



# **ENTREPRENEURSHIP**

*The experience of a Business Angel*

*17 / 04 / 2023*

*University of Trieste*

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# AGENDA

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- A recurring issue ...
- Development stages of an initiative and accessible resources
- Alternatives to finance innovation
- How to build a successful startup
- How to present your start-up
- How to determine the value of a startup?
- IAG & its screening process



# Brief intro about me

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**Member of Italian Angels for Growth** since 2008, the largest network of Business Angels in Italy with 100+ investments done (€50+mIn directly invested) & 300+ members.

([www.italianangels.net](http://www.italianangels.net))

**Co-founder** (2016) & **President** of **Unicorn Trainers Club**, association based in Udine for innovation enthusiasts aimed at developing the culture of open innovation and promoting Venture Capital activity ([www.unicorntainers.it](http://www.unicorntainers.it))



**15+ years experience in the start-up ecosystem**



# AGENDA

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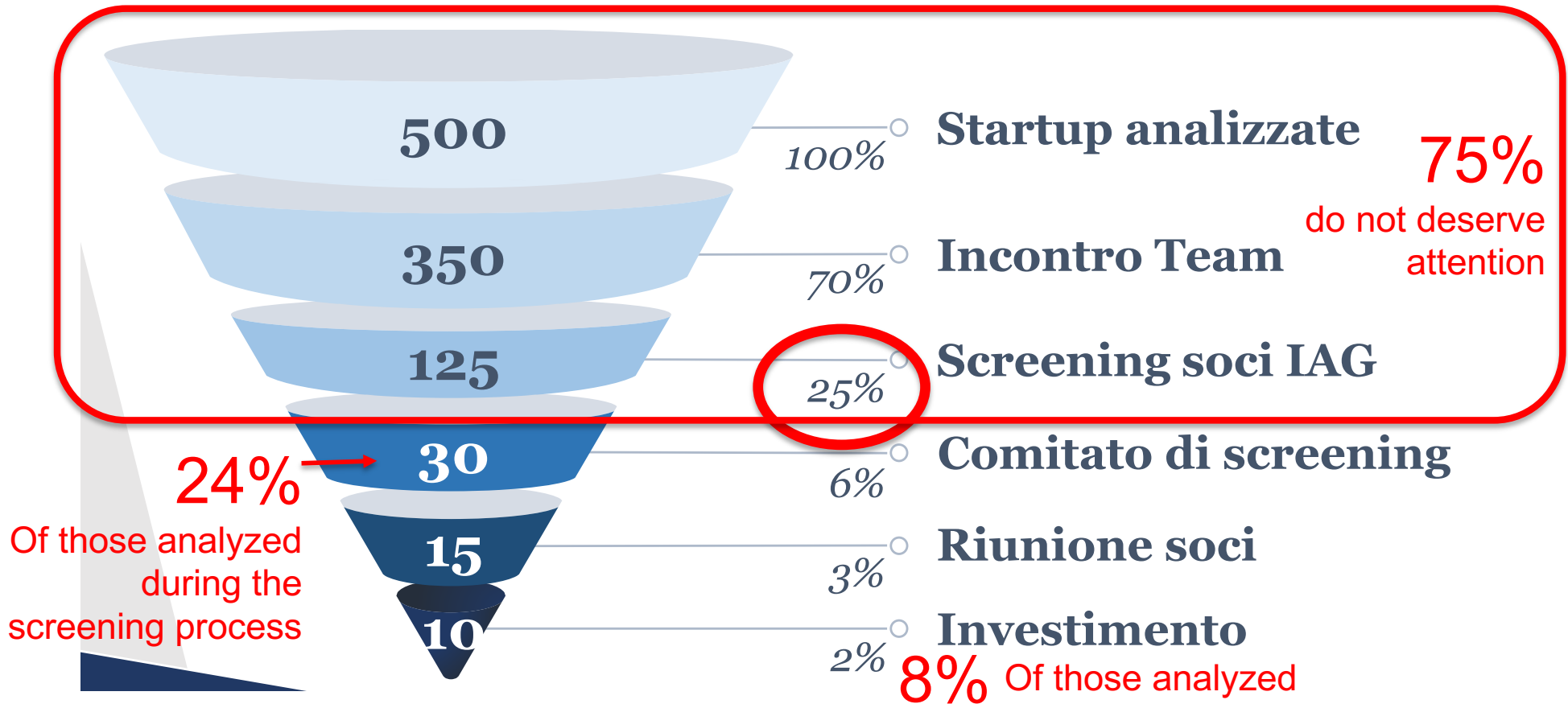
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# A recurring issue ...

7.000+ startups analyzed in IAG in 15 years  
About **500** per year, **but ...**





# ... how to solve it?

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It's **not** a matter of **lack of funds** ...



## **VENTURE CAPITAL**

In 2022 **US\$ 415 billion** invested worldwide  
(\$80+ billion in **Europe**)



## **CORPORATE VENTURE CAPITAL**

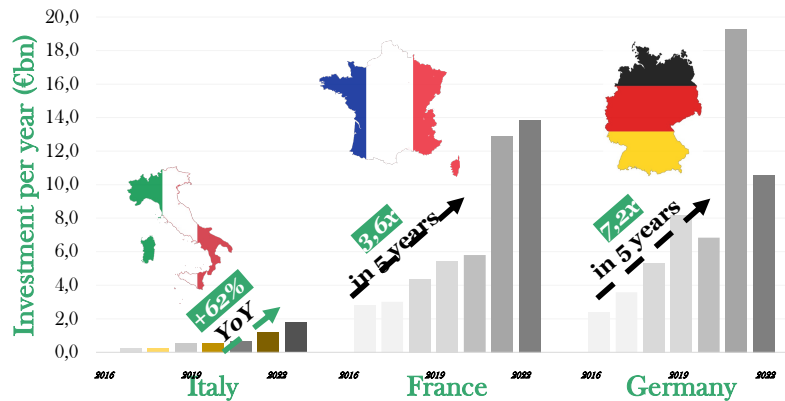
In 2022 ab. **US\$ 99 billion** invested worldwide  
(ab \$16,6 billion in **Europe**)

Source: CBINSIGHTS – State of Venture & State of CVC - Global 2022 recap

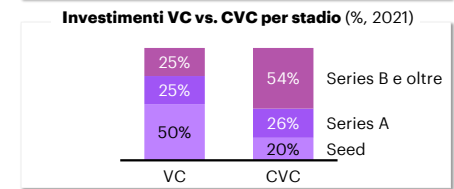
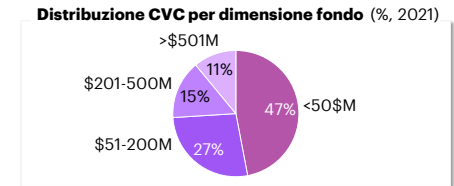
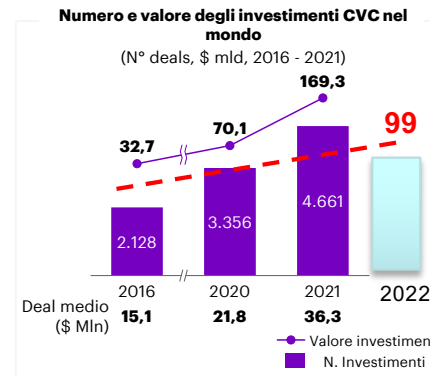
# An interesting context in terms of size and opportunities

Ab. \$81 bln invested from **Venture Capital** in Europe in 2022  
 (ab. \$415 bln invested Worldwide)  
 UK≈\$26 bln(n#2,1k)  
 GER≈\$10 bln(n#866)  
 FRA≈\$12,6 bln(n#983)  
 ITA≈\$2,5 bln (n#106)

## The EU Market



Significant growth of **Corporate Venture Capital**  
 In 2022 it accounted for approx. 25% of the entire VC



## The Traditional Venture Capital Pipeline Is Expanding

	EARLY STAGE	GROWTH STAGE	EXIT STAGE
Traditional Route	Seed VC	Venture capital	IPO
Expanded Routes	Seed VC	Venture capital	IPO
	Rolling funds	Rolling funds	SPAC
	Crowdfunding	Private stock exchange	Direct listing
	Angel investments		

CBINSIGHTS

Companies must **revise their business models more and more frequently** to avoid the risk of being pushed to the margins of the market

The COVID-19 crisis has increased the need for many companies to revolutionize their organizations (internal R&D // acquisitions)

Agile experimentation: new design challenges, to make innovation by changing the rules of the game



# ... how to solve it?

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**... but ...**

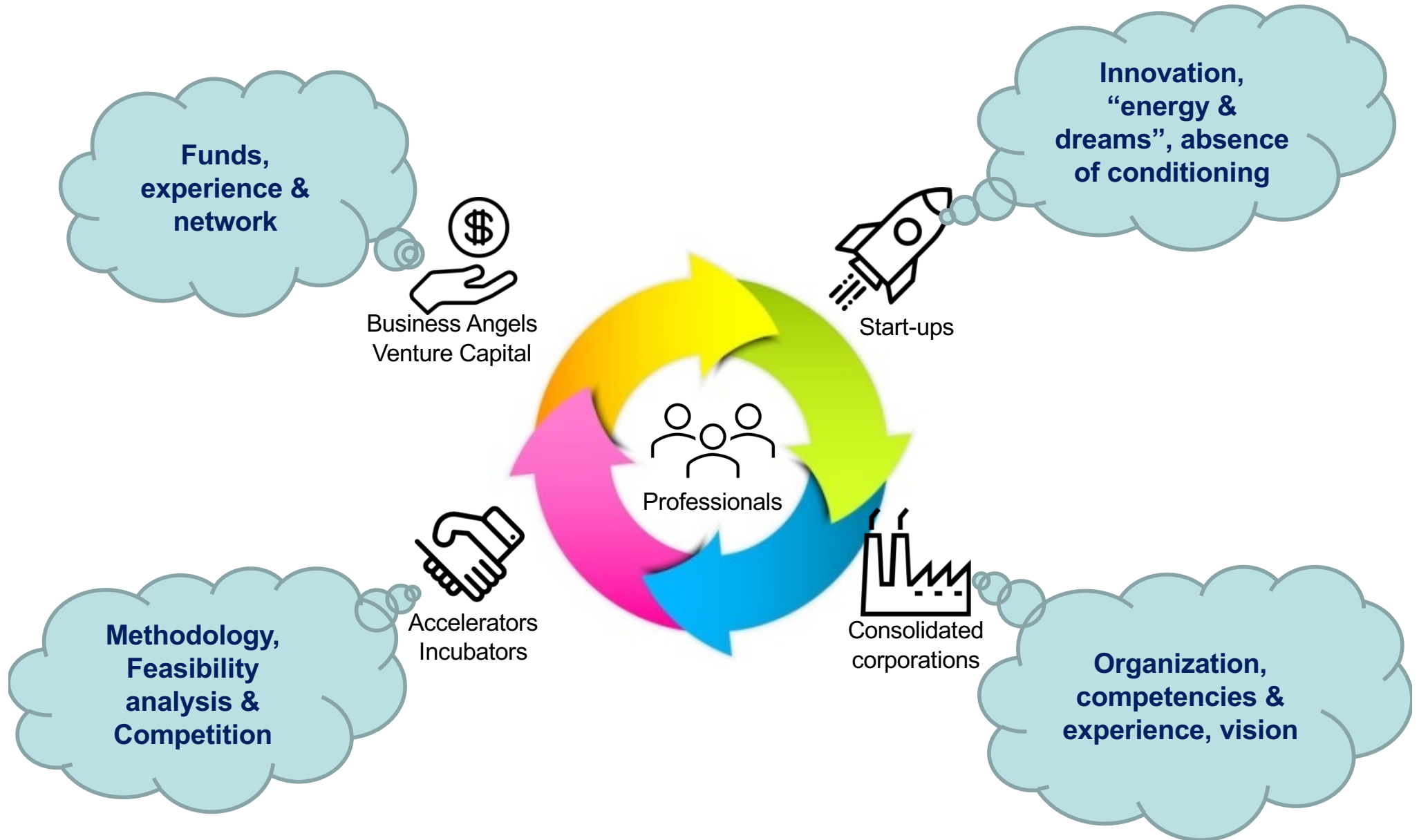
**FUNDING** is not all

**The start-up ecosystem needs to be developed!!**



# A virtuous ecosystem ...

... if we can guarantee the coordination of the various actors!





# Many start-ups are unsuccessful due to the lack of business culture and mistakes made in the initial stages of development

Depending on the evolutionary stage in which they are, they need:

- adequate teams with diversified skills
- trained (experienced) consultants
- management control
- finance
- relations with corporates

**The valuation?**

**... the least of the problems!**

## *Elements that has to be always kept in mind*

- **TEAM**, the most important factor (!), better 2/3 co-founders (e.g. CEO, CTO, COO), show commitment, vision, leadership, passion etc..!
- **MARKET**, large enough? Understand well who the buyer is and the sale process.
- **TIMING**, is the market ready for this?
- **COMPETITIVE ADVANTAGE**, how compelling is it? Barriers to entry? May be good to have some competition but watch-out for overpowering competition(!) and do not underestimate competitors' reaction.
- **SCALE**, how profitable and valuable business can be? Can we afford the scaling requirement or it will be too costly ? Focus on the key drivers!
- **EXIT**, how do I exit from the deal and in what time frame ?



# AGENDA

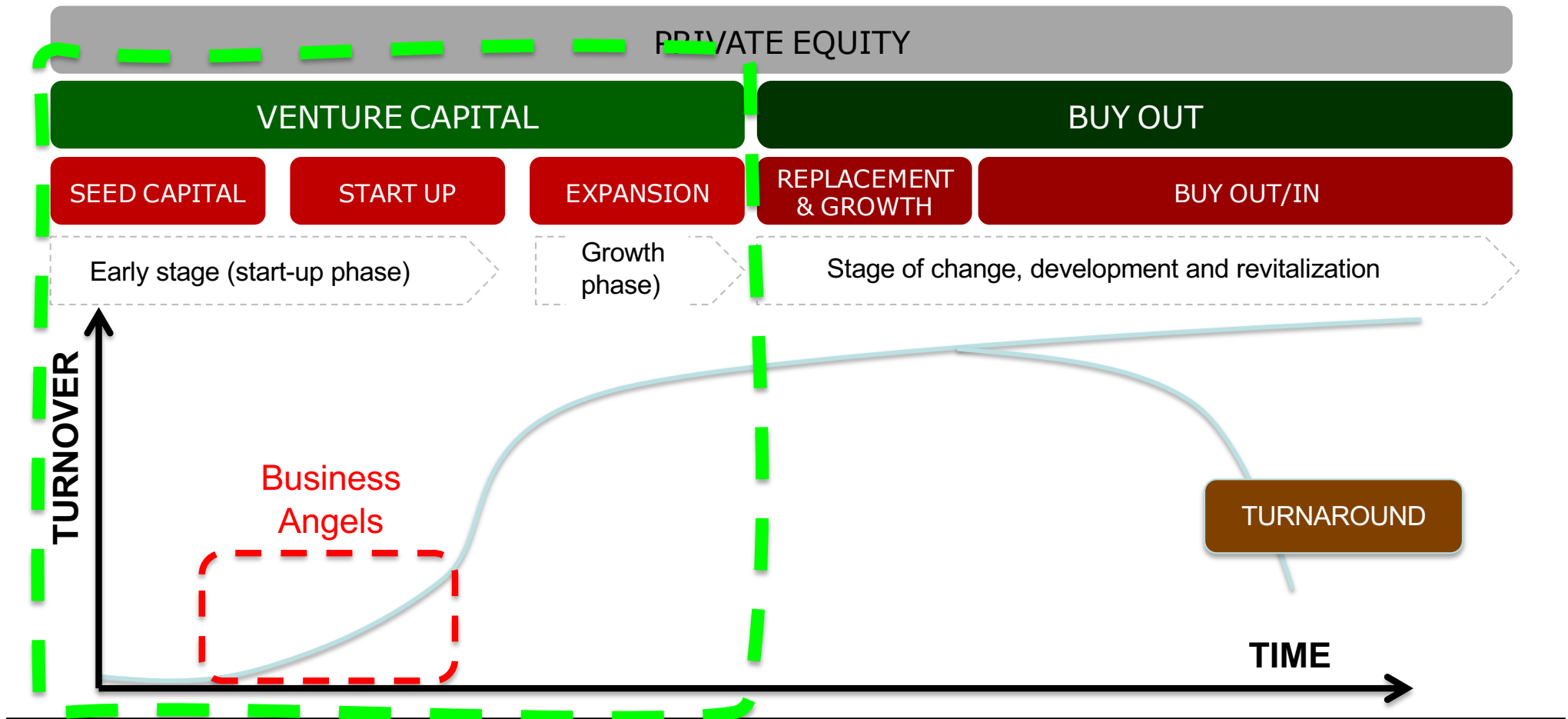
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# PRIVATE EQUITY - DEFINITION

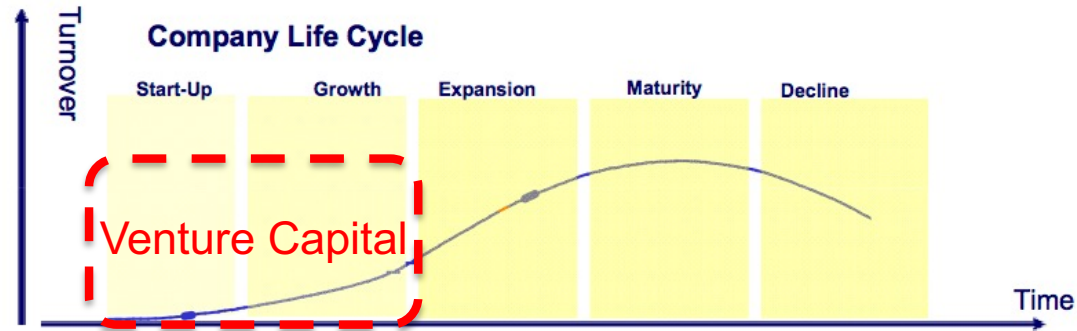
Financial activity by which an institutional investor acquires shares in a target company - not listed and with high development potential and / or with the ability to generate constant and predictable cash flows - either by acquiring shares from existing shareholders or by underwriting newly issued shares in order to bring new capital into the target.







# When Venture Capital is involved?

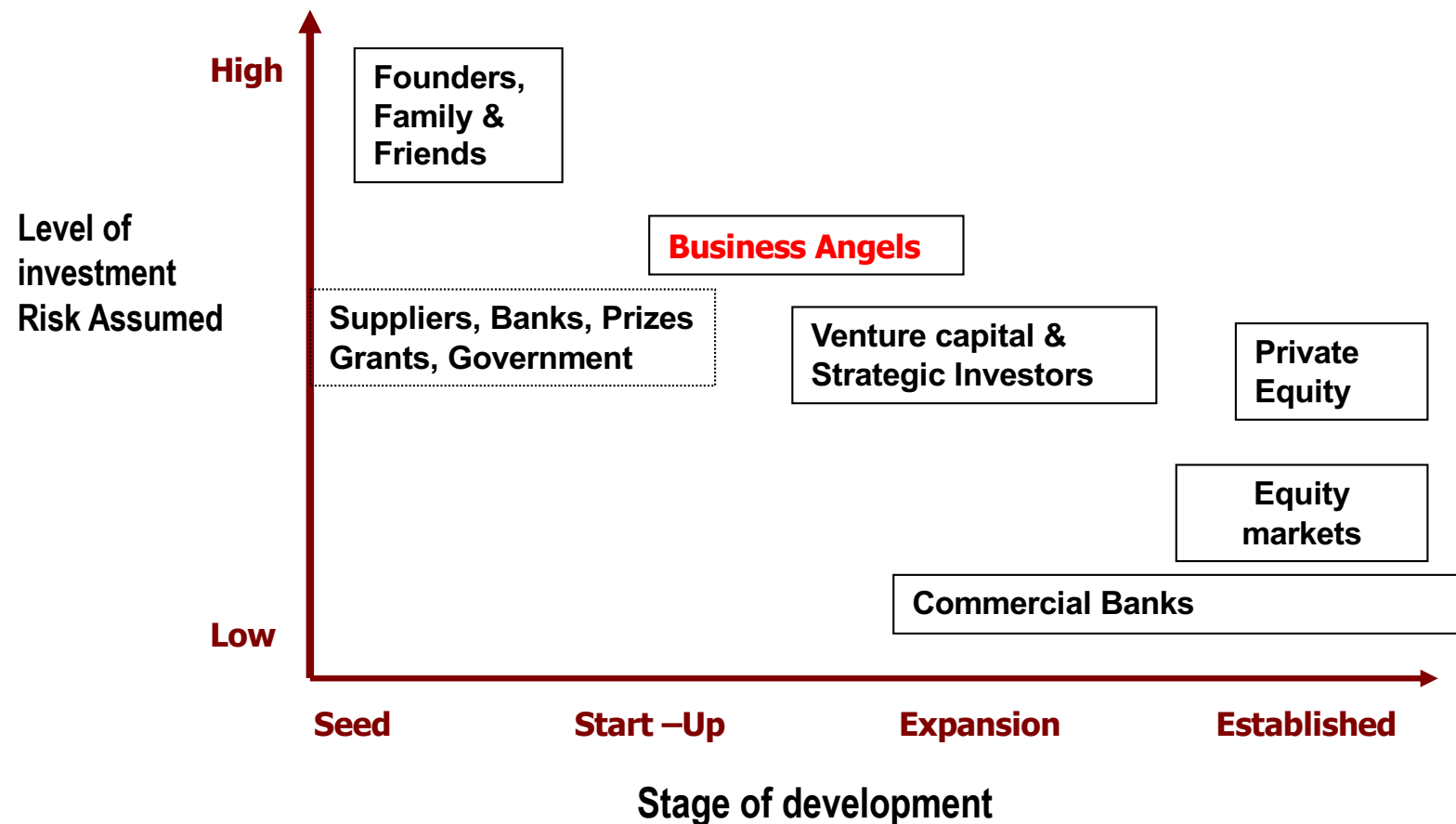


Start-UP	Growth- Expansion	Maturity	Decline
<ul style="list-style-type: none"> <li>• <b>“Investments”</b> <ul style="list-style-type: none"> <li>• Development (MRKTG,..)</li> <li>• Plant Equipment</li> <li>• WCR</li> </ul> </li> <li>• <b>Sources</b> <ul style="list-style-type: none"> <li>• Equity (No Guarantees) <ul style="list-style-type: none"> <li>• Seed Capital/Start-Up Capital</li> <li>• Venture Capitalists</li> <li>• <b>Business Angels</b></li> <li>• Industrial Investor</li> <li>• EU/Regional Grants</li> </ul> </li> <li>• Debt <ul style="list-style-type: none"> <li>• Bank Loan (Equity Kickers)</li> <li>• EU/Regional Grants</li> </ul> </li> </ul> </li> <li>• <b>Key Elements</b> <ul style="list-style-type: none"> <li>• Mgmt/ Entrepreneur</li> </ul> </li> <li>• <b>Valuation Techniques</b> <ul style="list-style-type: none"> <li>• “Assets” Evaluation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>“Investments”</b> <ul style="list-style-type: none"> <li>• Internal Growth</li> <li>• External Growth (JV, M&amp;A, )</li> </ul> </li> <li>• <b>Sources</b> <ul style="list-style-type: none"> <li>• Equity <ul style="list-style-type: none"> <li>• Private Equity</li> <li>• Industrial Investors</li> </ul> </li> <li>• Debt <ul style="list-style-type: none"> <li>• Leasing (lease-back)</li> <li>• Loans (no guarantees)</li> <li>• Loans (asset backed lending)</li> <li>• Grants</li> <li>• Bonds</li> <li>• Mezzanine</li> </ul> </li> </ul> </li> <li>• <b>Key Elements</b></li> <li>• <b>Valuation Techniques</b> <ul style="list-style-type: none"> <li>• DCF, Relative Valuation , APV</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>“Investments”</b> <ul style="list-style-type: none"> <li>• “Core” Investments x Innovation, M&amp;A</li> <li>• Outsourcing</li> </ul> </li> <li>• <b>Sources</b> <ul style="list-style-type: none"> <li>• Equity <ul style="list-style-type: none"> <li>• Private Equity</li> <li>• Initial Public Offering (IPO)</li> </ul> </li> <li>• Debt <ul style="list-style-type: none"> <li>• Lease Back</li> <li>• LT Loans</li> </ul> </li> </ul> </li> <li>• <b>Key Elements</b> <ul style="list-style-type: none"> <li>• Family Generational Change</li> <li>• Debt Structure (ST vs LT)</li> </ul> </li> <li>• <b>Valuation Techniques</b> <ul style="list-style-type: none"> <li>• DCF, Relative Valuation, APV</li> <li>• Leverage Buy Out (LBO)</li> <li>• Family Buy Out/In (FBO – FBI)</li> </ul> </li> </ul>	<h1>Turnaround</h1>



# Early Stage Financing

Sources of cash at different stages of a company's development





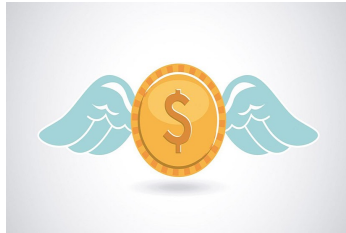
# AGENDA

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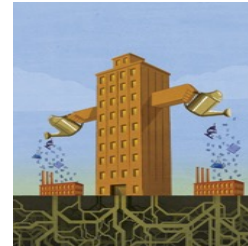
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# How to finance innovation?



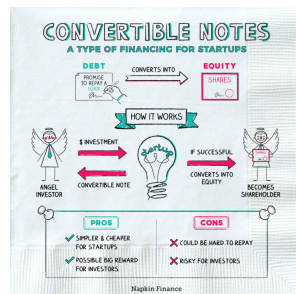
## Angel Investing / Venture Capital



## Corporate Venture Capital



## Crowd Funding



## Convertible Note



## Bank Loans



## Grants

NB: the founders of an initiative must clearly have in mind:

- **Why** they are searching money? (development accelerator, need of an industrial partner, ...)
- different **characteristics** of the potential investors (risk approach, size of the investment ticket, investment period, industry focus, ...)



# Angel Investing ...

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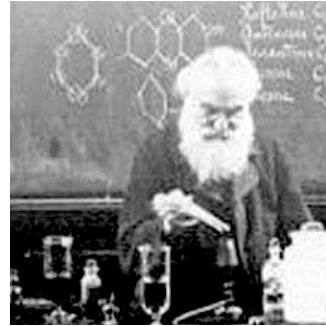
- The match between:
  - **Business Angels (BAs)**; individuals who contribute their time, knowledge, contacts and/or money to growth businesses in exchange for equity or (convertible) debt to be repaid.
  - Entrepreneurs / "**start-uppers**" who need financing to grow their businesses





# Angels' qualities ...

A BA wants to be present, active and **wants to help / facilitate** the development of the day by day activity ... **But does not replace the entrepreneur**



**Feeling** with the entrepreneur and **knowledge of technology** are essential to make an Investment



**Be patient**  
the average "time to exit" of an investment is 6/7 years (even longer in certain sectors)



A BA is part of a network where information are **constantly shared**. It 'an **amplifier** of successes ...



... and any **weaknesses!**



# The Business Angel support (1/2)

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- In a startup he is the first investor with an **institutional approach**
- Shares managerial **experience** with more inexperienced founders in the day-to-day
- Supports entrepreneurs in **negotiating** with institutional investors in later rounds
- Shares business **contacts** for business development
- Helps **find key resources** to join the workforce of funded companies
- Asks founders for their first periodic **reports!**

# The Business Angel support (2/2)



## **Seed investment** (PreSeed & go-to-market)

- Support in defining the business strategy
- Improvement of the corporate organization
- Fundraising support
- Team Coaching



## **Early stage investment** (scaling)

- Sharing personal network to attract potential clients
- Improving monitoring system and relationship with investors
- Supporting business development
- Strategic support



# What are Angels looking for?

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## YES

- **An outstanding Management team**
- An exciting idea with a sound business model
- The possibility to help filling critical gaps
- **High returns**
- **Exit**

## NO

- Entrepreneurs and co-investors they do not trust
- Entrepreneurs that do not finance their own business and/or did not get financing from family and friends
- **Absence of at least one full time founder**
- Management that asks for too much all together and/or is not specific about the use of the funds
- Statements like:
  - “we do not have competitors”
  - “the market is so big that there is space for everybody”

# Business Angel Networks (BAN)

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**Individual** angel investing has some **limitations**:

- ❑ **Limited number of deals:**
  - Limited financial resources
  - difficulty in supporting a large number of projects
- ❑ **Insufficient diversification**
- ❑ **Difficulty in investing in lesser known sectors**

Being part of **Business Angels Networks (BAN)** allows:

- **Diversification**
- **Exchange of skills**
- **Quantity / Flexibility** (multiple investments with limited resources)
- **Size** (ability to access larger deals)



# Type of "Groups"

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- **Business Angel Networks** - monthly meeting to view investment opportunities and network with other Business Angels
- **Syndicates** - join others for due diligence and negotiation on a deal, make investment decision on your own
- **Investment Pool** – pool money with others; do due diligence and investment decision as a group; shares are in individual or group name
- Co Investment fund (**SIDECAR FUND**) - your money is invested along others. No investment vote



# Angel Investing vs. Venture Capital

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- formal

+ formal





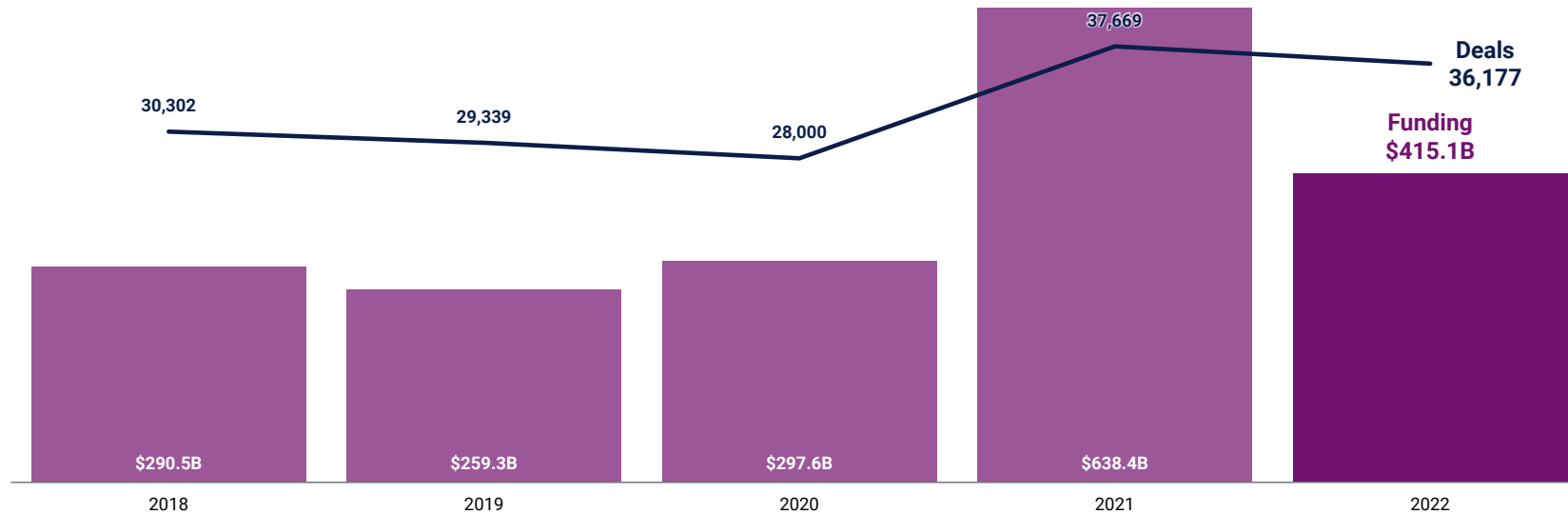
# Venture Capital World Wide



We talk about **Venture capital** when an investor finances the development / growth of an asset in sectors with high development potential.

State of Venture | Global Trends | Investment Trends

## 2022 venture funding slides 35% YoY to \$415.1B



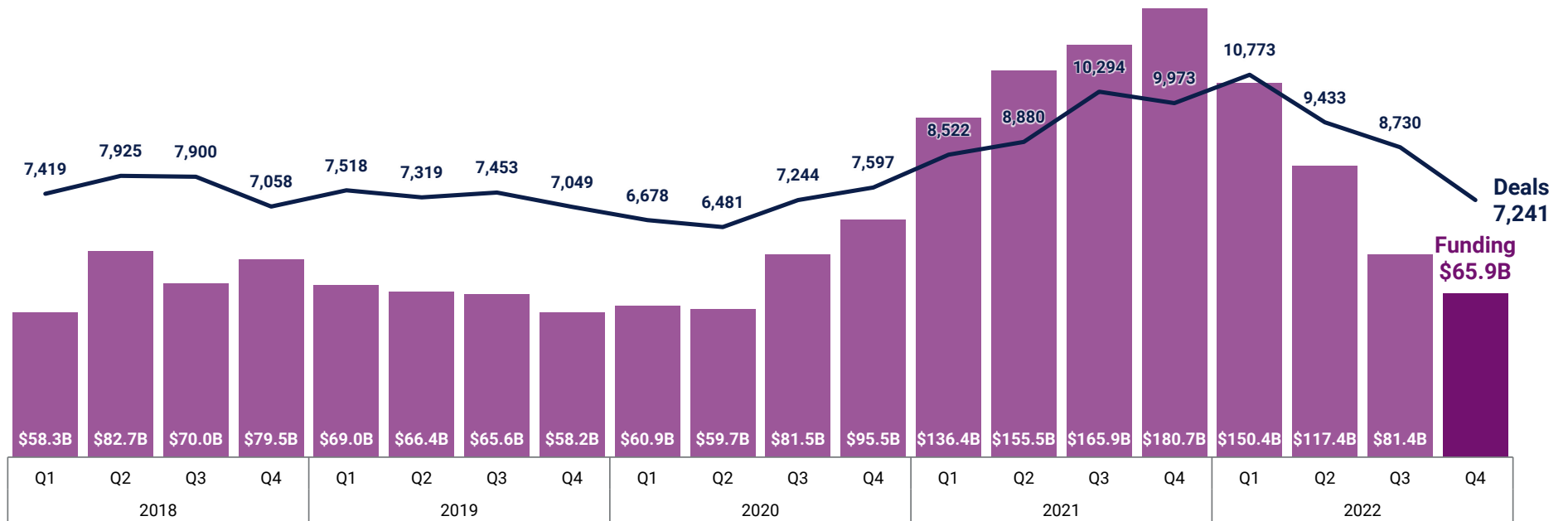


# Venture Capital World Wide



State of Venture | Global Trends | Investment Trends

## Global funding and deals in Q4'22 fall to their lowest levels since Q2'20



CBINSIGHTS

13

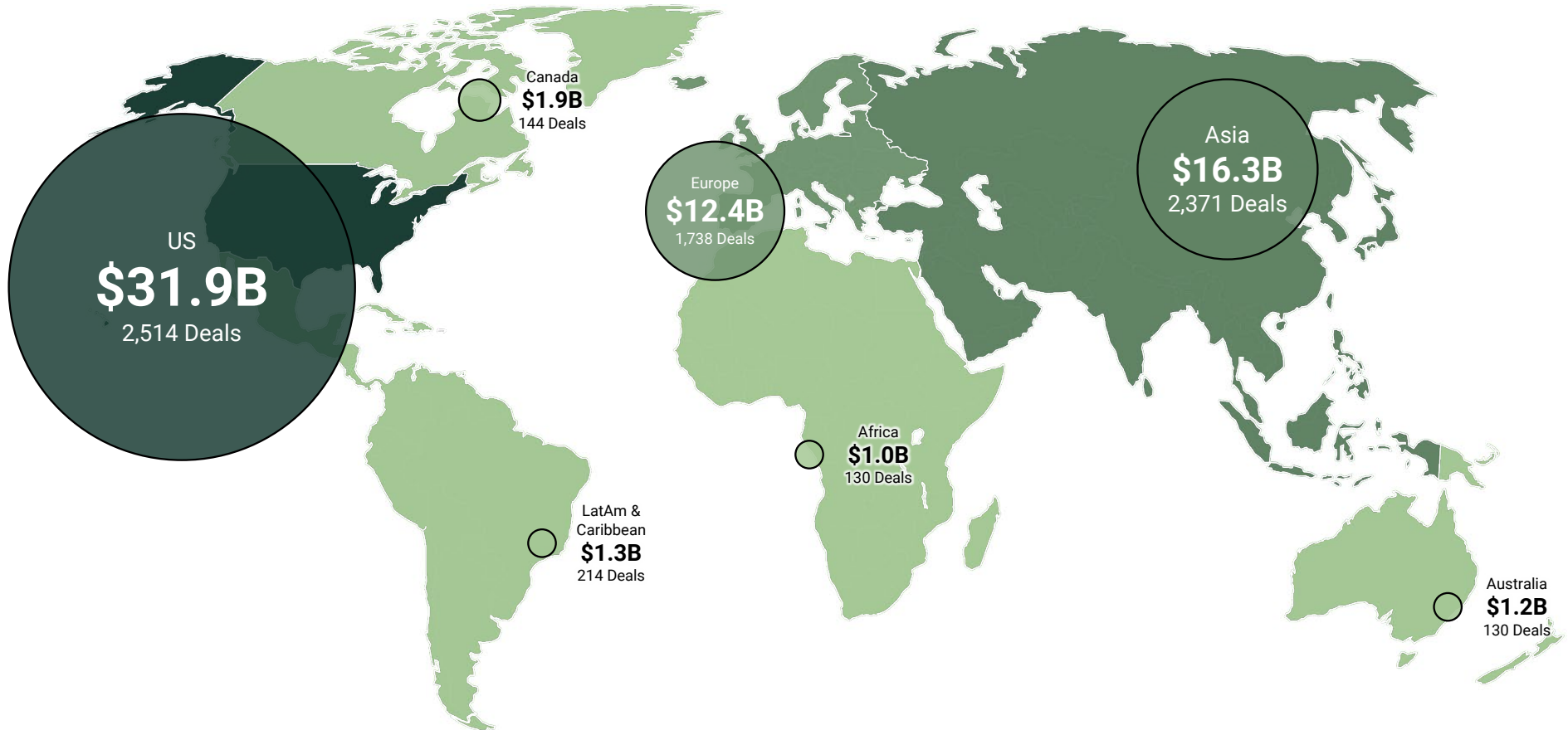


# Venture Capital World Wide



State of Venture | Global Trends | Investment Trends

## US-based companies raise \$31.9B in Q4'22, accounting for 48% of funding



CBINSIGHTS

14

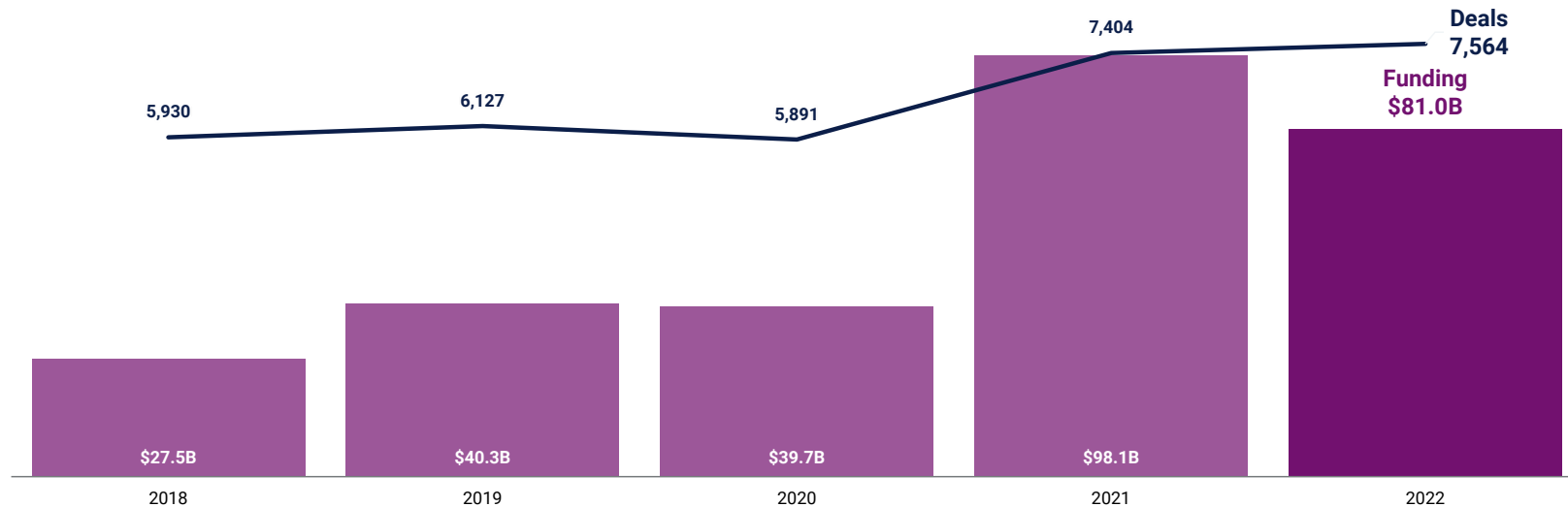


# Venture Capital Europe



State of Venture | Geographic Trends | Europe Trends

## Funding drops 17% YoY to hit \$81B in 2022, deals increase slightly



CBINSIGHTS

200



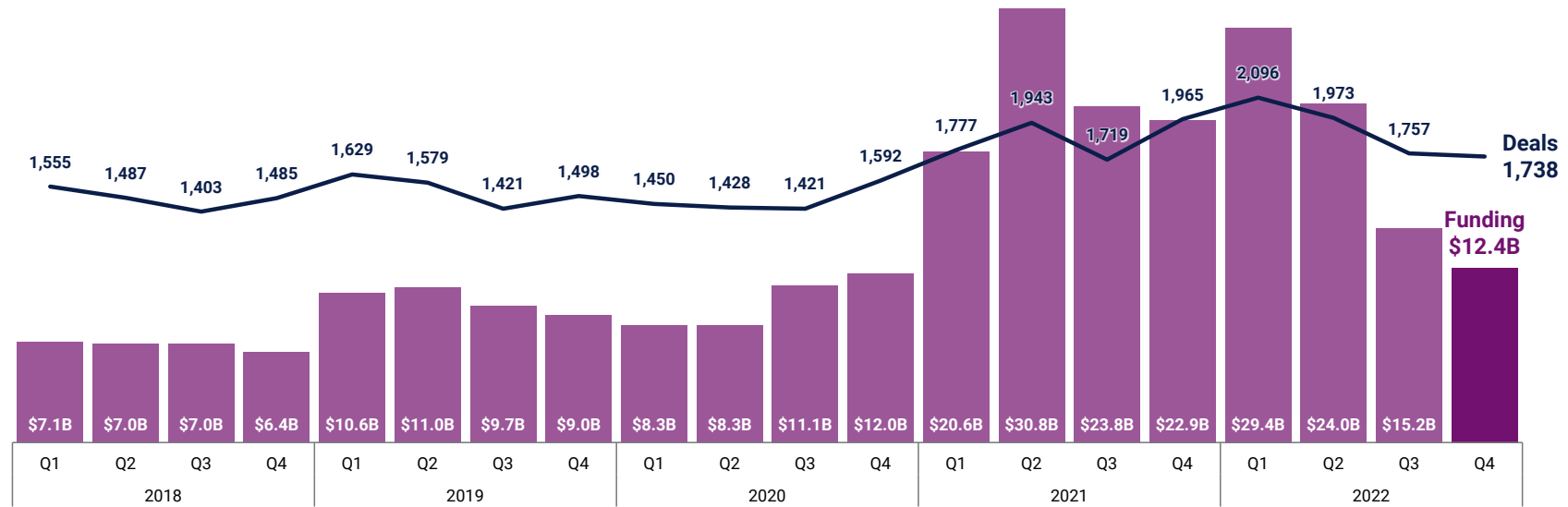


# Venture Capital Europe



State of Venture | Geographic Trends | Europe Trends

## Quarterly funding and deals drop for the third consecutive quarter in Q4'22



CBINSIGHTS

201

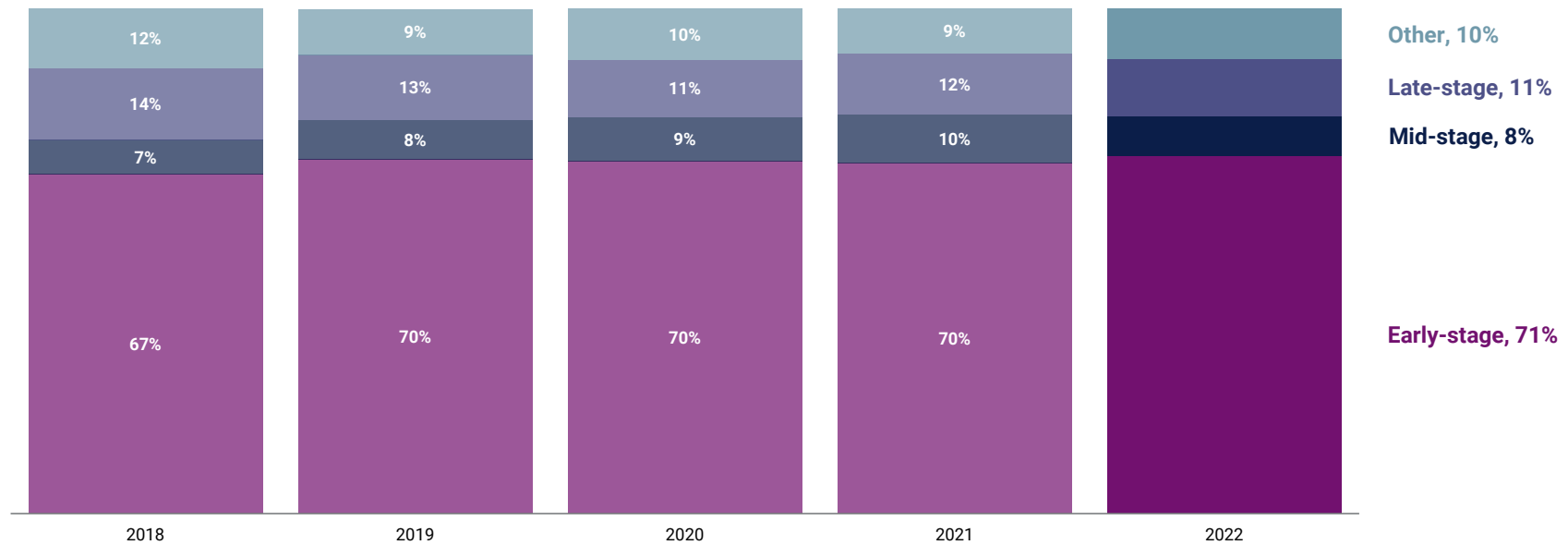


# Venture Capital Europe



State of Venture | Geographic Trends | Europe Trends

## Early-stage companies continue to account for majority of deals in 2022



CBINSIGHTS

202



# Venture Capital Italy

-> 60 VC funds active in Italy

-> €2,3bn invested in 2022

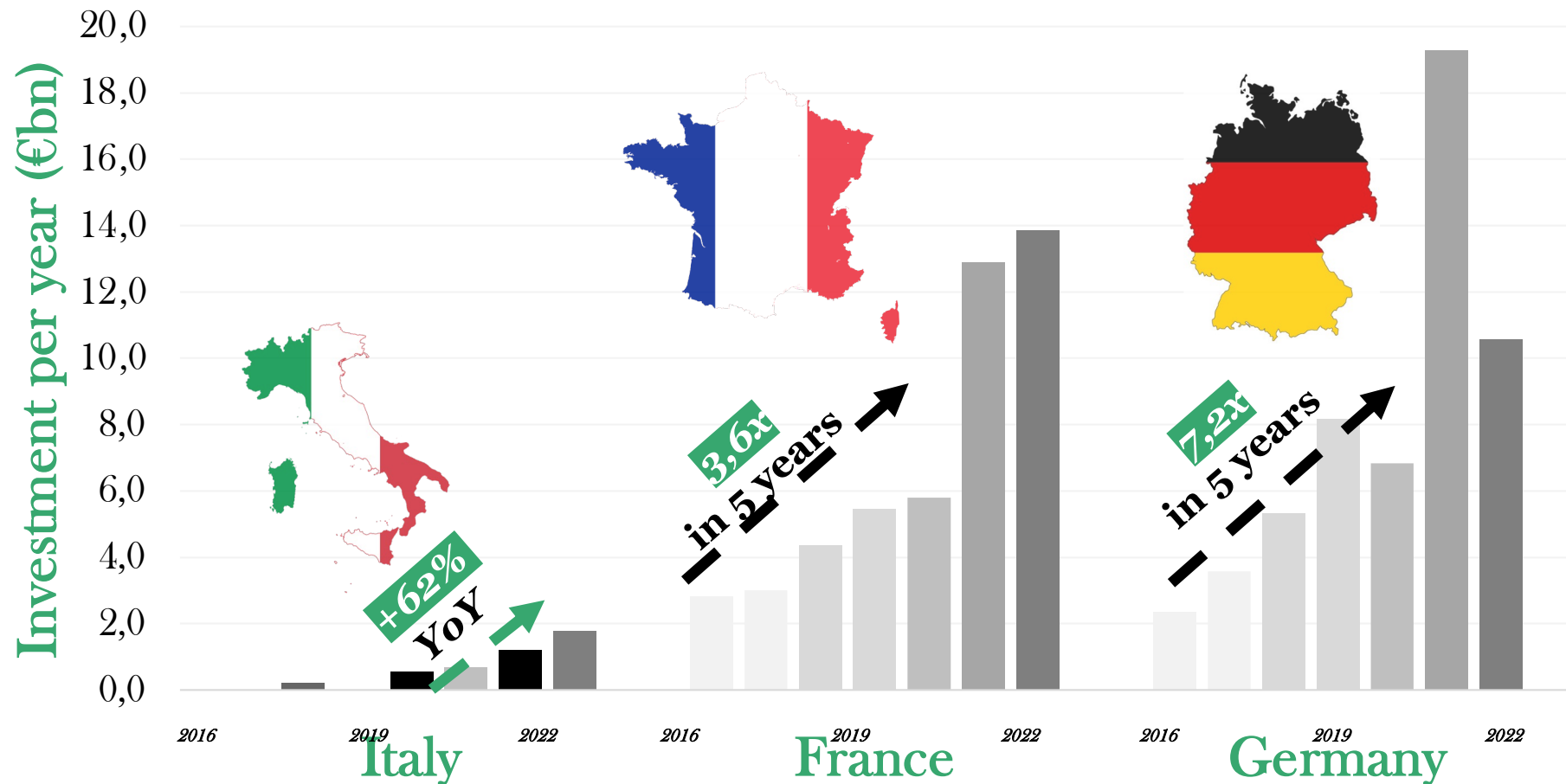
-> 55% from abroad VC

-> €44 bn «dry powder» in Europe



# Venture Capital Italy

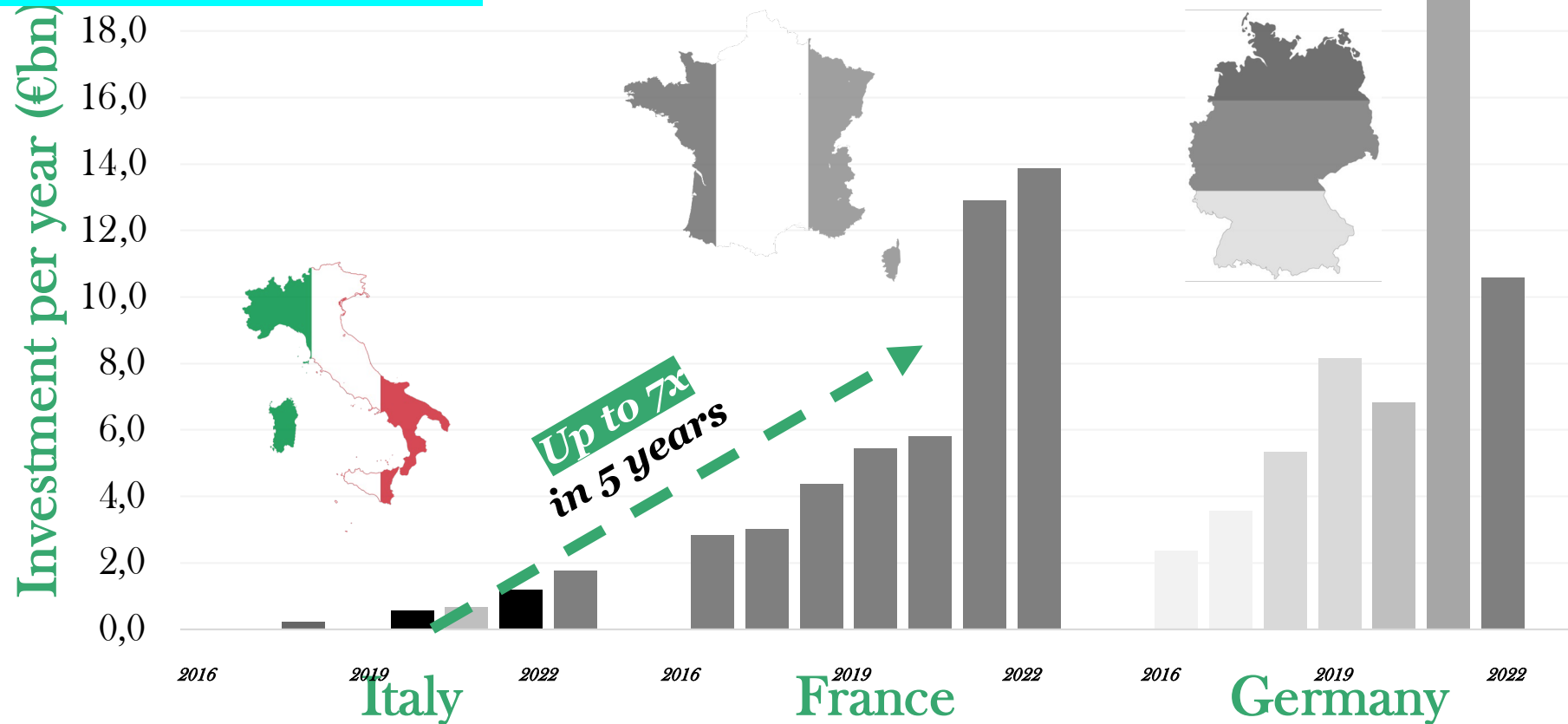
## ... compared to France & Germany





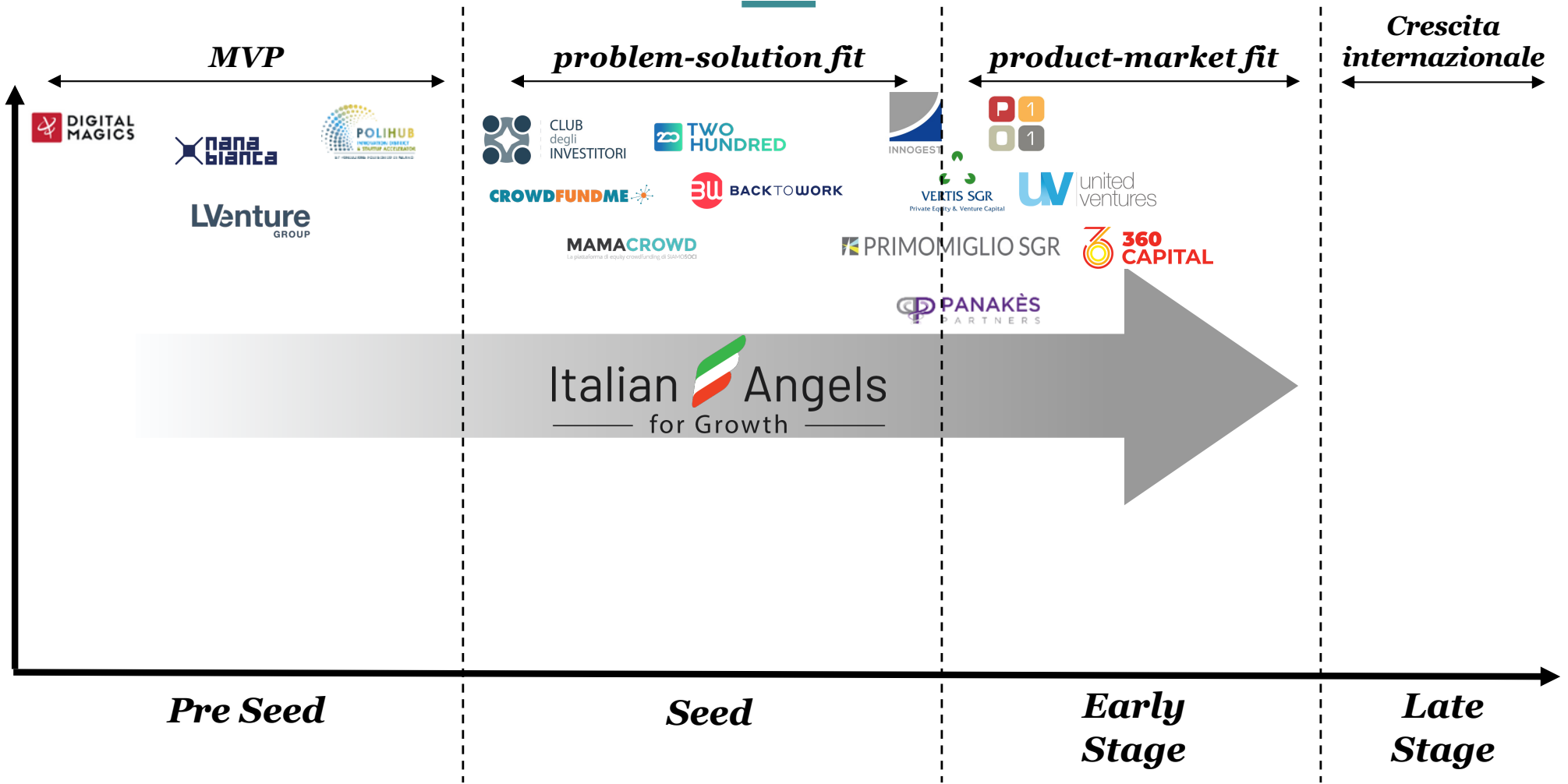
# Venture Capital Italy

We are building today the portfolio of tomorrow



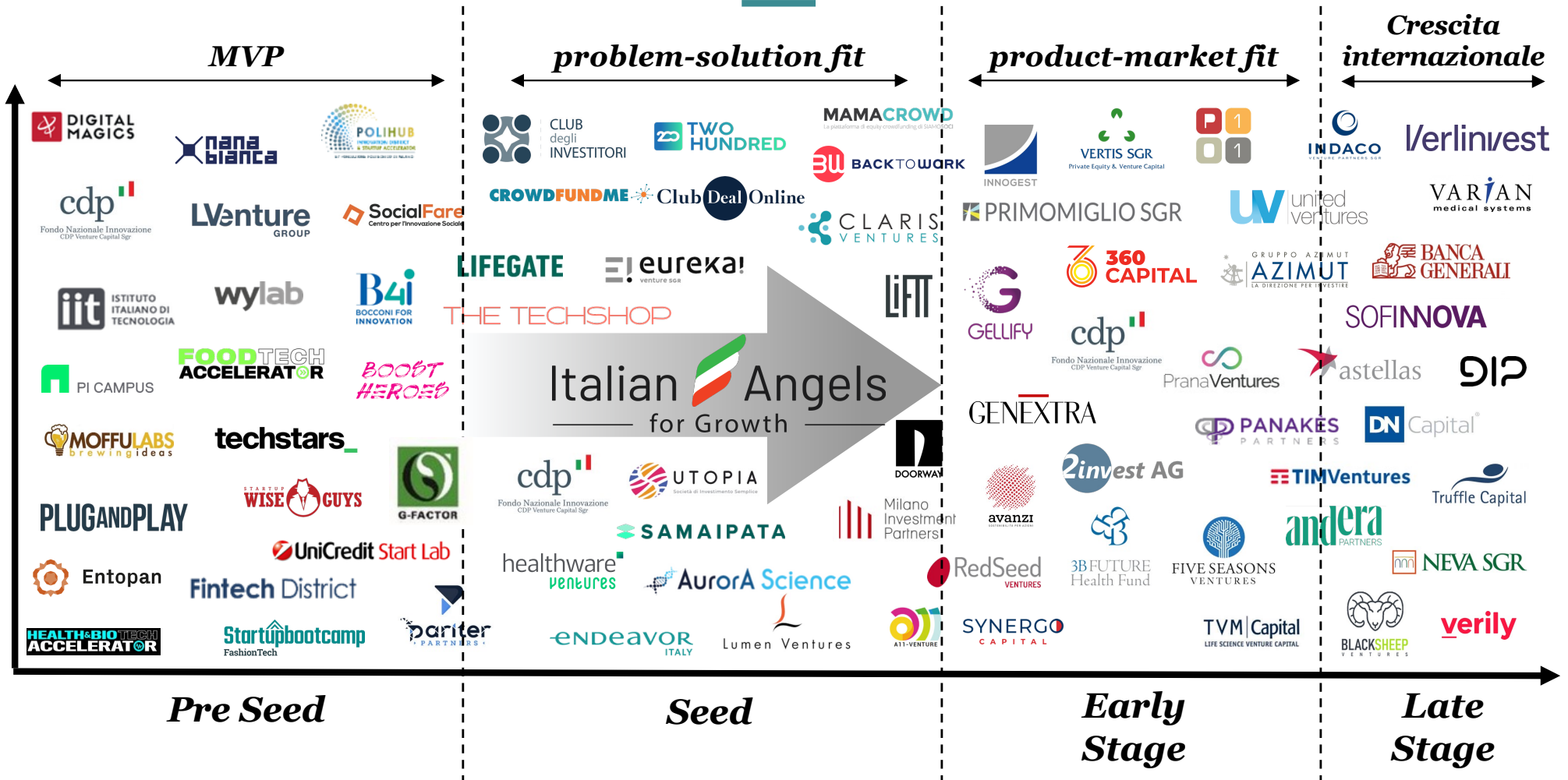


# OLD ITALIAN VC ECOSYSTEM



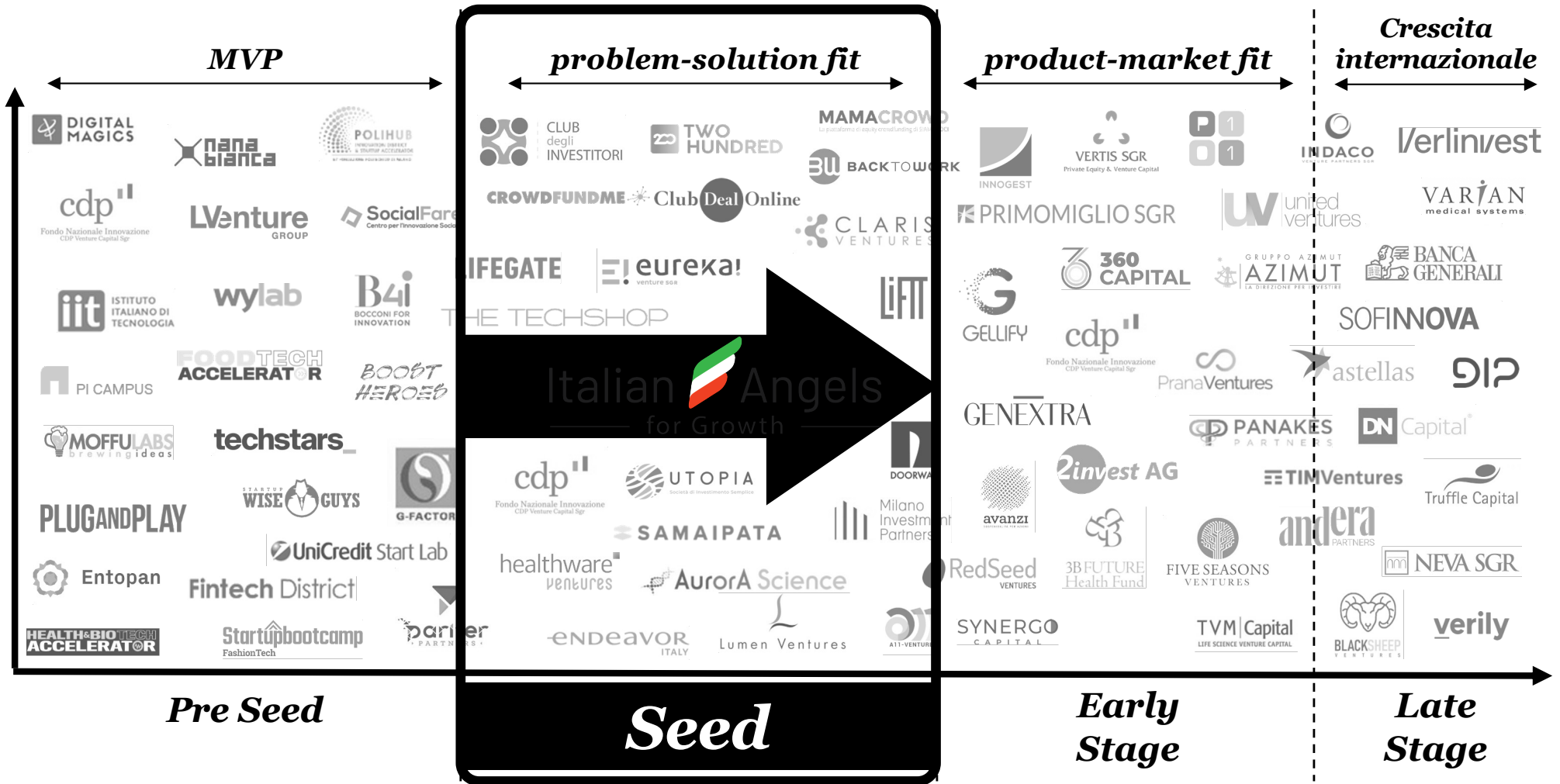


# NEW ITALIAN VC ECOSYSTEM





# SEED POSITIONING







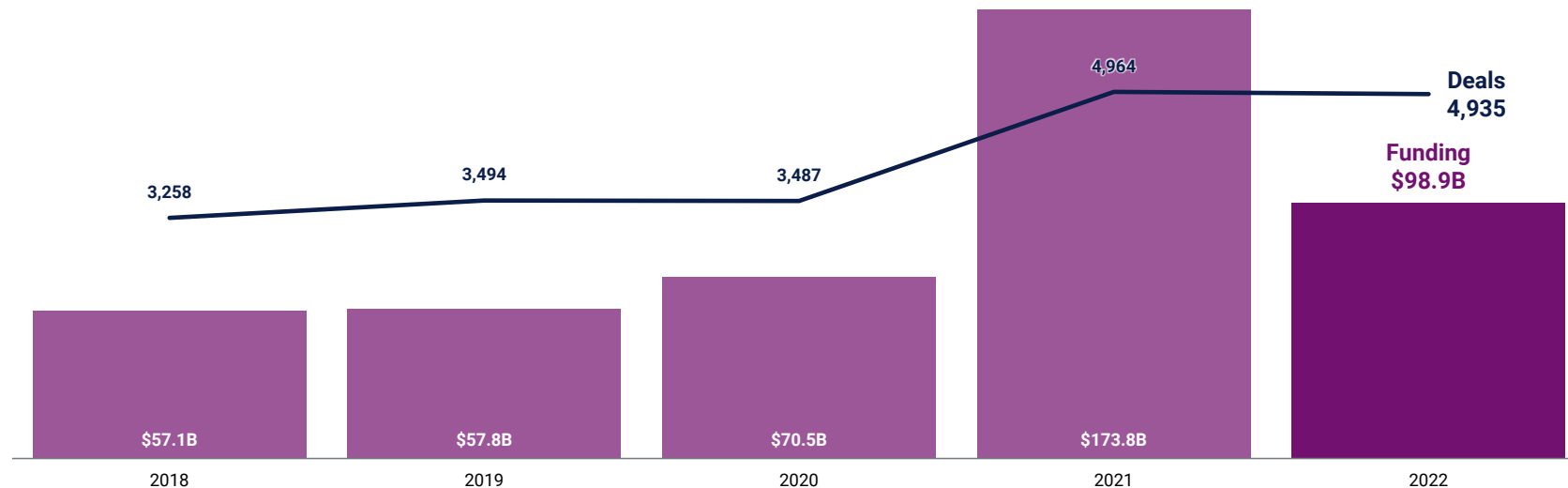
# Corporate Venture Capital - World



We talk about CVC when the investment is done by consolidated corporations through their own vehicle

State of CVC | Global Trends | Investment Trends

## Global CVC-backed funding drops 43%, deals tick down YoY



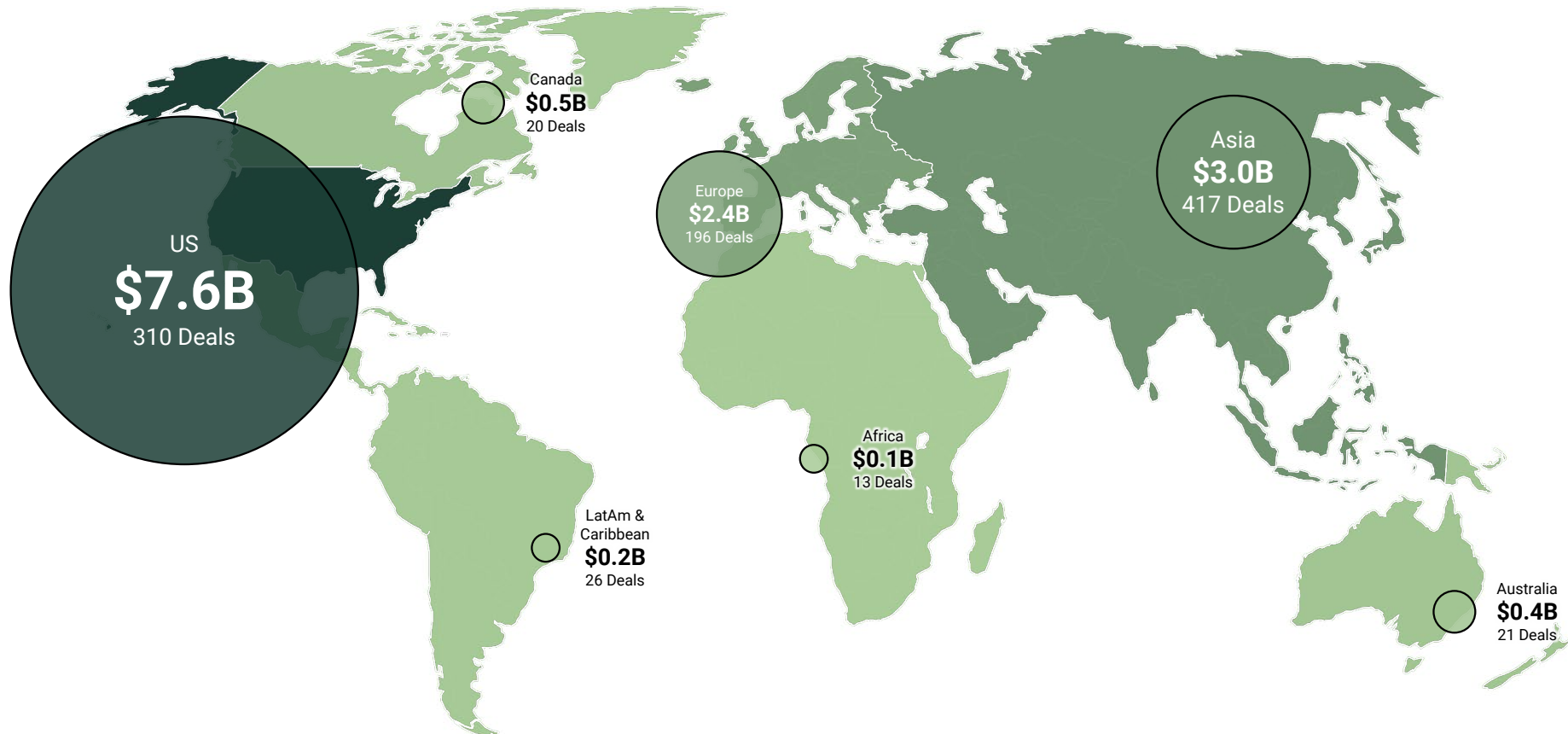


# Corporate Venture Capital - World



State of CVC | Global Trends | Investment Trends

## The US leads in funding, Asia leads in deal count in Q4'22

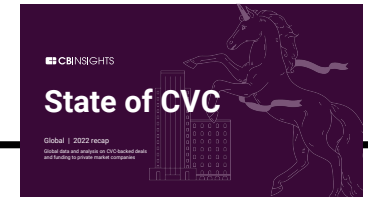


CBINSIGHTS

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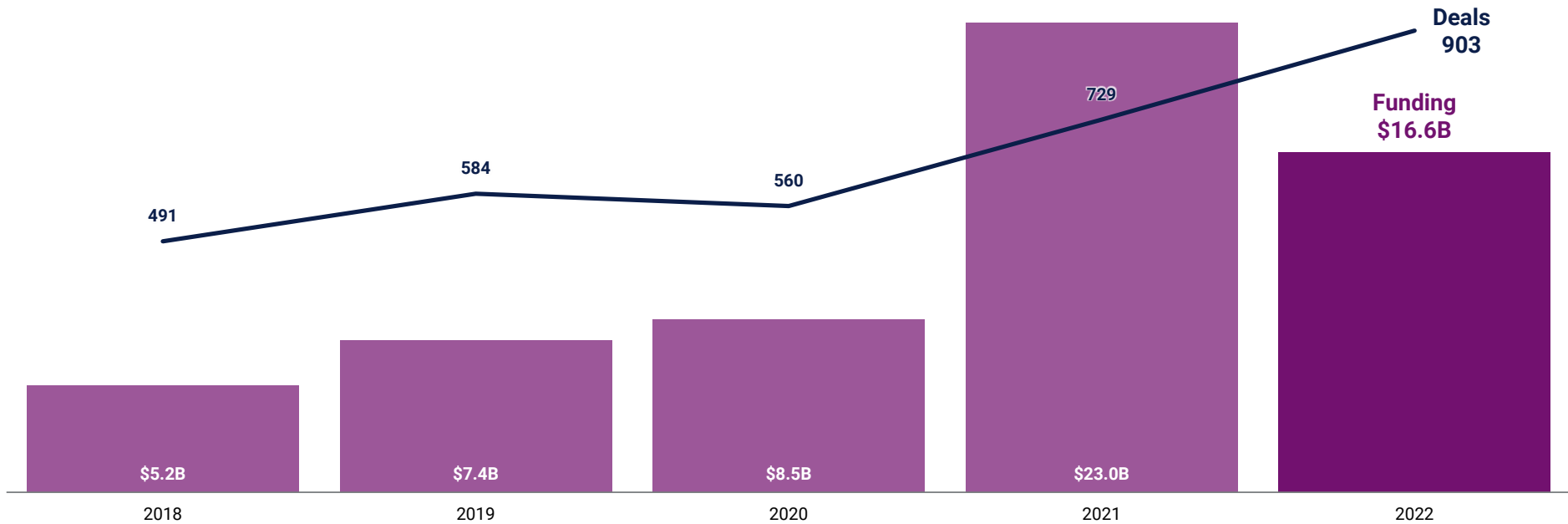


# Corporate Venture Capital - Europe



State of CVC | Geographic Trends | Europe Trends

## CVC-backed deals increase 24%, funding drops 28% YoY





# Corporate Venture Capital





# Crowdfunding

## peer-to-peer lending

The public lends money to a company on the assumption that it will be repaid with interest

## Rewards ("Product") Crowdfunding

Private individuals make a donation to a project or a business activity expecting to receive in exchange for their contribution a non-financial reward such as goods or services

## Equity Crowdfunding

Sale of a company stake to various investors that provided financing

## Donation based Crowdfunding

Private individuals donate small amounts to contribute to the broader funding objectives of a given charitable project without receiving any financial or material compensation

*Non financial  
advantages ...*

Test and idea  
**validation**

Access to  
the **crowd**

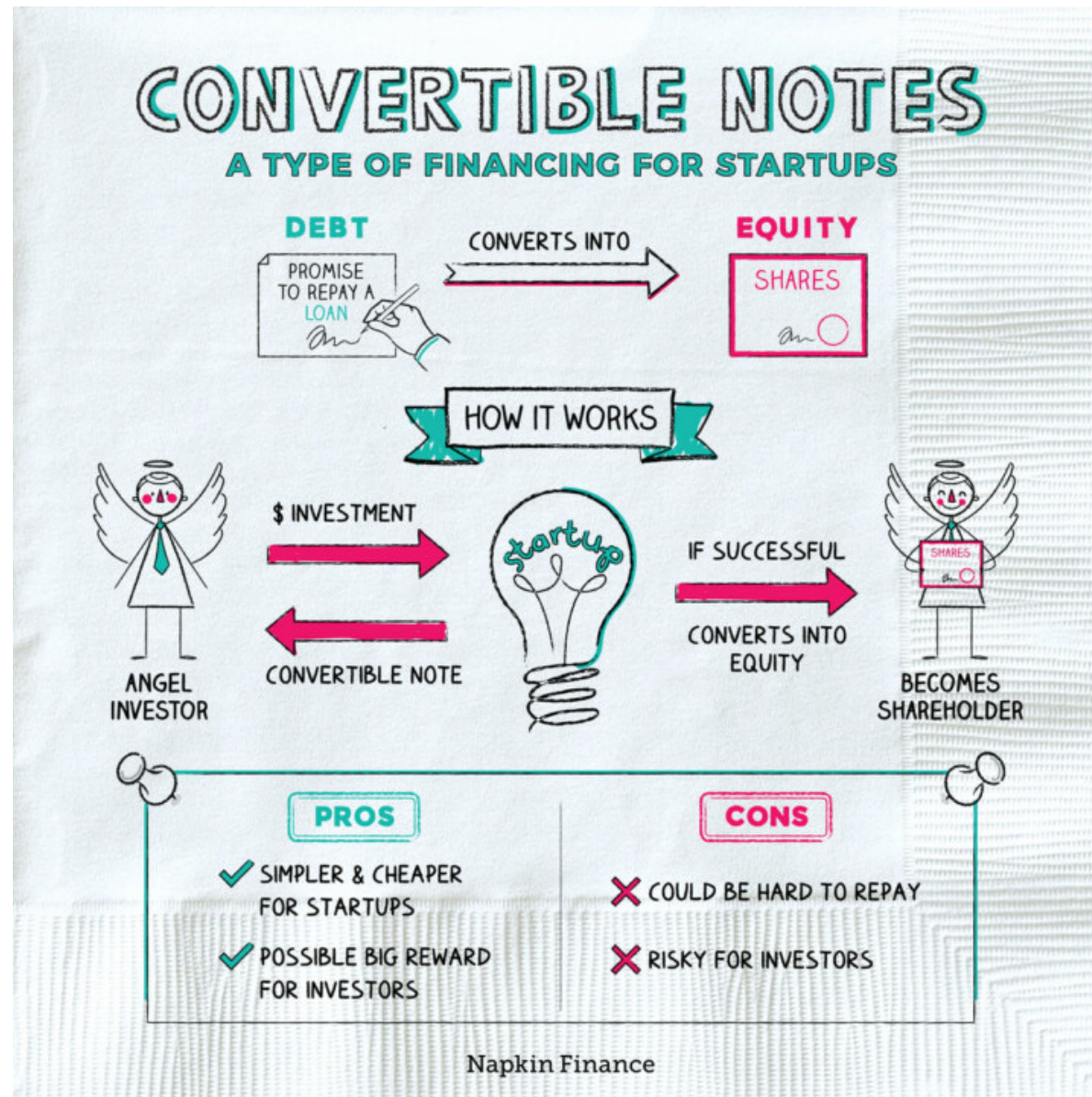
Powerful  
**marketing**  
instrument

**Aid** to obtain  
other forms of  
financing

Sound preparation is required for success (not to be taken for granted)



# Convertible notes





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# How to build a successful startup

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1. Find a **business idea** and tell everybody
  2. Analyze the business idea with the **feedback** raised
  3. Build the best **Team** possible
  4. Follow the **Lean Startup** method
  5. Validate the model and develop useful **metrics**
  6. Search the **first seed**
  7. **Work fulltime**
- It's crucial to distinguish an **idea** from a **business idea**.
  - The business idea is an idea that is also **applicable on the market** and that **solves problems**. Furthermore, a prerogative of the business idea is to **generate turnover** in a structured and continuously growing way.
  - **Once you have identified it, tell everyone without any fear**. To understand if your idea works **you must receive people's feedback**. It may be wonderful in your head, but if many say or make you understand that it is not, you should revise it.
  - It is essential to **surround yourself with people willing to give advice**.
  - **There is no perfect idea from the beginning.**





# ... mistakes to avoid!

## 18 Mistakes That Kill Startups



1. Single Founder



2. Bad Location



3. Marginal Niche



4. Derivative Idea



5. Obstinacy



6. Hiring Bad Programmers



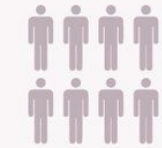
7. Choosing the Wrong Platform



8. Slowness in Launching



9. Launching Too Early



10. Having No Specific User in Mind



11. Raising Too Little Money



12. Spending Too Much



13. Raising Too Much Money



14. Poor Investor Management



15. Sacrificing Users to (Supposed) Profit



16. Not Wanting to Get Your Hands Dirty



17. Fights Between Founders



18. A Half-Hearted Effort



from  
eponymous essay  
by Paul Graham  
<http://fnf.vc/PG-01>

visualized by  
**Mark Vital**



Build with Annalogy, icons made by Freepik



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First of all ...

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Business  
Plan

vs

Elevator  
Pitch



# Have a Script !

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**Opening**, set a hook, tell stories that absolutely hook your audience/investor to hear the rest of your pitch (e.g. genesis of the co's name, where did logo come from, sth that happened to you that led you into it) use similies, analogies, methaphors to engage your audience

**Middle**, 1. What is your Product / Service? 2. Which is your market? 3. How will you make money? 4. Who is behind the company? 5. Who are your competitors? 6. What is your competitive advantage?

**Close**, what do you want? What do you need? Figure out thoroughly what you are asking for...!

**Your presentation should contain the following:**

- 1) Project name & brief tagline
- 2) What it is (be brief simple and clear)
- 3) What problem it solves (what it does and why it matters)
- 4) Who it serves (your audience/communities)
- 5) Marketing strategy (how will you build an audience)
- 6) Cost and Revenues/Business Model (how will you make money)
- 7) Team/Why You (your relevant background)
- 8) Other Key Points (competition, obstacles, design)
- 9) Launch Plan/Next Steps

# 10 tips to attract the interest of Business Angels

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1. Recognize the difference between Venture Capital and Business Angel
2. You must create a **business plan** that puts particular emphasis on your **sustainable advantage**
3. "a good idea" is often not enough to raise capital from private investors: you should work to prove that the **idea is economically attractive** (“idea” vs. “business idea”)
4. You must accept the fact that if you want to raise capital this still requires an expenditure
5. You should contact a Business Angel that can understand your idea
6. Try to recognize what skills needs your start-up to success
- 7. Raise capital is a very long process**
8. Recognize that Business Angels are "value-added" investors
9. You must be eye-catching and show all your personality
- 10. Invest your money in your idea**



# Basic information to be included in the presentation

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- Description of Innovation/Product/Service provided
- Team: info & experience
- Market Analysis
  - Size
  - Client «profile» & characteristics
  - Competitors analysis
- Competitive advantage / barriers to entry
- Business Model
  - definition of products, services and information flows
  - definition of technological architectures
  - description of «stakeholders» and their roles
  - description of the potential benefits for the stakeholders involved
  - description of the revenue model
- Prospective Economic-Financial Data, Income Statement, Cash Flow (3/5 years) and Historical (if any)
- Amount of Loan Required, indicating the uses
  - Expected evaluation (% of capital in exchange of money injected)
- Exit (how & when)



# Suggestions for an effective elevator pitch

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- Be brief and concise
- The first “10 seconds” are crucial
- **Manage well the time available**
- Present yourself, but do not overdo it
- **The pitch changes and evolves together with your startup**
- Make sure to answer all the questions that will be posed to you
- **Practice** with your friends
- **Adapt** your pitch to the person you are talking to



# AGENDA

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- A recurring issue ...
- Development stages of an initiative and accessible resources
- Alternatives to finance innovation
- How to build a successful startup
- How to present your start-up
- **How to determine the value of a startup?**
- IAG & its screening process





# Price vs. Value

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*Price* is a *fact*

*Value* is often an *opinion*  
(or at least an interpretation of a complex reality)



# How much is your start-up worth?

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- How much money do you need to reach a first goal?
- Make available a portion of capital that allows you not to sell the majority of the share capital at the second round of financing
- Some useful hints:
  - Show how much you have already invested
  - Invest yourself
  - Imagine what the investor's performance will be
  - Accept “performance warrant”
  - Try to get interesting metrics



# Example

Pre-Money Valuation	1.000	
Aumento di Capitale	500	33% quota relativa
<b>Ex-Post Valuation</b>	<b>1.500</b>	

	Exit Period			
	y+1	y+2	y+3	y+4
EBITDA	1.000	2.000	3.000	4.000
Multiplo exit	6x	6x	6x	6x
<b>Enterprise Value</b>	<b>6.000</b>	<b>12.000</b>	<b>18.000</b>	<b>24.000</b>
- NFP				
<b>EQUITY VALUE</b>	<b>6.000</b>	<b>12.000</b>	<b>18.000</b>	<b>24.000</b>
Partecipazione	33%	33%	33%	33%
Performance warrant			-6%	-10%
Partecipazione residua	33%	33%	27%	23%
Valore partecipazione	2.000	4.000	4.920	5.600
<b>Multiplo su Investimento</b>	<b>4,0x</b>	<b>8,0x</b>	<b>9,8x</b>	<b>11,2x</b>



# AGENDA

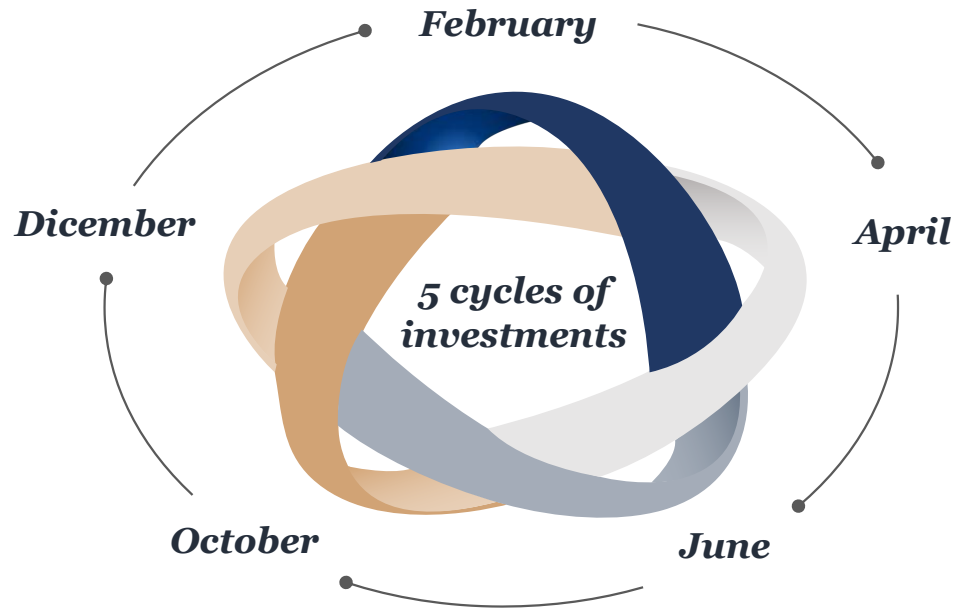
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- A recurring issue ...
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# IAG screening process (1/2)

## SCREENING PROCESS



### HOW IAG WORKS

- IAG's members invest between €200k and €1.500k
- Average investment:
  - Life Science: €500/600k
  - Digital: €200k/300k
- Involving potential co-investors to close the rounds
- Participating in follow on and support during the potential exit

Italian Angels  
for Growth

**2 IAG DAY per year:  
dedicated investor day post  
acceleration program**

LUISS EnLabs  
THE STARTUP FACTORY

### HOW IAG DAY WORKS

- Digital pre seed/seed investments
- Average investment €100/200k

10



# IAG screening process (2/2)

## SCREENING PROCESS

### Screening IAG investors

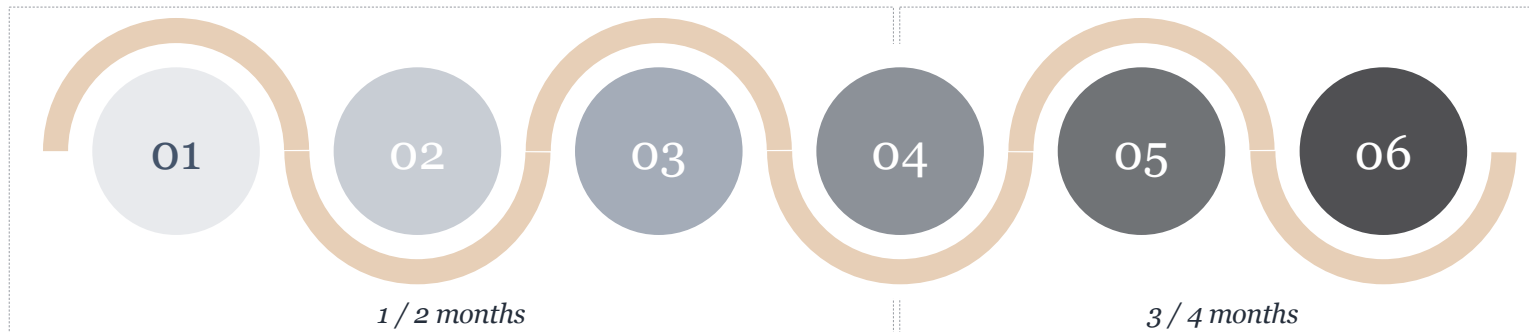
- Meeting between investors and founders to discuss the technical matters and confirm the interest
- Self-nomination of a couple of IAG sponsor for each startup

### Investor day

- Pitch of the startup in front of all the IAG investors
- Each investor make a potential soft commitment

### Investment

- Confirm of the soft commitments by investors
- Incorporation of an «ad hoc» SPV and closing of the deal



### Scouting and IAG team review

- Scouting of startup by IAG team and our investors
- First meeting with founders and preliminary matching with our investors' interest/expertise

### Screening Committee

- 7 senior members of IAG
- Validation of IAG investment requirements based on specific criteria

### Due Diligence

- In case of cumulated commitments higher than €200k, the IAG sponsors perform a Due Diligence (patent, commercial, tax and legal).

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THANK YOU



[www.unicorntrainers.it](http://www.unicorntrainers.it)

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