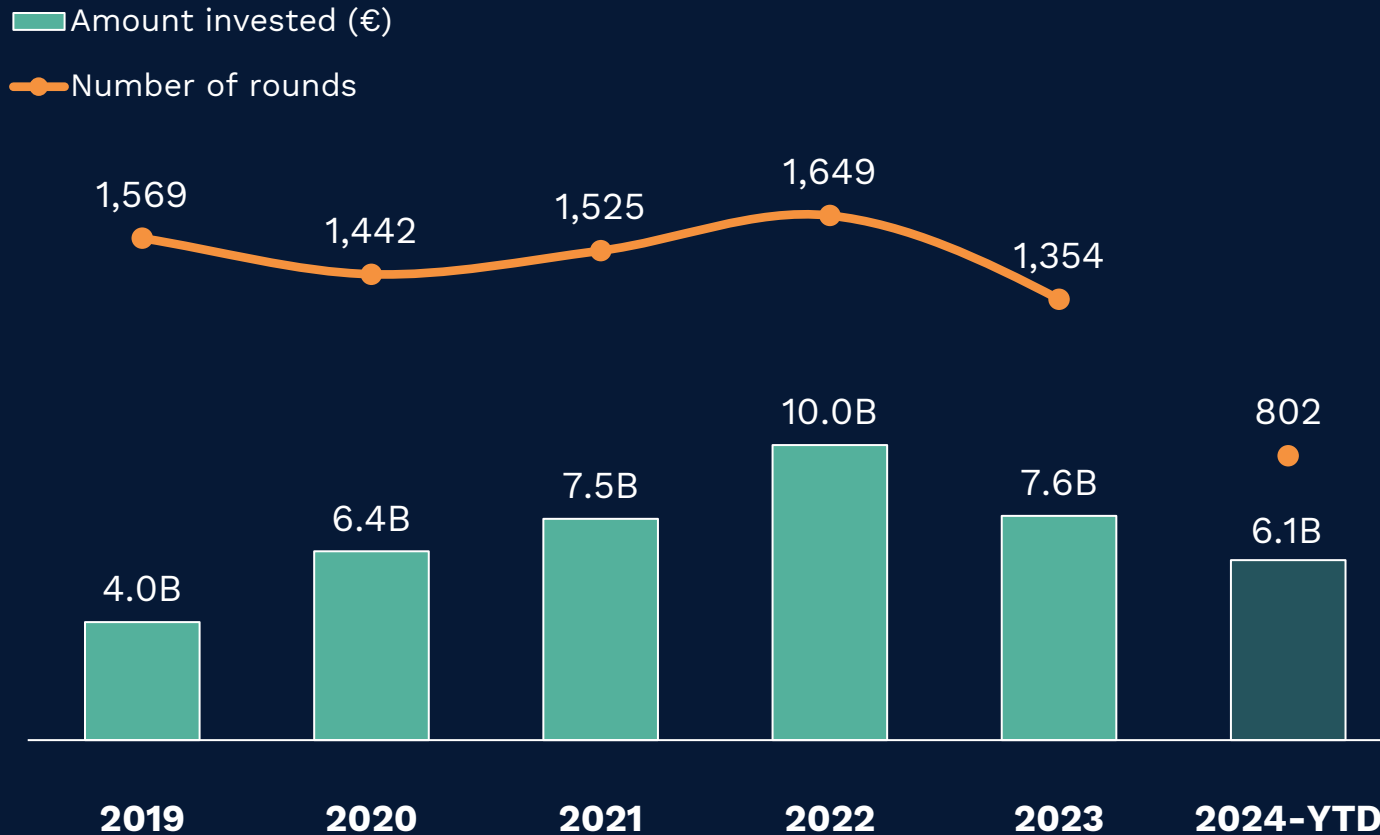
Sources: a. PitchBook Q2-24 European Venture Report for all data from 2019 to H1-24, Growth Capital elaboration based on PitchBook data for Q3-24

Notes: 1. PitchBook data may slightly change in the future, due to delays in data update and constant backward correction

2.3. VC in France: historical evolution



In 2024-YTD, a total of €6.1B was raised in 802 rounds^a



France's dealmaking activity has not fully recovered yet to 2022 levels, while the amount invested is influenced by few major fundraising like **€600M** by **MistralAI** and **€360M** by **Voodoo**.

Although it is one of the most advanced VC European countries, **political instability** is making **investors more cautious**.

On the other hand, **M&A activity** has started to **pick-up**, positively affecting the future outlook.

Late Stage has been heavily impacted since the end of 2022, forcing more mature companies to postpone fundraising activity. In turn, competition for the best deals became fiercer.

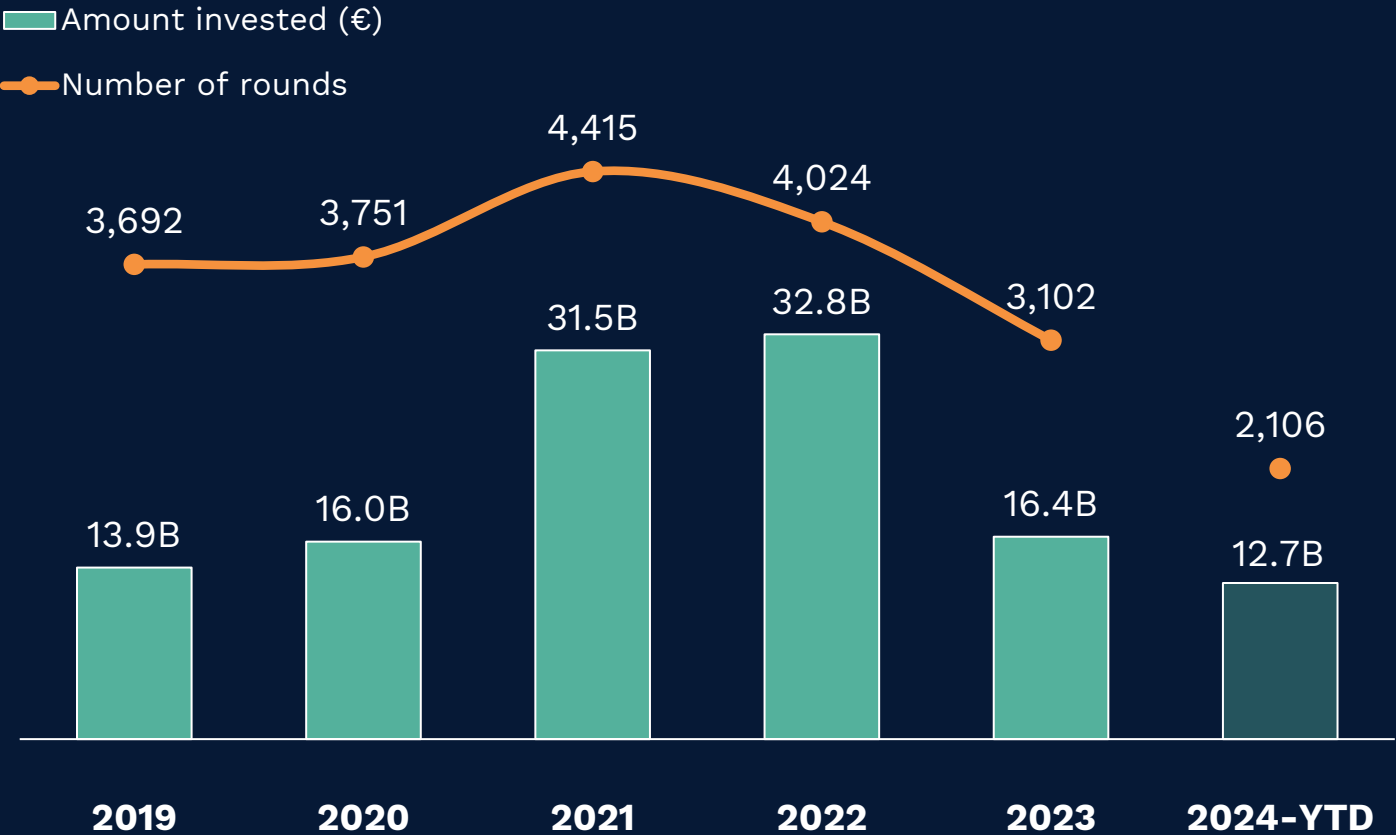
Investment activity remains high in **CleanTech** (supported by strong regulatory tailwind) and **DeepTech** following the EU overall trend.

Sources: a. Growth Capital elaboration based on PitchBook data, excluding rounds with undisclosed size

2.4. VC in the United Kingdom: historical evolution



In 2024-YTD, a total of €12.7B was raised in 2,106 rounds^a



The UK VC market is witnessing **significant shifts** driven by macroeconomic challenges and strategic realignment within key sectors.

Dealmaking activity is pacing above last year, especially thanks to mega rounds in **AI** (Monzo) and **Fintech** (Wayve), which confirms the role of UK as the main European hub for these two sectors.

Investors are shifting focus toward companies with **sustainable growth** and **strong unit economics**, moving away from rapid scaling at all costs.

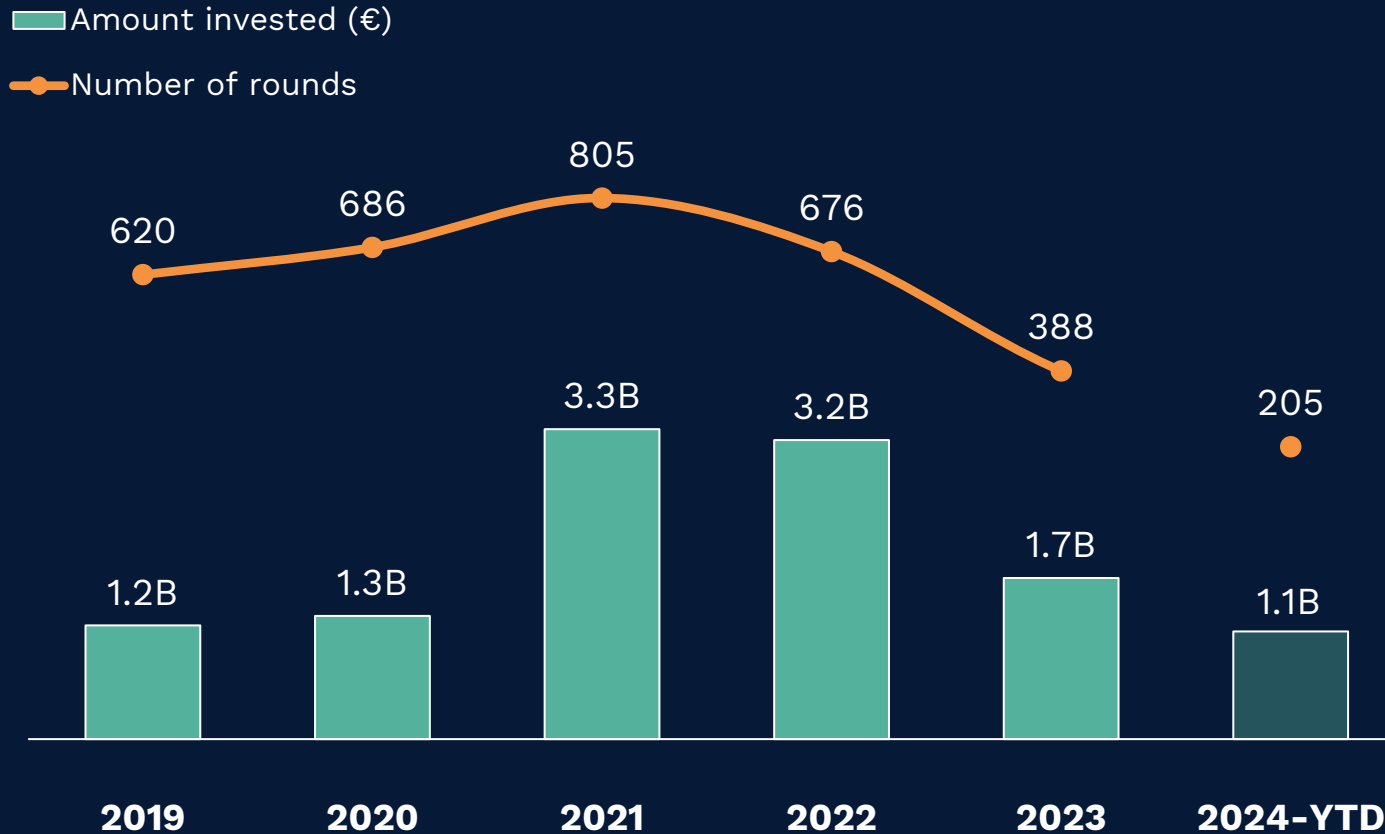
Looking at investors' fundraising, 2024 is pacing at **half** 2023 levels, lagging behind Europe. Emerging managers led most of new fund closings, often with vertical focus.

Sources: a. Growth Capital elaboration based on PitchBook data, excluding rounds with undisclosed size

2.5. VC in Spain: historical evolution



In 2024-YTD, a total of €1.1B was raised in 205 rounds^a



Despite a **slow start of the year**, **2024-YTD** appears to be **in line with 2023-YTD**: the smaller number of deals (205 vs 299) is offset by a higher average deal size (€5.1M vs €4.4M), resulting in a total amount invested that does not differ significantly from the previous year.

The median and average deal size evolution confirm that the **Spanish VC** is **slowly moving upwards** towards **Late Stage**, as already pointed out for H1-24. The overall feeling is that there's still a **distinct sense of momentum** in the Spanish VC.

No mega rounds have been recorded in Q3-24, however, it can be mentioned Exoticca's €60M Series D.

The reliance on **non-dilutive sources** such as debt and grants – frequently used **alongside traditional equity** fundraising – stays strong.

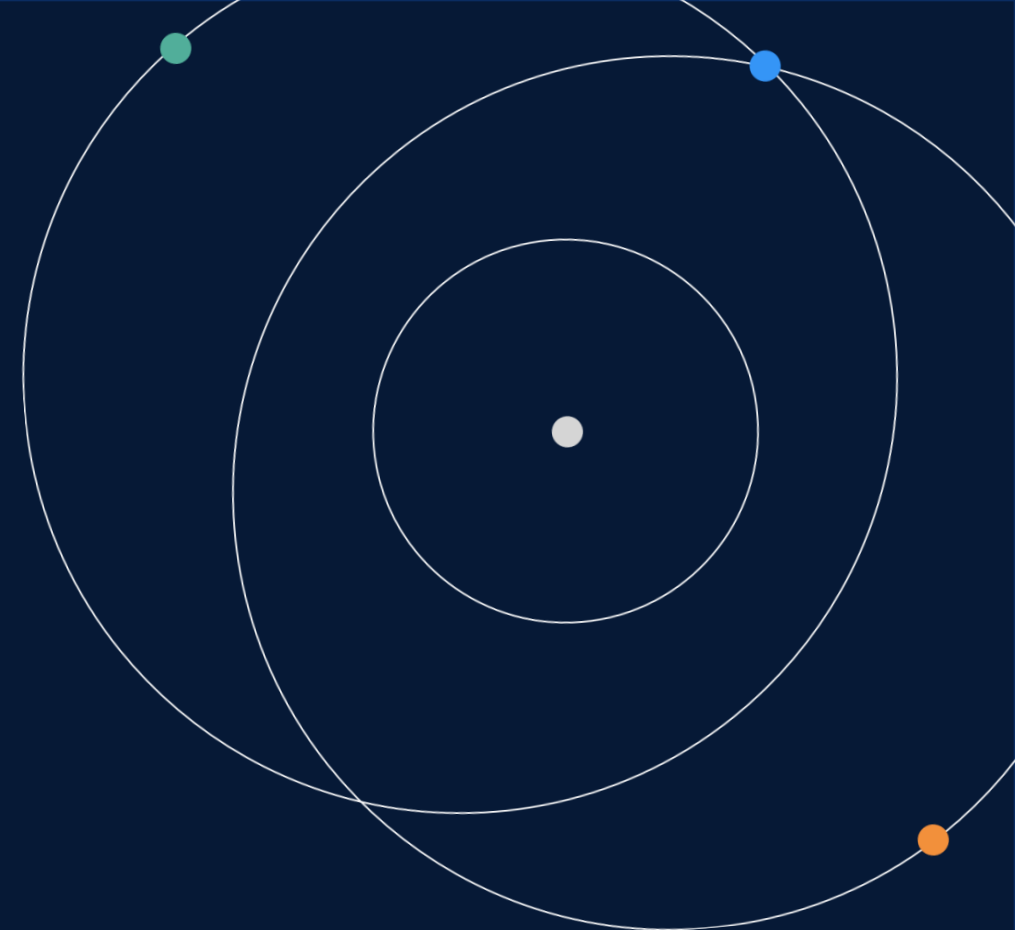
Sources: a. Growth Capital database, excluding rounds with undisclosed size

2.6. Top 5 deals in Europe: 2024-YTD

TOP 5 DEALS ^a	SECTOR	STAGE	SIZE	INVESTORS ¹
 WAYVE 	Software	Series C	€980M	Nvidia, Eclipse Ventures, Softbank Group, Microsoft, Uber
 	Fintech	Series B	€933M ¹	GSR Ventures, K3 Ventures, Salica Investments, West Coast Capital, Tom Hunter
 MISTRAL AI_ 	Software	Series B	€600M ¹	Andreessen Horowitz, Belfius Investment Partners, Bertelsmann Investments, BNP Paribas
 monzo 	Fintech	Growth VC	€580M	GV, CapitalG, Tencent, Ribbit Capital, HongShan, Hedosophia, Top Tier Capital, Passion Capital
 Helsing 	Software	Series C	€450M	General Catalyst, Elad Gil, Saab, Accel, Plural VC, Greenoaks Capital Partners, Lightspeed Management Company

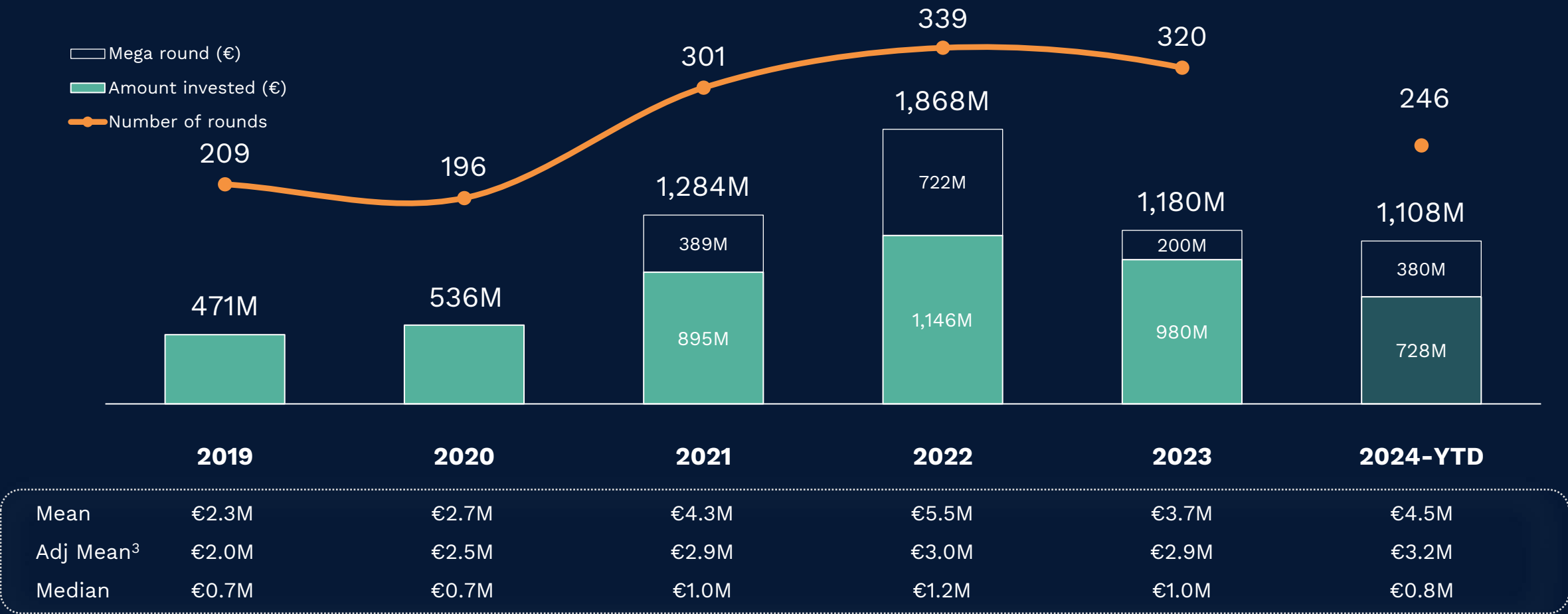
Notes: 1. Value including debt and equity; **Source:** a. Growth Capital elaboration based on Pitchbook data

3 VC in Italy



3.1. VC in Italy: historical evolution

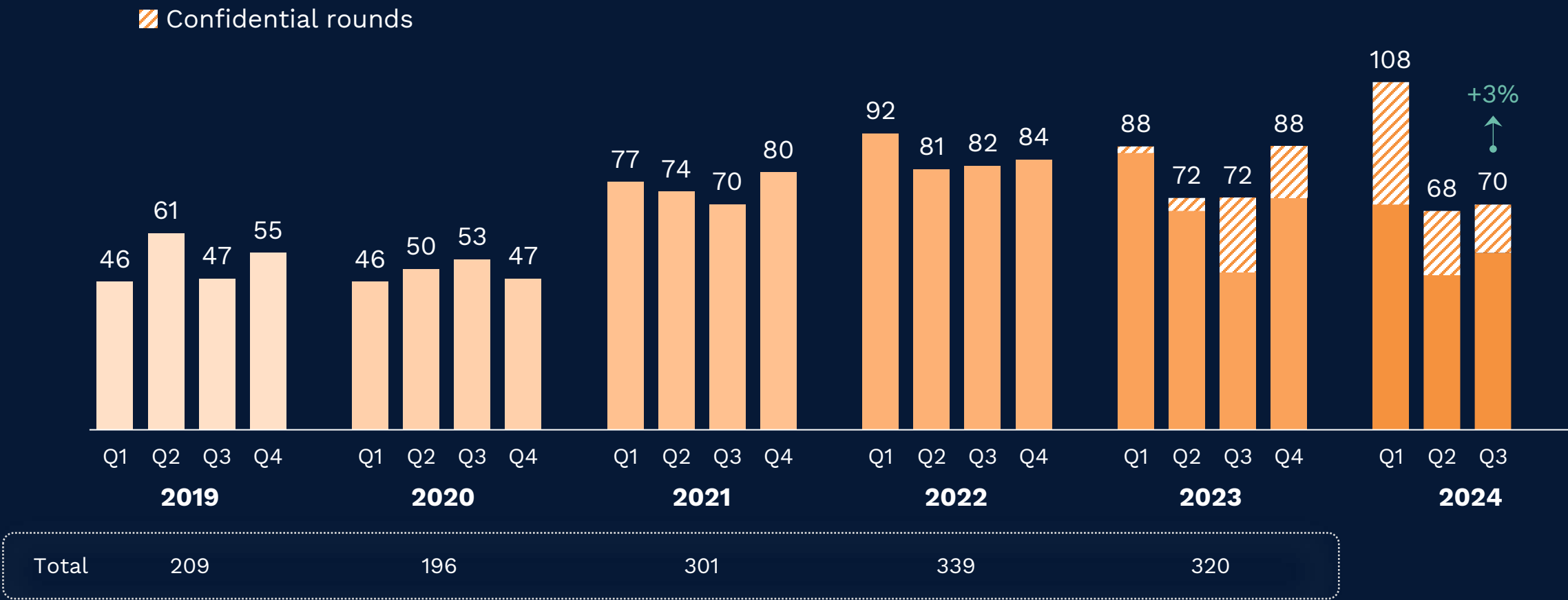
In 2024-YTD, €1,108M were raised in 246 rounds, with 34% coming from 3 mega rounds^{1,2}. 2024-YTD is in line with FY2023 for total invested



Notes: **1.** For the purposes of the report, mega rounds are defined as transactions where the equity component is equal to or exceeds €100M; **2.** Bending Spoons, MMI, NewCleo. As the two tranches of NewCleo’s round are €87M in Q2 and €48M in Q3, this Report considers the fundraising as a single round of €135M. D-Orbit are not considered as mega rounds In 2024, despite the second tranche announced in Q3-24, because they had already been considered in 2023 when the first tranche was announced **3.** Mean without outliers. For the purpose of the report, outliers are defined as rounds that are very far from the average amount for the quarter

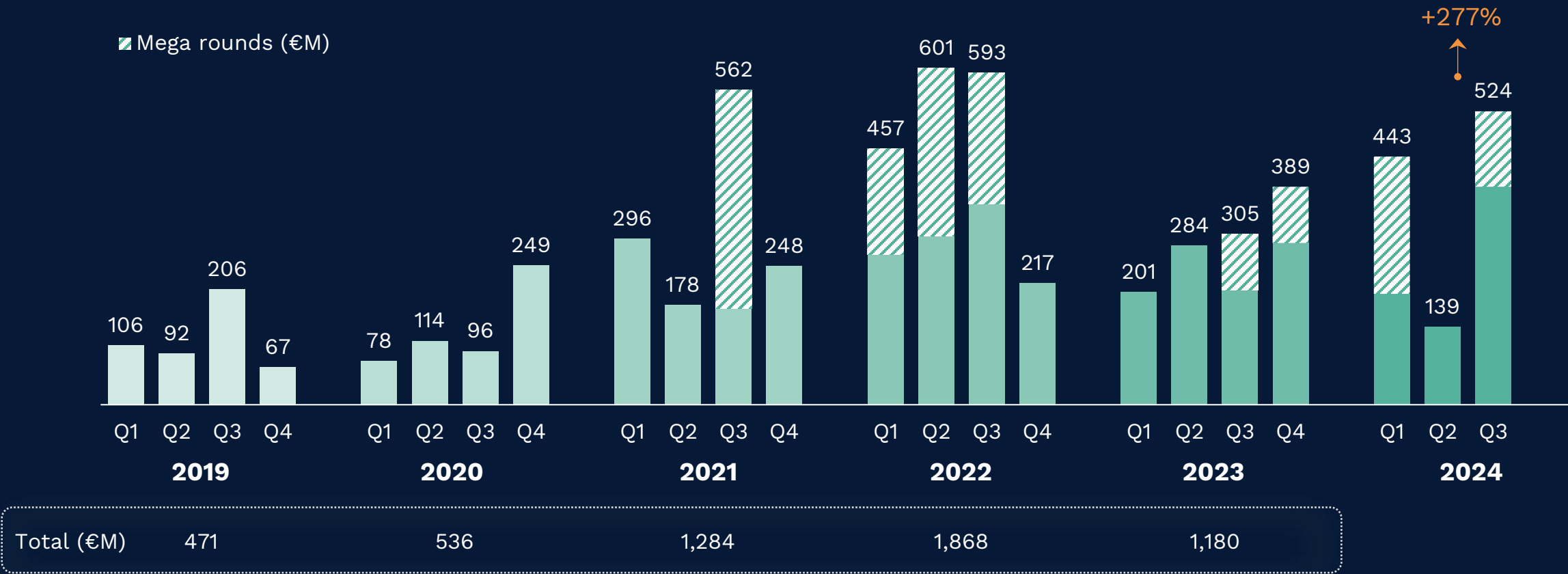
3.2. Quarterly number of rounds: 2019-2024

Q3-24 is in line with Q2-24 and the average of the last 3 years



3.3. Quarterly amount invested: 2019-2024

Q3-24 is the best quarter of the last 2 years and the best ever excluding mega rounds¹

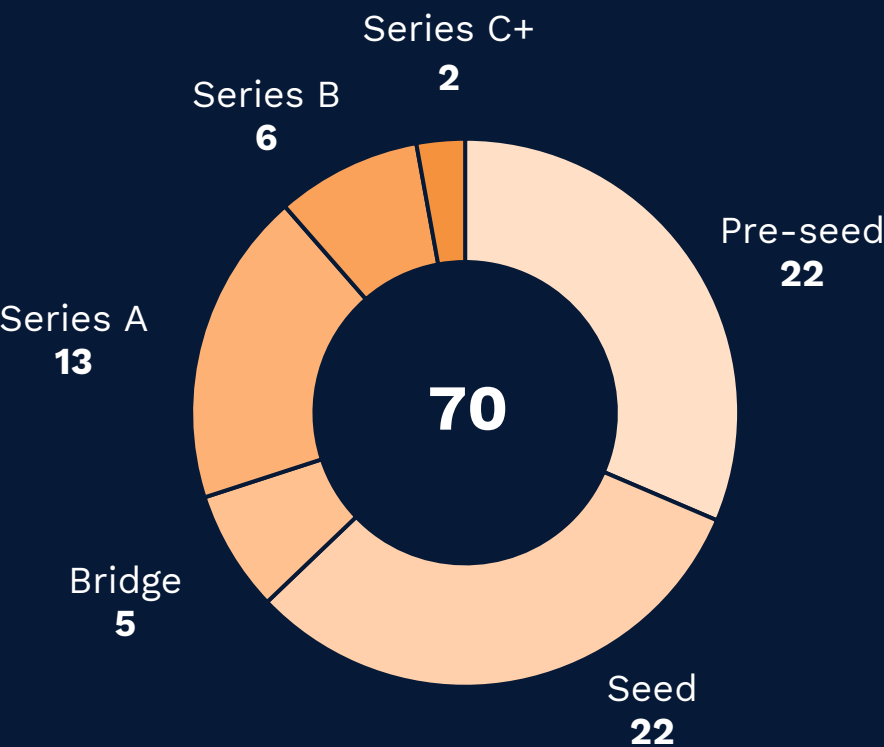


Note: 1. As the two tranches of NewCleo’s round are €87M in Q2 and €48M in Q3, this Report considers the fundraising as a single round of €135M

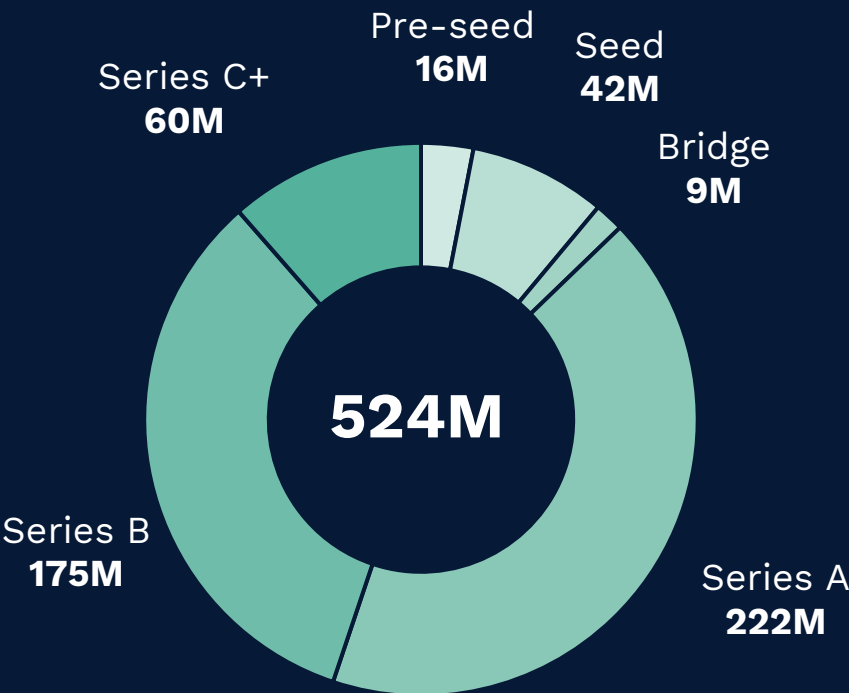
3.4. Analysis by round type: Q3-24

Pre-seed and Seed remain the most frequent round types (63% of the total), although lower than H1-24 (71%). 45% of total raised comes from Series B+

Number of rounds – Q3-24



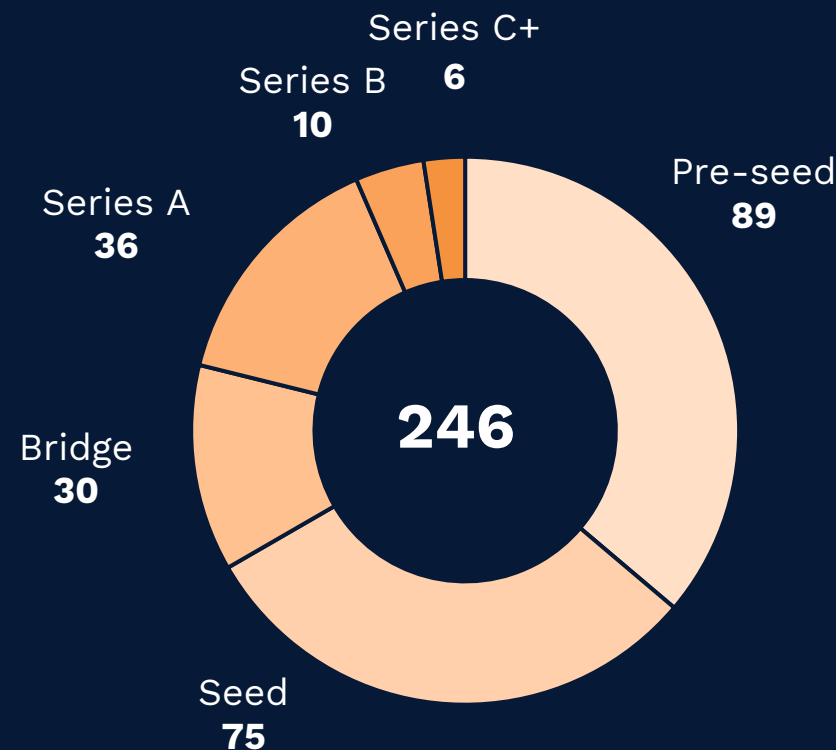
Amount invested (€) – Q3-24



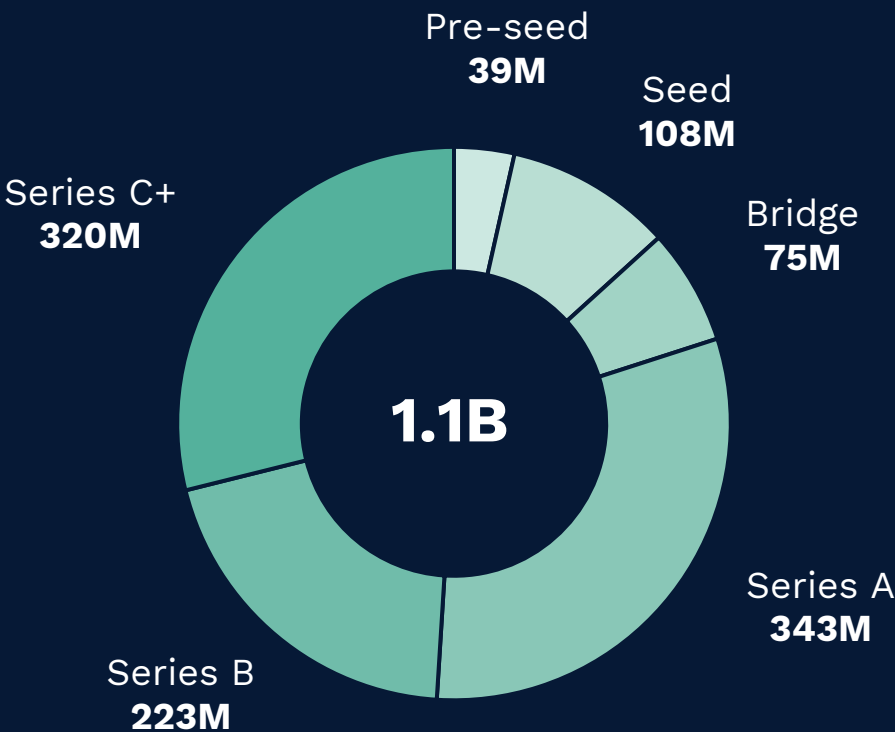
3.5. Analysis by round type: 2024-YTD

In 2024 YTD, Pre-seed and Seed deals accounted for 67% of all rounds, down from 78% in 2023. Series B+ raised 49% of total capital, nearing pre-2023 levels¹

Number of rounds – 2024-YTD



Amount invested (€) – 2024-YTD

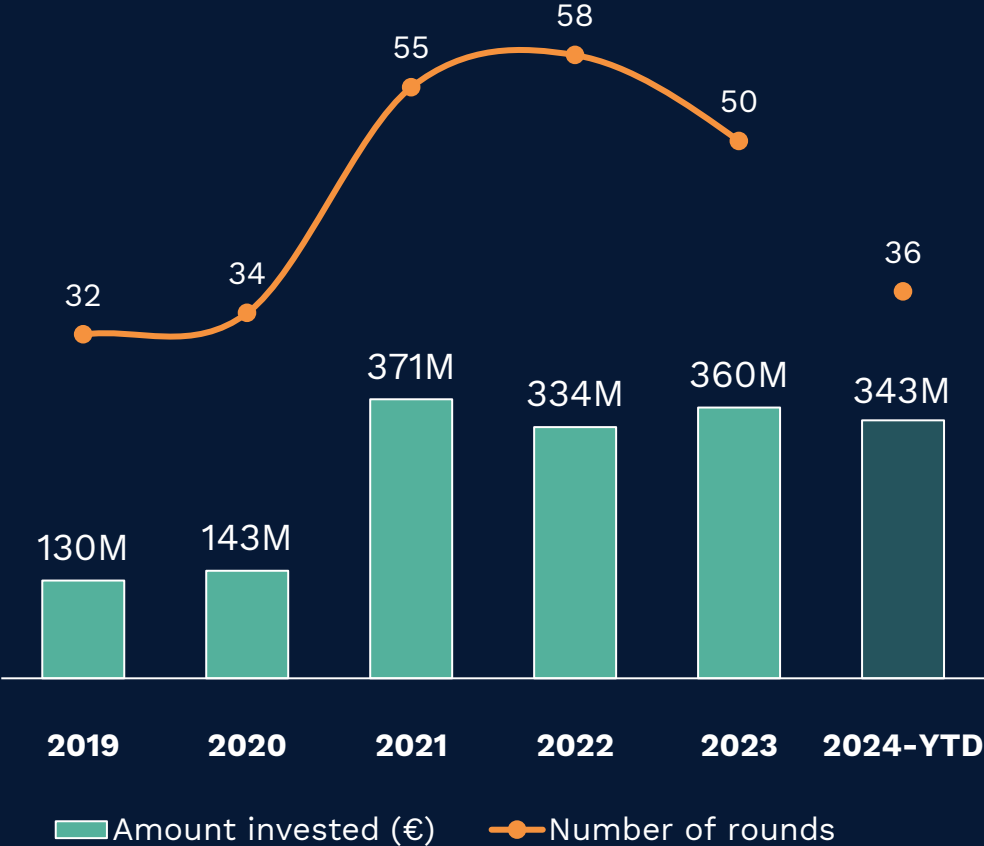


Notes: 1. Series B+ incidence on total raised from 2019 to 2022 was 53%, dropping to 34% in 2023

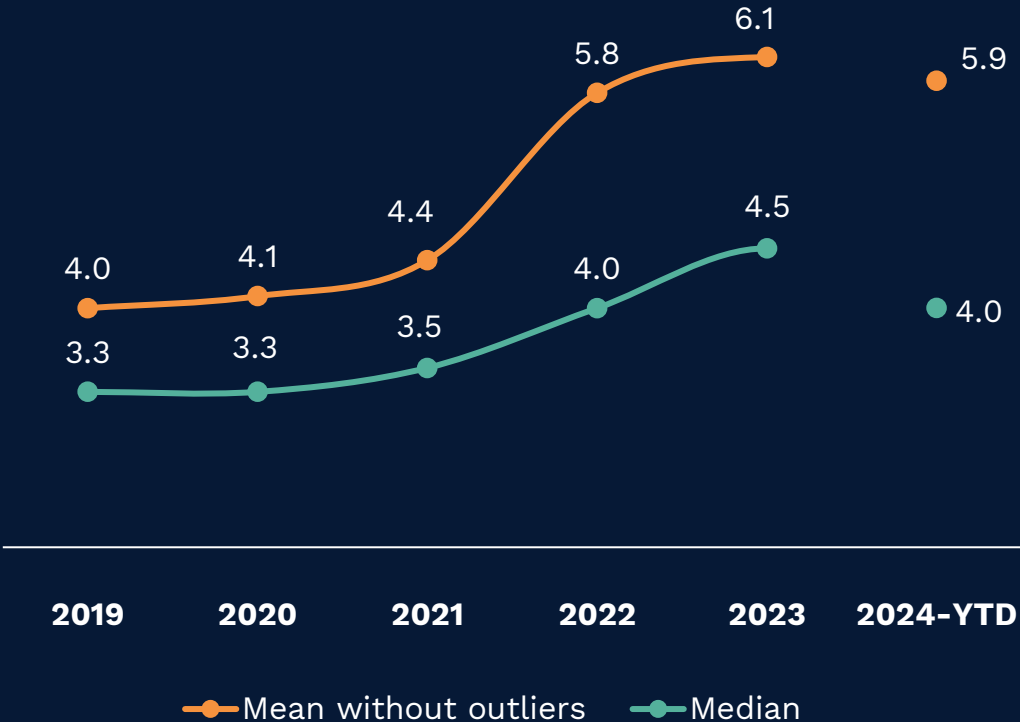
3.6. Focus: Series A (1/2)

2024-YTD is stable in terms of number and amount. Mean and median round sizes are in line with 2022, but lower than 2023

Amount invested (€) and number of rounds



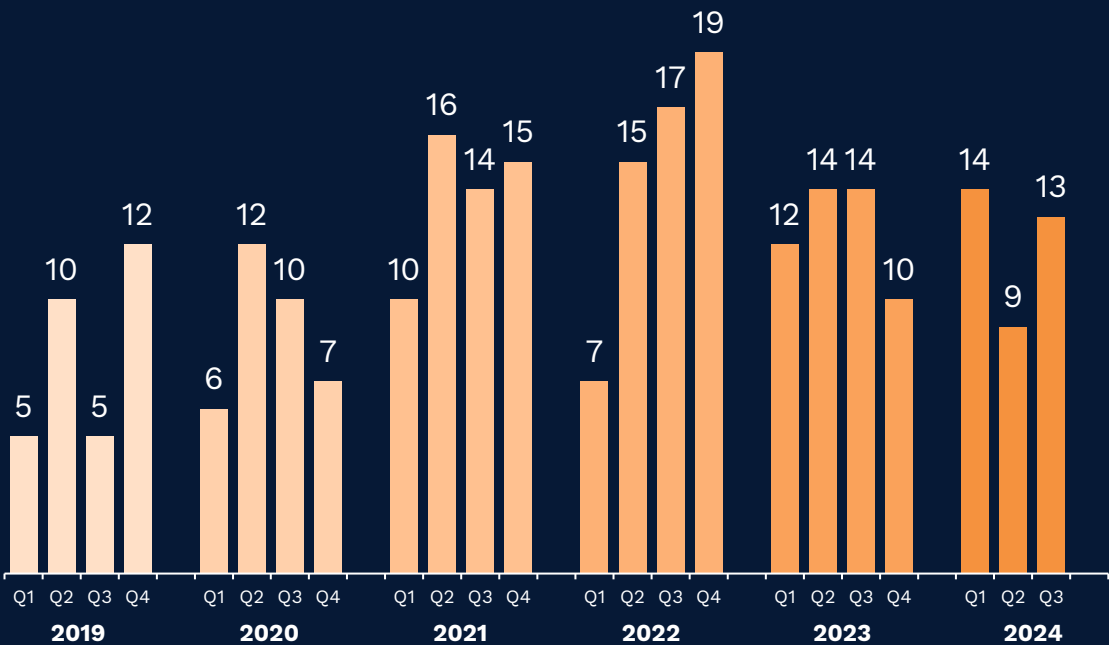
Mean and median (€M)



3.7. Focus: Series A (2/2)

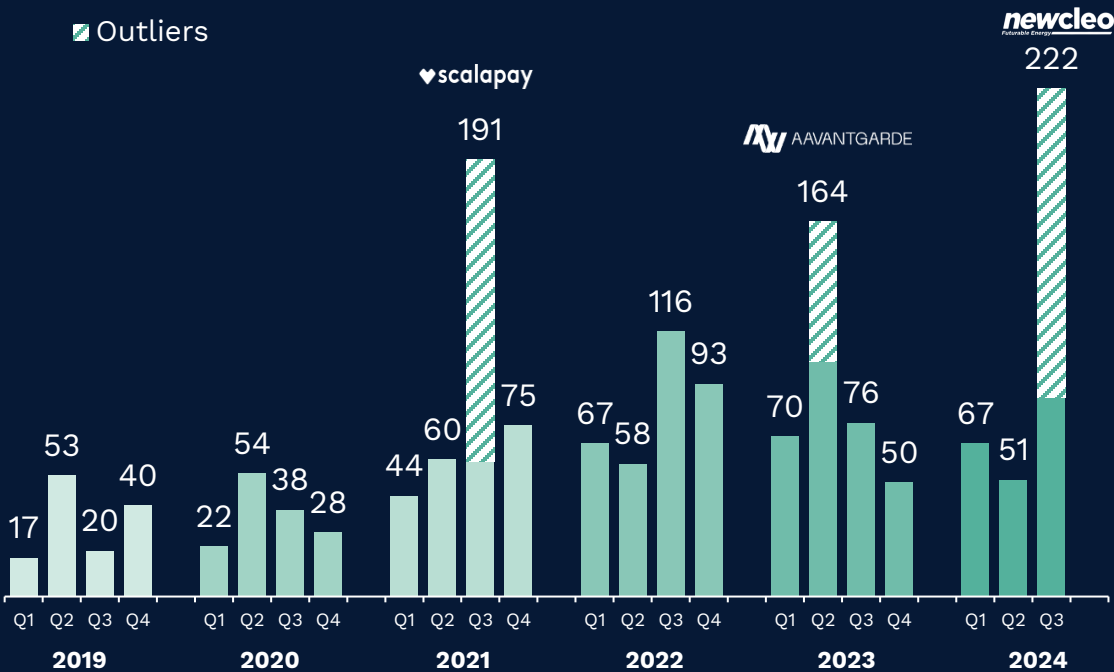
In Q3-24 €222M raised in 13 rounds, with €135M from Newcleo's mega round¹

Number of rounds



Total	32	35	55	58	50
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Amount invested (€M)

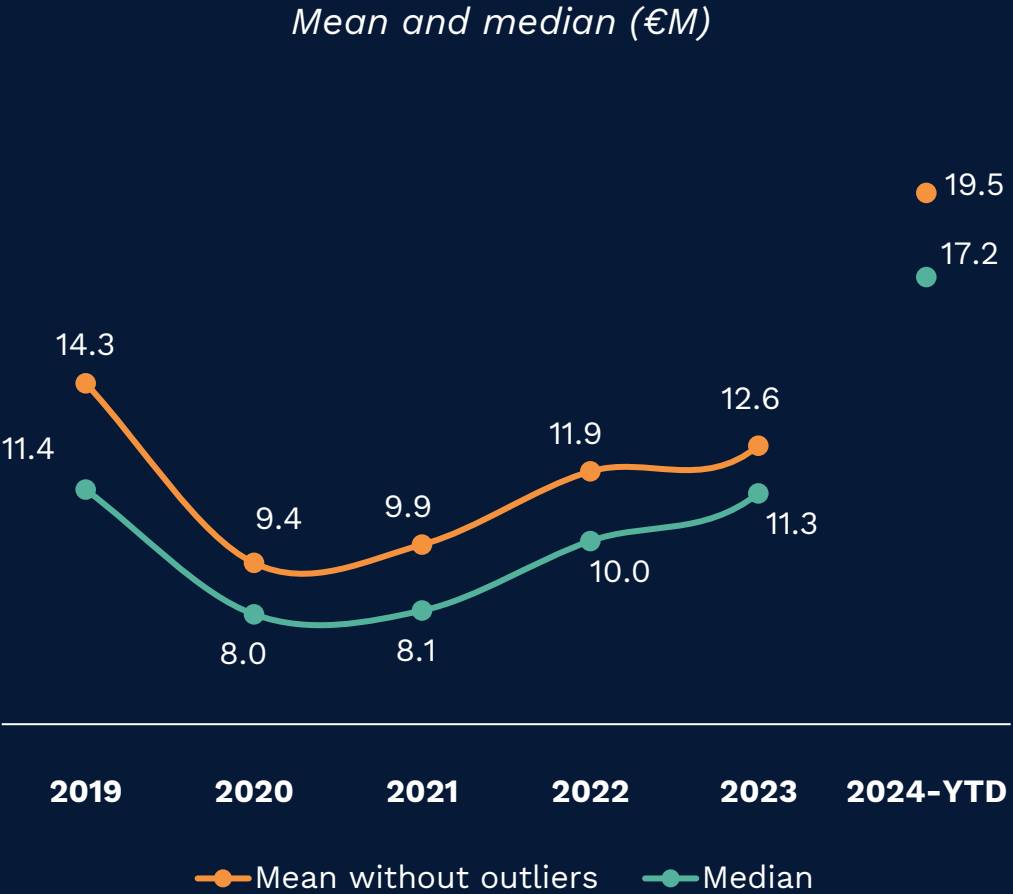
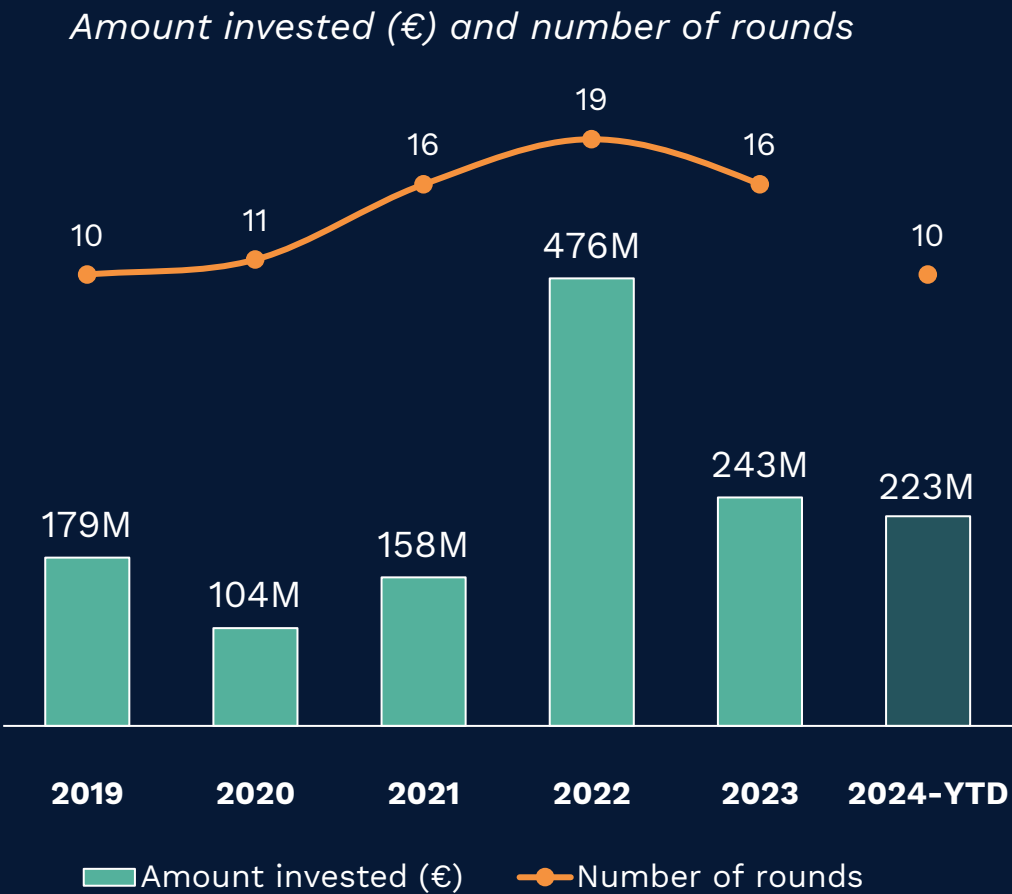


130	143	371	334	360
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Note: 1. As the two tranches of NewCleo’s round are €87M in Q2 and €48M in Q3, this Report considers the fundraising as a single round of €135M

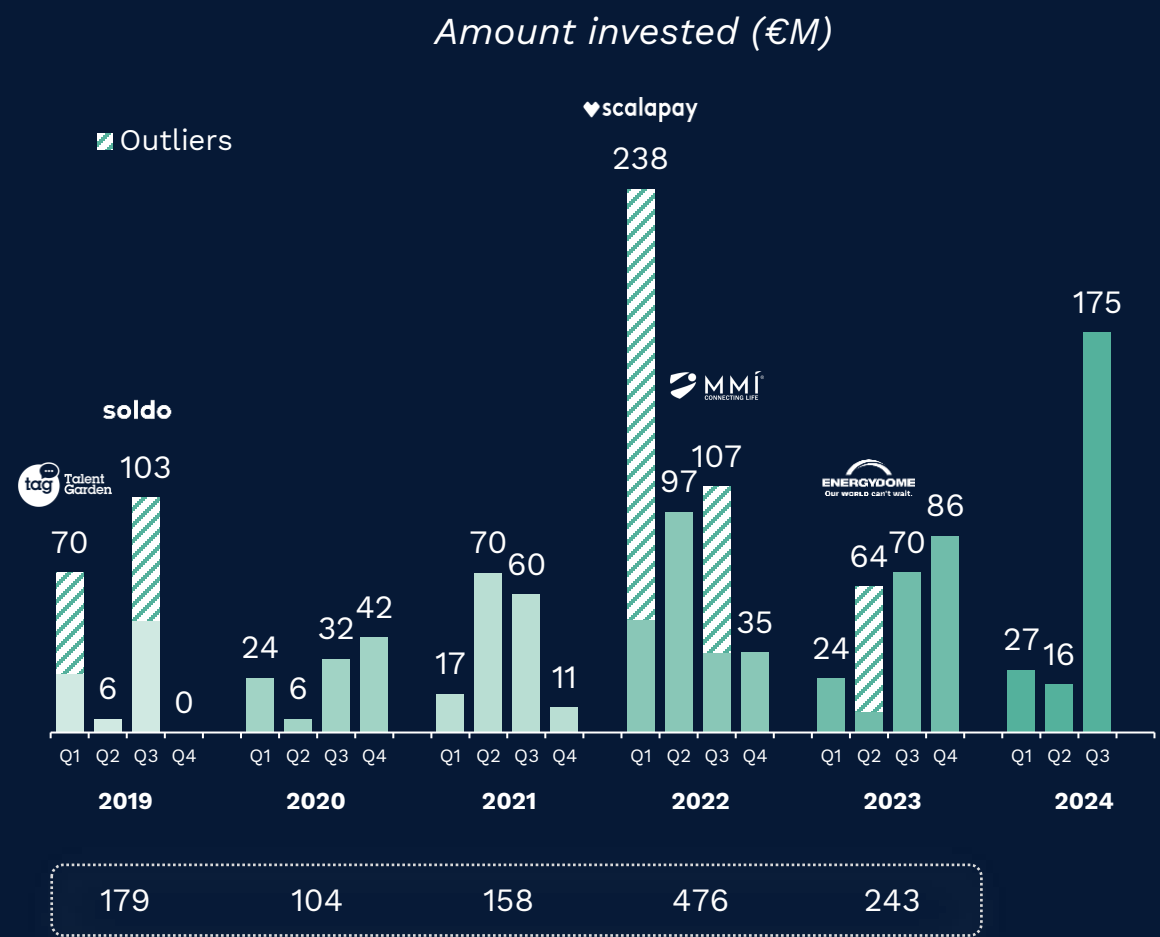
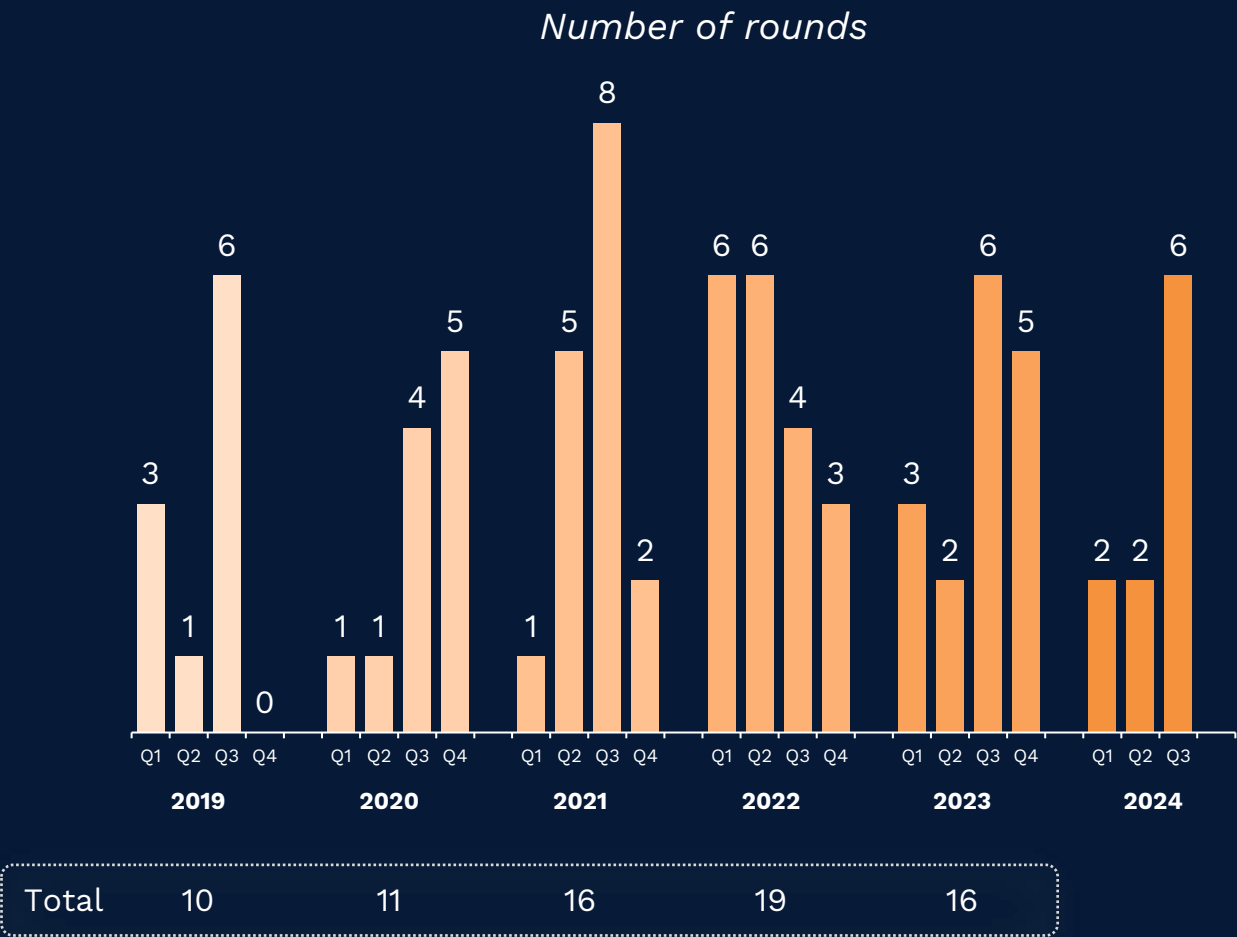
3.8. Focus: Series B (1/2)

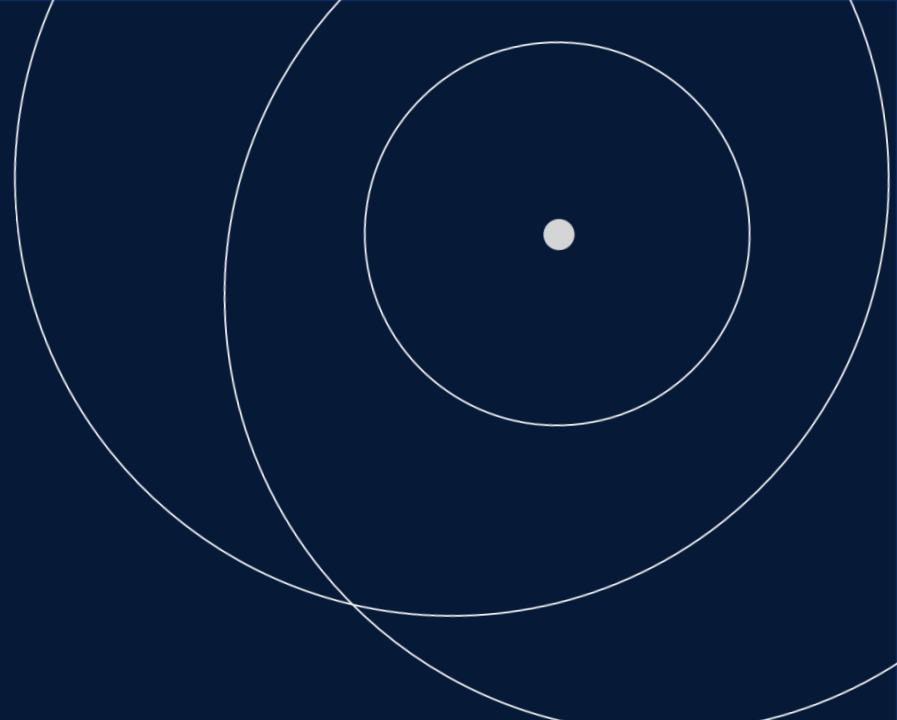
In 2024-YTD the number of rounds are in line with the last three years. Several larger rounds have boosted the amount invested, inflating also mean and median sizes



3.9. Focus: Series B (2/2)

Q3-24 has recorded a strong resurgence of Series B rounds, with €175M raised in 6 rounds, none of which is a mega round



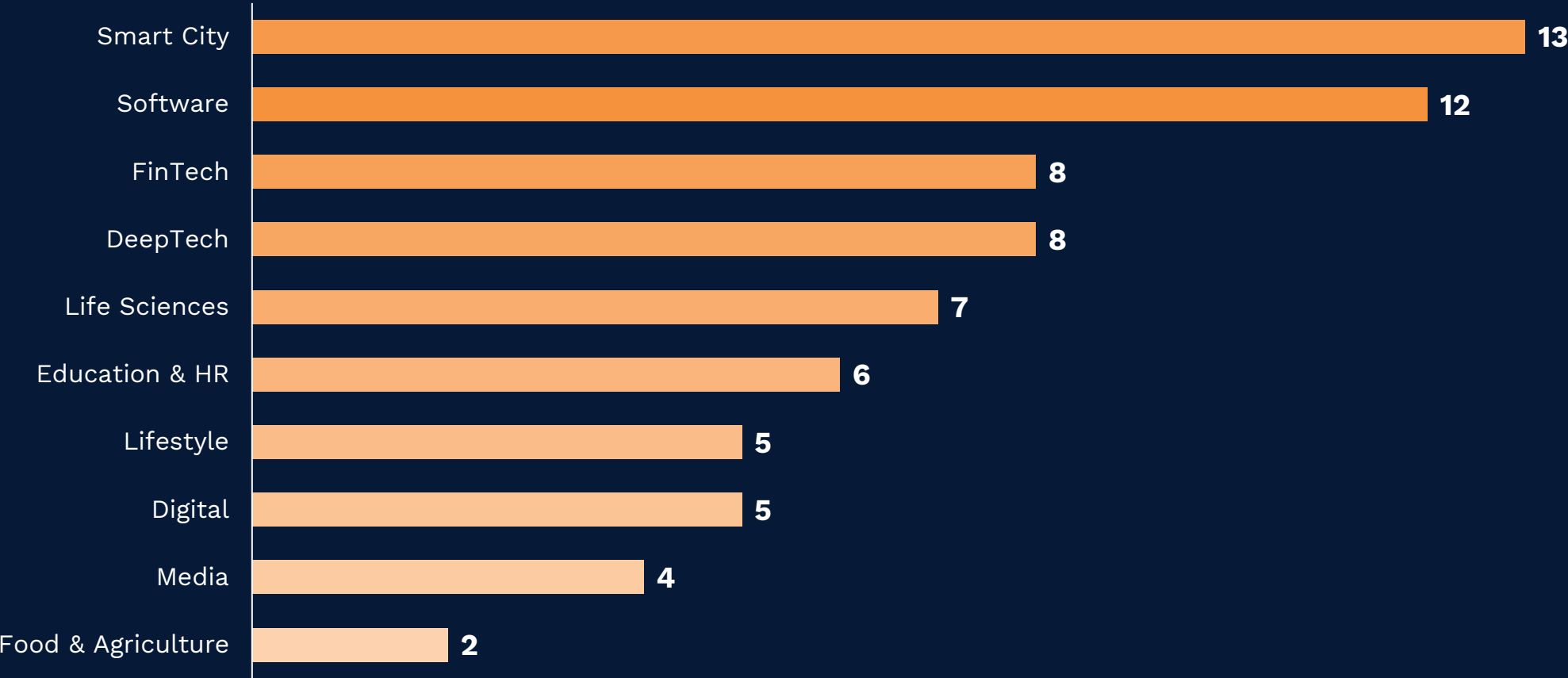


4

Sectors, verticals, top 5 deals and exits in Italy

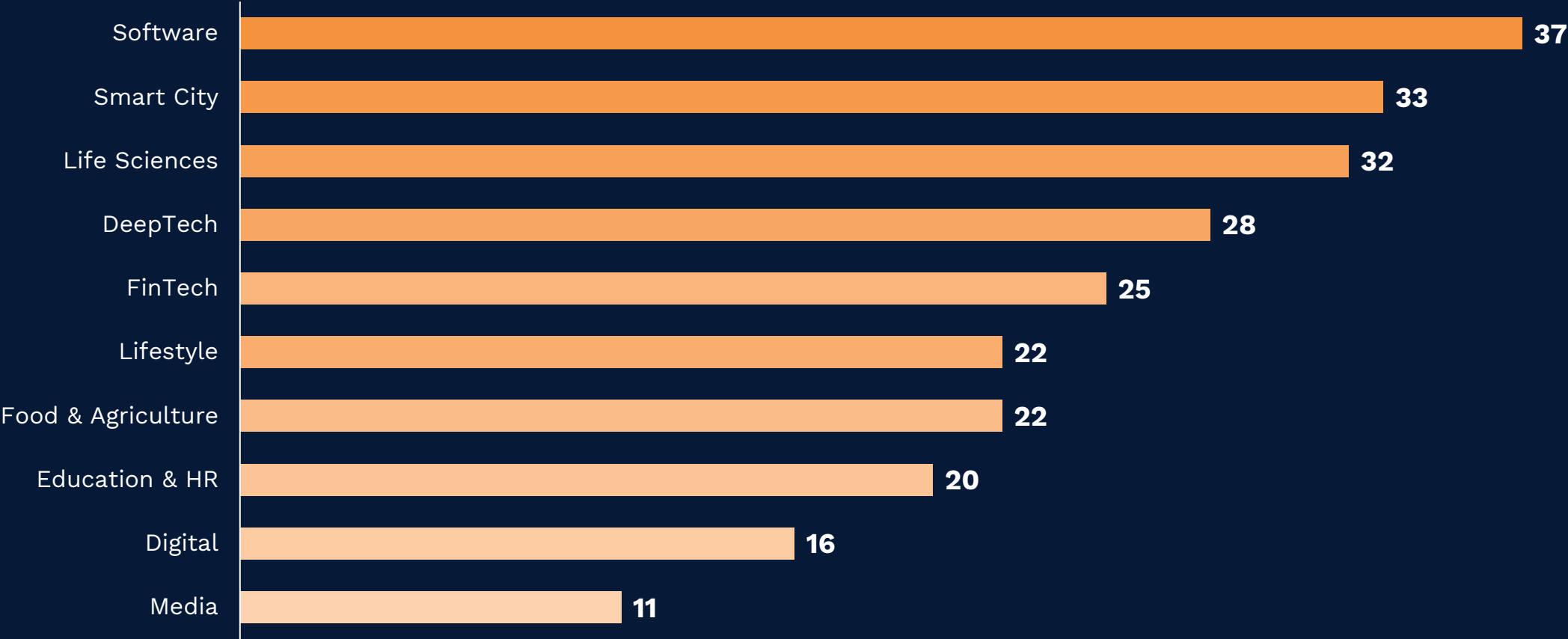
4.1. Analysis by sector Q3-24: number of rounds

In Q3-24, Smart City and Software lead in terms of number of round, accounting for 36% of the total



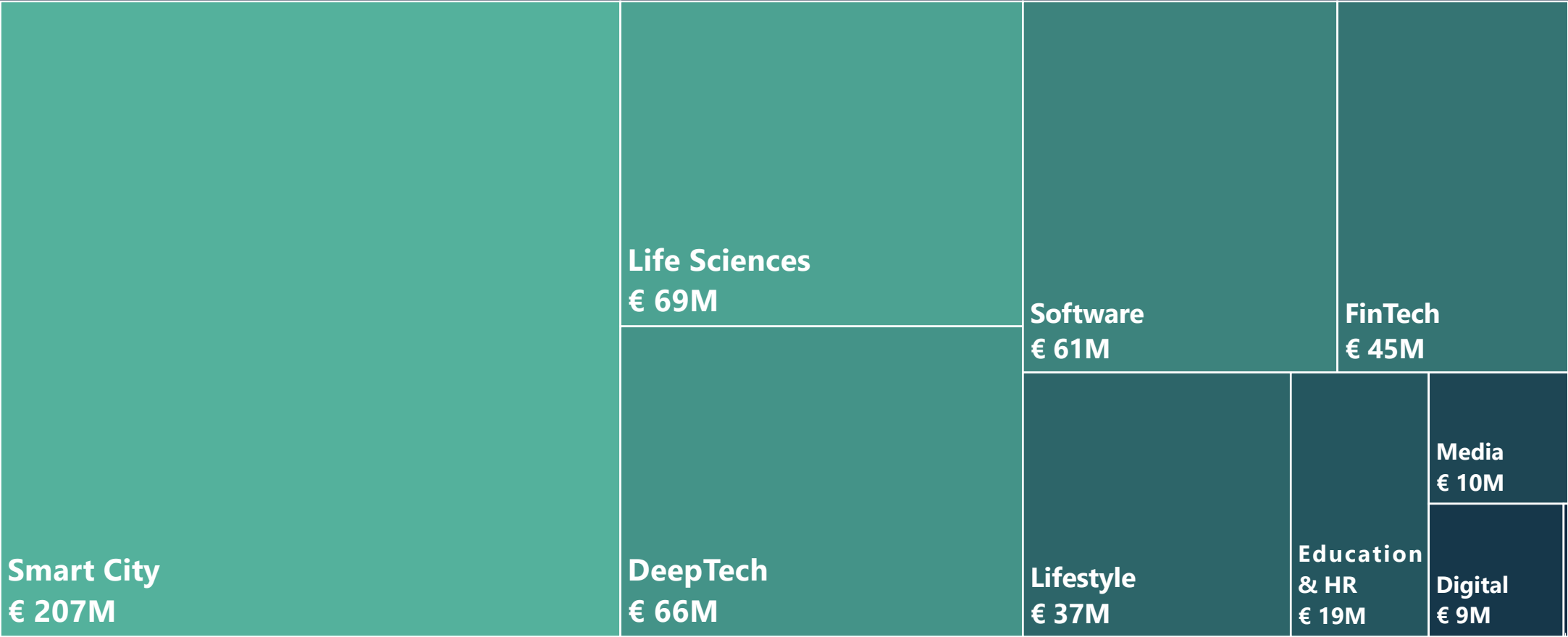
4.2. Analysis by sector 2024-YTD: number of rounds

In 2024-YTD, Software continues to be the top sector by number of rounds, driven by the spike in the Artificial Intelligence vertical



4.3. Analysis by sector Q3-24: amount invested

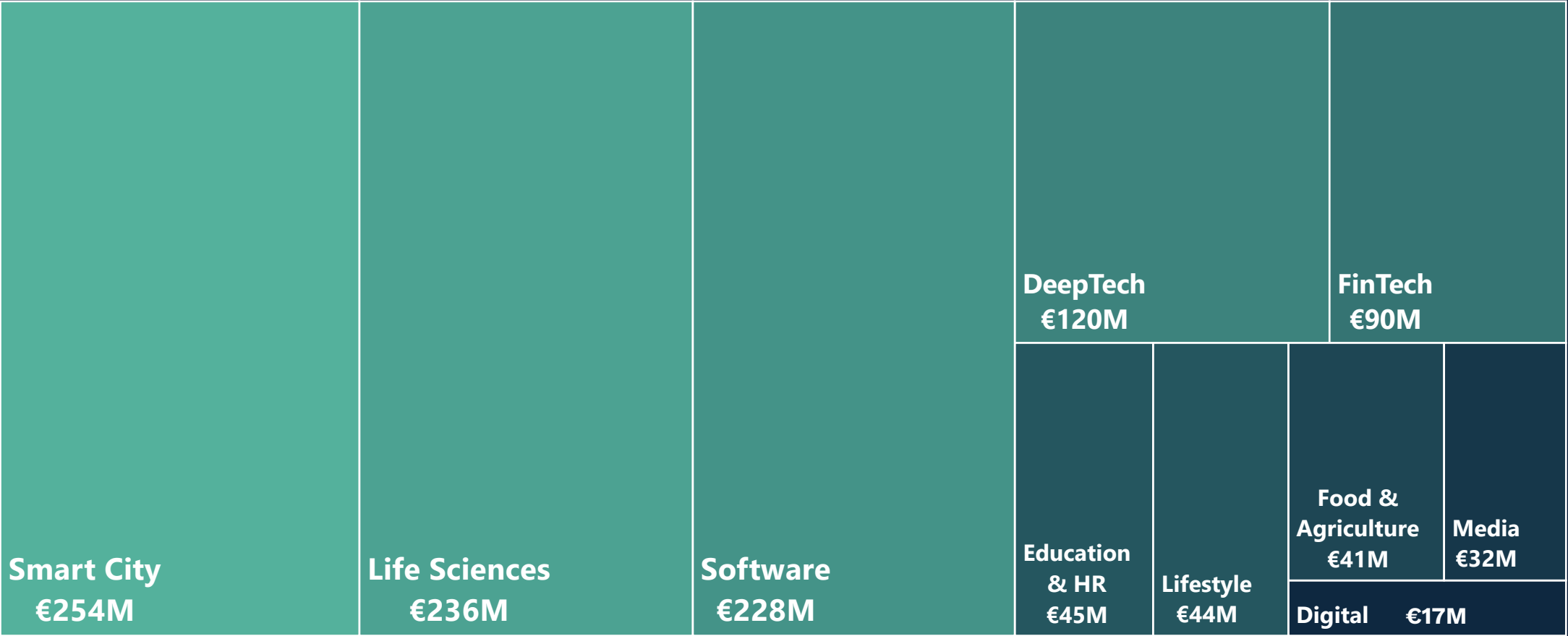
In Q3-24, Smart City is the sector that attracted the most capital, excluding Newcleo. Software, DeepTech and Life Sciences follow at around €65M each



Food & Agriculture
€0.3M

4.4. Analysis by sector 2024-YTD: amount invested

In 2024-YTD, Smart City leads the ranking in terms of amount invested. Life Sciences and Software follow at around €230M each



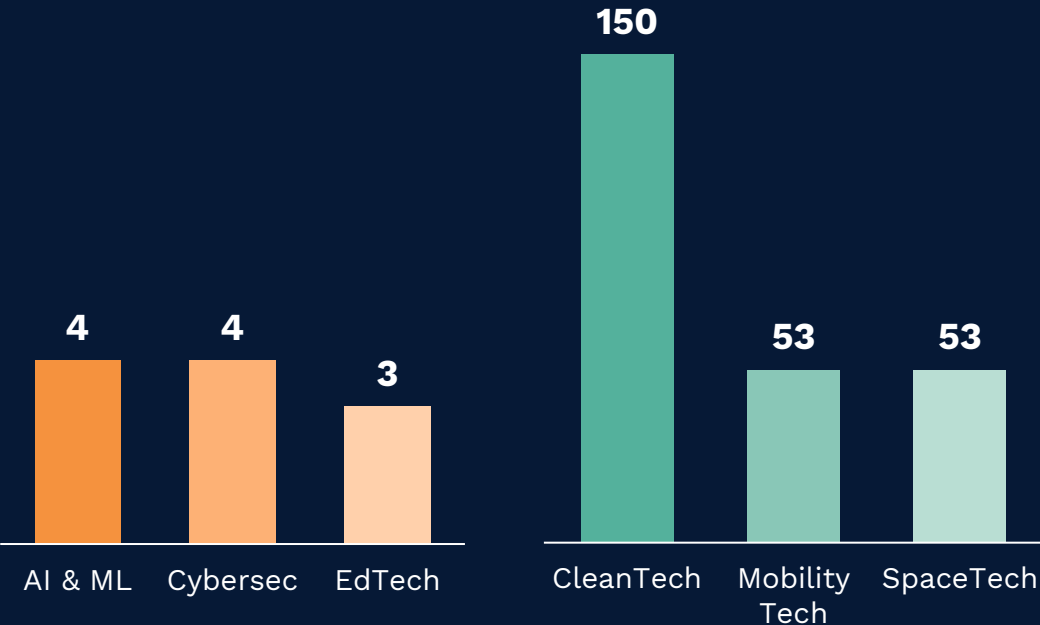
4.5. Top 3 verticals Q3-24 and 2024-YTD

As in the rest of Europe, in Italy AI & ML is the most frequently financed vertical. As always, outliers significantly influence figures in terms of amount raised

Q3-24

Number of rounds

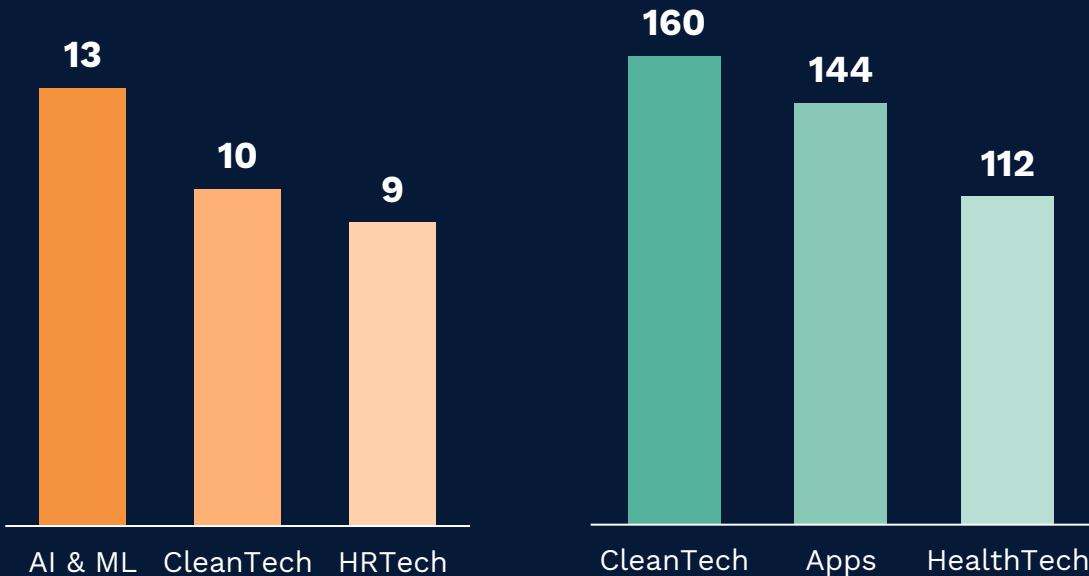
Amount invested (€M)



2024-YTD

Number of rounds

Ammontare investito (€M)



4.6. Top 5 deals in Q3-24

TOP 5 DEALS	SECTOR	STAGE	SIZE	INVESTORS ¹
 Futurable Energy	Smart City	Series A	€135M ²	Inarcassa, Ingérop, Walter Tosto, Other undisclosed investors
	DeepTech	Series C	€50M ³	Avantgarde, CDP Venture Capital, United Ventures, EIB, EIF, European Innovation Council Fund, Iberis Capital, Indaco Venture Partners, NEVA SGR, Phaistos Investment Fund, Primo Ventures, Seraphim Space
GENESPIRE	Life Sciences	Series B	€46.6M	CDP Venture Capital, Sofinnova, XGen Ventures, Indaco Venture Partners
 THE OTHER SIDE OF TRAVEL	Smart City	Series B	€35M	Cherry Bay Capital Group, FG2 Capital, Other undisclosed investors
	Digital	Series B	€35M	Mayfair Equity Partners

Notes: **1.** Shaded investors are Italian and investors written in white are international, based on HQ location; **2.** Sum of two tranches: €87M announced in Q2-24 and €48M announced in Q3-24; **3.** Second tranche of a €150M round, with the first €100M invested by Marubeni Corporation in Q4-23

4.7. Top 5 deals in 2024-YTD

TOP 5 DEALS	SECTOR	STAGE	SIZE	INVESTORS ¹
BENDING SPOONS	Software	Growth VC	€144M	Durable Capital Partners LP, Baillie Gifford, COX Enterprises, NB Renaissance, NUO Capital, StarTIP
 Futurable Energy	Smart City	Series A	€135M ²	Inarcassa, Ingérop, Walter Tosto, Other undisclosed investors
 CONNECTING LIFE	Life Sciences	Series C	€101M	Fidelity Management & Research Company, Panakès Partners, Andera Partners, BioStar Ventures, btov, Deerfield, Fountain Healthcare Partners, RA Capital Management, Sambatech, Wellington Partners
 D-ORBIT	DeepTech	Series C	€50M ³	Avantgarde, CDP Venture Capital, United Ventures, EIB, EIF, European Innovation Council Fund, Iberis Capital, Indaco Venture Partners, NEVA SGR, Phaistos Investment Fund, Primo Ventures, Seraphim Space
GENESPIRE	Life Sciences	Series B	€46.6M	CDP Venture Capital, Sofinnova, XGen Ventures, Indaco Venture Partners

Notes: **1.** Shaded investors are Italian and investors written in white are international, based on HQ location; **2.** Sum of two tranches: €87M announced in Q2-24 and €48M announced in Q3-24; **3.** Second tranche of a €150M round, with the first €100M invested by Marubeni Corporation in Q4-23

4.8. Exits in Q3-24

TARGET	EXIT TYPE	ACQUIROR / IPO MARKET	SECTOR	ENTERPRISE VALUE	PERCENTAGE ¹
620 Passi	M&A	SEM	Food & Agriculture	Undisclosed	100%
Buddyfit	M&A	7NXT	Lifestyle	Undisclosed	100%
Change Capital	M&A	TeamSystem	FinTech	Undisclosed	61%
Flatmates	M&A	Cosmico	Media	Undisclosed	55%
Formatori Italiani	M&A	Improovo	Education & HR	Undisclosed	100%
OOBE-XR	M&A	Altea Federation	DeepTech	Undisclosed	100%
Switcho	M&A	Mavriq	Digital	Undisclosed	80%
TheDigitalBox	M&A	Vection Technologies	Software	€12.0M	100%
Transazionale	M&A	Qaplà	Media	Undisclosed	100%
Zulla	M&A	Contents	Media	Undisclosed	100%
CONFIDENTIAL	M&A	CONFIDENTIAL	Smart City	CONFIDENTIAL	CONFIDENTIAL

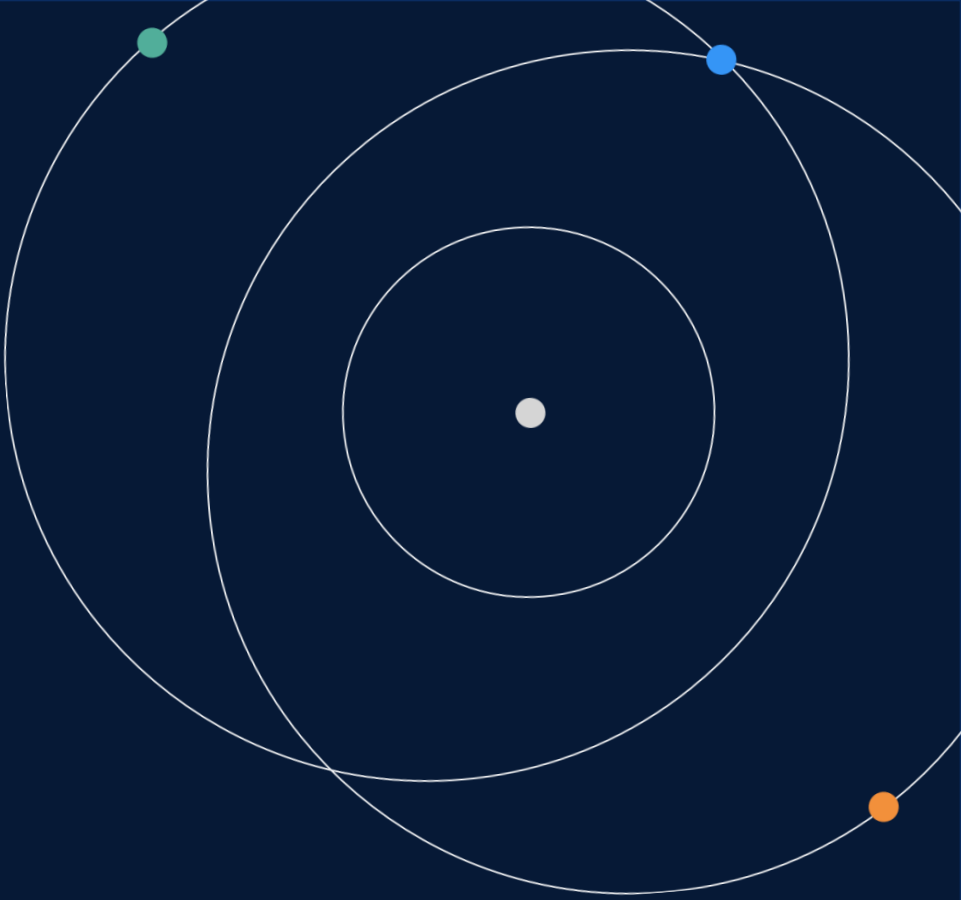
Notes: 1. Transactions involving the sale of a majority of corporate quotas or shares (50%+) through M&A and listings on public markets were considered exits

4.9. New VC Funds in the Italian ecosystem

€1B+ raised in the last 18 months by Italian VC funds, most of them with a vertical focus



Notes: 1. Target size reached at first closing on the PR date



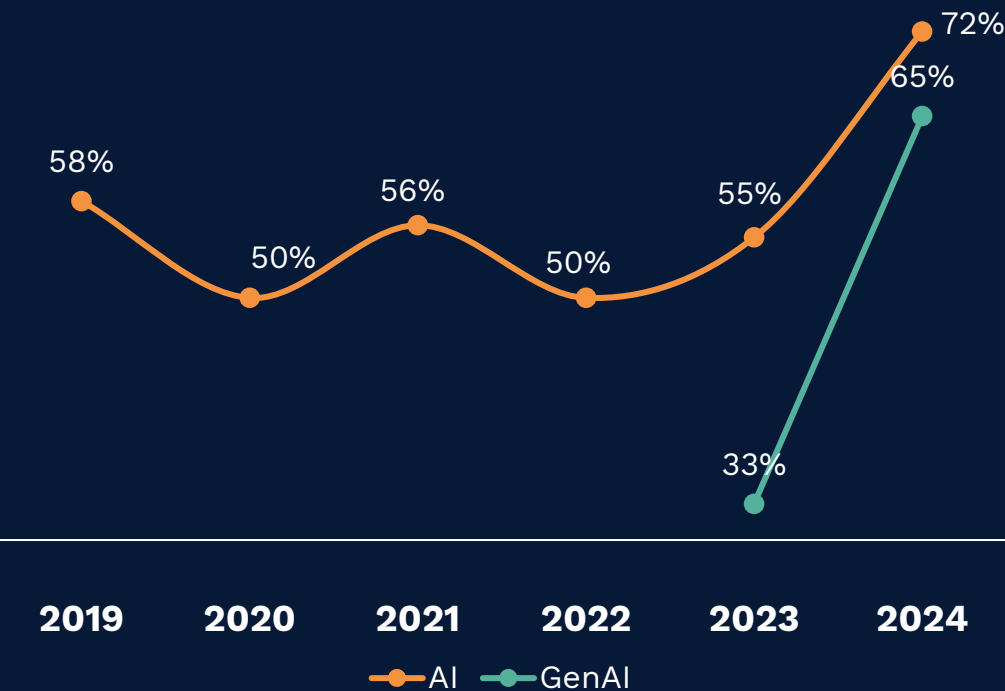
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AI: an ongoing revolution

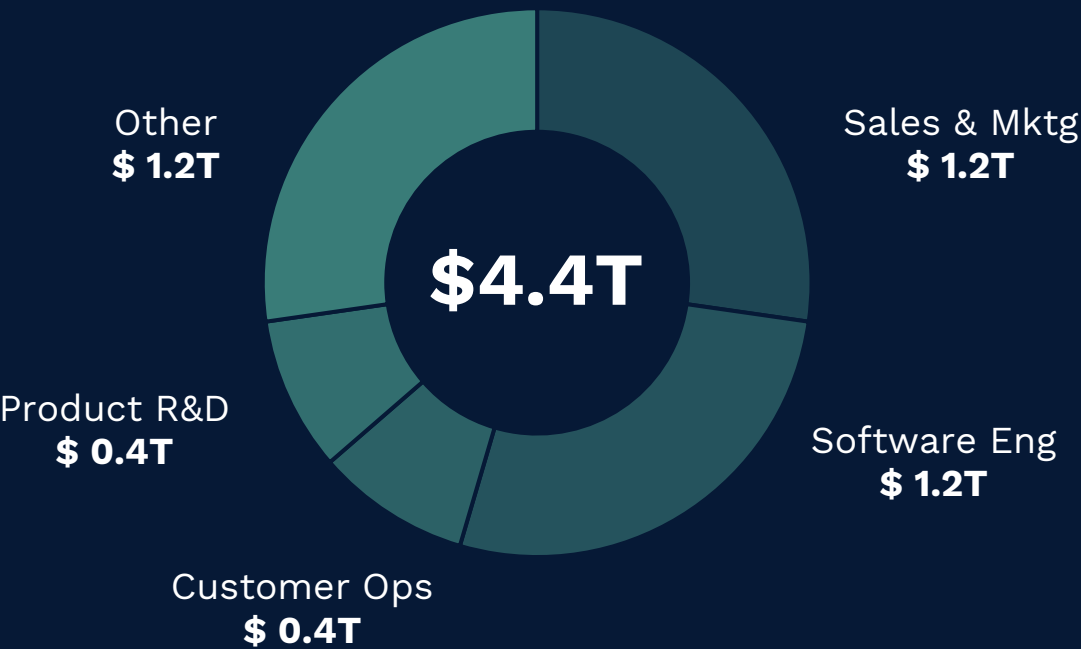
5.1. Companies are embracing the (Gen)AI revolution (1/2)

GenAI is set to be a real game changer, as its adoption in business is booming and it can potentially unleash \$4T+ each year globally across business functions^{a,b}

AI % adoption in business, historical evolution^a



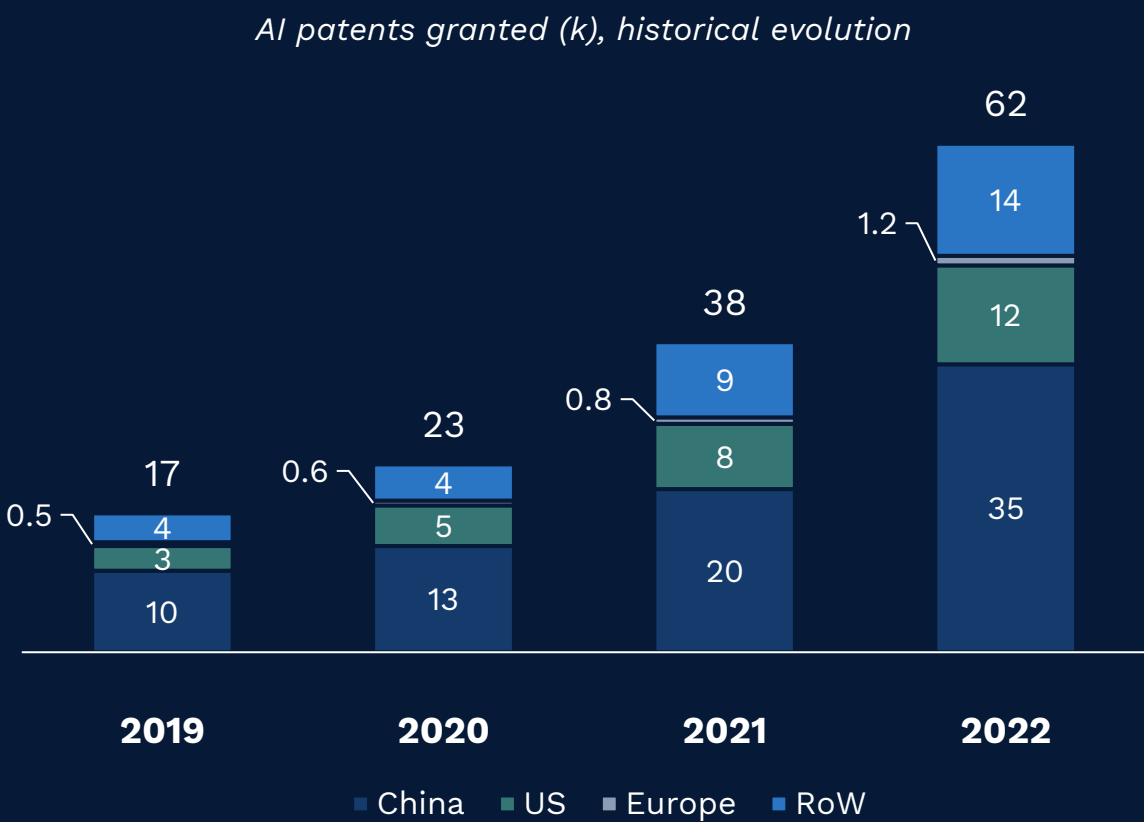
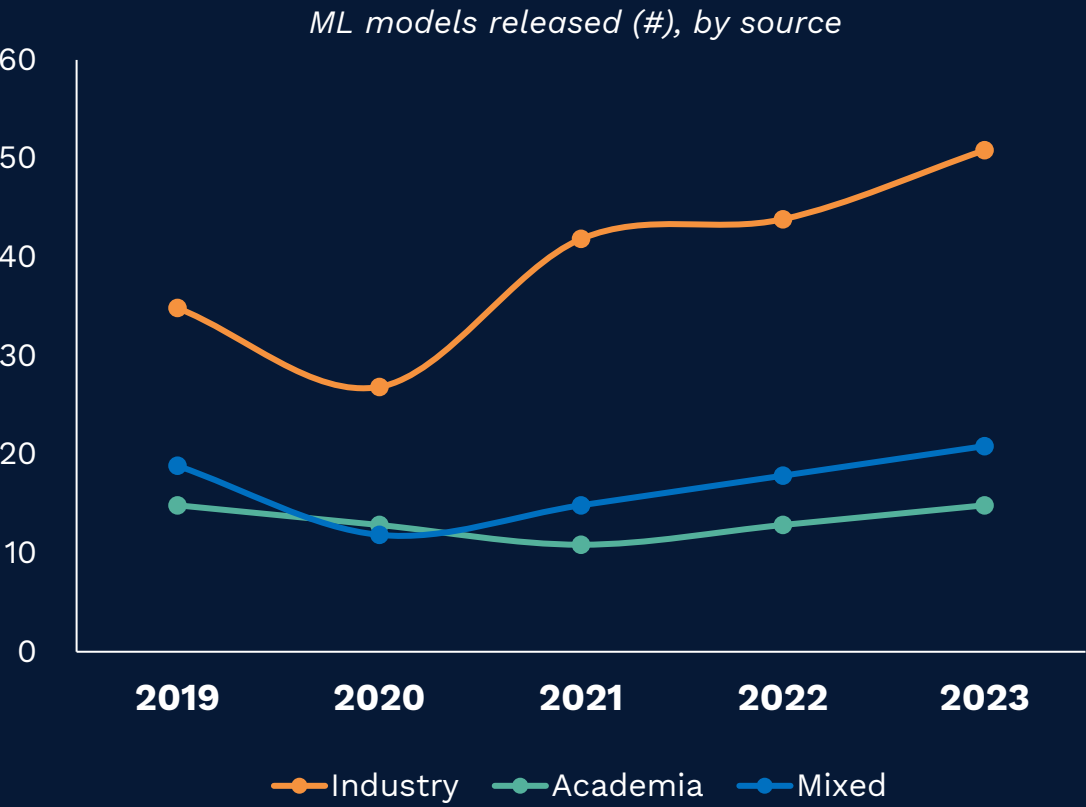
Potential impact of GenAI adoption (Rev/Y), by business function^b



Sources: a. McKinsey (2024), The state of AI in early 2024: Gen AI adoption spikes and starts to generate value; b. McKinsey (2024), Generative AI and the future of work

5.2. Companies are embracing the (Gen)AI revolution (2/2)

China and US lead by far in terms of AI patents granted. Most of top-notch models are released by companies^{a,b}

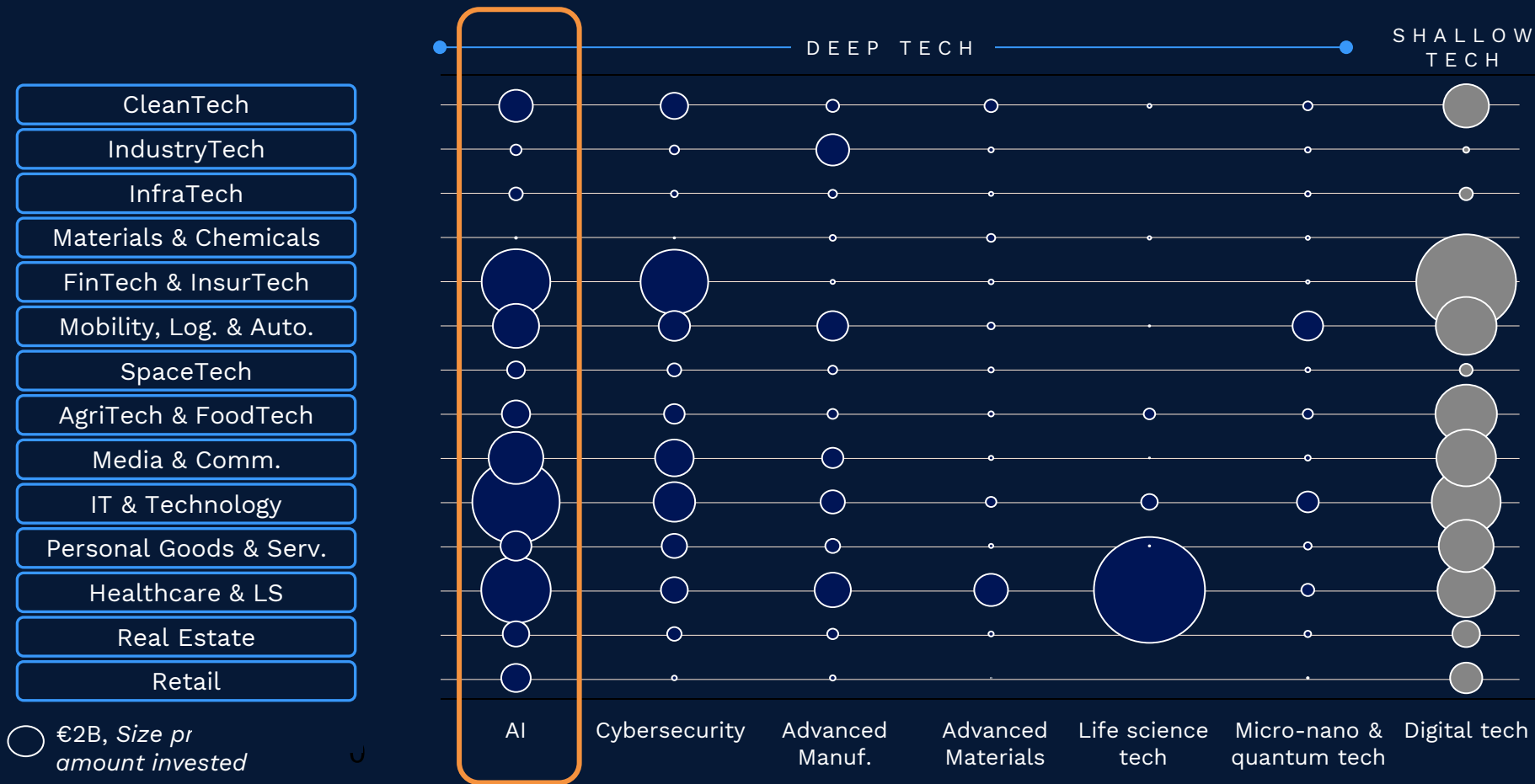


Sources: a. Stanford University HAI, Artificial Intelligence Index Report 2024 b. Dealroom, AI Europe Report 2024

5.3. AI is a revolution touching all sectors

AI is by far the most widely adapted technology across sectors in Europe in the last 5 years ^a

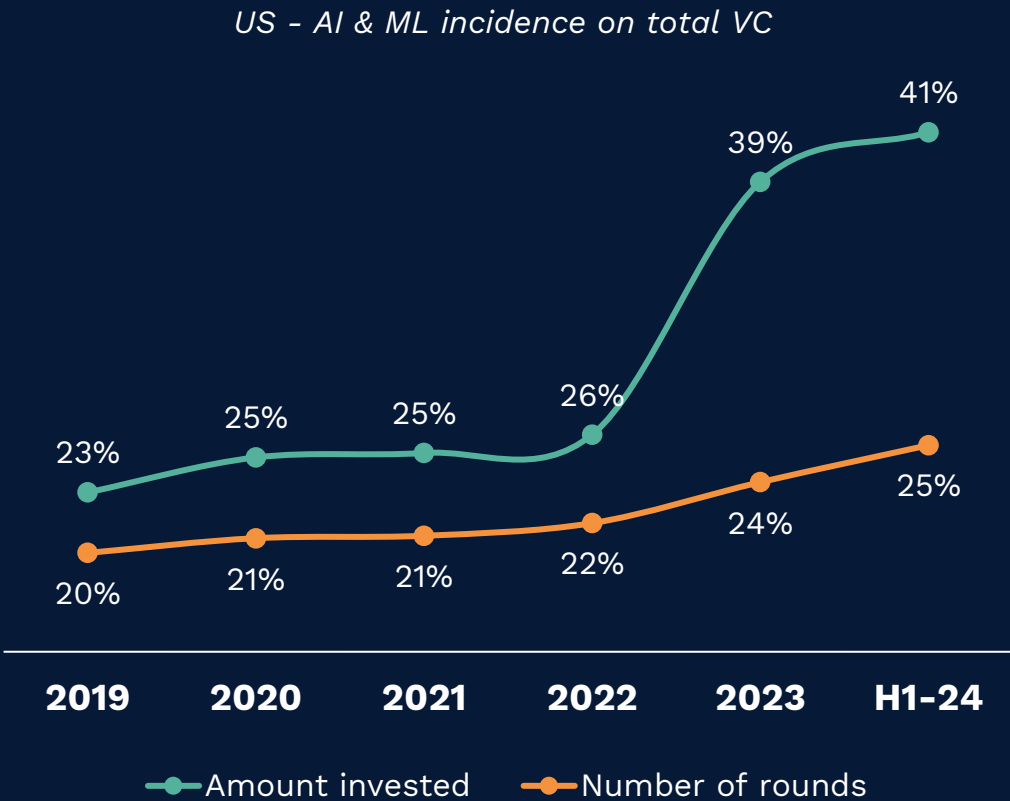
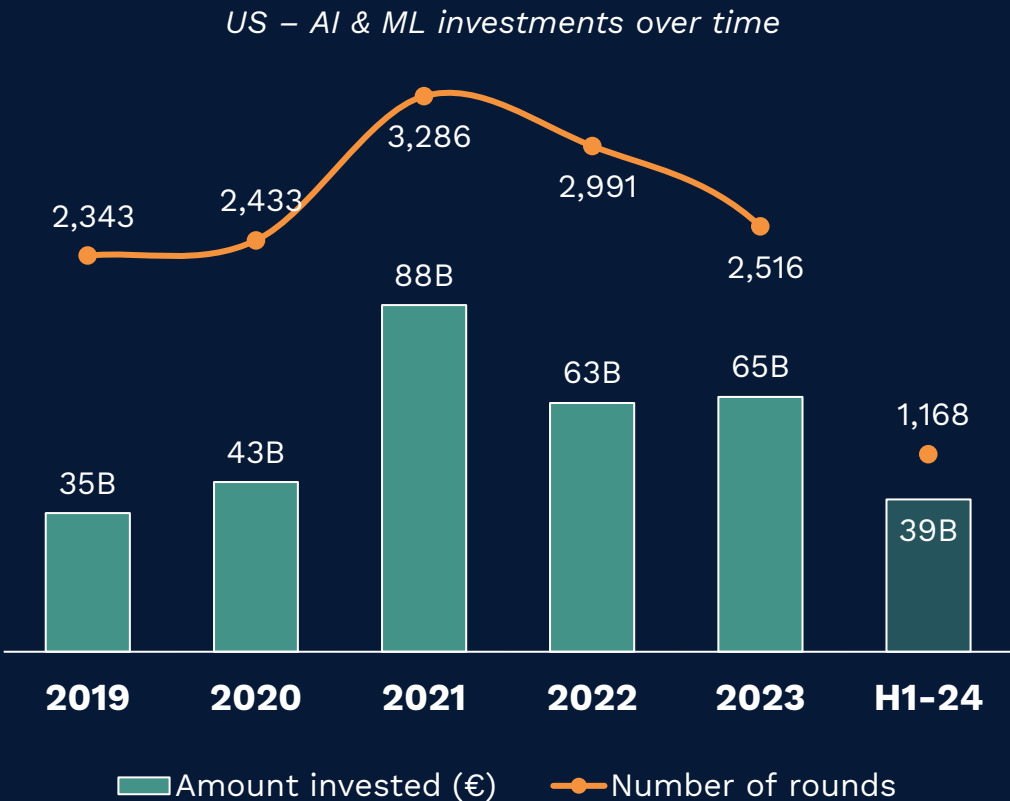
VC investments by technology and sector (Europe, cumulated 2018-2023)



Sources: a. CDP VC elaboration from Dealroom data

5.4. Envisaging the future: how AI is affecting the US VC (1/3)

In H1-24, AI-backed start-ups raised almost €40B in 1.100+ rounds. 25% of deals happened in AI, accounting for more than 40% of total raised^a

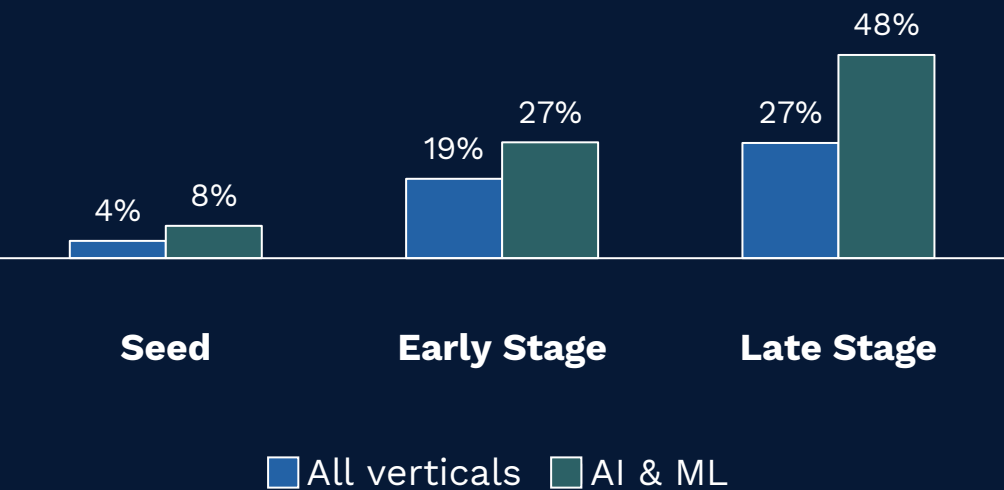


Sources: a. Growth Capital elaboration based on PitchBook Q2-24 US VC Valuations Report

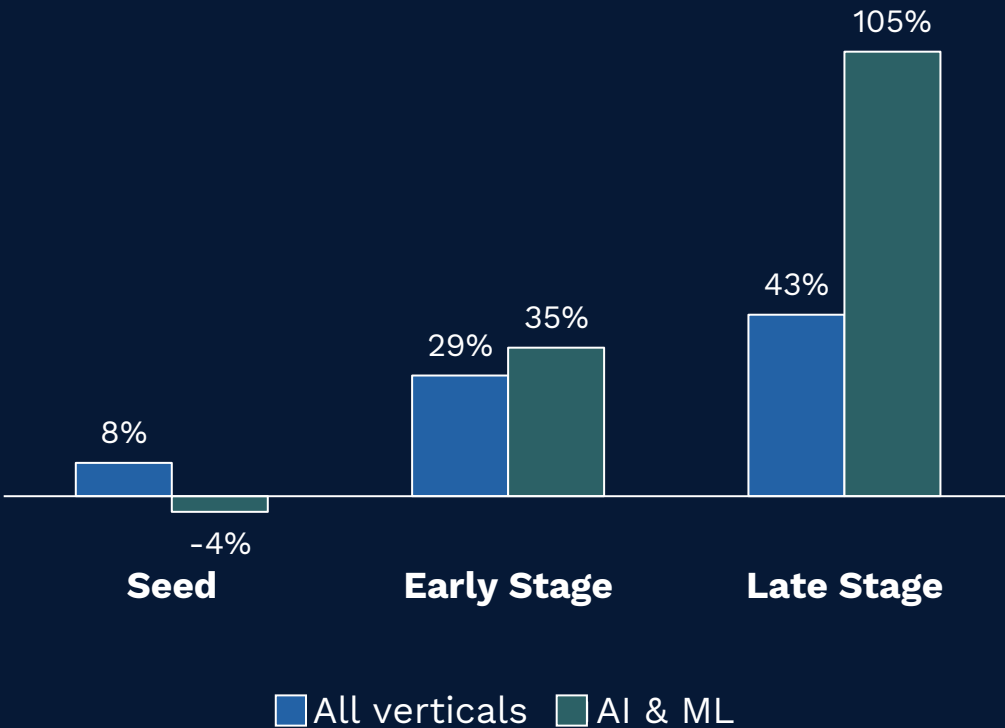
5.5. Envisaging the future: how AI is affecting the US VC (2/3)

In H1-24, AI-based start-ups have seen stronger growth in deal size than the average market across all stages. AI has benefitted PMV increase at more mature stages

US - Median deal size growth, 2023 vs H1-24^a



US - Median PMV growth, 2023 vs H1-24^a

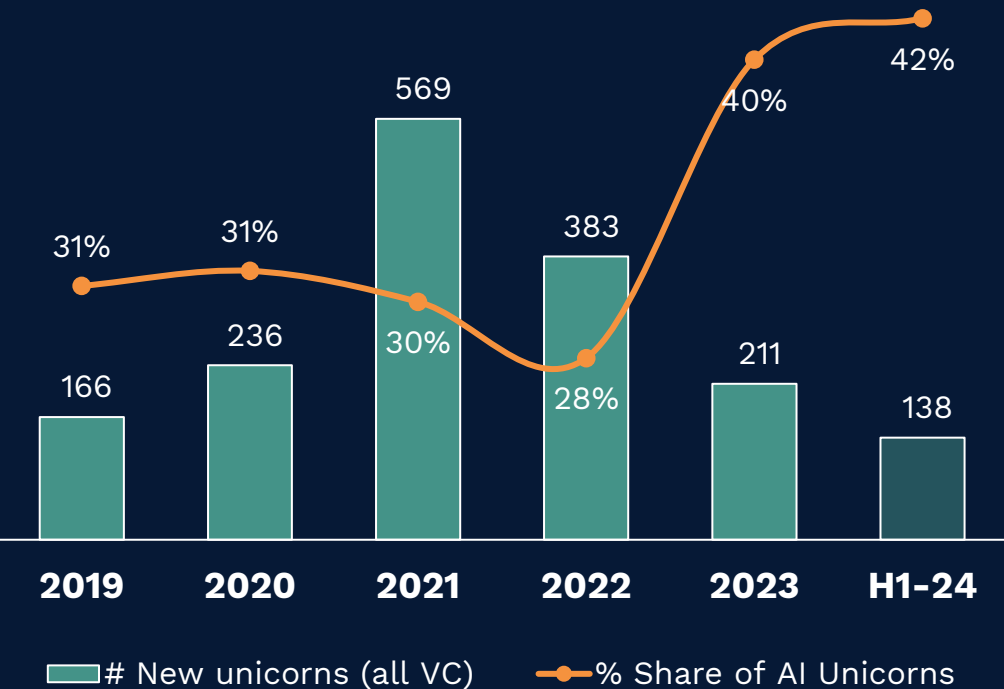


Sources: a. Growth Capital elaboration based on PitchBook Q2-24 US VC Valuations Report

5.6. Envisaging the future: how AI is affecting the US VC (3/3)

In H1-24, AI has become a driving force, responsible for a surge of 42% of new US unicorns, with the top 5 deals raising almost €9B (8.5% of total VC in US)

US - % share of new AI unicorns^a



US – Top 5 deals in AI H1-24^b

START-UP	STAGE	SIZE
	Series B	€ 5.5B
 CoreWeave	Series C	€ 1.0B
	Series F	€ 0.9B
	Series A	€ 0.9B
	Series E	€ 0.6B

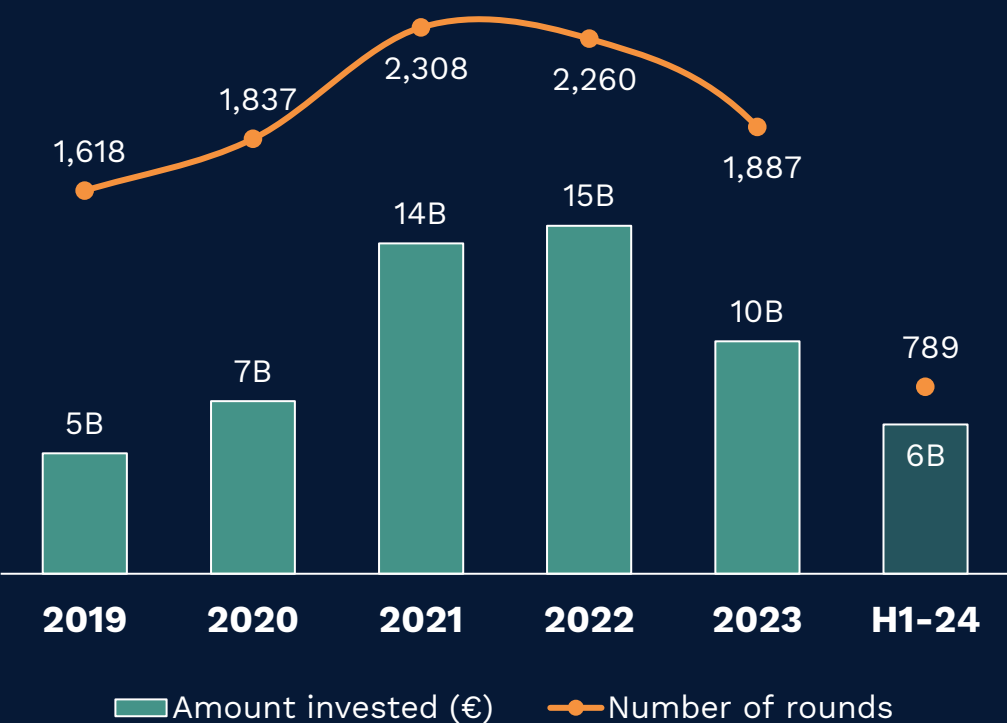
+
OpenAI
just raised **\$6.6B** at
\$150B PMV

Sources: a. Growth Capital elaboration based on PitchBook Q2-24 US VC Valuations Report; b. Growth Capital analysis based on PitchBook and CB Insights

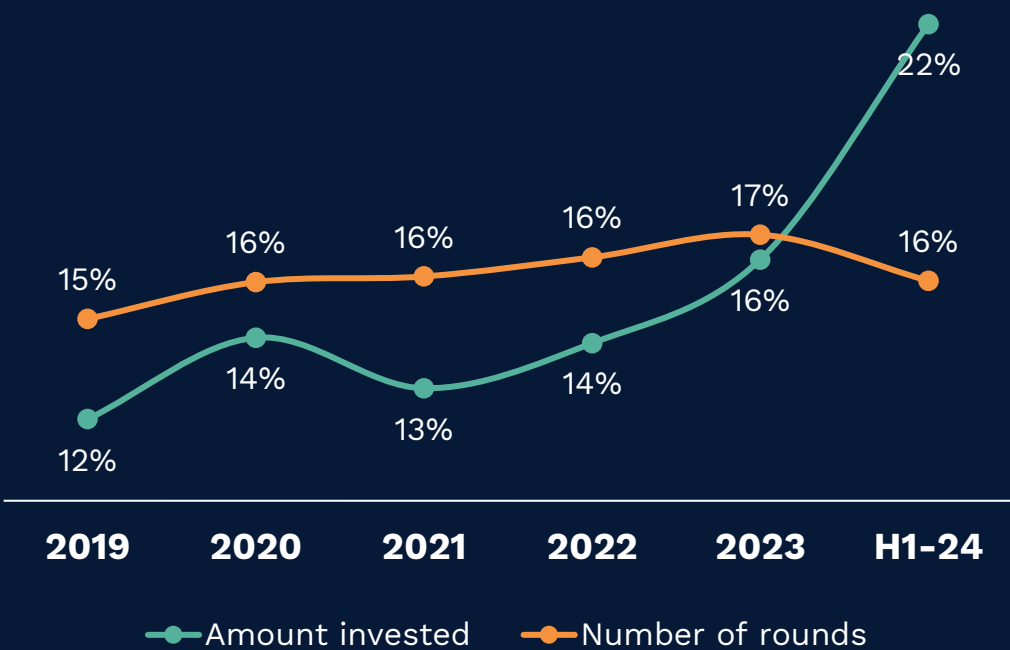
5.7. Europe's gaining momentum on AI adoption

In H1-24, AI-backed start-ups raised €6B+ in almost 800 rounds. The incidence of AI deals is constantly increasing, even if it is still lagging behind US figures^a

Europe - AI & ML investments over time



Europe - AI & ML incidence on total VC



Sources: a. Growth Capital elaboration based on PitchBook Q2-24 European Venture Report

5.8. Italy has all the fundamentals to shine in AI...

RESEARCH

40K+ Publications including AI between 2018 and 2023

9° place in the world in terms of the number of scientific publications on AI

UNIVERSITIES

200+ AI study programs in approximately 50 universities

3° place in the EU with approximately 581 PhD graduates in AI-related fields

INFRASTRUCTURE

4° fastest supercomputers in the world is the Leonardo HPC, hosted by CINECA

1° country in the world for artistic and cultural patrimony

INTERNATIONAL RECOGNITION

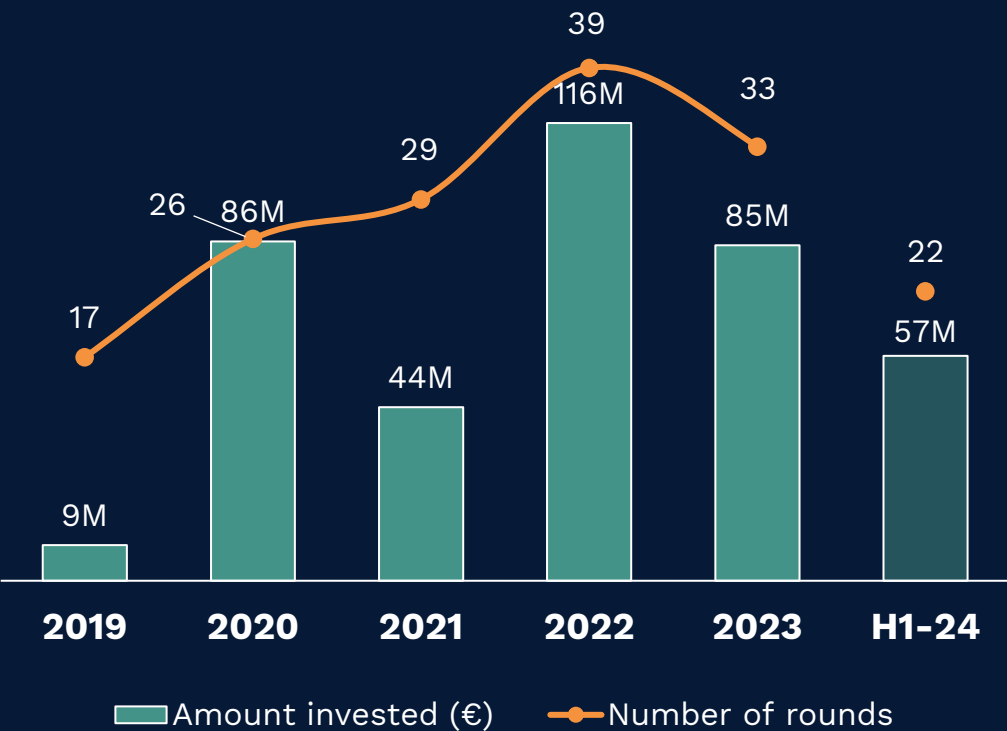
Participation in major international research networks (Claire, Ellis, etc.)

Selected by the EU Commission the Villanova Project (Tiscali) on multi-modal GenAI

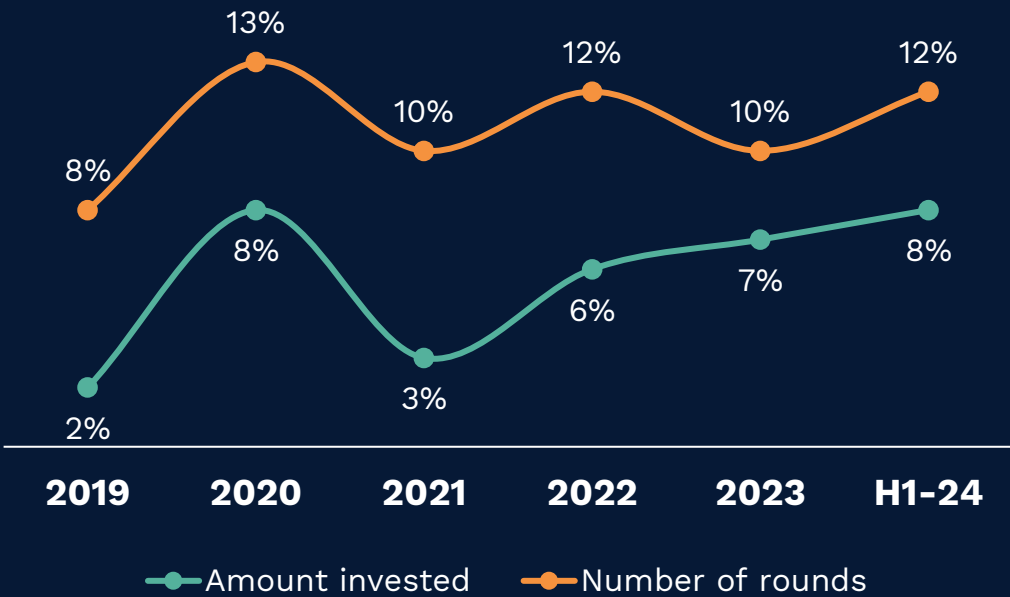
5.9. ... but has not expressed its full potential yet

In H1-24, AI-backed start-ups raised €57M^a, which represents 8% of the total amount invested¹. This is below EU (22%) and US (41%), but it's expected to rise significantly

Italy - AI & ML investments over time



Italy - AI & ML incidence on total VC



Sources: a. Growth Capital database
Notes: 1. This analysis considers both companies of the Software sector with Artificial Intelligence & Machine Learning as primary vertical (as per the methodology used for section 4 of this Report) and companies of other sectors that rely on artificial intelligence as distinctive feature of one or more core business services

5.10. What's boiling: CDP's commitment to boost AI

HOW

€500M

DIRECT FUND

with focus on DeepTech +
AI/Cybersecurity

€500M

ADDITIONAL FUNDING

to AI/Cyber startups through other CDP
instruments

€1B

**To boost AI in
Italy**

WHAT

€120M

TECHNOLOGY TRANSFER

€300M

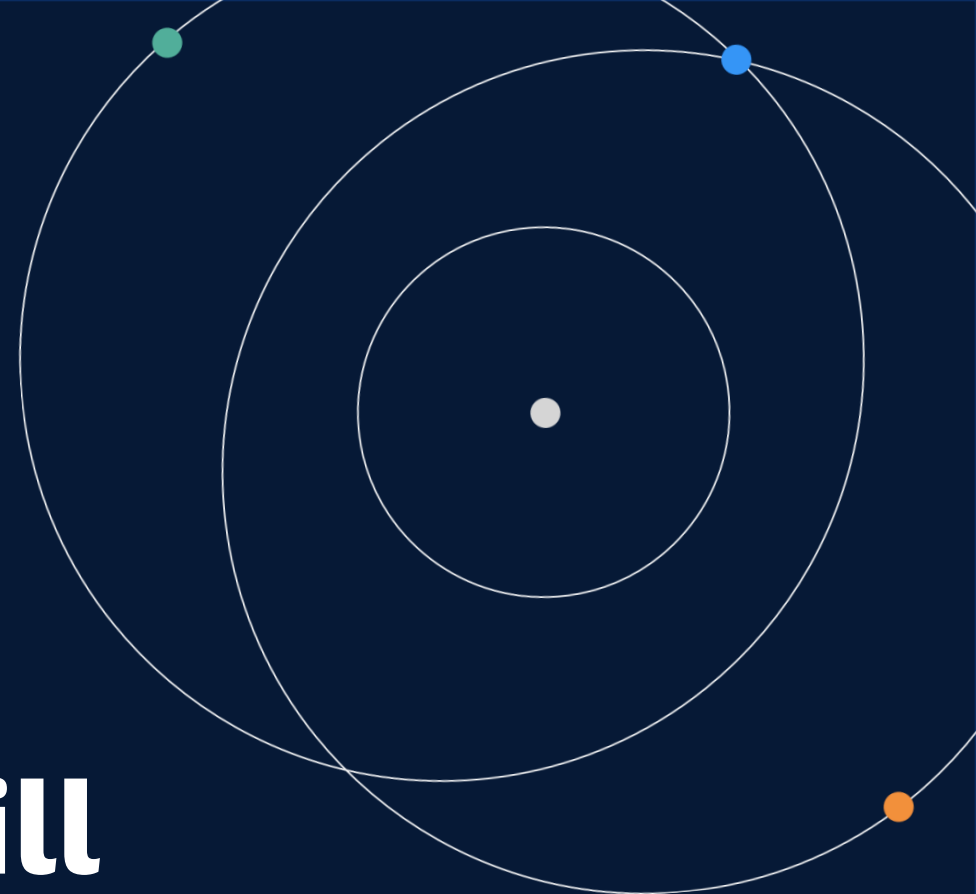
ITALIAN AI CHAMPIONS

€580M

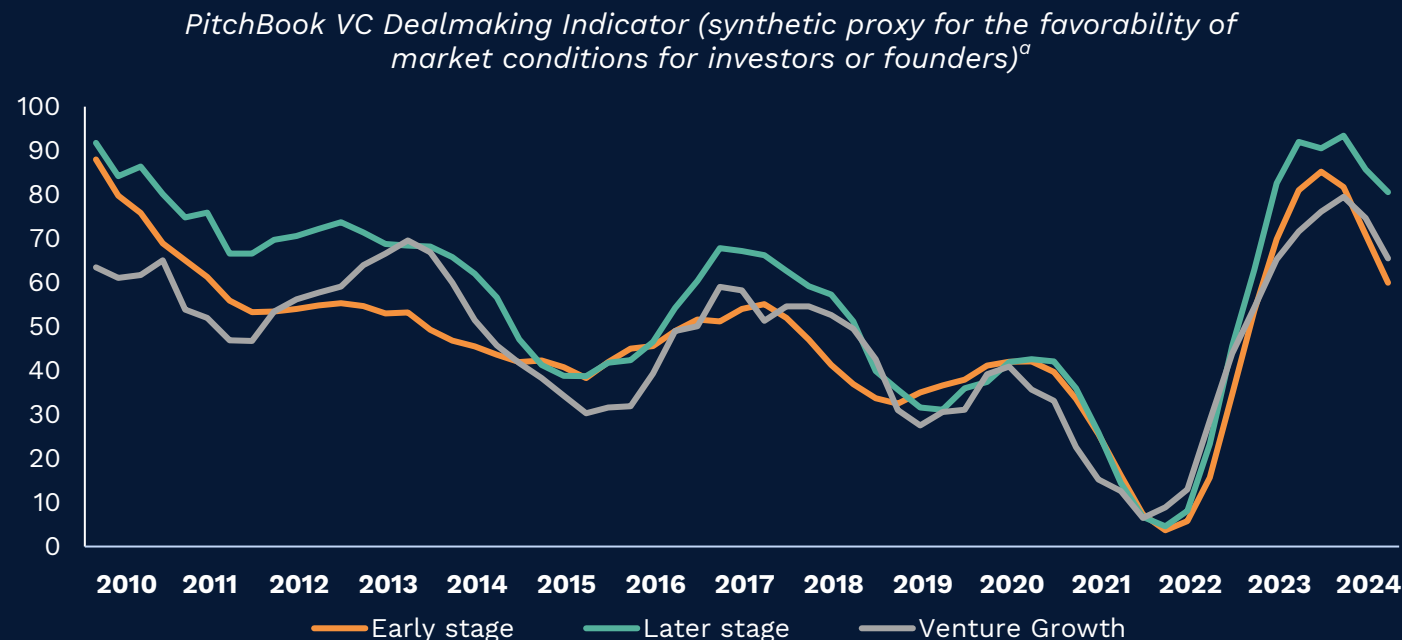
VERTICAL APPLICATIONS



3 trends that will shape VC



6.1. Towards a more balanced bargaining power



Until now

From 2010 to 2022, founders gained increasing leverage, but market conditions have shifted in favor of investors, with the capital demand to supply ratio going from 0.5x in early 2022 to over 2.0x over 18 months. This led to greater investor negotiating power, lower valuations, and stricter investment terms

Following the peak at the end of 2023, 2024 is showing signs of reversal, as indicated by the dealmaking indicator trending back towards balance

Forecasted scenario

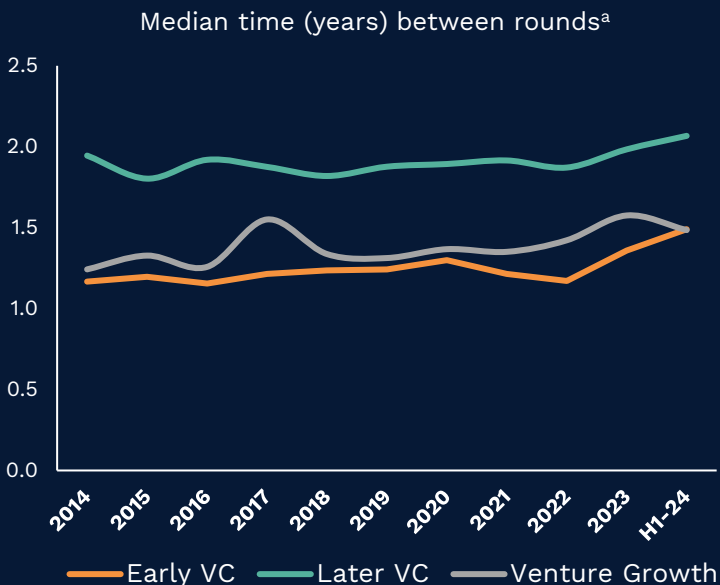
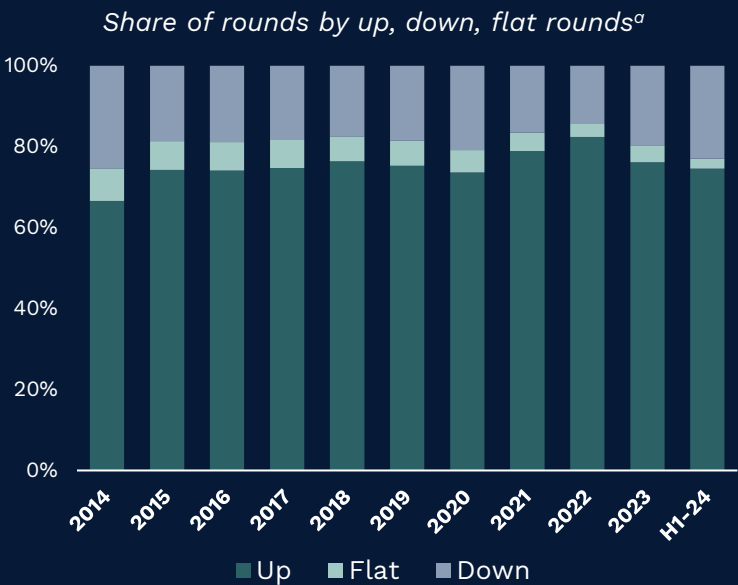
Backed by better market conditions and an ongoing rebound in dealmaking and investments, we expect the rebalancing to continue, with founders able to obtain more standard and fair investment conditions

This rebalancing trend pertains especially to the hyped AI vertical: AI-based/enabled companies are exploiting momentum to obtain particularly favorable conditions. We expect this to continue over the year

Negotiating power will become more balanced between investors and founders

Source: a. PitchBook VC Dealmaking Indicator

6.2. Oxygen is becoming scarce: finally time to fundraise again?



Until now

With the end of the extraordinarily favorable market conditions of 2021, many startups have opted for an extension of the runway as long as possible, aware of the difficulty of defending the generous valuations granted by investors in previous years

Runway extension hasn't come free: especially in cash-intensive sectors like FinTech or DeepTech, startups had to sacrifice growth, postponing investments on scaling to anticipate break even

Forecasted scenario

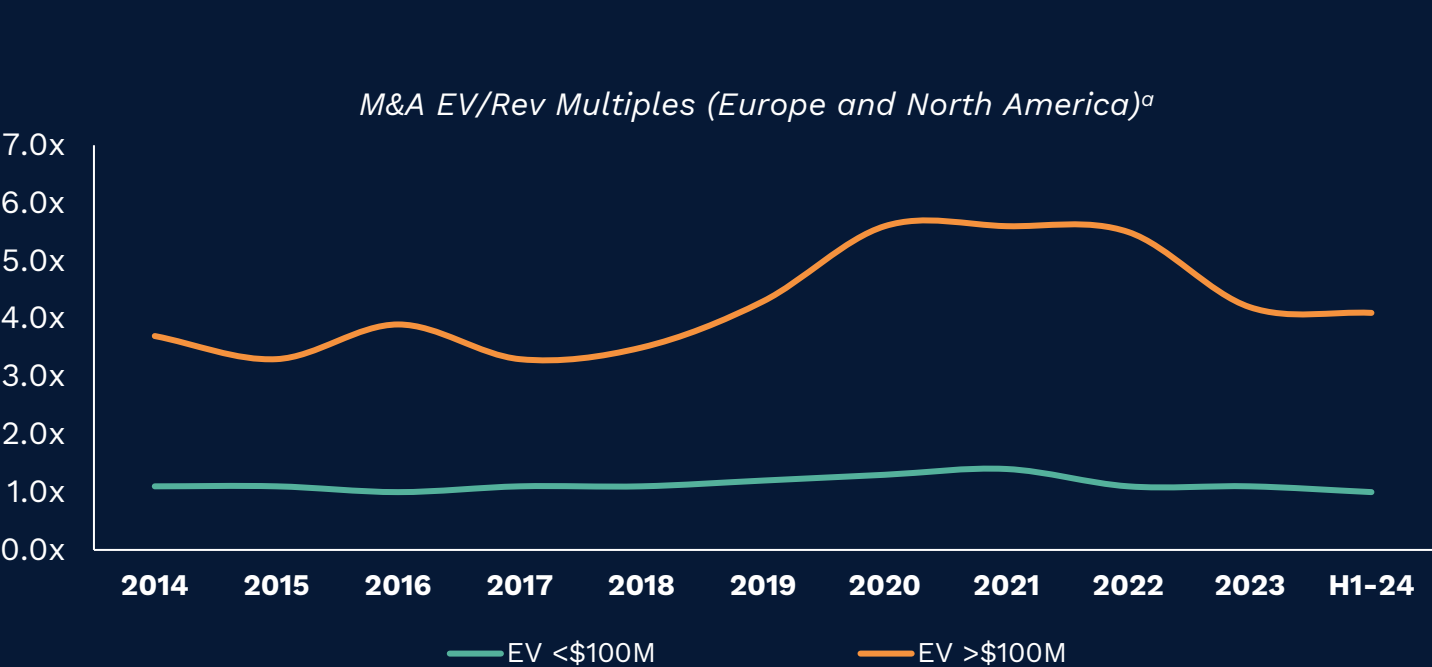
As the impact of the cash-saving measures, including the massive layoffs seen in 2022 and 2023, has finished, we expect that many startups will be finally forced back into raising

The percentage of flat and down rounds peaked at 28% in Europe during H1-24, and the trend may persist

Flat rounds and down rounds will become more and more frequent

Source: a. Q2 2024 European VC Valuations Report

6.3. Buy & Build is becoming a key strategy in VC



Until now

As signs of monetary easing start materializing in Europe, European M&A deal value bounced back with a 17.1% increase in Q2-24 vs Q1

Moreover, megadeals show EV/revenue multiples between 3.5x and 5.5x, considerably larger than the 1.0x-1.4x multiples observed among deals below €100M

Forecasted scenario

In H1-24, both in the US and in Europe M&A activity has been stable with respect to the record low observed in 2023. As market conditions are likely to improve over the next months, we expect M&A activity to be positively impacted, both in terms of dealmaking and valuations

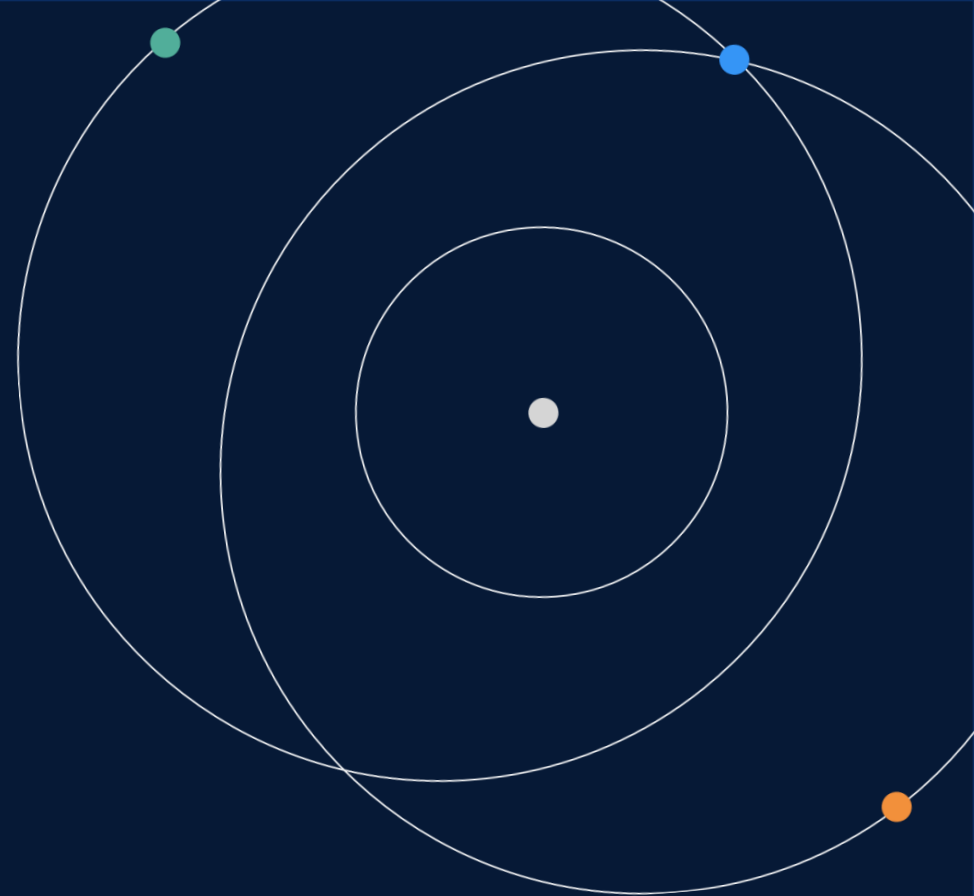
The relevant arbitrage opportunity between multiples is likely to make particularly attractive Buy&Build strategies, in order to reach a larger scale before undertaking a sell-side M&A at higher multiples

Buy & Build strategies will be more common, especially in some sectors

Source: a. Q2 2024 PitchBook Global M&A Report

7

Final remarks



7.1. Final Remarks – Q3-24 & 2024-YTD

Q3-24 and 2024-YTD: Europe

- The general sentiment among market players is improving across Europe, as more and more VC funds are closing their fundraising
- As forecasted, numbers in 2024-YTD are proving that the European ecosystem has bottomed out
- While the IPO market has shown some signs of recovery, with a few significant listings in Europe, it remains well below pre-pandemic levels. M&A continue to be the preferred exit strategy for VC-backed companies, driven by persistent high interest rates and ongoing macroeconomic uncertainties

Q3-24 and 2024-YTD: Italy

- Q3-24 is the quarter with the highest invested amount over the last 2 years and best quarter ever without mega rounds. This is due to two factors: a higher number of notable *Late Stage* rounds and the increased frequency of mega rounds (which, as forecasted at the end of 2023, are confirmed as the single variable that affects the most the aggregate results)
- There is notable shift in round type distribution, with Pre-seed and Seed rounds weighting today 67% of the total number of deals, less than in 2023 (78%) and in H1-24 (71%)
- It continues the gradual shift from the Digital sector to DeepTech, Smart City and Software, witnessing a change of sectoral preferences among investors
- M&A activity remains stable with respect to H1-24 and to 2023, whereas just 1 Italian startup has gone public in 2024

7.2. Final Remarks – Outlook

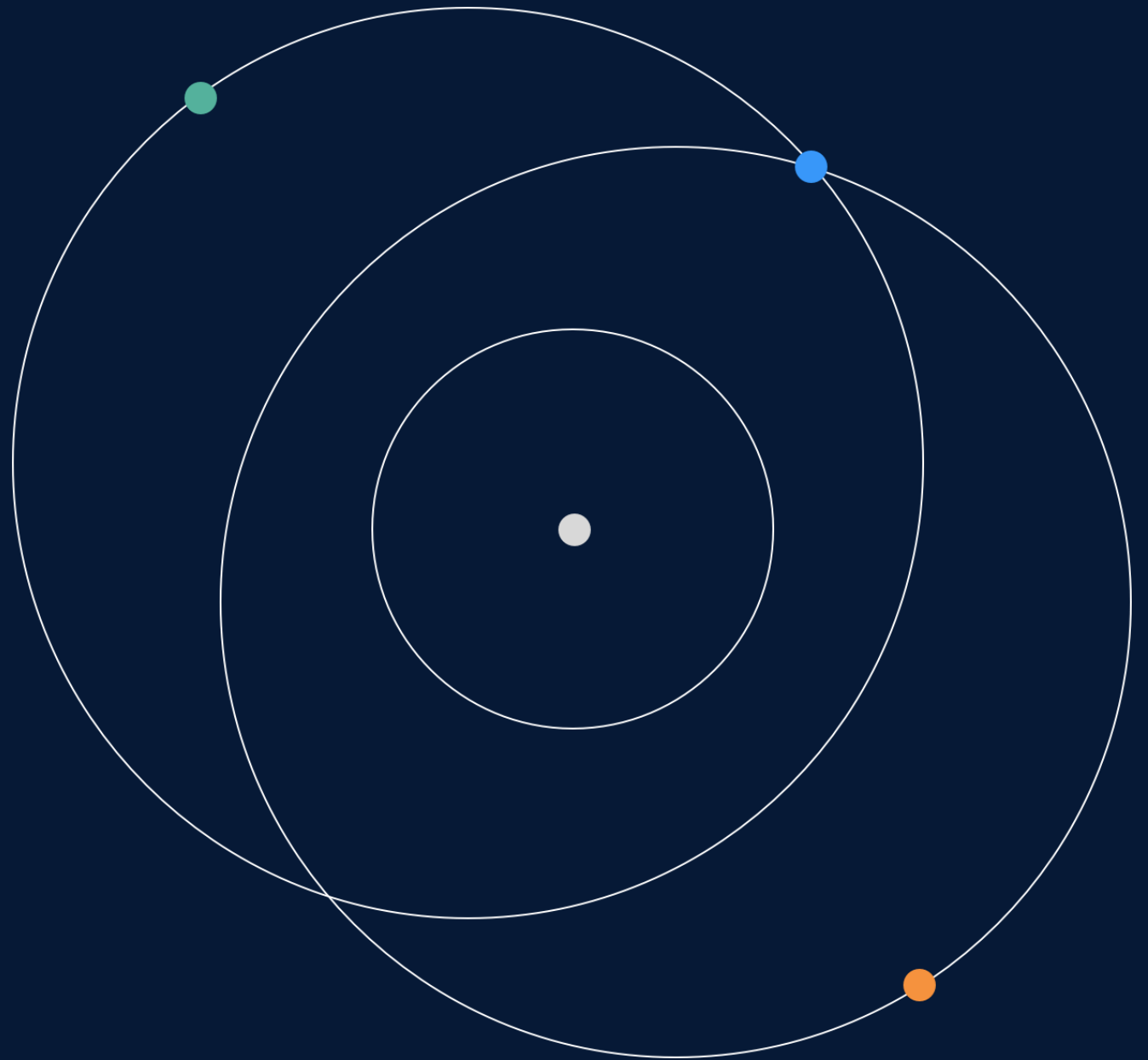
A “new normal” in Europe

- While there are differences in maturity, size and growth trajectories across the different European ecosystems, the region in 2024 will be in line with 2023 in terms of amount invested, while the number of rounds is likely to be lower. IPO activity is poised to remain below historical levels over the next quarters
- The VC sector has now bottomed out, facing a “new normal” where a number of changes can be predicted:
 - Bargaining power will become more balanced between investors and founders
 - Flat rounds and down rounds will become more and more frequent
 - Buy & Build strategies will be more common, especially in some sectors
 - VC rounds are becoming more diverse: venture debt, SAFE, SFP and other convertibles
- The world around us is changing, largely due to the impact of AI and the anticipation of its future effects. In the coming years, AI will be a crucial element in the venture capital landscape. We will frequently see startups across various sectors integrating AI into their processes and there will likely be a strong focus on leveraging AI across multiple industries

Outlook 2024: Italy

- We predict that the overall amount invested in Italy in 2024 will end up between €1.4B and €1.7B (in case of mega rounds), while the number of round will be in line with 2023. Italy, in contrast with other EU countries, will be among the fastest growing ecosystems for amount invested vs 2023
- As happened in other countries, more VC funds with a stronger degree of specialization will reach their first closings
- The high level of dry powder will put pressure to maintain considerable levels of deployment
- Also in Italy, IPO activity is projected to continue below historical levels over the next quarters

Appendix



Assignment of verticals to sectors (1/2)

Deep Tech	3D Printing Building Material Hardware Manufacturing Robotics and Drones Wearables & Quantified Tech	3D Technology Construction Industrial Automation Nanotechnology Sales Automation	Advanced Manufacturing Drones Industrial Manufacturing Personal Development Sensor	Augmented Reality Engineering Industrials Pet Technology Space Technology	B2B Field Support Information Technology Professional Services Virtual Reality	Biometrics Google Glass Internet of Things RFID Wearables
Digital	Digital Car Wash Mobile Ticketing	E-Commerce Nautical	Handmade Online Portals	Home Decor Price Comparison	Home Services Procurement	Marketplace Second Hand
Education & HR	Career Planning E-Learning Recruiting	Communities Green Consumer Goods Video	Consulting HR Tech	Corporate Training Human Resources	Dental Education Incubators	EdTech Knowledge Management
FinTech	Accelerator Cryptocurrency Health Insurance Payments Venture Builder	Auto Insurance Cryptocurrency/Blockchain Insurance Privacy	Banking Digital Signage Insurtech Real Estate Investment	Blockchain Finance Investment Service Industry	Commercial Insurance Financial Services Legal Tech Startup Studio	Credit FinTech Mobile Payments Trading
Food & Agriculture	Agriculture Food Delivery Packaging Services	Agtech Food Processing Precision Farming	E-Grocery FoodTech Restaurant Technology	Farming Home and Garden Restaurants	Food Loyalty Programs Vertical Farming	Food and Beverage Nutrition Wine And Spirits
Life Sciences	Biotechnology Healthcare Therapeutics	Cannabis HealthTech	Digital Health Life Sciences	Drug Discovery Medical Device	Electronic Health Record(EHR) Oncology	Health Diagnostics Pharmaceutical

Assignment of verticals to sectors (2/2)

Lifestyle	Art Fashion Phototech Subscription	Beauty FemTech Product Design Tourism	Business Travel Fitness Retail Travel	Circular Economy Leisure Retail Technology Travel Accommodations	Clothing Lifestyle Shoes	Cosmetics LOHAS & Wellness Social Impact
Media	Ad Network Broadcasting Digital Marketing Gaming Podcast Sustainability	AdTech Communications Infrastructure Digital Media Marketing Publishing TMT	Advertising Content eSports Marketing Tech Shopping Video Advertising	Advertising Platforms Content Delivery Network Event Management Media Social Media	Audio Content Marketing Events Media and Entertainment Social Network	AudioTech Customer Service Family Music Sports
Software	Analytics Cloud Computing CRM Electronics Internet PaaS Sport Management	Apps Performance Management Cloud Data Services Cybersecurity Enterprise Resource Planning IT Management Predictive Analytics Telecommunications	Apps Cloud Infrastructure Developer APIs Enterprise Software Machine Learning SaaS UXDesign	AI & Machine Learning CloudTech & DevOps Developer Tools Human Computer Interaction Management Software Security Web Hosting	Big Data Computer Digital Entertainment IaaS Mobile Apps Self-Storage	Business Intelligence Consumer Software DRM Information Services Natural Language Processing Software
Smart City	Automotive Delivery Environmental Consulting Materials Raw Materials Storage	Autonomous Vehicles Electric Vehicle Fleet Management Micro-Mobility Real Estate Technology Supply Chain Tech	Clean Tech Energy Green Energy Mobility Tech Renewable Energy Transportation	Climate Tech Energy Efficiency Hospitality Oil & Gas Ridesharing	Co-working Platform Energy Management House Rental PropTech Sharing Economy	Cycling Energy Storage Logistics Public Safety Smart Cities

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