



Case study 1
INNOVA Venture, Italy
Lazio Region VC fund experience

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Lazio Innova S.p.A.



Lazio Innova S.p.A. is **Lazio Region** “in-house providing” institutional company, also participated by the Chamber of Commerce of Rome.

Our **mission** is to support entrepreneurial development and innovation in the Lazio ecosystem.

We project and manage several Lazio Region grants and **financial instruments**, like loans and guarantees, to favor creation and scale-up of innovative start-ups and SMEs.

In particular we have a **>18y specific expertise in risk capital instruments funded by EU structural funds**, creating innovative schemes (considered as EU *best practice*, like POR I.3 VC Fund) and managing successful investments (>80).



New VC Funds in a nutshell



Last VC fund of fund **FARE VENTURE (EUR 68M)** is Lazio Region contribution, through 2014/2020 ESIF Programme, for the development of Lazio risk capital market for start-ups & SMEs in the early stage and scale-up phases.

FARE Venture, managed by Lazio Innova, **aims at attracting VC professional investors** to steadily operate also in Lazio region and raise VC finance for local enterprises.

FARE Venture – which decisions are delegated to an **independent investment committee**, rewarded on results – works in two different ways:

- **LAZIO Venture (EUR 44M)** is a fund of fund that invests in minority quotas of VC funds (*pari passu* with private LPs) interested in investing part of their fund in Lazio companies;
- **INNOVA Venture (EUR 21,8M)** invests directly in Lazio companies together with private and independent co-investors.

These schemes are under **article 21 of Reg. (UE) n. 651/2014** dedicated to risk capital.



LAZIO Venture



LAZIO VENTURE aims at **developing in Lazio region the private VCs operators market**, with a stable organisation in the territory, in order to strengthen the local ecosystem and increase **long term investments** in start-ups and SMEs risk capital.

In order to achieve these objectives, Lazio Venture set-up a:

- 1) **preferential distribution of profits (first 5%)** towards private co-investors;
- 2) **Scouting contribution grant (50%)** to boost scouting in Lazio region (art. 24 GBER);
- 3) **First refusal right** towards Innova Venture on investment opportunities **to avoid crowding out effects**;
- 4) **Parallel funds scheme** to segregate all constraints connected with public EU funds.

Lazio Venture invested in **4 primary Italian VC funds**, covering all investment phases (from seed to series B), mainly specialised in the digital and the tech sectors.



INNOVA Venture



INNOVA Venture is a **VC fund investing directly in Lazio enterprises** out of investment policies of funds invested by Lazio Venture.

The purpose of the fund is to **attract on Lazio region territory both innovative start-ups and private VC investors.**

INNOVA Venture replicates the scheme of EUR 24M **POR I.3 VC fund** (launched in 2010 after being authorised by EU Commission as State aid), a positive “first experience” that invested in **33 enterprises**, mainly innovative start-ups, generating **9 successful exits** and a **solid long-term impact on employment** in the territory.



INNOVA Venture



INNOVA Venture participates to investment rounds (as sum of public + private investments) between:

- minimum EUR **250K**;
- maximum EUR 2M for the initial investment + EUR 4M for follow on.

The maximum investment amount (public + private) for each enterprise (initial + follow on) is EUR 6M, of which Innova Venture invests max EUR **2.5M**.

Investments are temporary but **long-term** (max 8 years).

Investments are in **minority stakes** (max 49,9% including co-investors).

Public co-investment percentage depends on commercial sales according to GBER (but with a cap at 70% instead of 90% of GBER).



Innova Venture



INNOVA Venture - that has the possibility of asymmetric profit scheme “deal by deal” towards private co-investors - was also provided with **two innovative possibilities**, to spread the co-investment opportunities and have a “fast track”:

- the fund can **co-invest together with Equity Crowdfunding Platforms (EqCP)** in two ways:
 - ✓ before Equity Crowdfunding Campaign (EqCC),
 - ✓ after EqCC.

To that end, an open convention was launched that any EqCP can join.

- (Nearly) automatic **co-investment framework contracts** with private qualified serial co-investor – capable to analyse opportunities and structurally interested in investing in Lazio’s start-up in their earliest stages (like accelerators, incubators, business angels groups, funds) - negotiated on one-to-one basis.



Innova Venture + EqCP



INNOVA Venture initially (Sept. 2018) was supposed to work with EqCC in a more complex (ex post) way:

- 1) The target needs to find a first private co-investor (outside EqCC) to match Innova Venture, and then propose to Committee to complete the round with a EqCC.
- 2) During campaign, investors that invests more of 10% of the campaign (with a minimum of EUR 40k) have an option to become Innova Venture's co-investor.
- 3) After campaign (if successful) Innova Venture matches those who choose the option, after some formal verifications.



Innova Venture + EqCP



Lazio Innova (Sept. 2019), decides to integrate the previous scheme with the possibility to work with EqCP in an easier ex-ante way:

- 1) The target needs to organise the EqCC through a SPV, in which EqCC investor invests.
- 2) Innova Venture has its formal verification only on the SPV and decides ex-ante to invest with SPV if EqCC is successful.
- 3) After campaign, if successful, Innova Venture matches the amount effectively raised by SPV.



Innova Venture + EqCP + Framework Contract



A new possibility has more recently come from the signing of the **first 4 framework contracts** with Digital Magics, Lventure Group, Italian Angels for Growth and Boost Heroes.

In fact, those actors already work together with EqCP in their investments and the “fast track” investing with Innova Venture set-up in the contracts is expected to align the time-to-market of Innova Venture investments with the EqCC needs.

This combination is expected to let the Innova Venture investment scheme with EqCP to start the first joint investment in 2020.





Project & implementation / Problems and lessons learned

Major problems and lessons learned in 2014/2020 about public funds working with EqCP are the following:

- implementing public fund boundaries in a market instrument (as crowdfunding platforms in Italy are);
- managing formal verification on a wide number (>50) of co-investors;
- deal with EqCP managers needs to public funds invest in the EqCC;
- differences in time to market of public fund procedures and campaign needs;
- reputational adverse effect towards public “retail” investors in case of failure.

