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FINTECH IN MILAN

A fast-growing and competitive ecosystem

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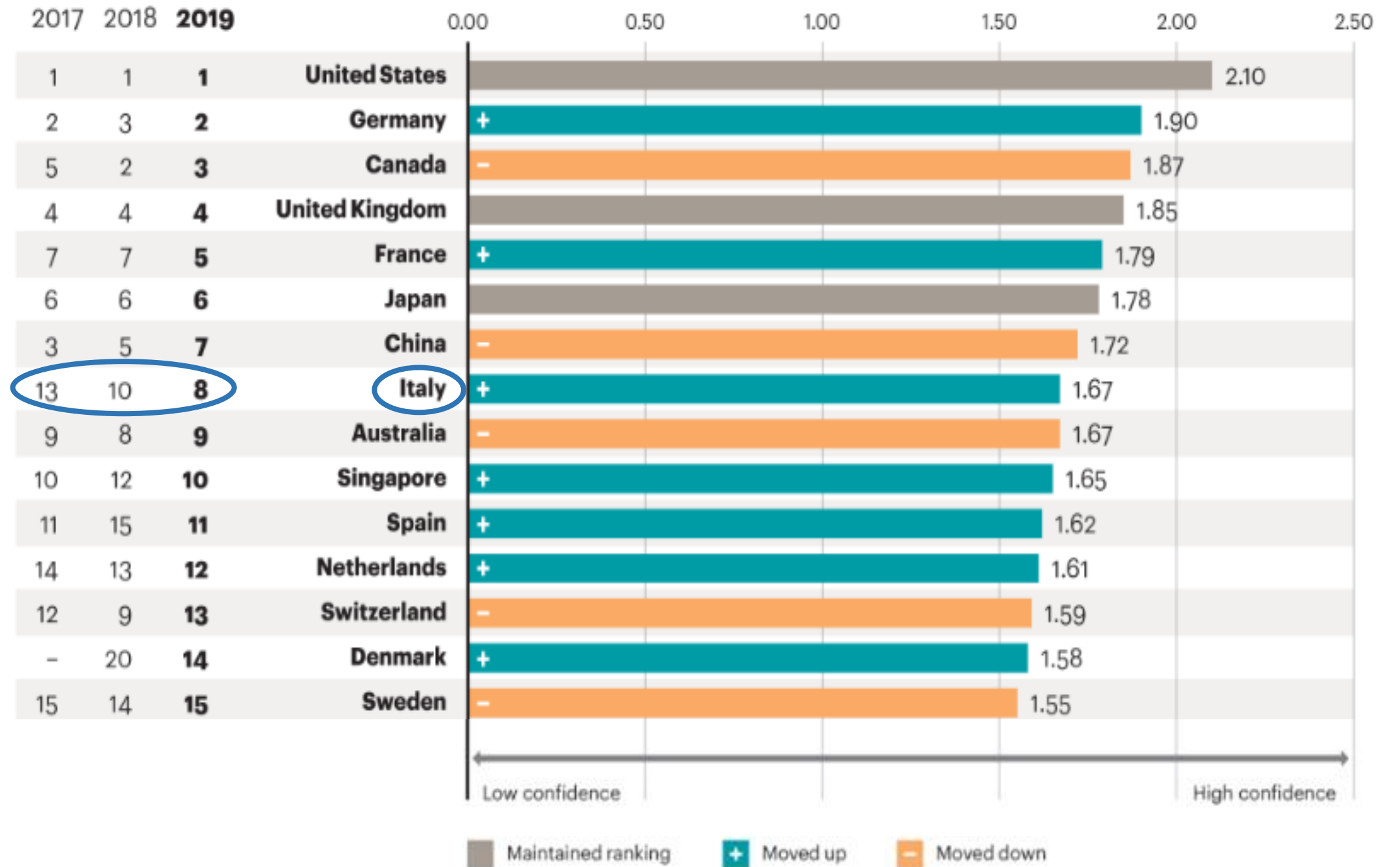
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Doing business in Italy

An Attractive Country

- Another two-spot jump this year to 8th
- Highest ranking since 2002

A.T. Kearney FDI Confidence Index
2019



Note: Values are calculated on a 0 to 3 scale, with 3 being the highest level of confidence in a market as a future destination for FDI.

Sources: A.T. Kearney Foreign Direct Investment Confidence Index (2017, 2018, 2019)

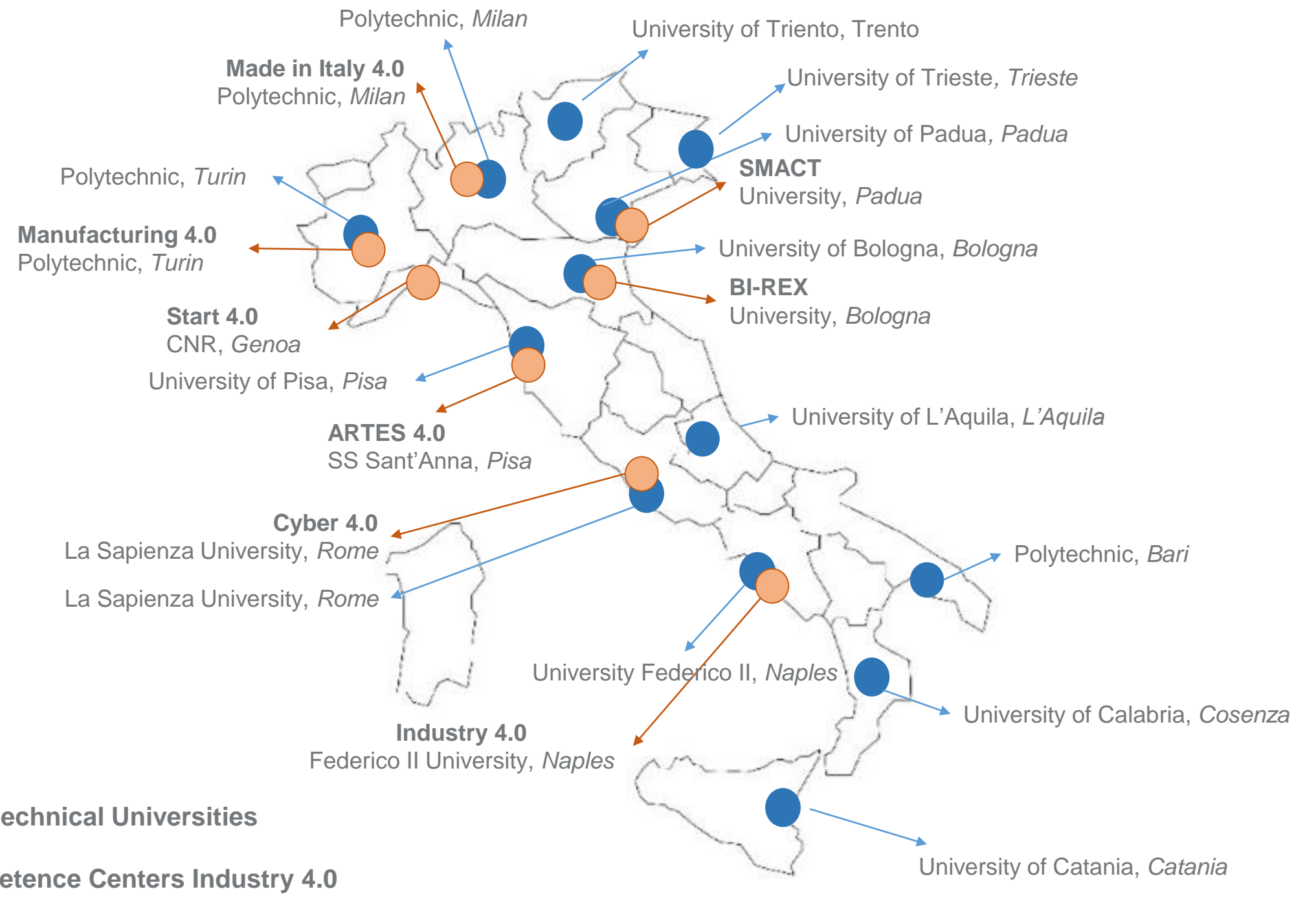
R&D and technology



Italian universities are improving their positions in the **World University Ranking**: 4 more than last year!



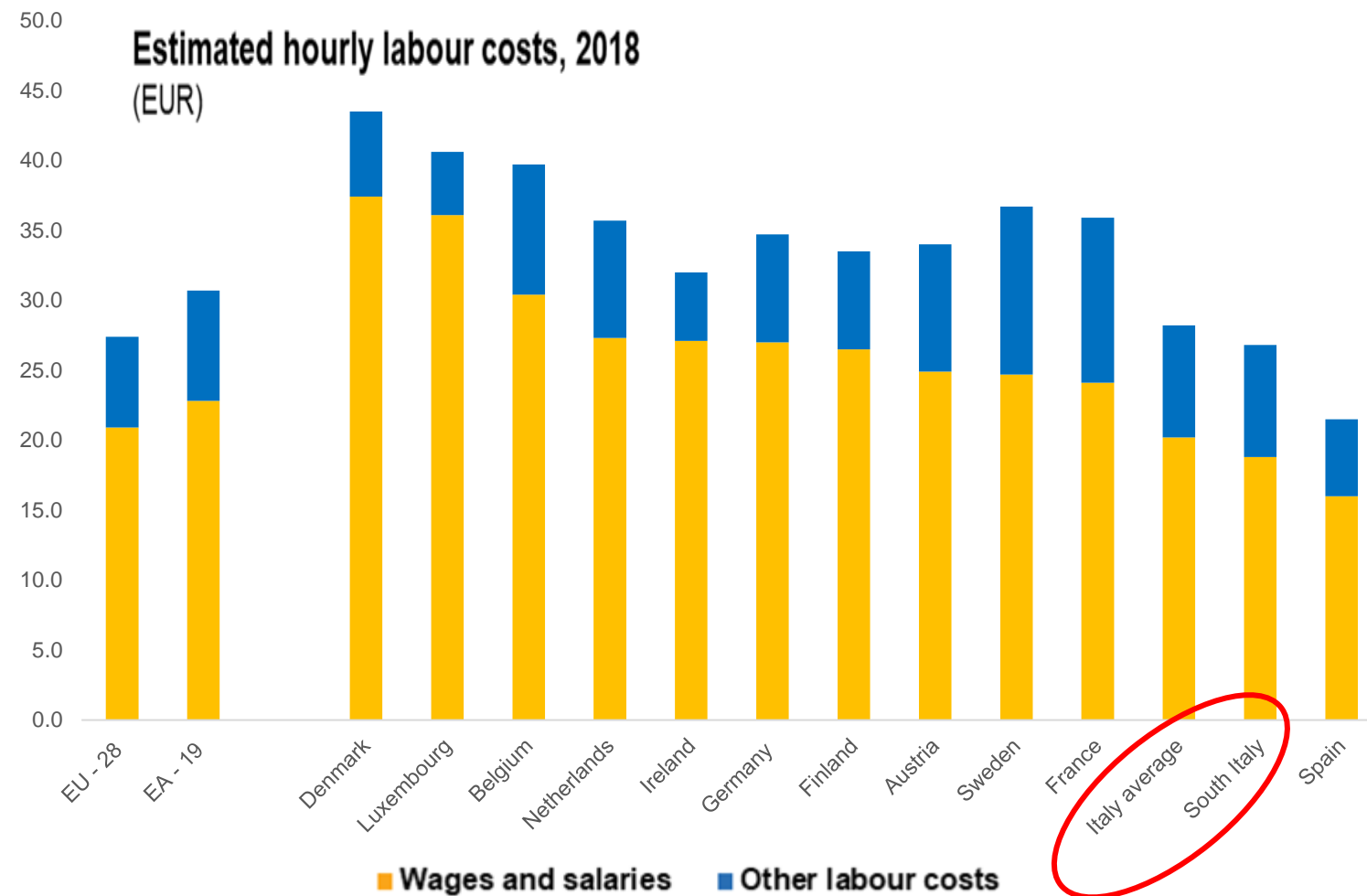
..and many more



Labour cost

- Italy has recently implemented a substantial reform of the labor market aimed at creating a modern, flexible, and competitive environment

EU Top economies salary, 2018



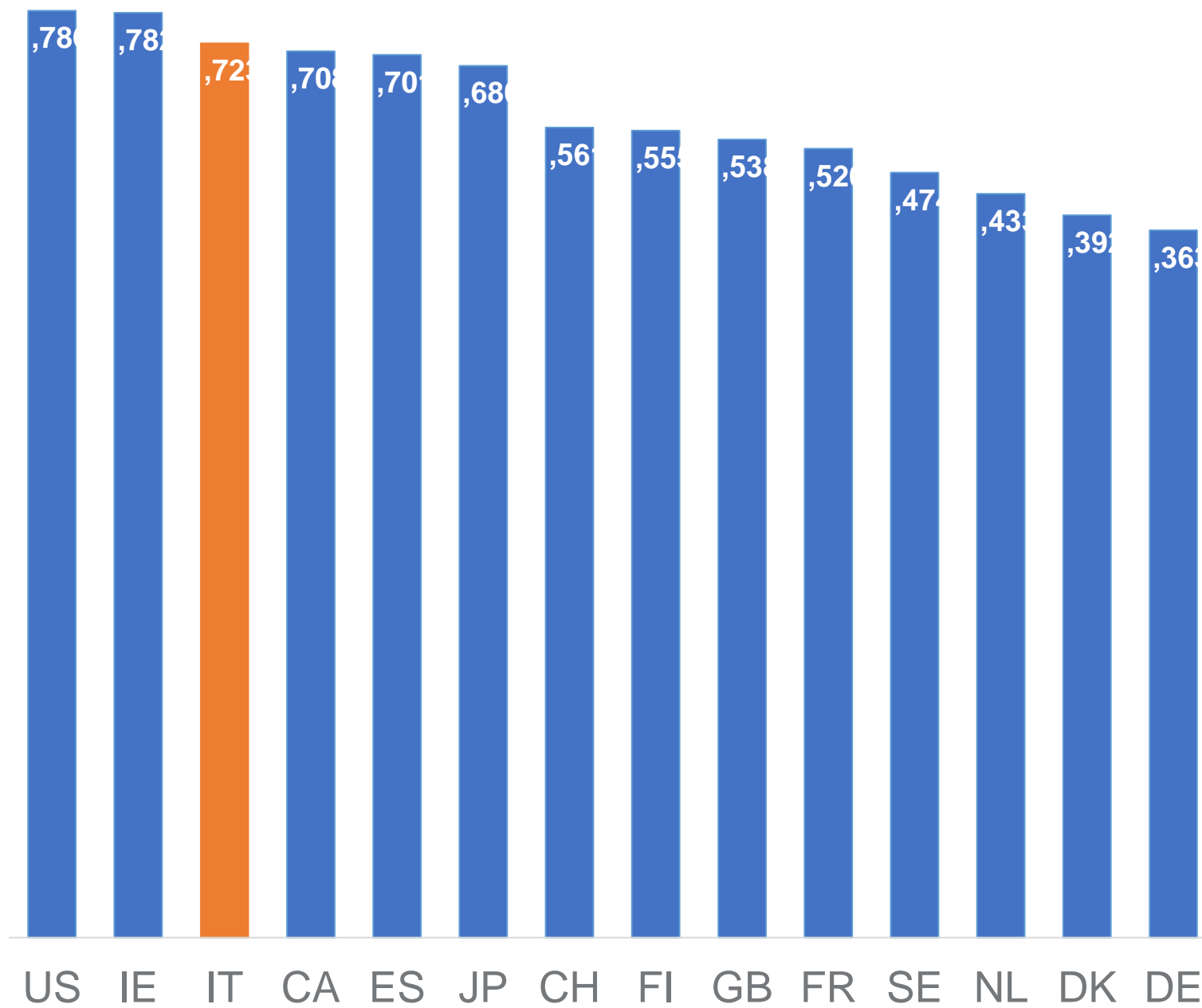
- Among the top 2 most competitive countries for salary level

Annual salary in North and South Italy, 2019

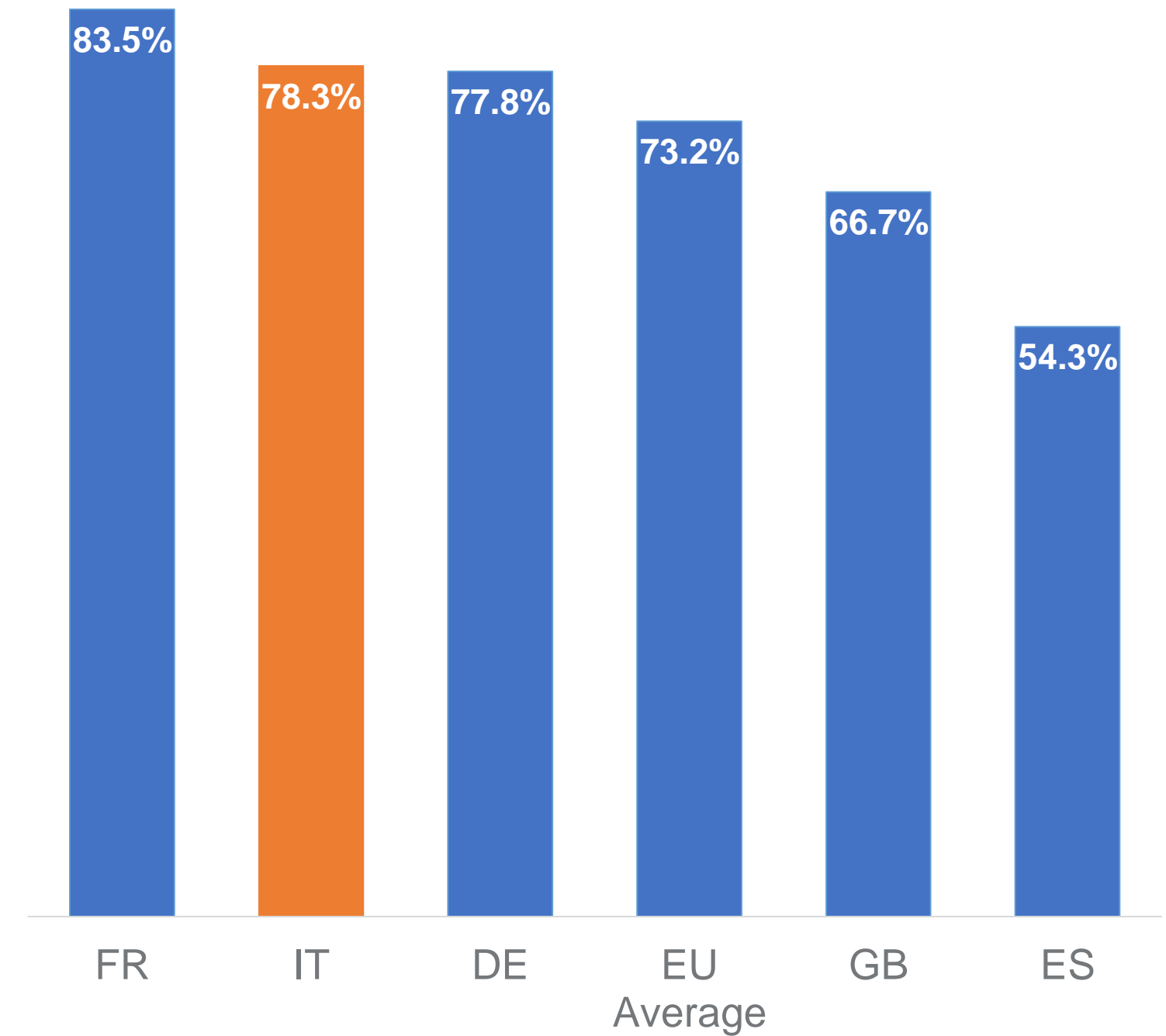
Career (3-5 years)	South Average €	North Average €
Blue collar worker	20,661	23,077
Administrative Employee	24,438	27,740
Engineer	31,043	33,481
Manager	55,326	60,064

A highly Productive Country

2018 Average annual hours actually worked (hours per worker)



2018 Patent productivity in top 5 European Countries (% value)

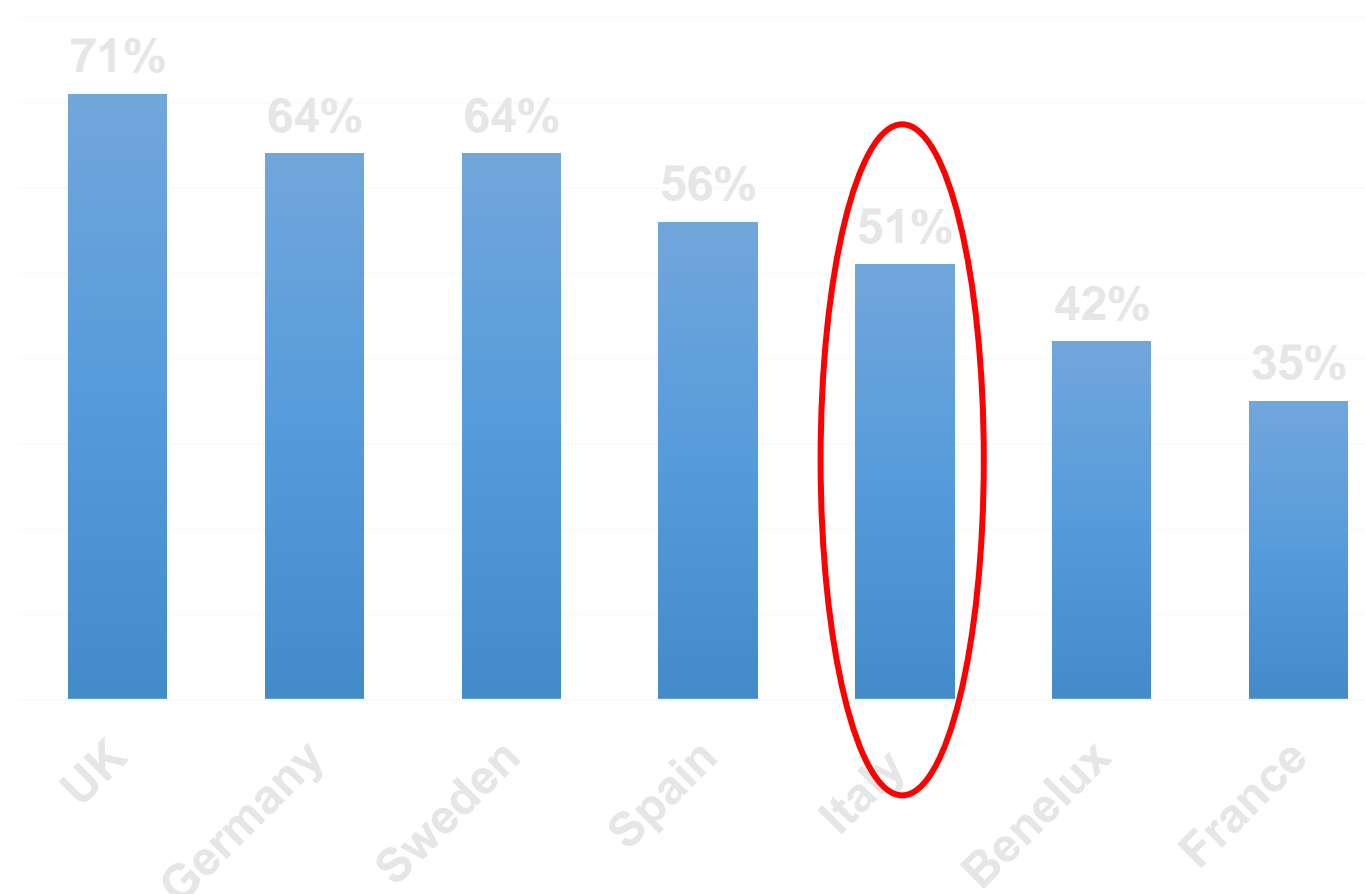


Source: Elaboration of The European House – Ambrosetti on European Patent Office database, 2019.

A fast-growing business

Fintech in Italy started **wide spreading in 2016**. Due to this comparative delay, in 2019 the country **ranked 7th** in Europe for transactions value (\$ 38 bln). In the past four years, however, the sector registered **remarkable results**, with an **expected CAGR** in transactions of around **12% between 2016 and 2022**.

% of Fintech users among the digitally active population (EY, 2019)



In 2019, more than half of the Italian **digitally active population** relied on Fintech services (China 87%, USA 46%).

2017 and 2018 data show a **thriving attention on Fintech by the Italian business environment and consumers**.

Since 2017, **new regulations** and the **allocation of funds** to further stimulate the sector development have been introduced. As a consequence, Italy now boasts a more **mature and sophisticated market** with several cases of **local excellence**.

While still expanding, the Italian Fintech features the **presence of top companies** and startups (i.e. Nexi, Satispay, Prima, etc), ranking **5th in Europe** in terms of **companies' value**.

In 2018 Italian fintech companies **raised € 198,65 mln (x4 vs 2017)**.

Regulations and Institutional support

Since 2017, Italian institutions and banks rapidly started to examine and support the Fintech sector development



Italian Government:

Survey of Fintech technologies impact on finance, insurance and credit sectors (2017), Ministry of Finance's roundtables on Fintech (2017, 2018)

Invitalia and CDP:

venture funds (Invitalia Ventures SGR, Fondo di Investimento Italiano etc), allocation of fiscal incentives and benefits for start up and R&D companies



In 2018 Bank of Italy introduced "Target Instant Payment Settlements" (TIPS), enabling almost immediate transfers and further boosting new payment systems

Banks:

regulations and guidelines (Bank of Italy), clusters (SellaLab by Banca Sella), Le Village (Credit Agricole), Transformation & Innovation advisory board (UniCredit), etc

Industry Associations, Business Angels, and think-thanks:

Italia Fintech, AssoFintech, AIFI, ABI, Consob, etc



Sellalab



Venture Capital support

Recent regulations

New norms regulating the functioning of the **Venture Capital Support Fund** have been introduced by **2019 Budget Law** and the Ministry of Economic Development.

VC Funds must invest exclusively in **SMEs** meeting the following **requirements**:

- ✓ < € 43 mln revenues, < 250 employees (in accordance with the Regulation 2003/361/EC)
- ✓ Innovative startups with potential for further development
- ✓ Not listed
- ✓ Eligible for seed financing, start-up financing, early-stage financing or expansion/scale up financing

Allocation of **€ 30 mln** for each year in 2019, 2020 e 2021 year and **€ 5 mln** for each year from 2022 to 2025.

Furthermore, the Government established to **invest at least 15%** of its **revenues deriving from Ministry of Finance-invested companies' dividends in the Venture Capital Fund**.

Finally, through the **Ministry of Economic Development**, the State is allowed to **invest in VC funds** and funds investing in VC **to promote and boost investments among professional investors**.

Social security funds can earmark up to 10% of their assets (previously max. 5%) to the so called **“qualified investments”**.

Business Angels

2019 **Budget Law** additionally intervened to support and define the role of the so called “**Business Angels**” by introducing a **legal definition** of their role and fostering their investments in innovative startups through **fiscal benefits**:

- **Art.1** of the Consolidated Law on Finance defines business angels as “**investors supporting innovation who have directly or indirectly invested at least €40.000 in the past three years**”
- **Natural persons**: tax **deductibility** for investments in innovative startups was raised from 30% to **40%** (up to a maximum investment of **€ 1 mln**)
- **Legal entities**: **40%** tax deduction on the company revenue (IRES) up to a maximum **€1.8 mln** investment. Deductibility raises to **50%** if the entire **share capital** of the innovative startup is acquired.



Fintech in Italy today 1/3

- **300 startups** in 2019
- **€ 266 mln revenues** in 2017: **+21% (2016 vs 2015)**, **+30% (2017 vs 2016)**
- Between 2017 and 2020, Fintech **investments** within the **Italian financial system** reached **€ 624 mln**, € 233 mln of which in the 2017-2018 biennium and € 391 mln in 2019
- In 2017, **41%** of the Italian **banks** already **cooperated with Fintech companies**, **84%** was determined to so **by 2022**

+ 54%

year-on-year
growth
since 2018

11 mln Italians (1 out of 4) between 15 and 64 years old relied on **at least one Fintech service** or platform in **2018** and are **reportedly satisfied with it**.

+ 58,5k

Between **58,500** and **73,300 jobs** to be created over the next **4 years**

Most praised services: **payment** and **money transfers**, **personal budget management**, **insurances** (particularly regarding claims digitalisation and micro policies)

Fintech in Italy today 2/3

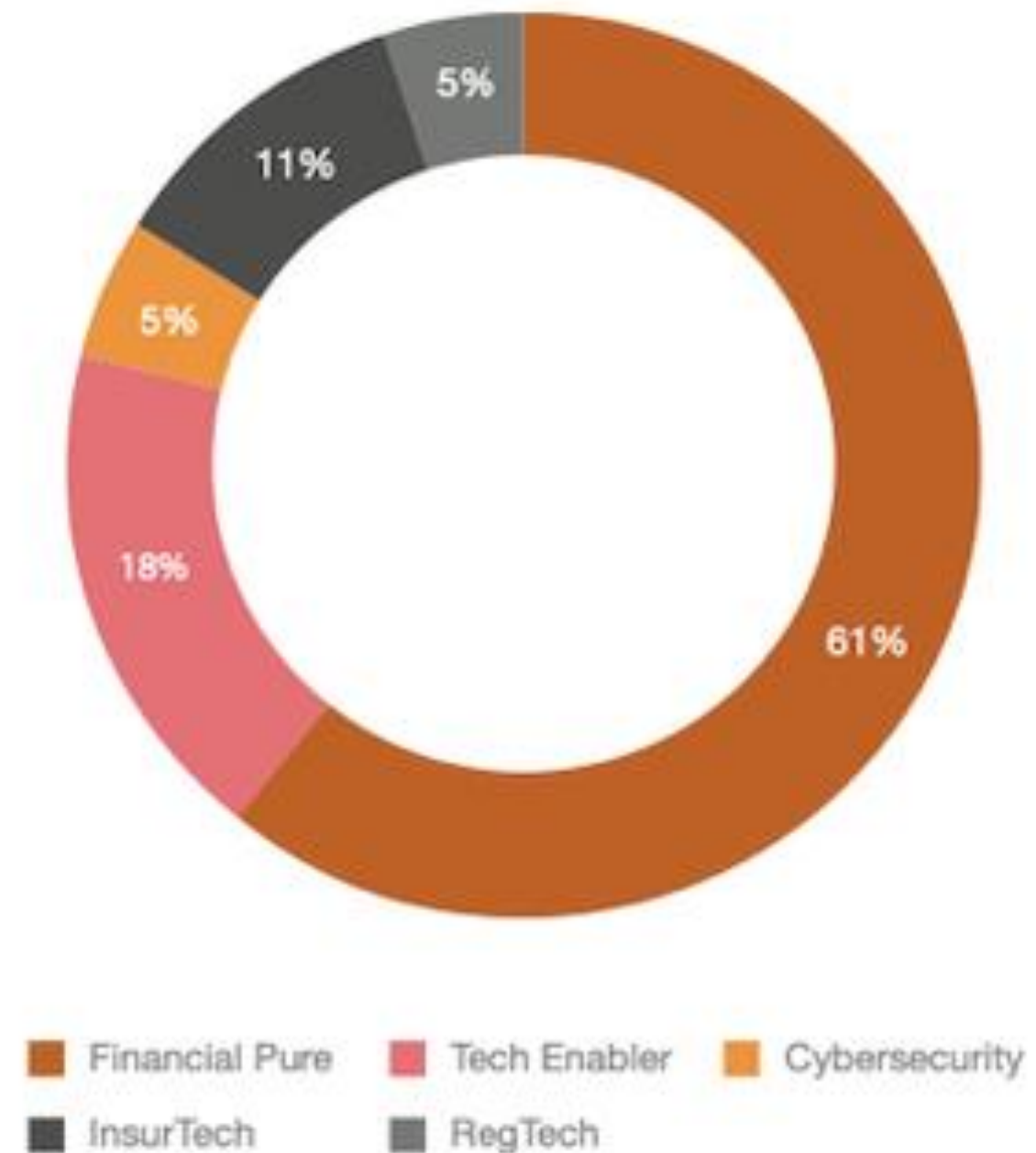
➤ Key segments:

- Payment (56% of revenues)
- Capital Market & Trading
- Insurtech and Wealth & Asset Management

➤ **AI & BigData** are the most performing technologies in terms of innovation and revenues (average annual growth >20%) although they represent only 25% of the companies

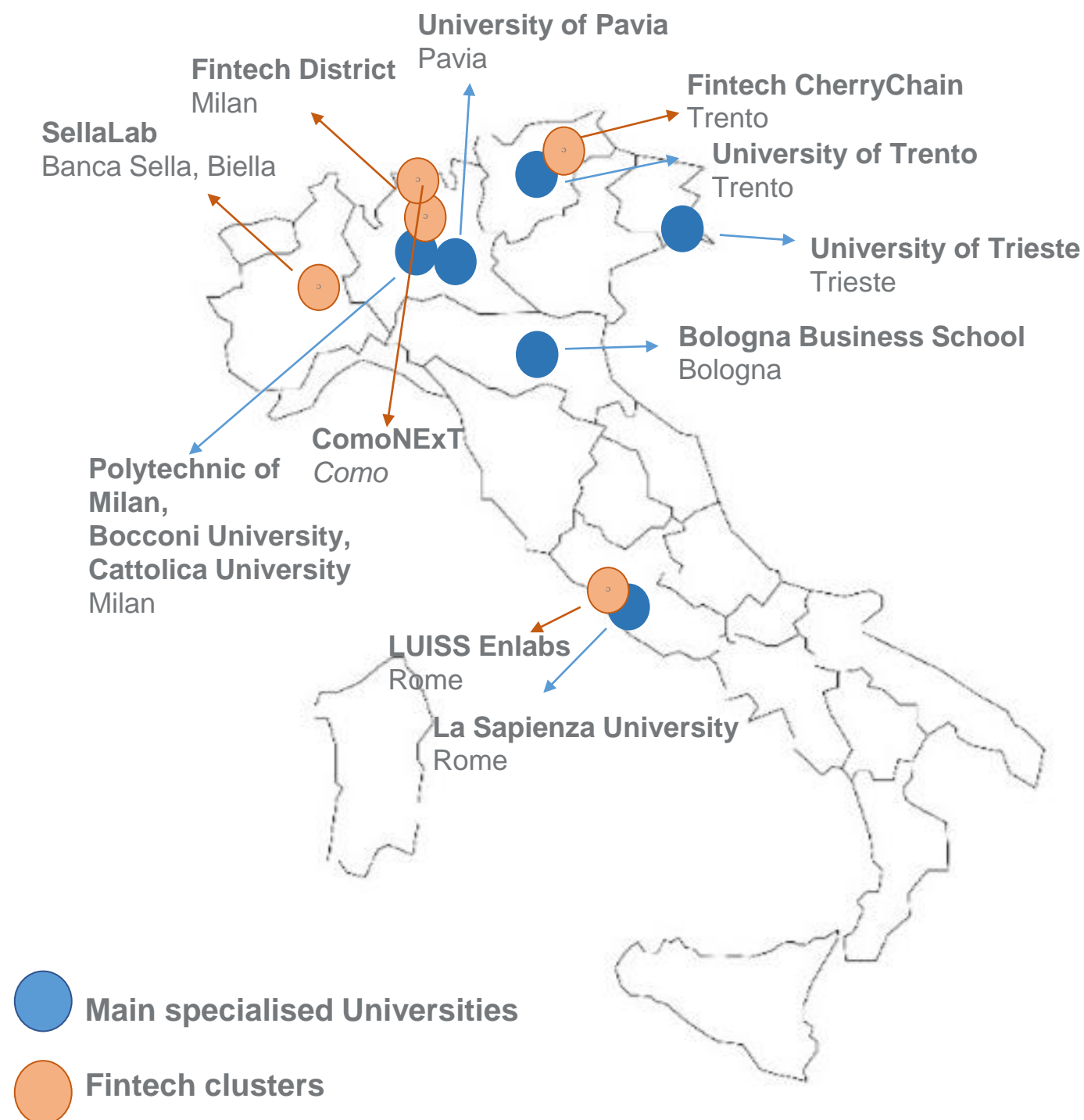
➤ **Blockchain investments** have reached € 30 mln in 2019 (+100% vs. previous year)

What Fintech companies do in Italy



Fintech in Italy today 3/3

- **Innovation hubs:** Fintech District, Le Village, ComoNExT, Fintech CherryChain, Luiss Enlabs, SellaLab
- **Highly qualified HR and R&D centres on Fintech:** Polytechnic University of Milan, Trento University, Pavia University, Bologna Business School, ModeFinance Trieste (first official Fintech Rating Agency in Europe, born as University spin-off), CeTIF (Catholic University of Milan)
- **Master courses on Fintech:** Data Science and Scientific Computing (University of Trieste), Master in Digital Innovation & Fintech (Catholic University of Milan), Fintech Academy (Polytechnic University of Milan Graduate School of Business), International Master in Fintech, Finance and Digital Innovation (Polytechnic University of Milan), Blockchain Master Class (University of Milan), Master Programme in International Business and Entrepreneurship – MIBE (University of Pavia), Banking and Finance (Sapienza University)



Post Covid-19 scenario

Covid-19 outbreak severely affected Italy and its economy.

While the pandemic forced many businesses to interrupt their activities and lockdown measures were implemented to contain the contagion, a remarkable **push to digitalisation** has been made **necessary** and the population **positively** responded to it.

From avoiding the use of cash to offices shutdown, it is possible to foresee an **increasing use of digital services**, particularly concerning credit and payments. This would also be consistent with the Government's plan of further **limiting the use of cash** (currently € 1.000 per transaction) and **cutting digital transaction costs**.

- Increasing demand for **digital factoring** services
- **€ 100 mln** additional **incentives** for **innovative startups** allocated by the Government (art. 38 Decree Law 34/2020)
- Completely **digitalised application process** to access Government incentives and subsidies to support SMEs and unemployed people, **credit access and financial guarantees**
- **Cashless** and contactless **policies** in supermarkets and shops



Milan: a vibrant cluster for innovation

- **Sectorial know-how:** thriving startup ecosystem (over 2,000 companies), home to 10,000 financial companies employing 47,000 people. **Italian Stock Exchange** (16th stock exchange in the World for capitalisation)
- €49,198 GDP per capita, (+30% vs. EU average)
- **Innovation leading city:** first major city in the world to launch **5G** technology
- **Top universities and human capital:** over 10 recognized academic institutions, 200,000 university students, top business and polytechnic universities

Composition of Fintech Revenues for Value Chain Sectors, Milano&Partners, 2019



Milan's Fintech Cluster

Major local players



Fostering your network

➤ € 93 mln have been invested in partnership agreements with and between Fintech companies, around 14% of the total

An open ecosystem

➤ Over 60 coworking facilities: Copernico, WeWork, Talent Garden, Impact Hub...

Foreign companies

Klarna. *Revolut*

 moneyfarm



N26

Fintech District: an international community

Created in 2017, Fintech District is an **international community of startups** acting as the **gateway to the Italian fintech community**.

Located inside the Copernico building, it actually comprises a **wider network** of companies, startups and partners, aiming at **fostering knowledge, mentorship, and interactions** between professionals operating in the Fintech sector

- ✓ 151 companies
- ✓ 19k network connections
- ✓ 14 corporate partners
- ✓ 90 hours of training



Powered and supported by

Sellalab

SELLALAB is the innovation hub and business accelerator founded by Banca Sella that supports young talents and companies in the digital transformation process



Elite is a global community that spans 33 countries, with a clear vision to give start-ups access to capital, skills and networks needed to scale up and make a lasting economic impact.

Milano Fintech District



- ❑ **Unique opportunity** for innovative companies operating in the fintech industry

- ❑ **151** already **established companies**

- ❑ Mission: creating an **international bridge for national startups** and to be a **soft-landing platform** to attract new entrants from abroad

- ❑ Area:
 - based at **Copernico Isola**, the dynamic business hub located in the hearth of Milan's new **financial district** between Piazza Gae Aulenti and the Central Railway Station
 - Spaces are **currently sold out** but an **expansion** is being examined. Companies **can join** the Fintech District **without being physically located inside it.**

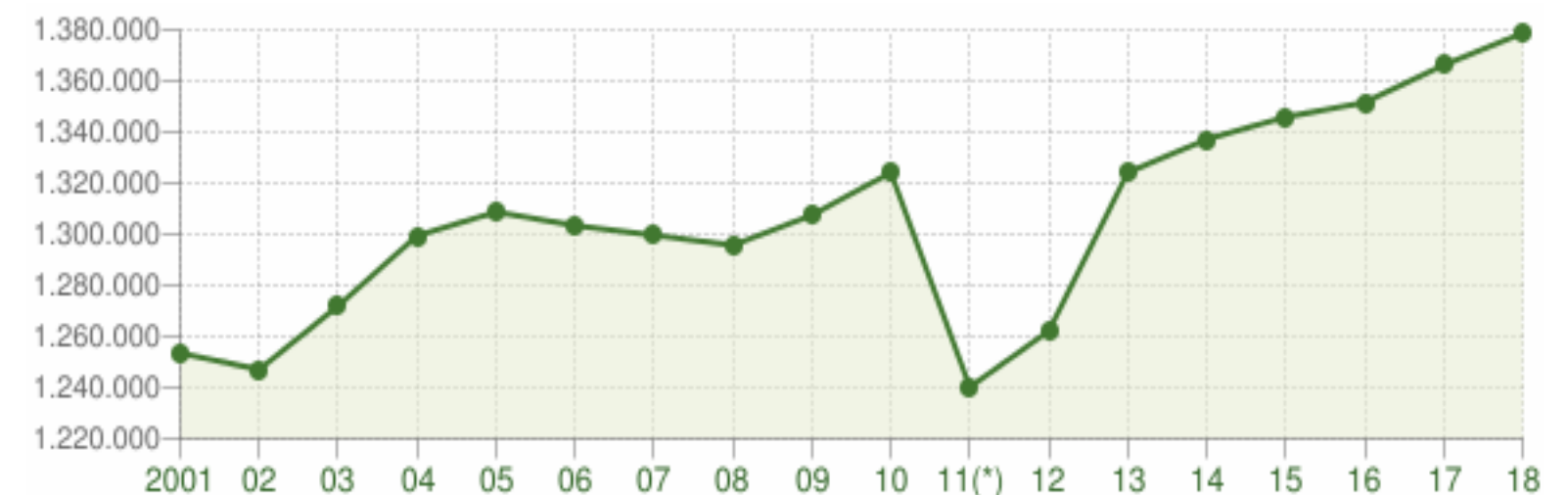
Milan: a young and modern capital

Milan boasts a **young** and **highly educated** population a vibrant **entrepreneurial fabric**, world class **cultural amenities**, and a robust public **transportation** system

- ✓ **€49,198 GDP per capita** (+30% vs EU average)
- ✓ Average age: **35 years** (Italy's average 38)
- ✓ Growing number of permanent residents
- ✓ Ranked "**Highest Quality of Life**" city in Italy **twice**
- ✓ Renowned **young professionals** and **multicultural** city, home to numerous multinational companies
- ✓ International events (**Milan Fashion Week, Design Week, Expo 2015**, etc)
- ✓ **3,000 flights** to 185 destinations per week



Milan's permanent residents



Academic and Institutional Environment



POLITECNICO
MILANO 1863



Università Commerciale
Luigi Bocconi



UNIVERSITÀ
DEGLI STUDI
DI MILANO



UNIVERSITÀ
CATTOLICA
del Sacro Cuore



UNIVERSITÀ
DEGLI STUDI
DI MILANO
BICOCCA



Comune di
Milano



Regione
Lombardia

MILANO&PARTNERS



Consorzio Camerale
Credito e Finanza

- ✓ **11 universities** (174,000 new students every year, 10% of the entire number of university students in Italy)
- ✓ **40,000 graduates** each year, the largest number in Italy
- ✓ **Bocconi University:** ranked second in the EU for finance and management
- ✓ **Politecnico di Milano:** 3rd technology and engineering university in the EU

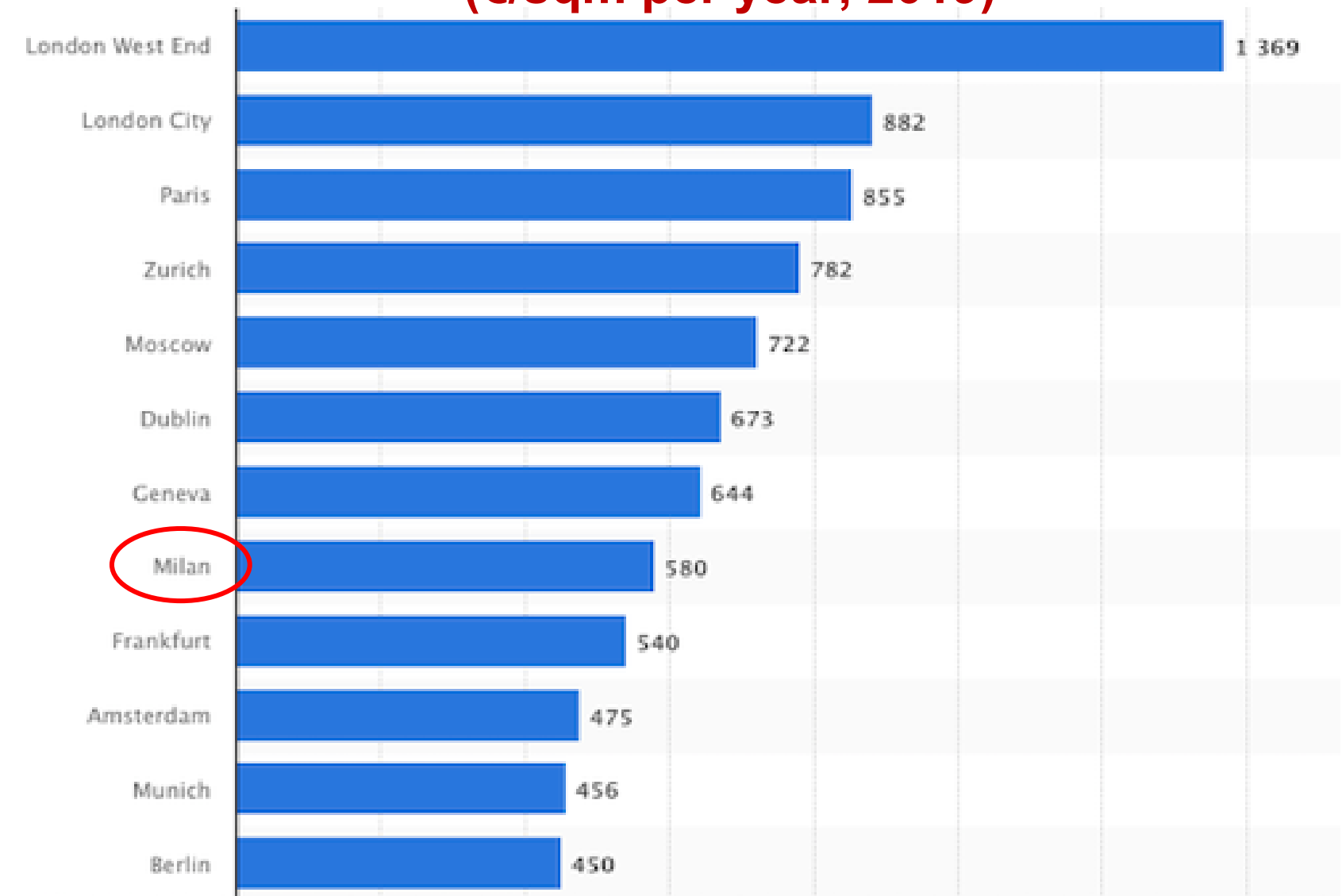
- ✓ Highly **business-friendly local government**, several **incentives** managed by the Region and the local institutions
- ✓ Ranked 1st in Italy for **fastness in establishing a new business** (5 days vs 9.2 EU average)

Location and Wages cost

Average Gross Annual Income

Professional Role	Minimum	Maximum
Programmer	€ 25,403	€ 34,545
Financial Analyst	€ 25,519	€ 44,321
Cyber Engineer	€ 29,679	€ 40,569
Marketing Specialist	€ 25,519	€ 34,103

Rental prices of prime office properties (€/sqm per year, 2019)



Klarna.

Company founded in 2005 in Stockholm (Sweden) with the aim of facilitating e-commerce, online shopping and online payments. The impressive progresses in technology and digitalization have not changed the mission of Klarna: making payments as simple, safe and smooth as possible.

Klarna is now one of the largest European banks providing payment solutions for 85 million consumers across 200,000 merchants in 17 countries. Klarna offers direct payments, pay after delivery options and instalment plans.

Klarna is a part of The Klarna Group.

- Total end-customers: 85 000 000
- Total number of merchants: 200 000
- Number of transactions per day: 1 000 000
- Number of employees: 3 000
- E-commerce Market Share Northern Europe: 10 %

Klarna in Italy

After the acquisition of the Italian startup Moneymour, now part of Klarna srl, the company increased its presence in the city of Milan focusing on commercial expansion and R&D.

This type of innovative project taking place in the most dynamic reality of the Italian economy increases the importance of hiring high skilled workers and young proactive professionals.

Foreign Fintech companies in Milan



Founded in London in 2015, Revolut offers banking services in the UK and EU, stock trading, crypto currency and peer-to-peer payments. It opened a branch in Milan in 2019 as its Southern Europe hub.



Founded in March 2011 in London, Moneyfarm is now one of the largest digital wealth management companies in Europe. Milan's branch was inaugurated in 2015.



The German neobank, founded in 2013 and headquartered in Berlin recently opened a liason office in Milan (**check**)

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Incentives and fiscal benefits



Large investments – Development contract

Development contract is the main incentive managed by **Invitalia**. It consists of incentives for **one or more** connected and functional investment projects (including **R&D**) of at least **€ 20 MLN over 3 years**, presented by one or more companies also in joint form, in a wide range of sectors including **IT and TLC services**.

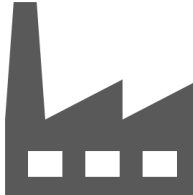
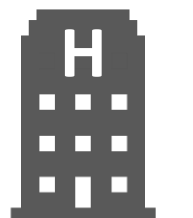

Projects presented by foreign companies providing a **strategic investment** of at least **€ 50 MLN** can access to **Fast Track procedure**:

- possibility to jump the queue
- ad hoc resources
- time shortening procedures

The development contract includes various forms of **financial subsidies**:

- **non-repayable grant**;
- **soft loan** (max 3+10 years with subsidized interest rate);
- subsidies for interest repayment on loan.

Large investments – Development contract

		LARGE	MEDIUM	SMALL
  ICT services	Southern Regions: Campania, Apulia, Basilicata, Calabria, Sicily and Sardinia	25%	35%	45%
	Central-Northern Regions: <u>only listed cities</u>	10%	20%	30%
	Rest of Italy	<i>No eligibility</i>	10%	20%
 R&D	All the Italian territory	50% industrial research 25% exp. development	80%	

The effective mix of the funds granted **can't exceed 75%** of the total eligible expenses.

Startups and SMEs – Smart & Start Italy

What

The aid supports the creation and growth of innovative startups all over Italy.

Projects must include expenses and eligible costs between **€ 100K** and **€ 1.5 MIL.**

Projects must have a duration not exceeding **24 months, starting after** the contract signing.

The valuation procedure lasts **only 60 days.**

Who

Smart&Start Italy funds the creation and growth of **innovative startups** that:

- have a strong technological dimension;
- operate in the digital economy;
- enhance search results (spin-offs from research).

Small-sized startups established **for no more than 60 months** or **individuals** willing to set up a new company (within 30 days from admission)

Non-Italian Startups must demonstrate the registration in the special section of the Business Register and availability of an Italian operating office.

Subsidies

Interest-free loan **up to 80%** of the total investment. The percentage of funding **may rise to 90%** if the startup is composed exclusively by women or young people under the age of 36, or if it includes at least one Italian PhD who is working abroad and intends to return to Italy.

Startups based in Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily, **will repay only the 70%** of the loan amount.

The loan-repayment duration is **10 years.**

Startups established by no more than 12 months can use a free of charge technical-management tutoring service by Invitalia.

Startups and SMEs – Smart & Start Italy

Eligible expenses *

Investment costs:

- system, machinery and technological or scientific technical equipment (factory-fresh);
- hardware and software;
- patents, licenses and trademarks;
- certifications, know-how, unpatented technical knowledge;
- design, development, customization and testing of computer architectural solutions and of production technological systems, specialist technological consultancy if functional to the project, investments in marketing and web marketing.

Running costs:

- employees and collaborators wages;
- licenses and rights for industrial property;
- software licenses;
- incubation and acceleration services;
- lease payments, rental costs and amortization fees of systems, machineries and technological equipment not already financed as above;
- interest on external financing.

* Expenses are eligible only if incurred after the date of the proposal submission

R&D and Innovation tax credit

ELIGIBILITY

- Companies of **all sizes** investing in research and development, ecological transition, technological innovation 4.0 and in other innovative activities

ELIGIBLE EXPENSES

- Personnel;
- Depreciation charges, financial or simple lease payments and other expenses relating to tangible assets and software used in R&D projects (up to 30% of the expenses related to personnel);
- Research contracts;
- Depreciation charges relating to the purchase from third parties, also under license of use, of industrial property rights relating to an industrial or biotechnological invention, up to a maximum of € 1 MLN;
- Consultancy (up to 20% of the expenses related to the personnel);
- Materials for R&D projects (up to 30% of the expenses related to personnel or research contracts)

INCENTIVES

Eligible activities	Investments (€) **	Tax credit (%) *
Industrial research and experimental development	≤ € 3 MLN	12%
Technological innovation	≤ € 1.5 MLN	6%
Technological innovation “Industry 4.0”	≤ € 1.5 MLN	10%
Aesthetic conception (conception and realization of new products and samples within the textile and fashion, footwear, eyewear, goldsmith, furniture and furnishing and ceramic sectors)	≤ € 1.5 MLN	6%

** net of other grants or contributions for any reason received for the same eligible expenses

* Compensation
3 years

Patent box and equity growth

PATENT BOX

- The patent box benefit consists in a **partial tax deduction of 50%** for incomes arising from direct use or licensing of qualified intangible assets:
 - ✓ property rights;
 - ✓ industrial patents;
 - ✓ Trademarks;
 - ✓ designs and models, as well as processes, formulas and information relating to experiences acquired in legally protected industrial, commercial or scientific fields
- Fiscal deductibility on **IRPEF** (personal income tax) or **IRES** (tax on company revenues)
- Legal entities with a business income must be able to demonstrate that their income is from the use of intangible assets
- Access to the benefit is automatic in the preparation of financial statements and for a 3-years time period, providing adequate documentation

ACE – Help for Economic Growth

- The incentive aims at encouraging **the capitalization of companies** through the possibility of deducting from the net income, up to the amount of the same, an amount (notional yield) determined as an increase in equity.
- The applied tax rate on company revenue (IRES) only for this specific amount is **1.3%**.
- To calculate the ACE incentive, the positive and negative elements of the capital increase must be algebraically added
- The result obtained must be compared with the shareholders' equity resulting from the financial statements for the year including the profit or loss. The tax base is equal to the lower of the two amounts.

Investments in innovative startups/SMEs

ELIGIBILITY

- **Legal or natural persons** investing directly or indirectly in one or more innovative startups or SMEs
- **Mature companies** invest in the acquisition of the entire share capital of innovative startups, only if the acquisition is maintained for at least 3 years **
- The benefit applies to contributions in cash in the company **share capital** and in the **reserves** of innovative startups and SMEs or of companies investing mainly in the capital of innovative startups or SMEs

WHAT

- Fiscal deductibility on **IRPEF** (personal income tax) or **IRES** (tax on company revenues)

INCENTIVES

Fiscal subject	Investments (€)	Fiscal deductibility (%)
Natural persons	≤ € 1 MLN	30% *
Legal persons	≤ € 1.8 MLN	30% *
Mature companies **	≤ € 15 MLN	50%

* A 40% fiscal deductibility is waiting for approval by the EU commission

** Pending approval from EU Commission

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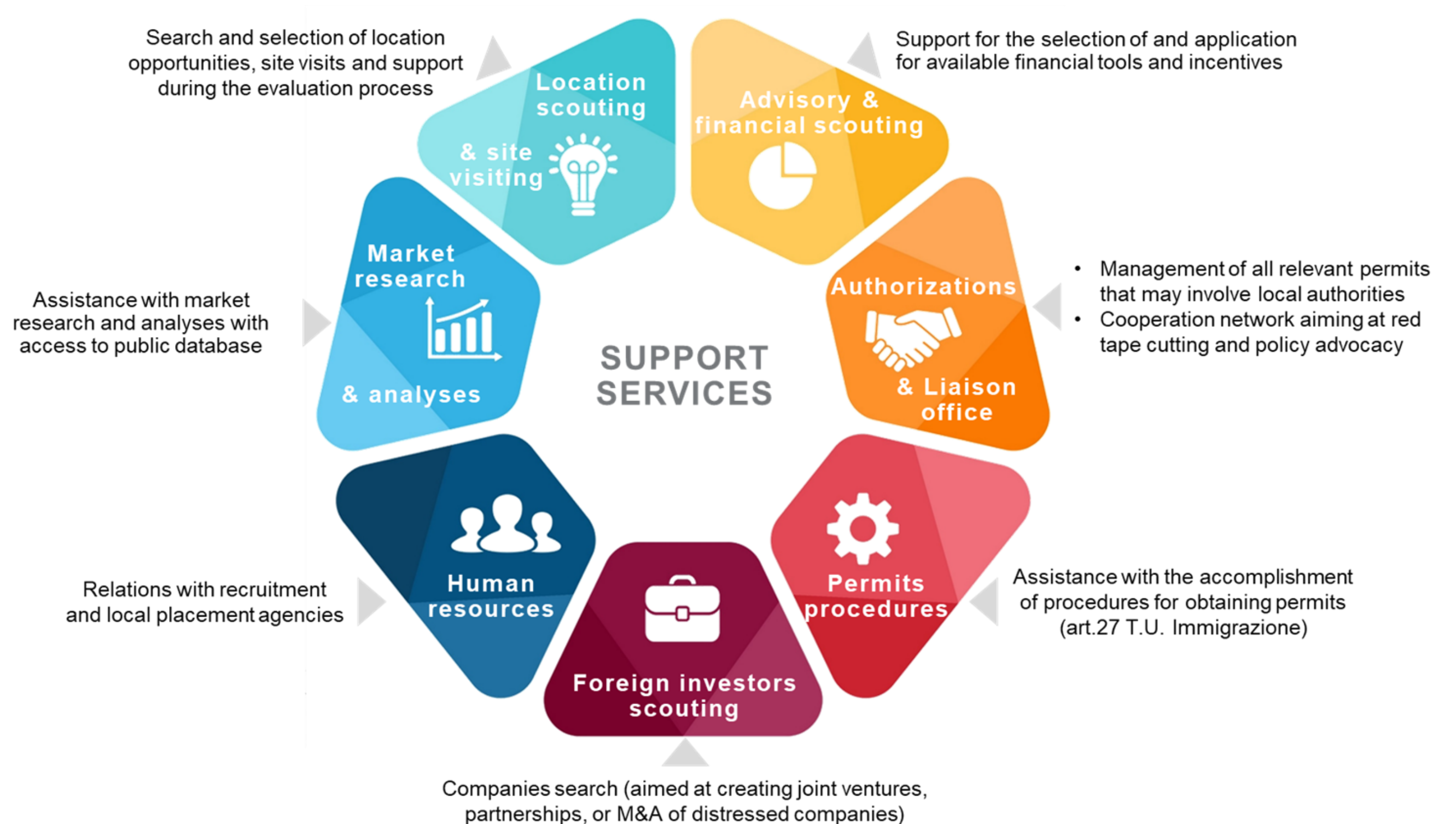
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Our support to your investment

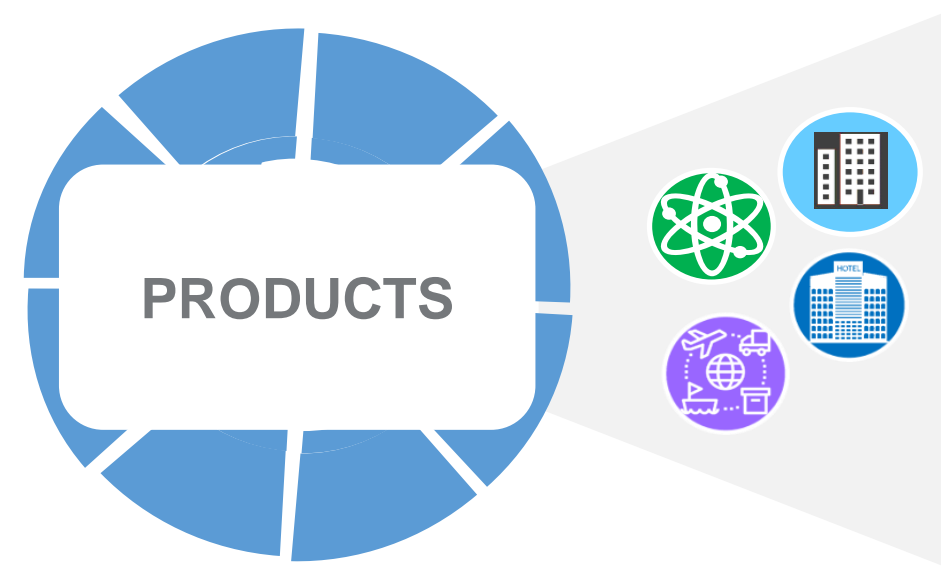


Services and support

- **Invest in Italy**, the brand under which ITA and Invitalia work together, is a **One Stop Shop** offering a wide range of free of charge services.
- Invest in Italy coordinates **Regional Authorities** which can also support foreign investors with local services such as:
 - ✓ Subsidized industrial areas scouting;
 - ✓ administrative and bureaucracy issues;
 - ✓ connections and partnerships with local stakeholders.



Our Portfolio



Technological and manufacturing projects

Real estate portfolio

Infrastructure and logistic opportunities

Capital seeking projects and companies

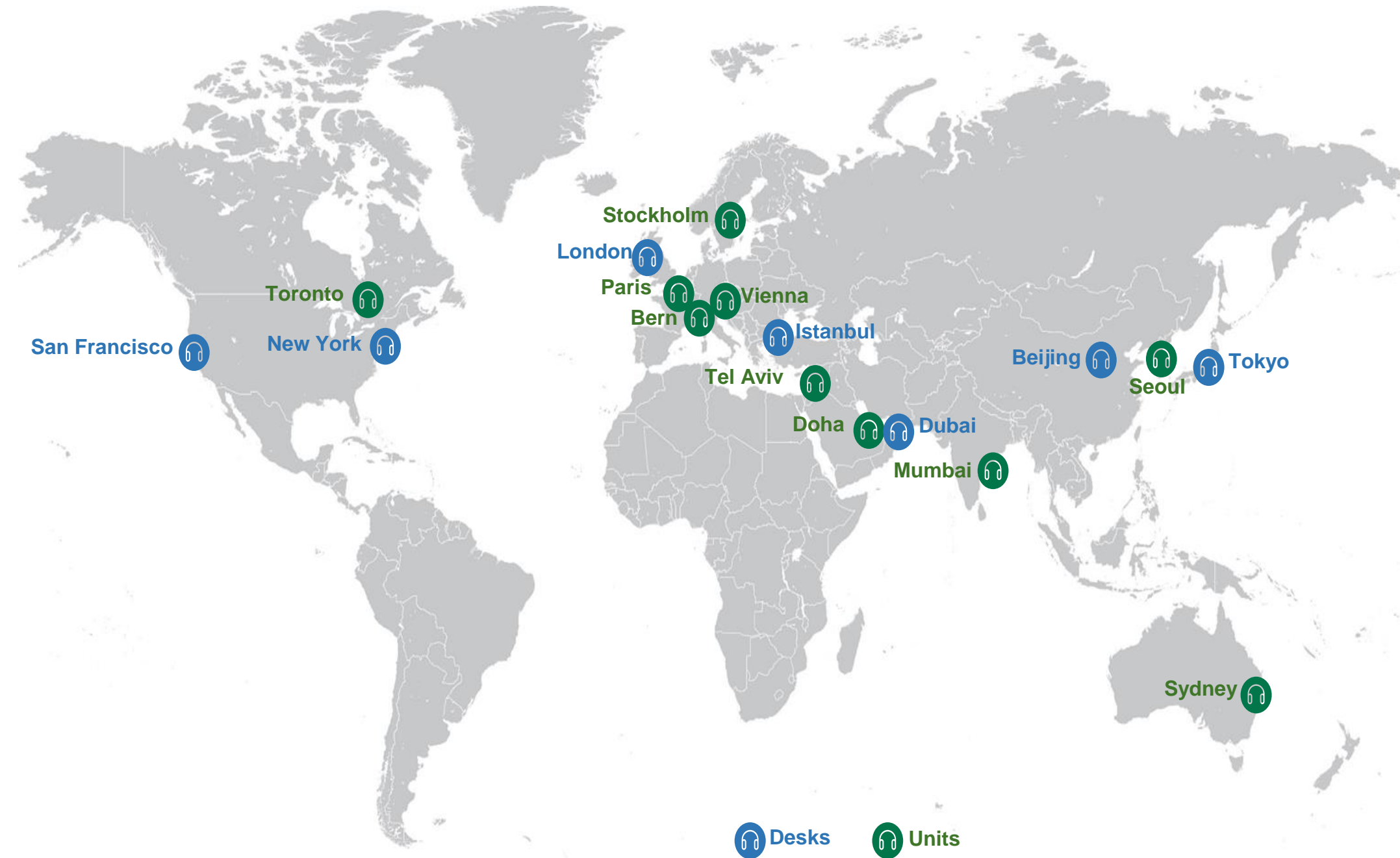
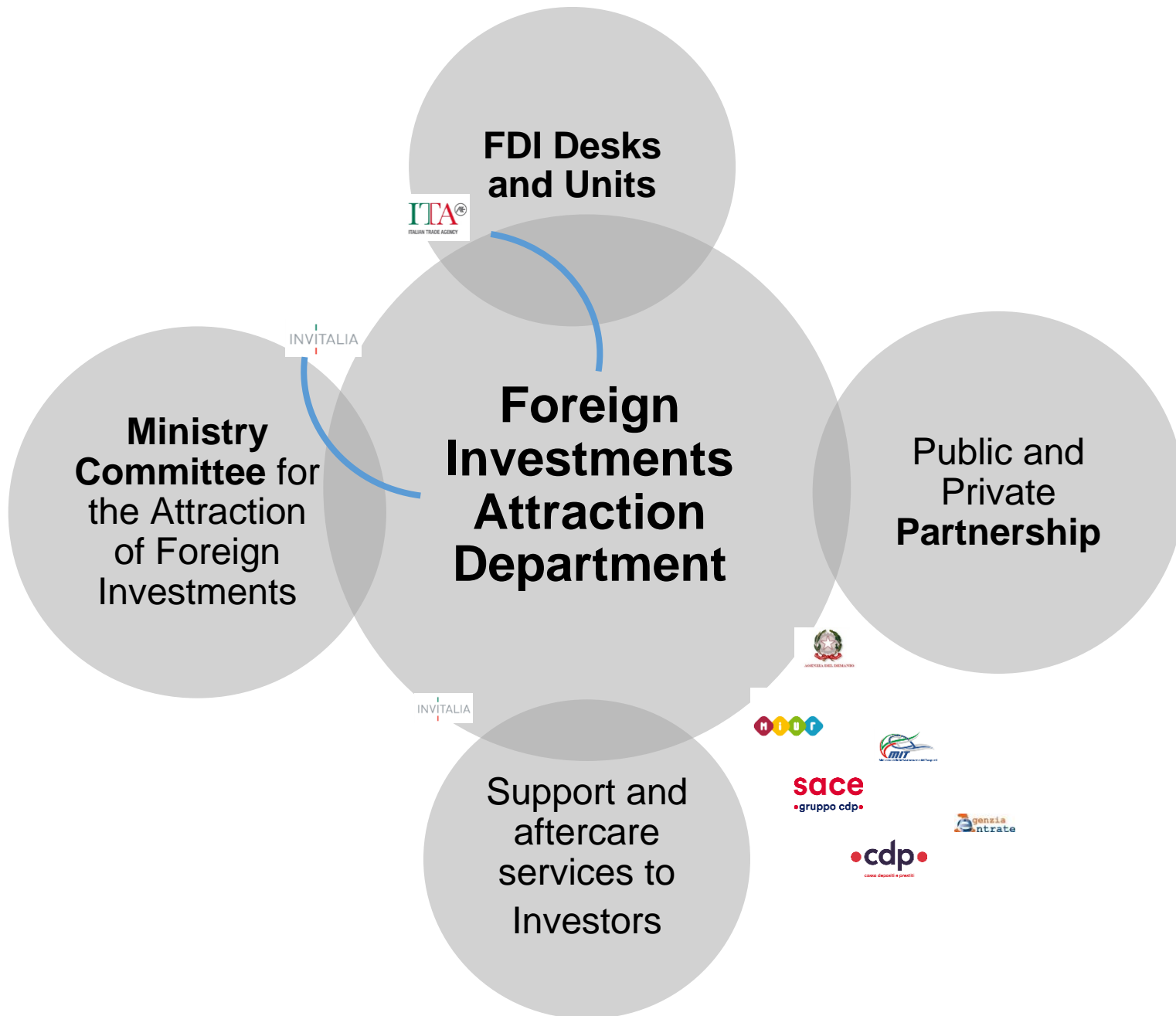


Analysis of the incentives

Analysis of sectoral competitive advantages

Support services

Our FDI Department



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THANK YOU