



Cámara de Comercio Alemana  
para España  
Deutsche Handelskammer  
für Spanien

# Spanish Startup Ecosystem 2015

October 2015

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## Index

Index .....	2
Introduction.....	3
1. Market Analysis.....	5
1.1. Key Figures .....	5
1.1.1 Global Entrepreneurial Activity .....	7
1.1.2 Profile of Entrepreneurs .....	9
1.1.3 Company Sizes .....	9
1.1.4 Startup Sectors .....	10
1.1.5 Conclusion of the GEM Study .....	10
1.1.6 Presence in the Media.....	12
2. Financing.....	13
2.1 Venture Capital.....	14
2.2 Business Angels.....	16
2.3 Family Offices.....	17
2.4 Corporate Investors.....	18
2.5 Crowdfunding .....	19
3. Institutional Support and Legal Framework .....	20
3.1 New Law on Support of Entrepreneurship and Internationalization .....	20
3.2 Reform of the Law on Patents .....	22
3.3 Governmental Promotion of the Digital Economy in Spain .....	22
3.4 Governmental Regulation of Crowdfunding.....	25
4. Spanish Startups.....	27
4.1 Successful Spanish Startups.....	27
4.2 Opportunities for Collaborations with Spain.....	28
5. Role of German Chamber of Commerce for Spain (AHK Spanien) .....	30

## Introduction

In recent years, Spain has developed a promising startup scene with many startup companies as well as hosting incubators, accelerators and events focused on the needs of startups and investors.

Some key points of interest:

- Spain has initiated the startup process later than other European countries and still has great potential for development
- Over €347M in venture capital was invested in Spain in 2014 in more than 140 deals
- German (and other European) companies are searching worldwide for innovation in startups by offering mutually beneficial collaboration – but until now only a few successful examples exist in Spain

One of the main advantages of investing in a Spanish startup is the opportunity to not only reach the 46M inhabitants of Spain but also the potential to access the approximately 600M inhabitants of Latin America. Another advantage is that the level of education of engineers and computer specialists in Spain ranks among the highest in Europe. In addition, the wages in Spain are lower than in other major European economies, which makes companies highly competitive.

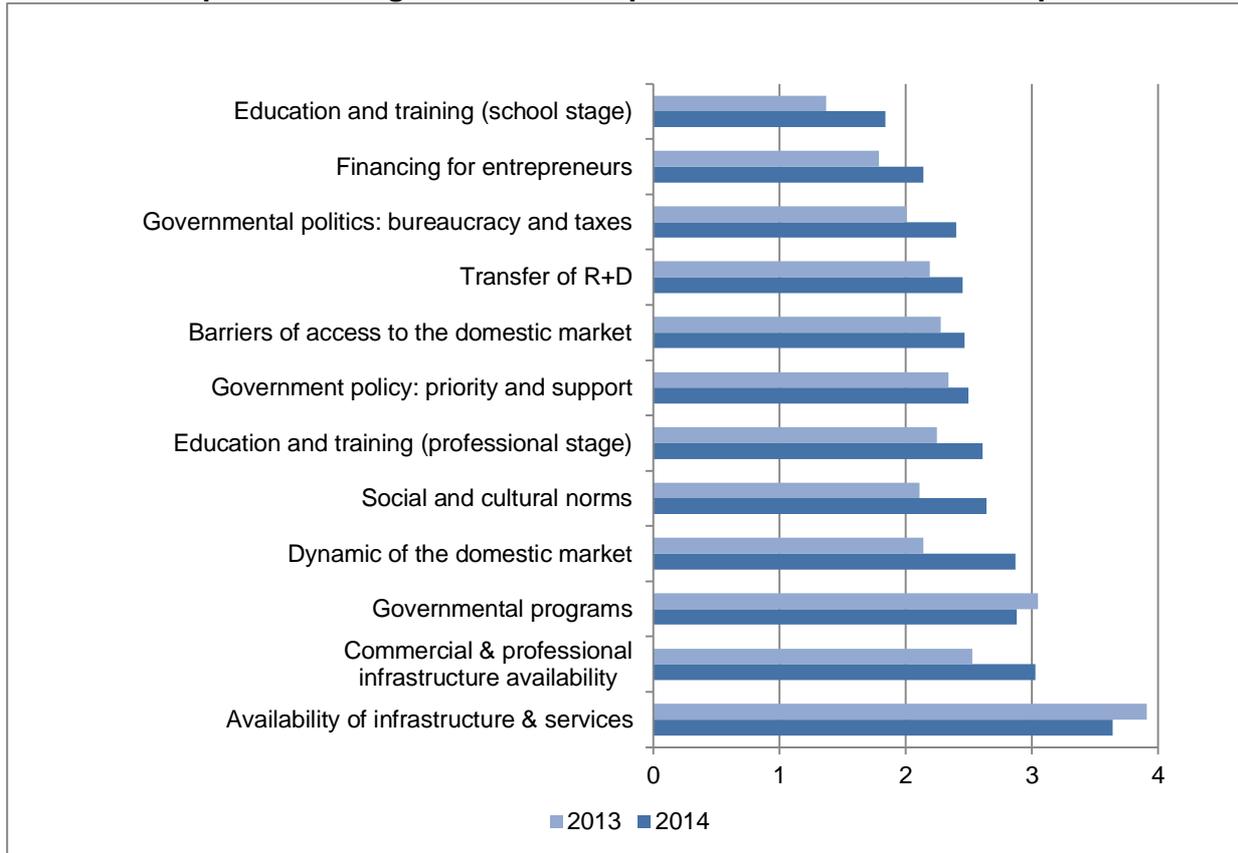
Furthermore, Spain's government has reacted to this trend by changing the conditions for entrepreneurs in order to promote the launch of new businesses. According to the World Bank's rankings for *starting a business*, Spain improved from a rank of 136<sup>th</sup> in 2012 to a rank of 74<sup>th</sup> in 2014. These rankings included 189 evaluated countries, including Germany, which came in at 114<sup>th</sup>. Spain also showed a positive trend from 2008 to 2013 in terms of the regulation of network industries.

According to the latest edition (2014) of the Global Entrepreneurship Monitor (GEM) Spain is increasingly being regarded, amongst the participants, as an appropriate country for entrepreneurs. It also confirms that public institutions are reducing obstacles for entrepreneurs. This led to more entrepreneurial activity in 2014 and indicated the possible end of the economic crisis in Spain. At the end of 2013 and 2014 Spain's GDP and private consumption, raised respectively for the first time since the crisis all while more jobs were created and unemployment decreased.

Although these positive trends are favoring entrepreneurship, they could also have a negative effect on the startup industry since there are fewer unemployed people launching new businesses due to the lack of jobs. In the context of the GEM 2014, a group of experts of the Spanish entrepreneurial sector has been interviewed about the opportunities in Spain, as shown in Graphic 1.

Compared to 2013 the trends are positive in almost every aspect. Nevertheless the values obtained from the expert interviews in Spain are still under the European average.

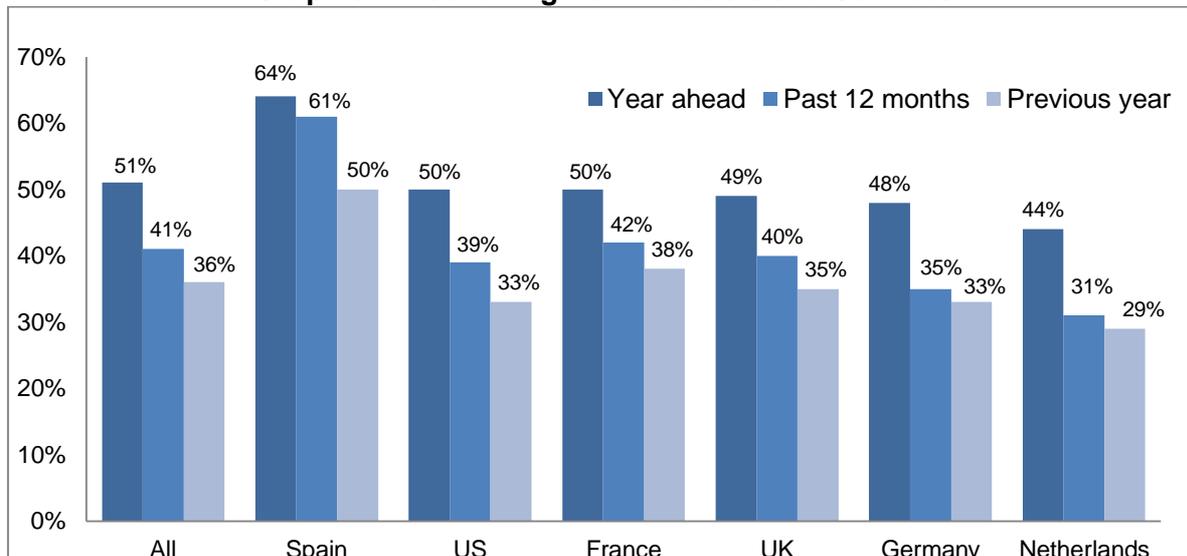
**Graphic 1: Average Value of Entrepreneurial Environments in Spain**



Source: GEM Spain 2014

The insurance provider *Hiscox* conducted a more recent survey in 2015 consulting with 4.140 business owners, founders and senior executives, within companies with up to 50 employees, from France, Germany, the Netherlands, Spain, the UK and the USA. Its objective was to measure the entrepreneurial activity in each country. One outcome was that Spain has the highest rate of introduction of new or innovative products to the market (see graphic 2).

**Graphic 2: Launching New Products and Services**



Source: The Hiscox - DNA of an Entrepreneur Report 2015

## 1. Market Analysis

### 1.1. Key Figures

Due to the lack of official information about the amount of startups in Spain, there is only one platform that provides an overview of startups, startupxplore.com. The homepage is open to all startups so that they can register their information in the database. Startupxplore.com lists more than 2.500 startups, about 800 more than at the beginning of this year, which underlines the growth of the field. The division with the highest amount of registered companies is the e-commerce sector. It also shows that more than 70% of the startups are located in Madrid, Catalonia and Valencia highlighting the importance of these regions.

Moreover there are about 190 investment companies and private investors in Spain looking for startups with high growth potential. Also the interest in investing in Spanish companies is rising: in 2014 over €280M was invested in Spain by venture capital companies. Investments made by public institutions, Business Angels and Accelerators totaled an additional €347M. The total amount of investments made managed to grow by about €72M even though investments made by public institutions decreased by €28.3M. Compared to the Venture Capital market in Germany, where in 2014 over €650M was raised, the Spanish market is still much smaller. However it's important to note that unlike Germany, Spain is trending upward, as Germany's investment fell from €716M in 2013.

Table 1.1 shows the evolution of the amount invested and the number of transactions in Spain by Business Angels, Accelerators and Incubators since 2012.

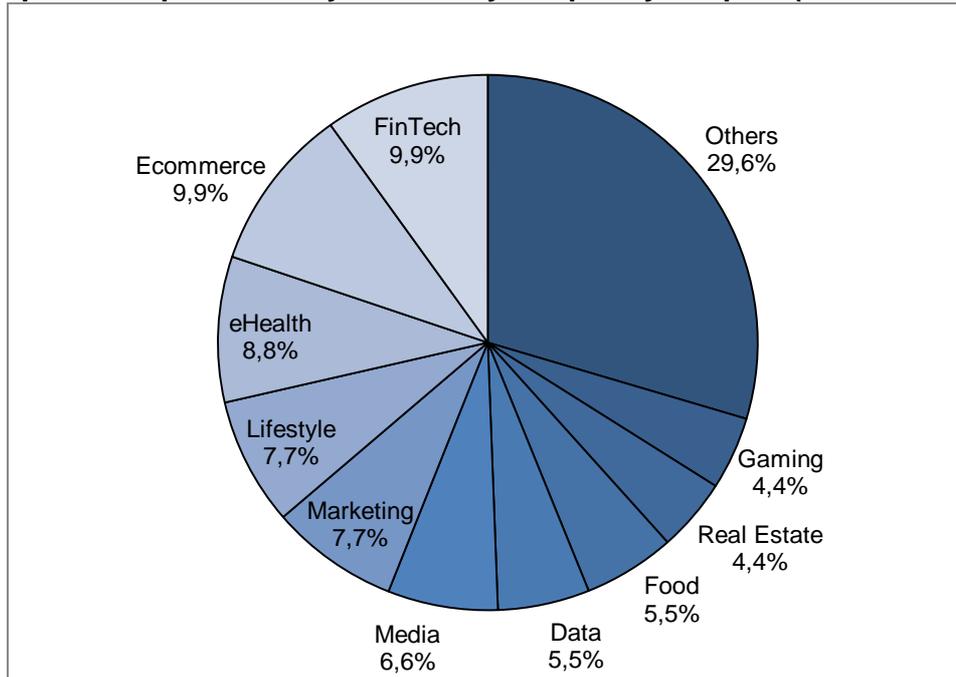
**Table 1: Investments by Business Angels, Accelerators and Incubators**

Type of Investment	Amount invested (€ Million)			Number of transactions		
	2012	2013	2014	2012	2013	2014
New investments	11,2	17,9	20,6	190	297	282
Follow-up investments	1,2	1,3	2,1	20	38	41
Total	12,4	19,2	22,7	210	335	323

Source: Webcapitalriesgo.com

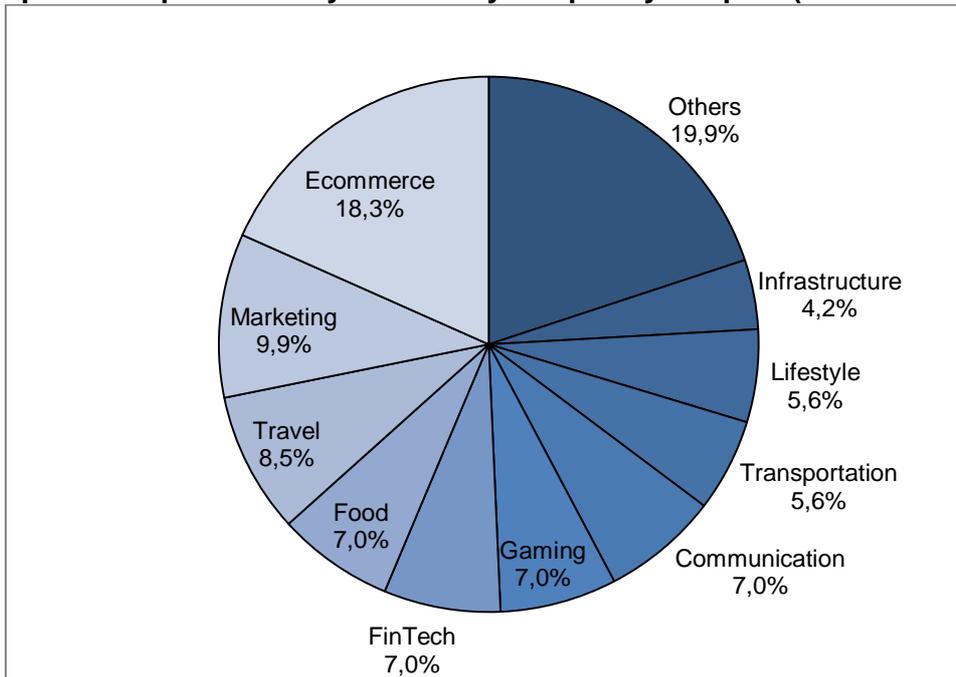
The trend in Spain in 2015 is even more positive, €109M in a total of 48 venture rounds has been raised in the first quarter of 2015 which is 150% more than in the same period in 2014. The positive trend seems to be continuing throughout the year as Venture Watch confirms that in June the investments in tech-companies doubled compared to last year. As of June 2015 €200M has been invested in Spanish Tech-companies. Most of the investment was spent on companies who are located in Madrid and Barcelona. The key sectors have also changed this year, as in 2014, most investments were made in the communications sector and this year no significant amount of money has been invested in that sector. Investments have primarily gone into FinTech and e-commerce companies (see graphic 3 and 4).

**Graphic 3: Top 10 industry Sectors by Frequency in Spain (Jan – Jul 2015)**



Source: Venture Watch

**Graphic 4: Top 10 industry Sectors by Frequency in Spain (Jan – Jul 2014)**



Source: Venture Watch

New funds and Business Angels who have recently entered the market were responsible for this growth. Still, most of the capital (44%) came from foreign investors.

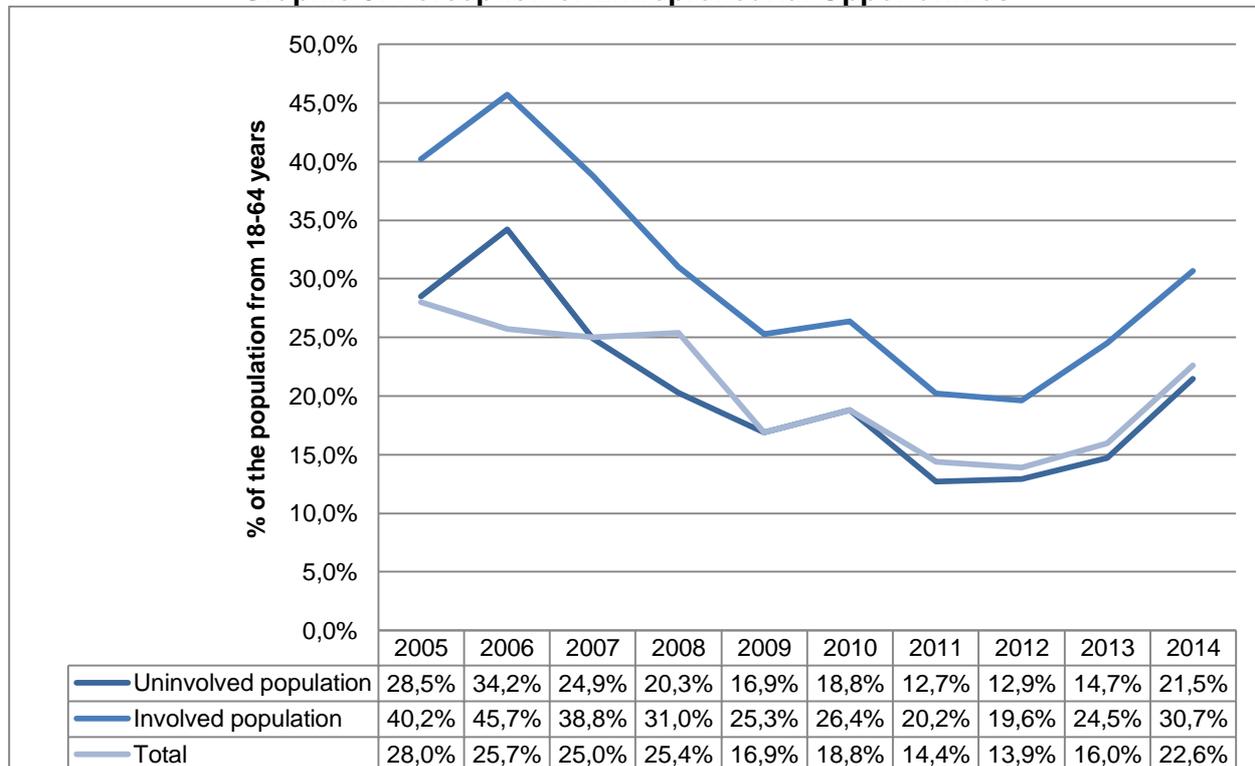
To get an overview of the startup ecosystem in Spain, the amount of supporting actors (accelerators, incubators, coworking spaces) will be compared with a more mature ecosystem like Germany. With reference to the accelerator programs in Spain, it is hard to get exact

information due to the lack of official registers. *Startupexplore.com* counts over 100 accelerators in their database. Whereas the biggest European startup network *F6S*, which provides information about the most renowned accelerator programs, lists 27 programs in Spain and 20 in Germany. For incubators the existing numbers match on different sources. *The Spanish Savings Banks Foundation (FUNCAS)* counted 89 Incubators in 2013 which is approximately the same amount listed on *Startupexplore.com* (91). There is also a lack of information regarding coworking spaces but there are about 300 estimated locations in both, Spain and Germany.

### 1.1.1 Global Entrepreneurial Activity

In the Global Entrepreneurship Monitor survey<sup>1</sup>, the number of Spaniards considering opportunities to establish a company within the next 6 months increased from 16% to almost 23%.

**Graphic 5: Perception of Entrepreneurial Opportunities**



Source: GEM Spain 2014

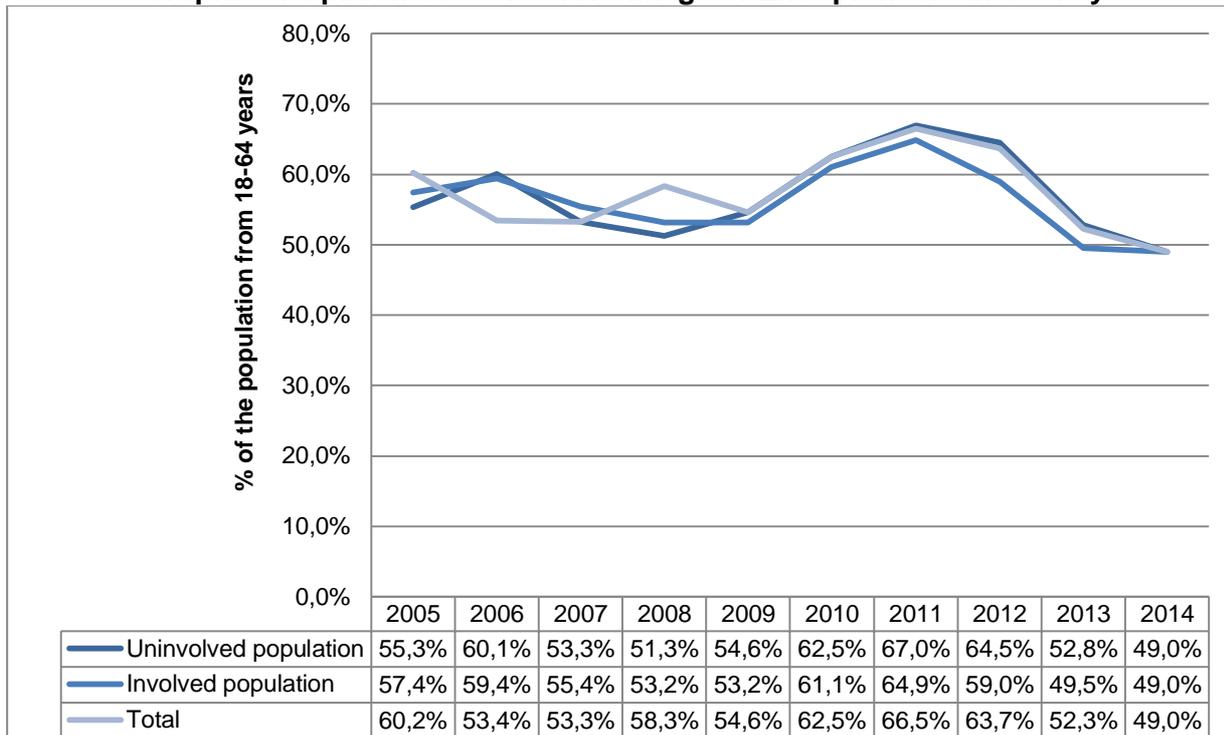
From 2013 to 2014 the rate of Total Entrepreneurial Activity grew by 5.47% but there is still room for growth as, prior to the crisis in 2008, it was even higher (over 7%). Only 66% of the entrepreneurs surveyed stated that their motive to start the new venture is based on opportunity, whereas 29% state that their motive is driven by necessity. This means that the number of necessity-driven entrepreneurs has doubled since the beginning of the crisis. The

<sup>1</sup> For the GEM report, the concept of an entrepreneur is considered in a wide form, including all kinds of entrepreneurial activity and not only technology or high-tech startups.

data also shows that the percentage of people who know someone involved in entrepreneurial activity is the second highest it has been in the last ten years; 7% more than in 2011 say that they know an entrepreneur personally.

As illustrated in graphic 6, people are not starting entrepreneurial endeavors in order to improve their image in society. The GEM report confirms that being an entrepreneur has the lowest social and economic reputation among Spaniards in the last ten years.

**Graphic 6: Opinion about Positive Image of Entrepreneurs in Society**



Source: GEM Spain 2014

The results of the Global Entrepreneurship Monitor study can easily be compared to other countries where the same study is done. Due to the relevance of the German economy, the results of the Spanish study are being compared to the German market where, for example, the perceived amount of opportunities to start entrepreneurial activity is much higher (37.6%) than in Spain (22.6%). However Spaniards are more confident regarding their entrepreneurial knowledge and skills. Almost 50% of the surveyed Spaniards say that they actually have the knowledge and skills whereas only 36% of the Germans feel the same. Regarding the fear to fail as an entrepreneur, both countries have nearly the same value. The results also show that in Spain (54%), people are slightly more confident that starting a company is a good professional option compared to Germany (52%). A big difference can be observed by looking at social and economic status when comparing these two countries. As seen before, in graphic 6, this value in Spain is at a 10 year low (49%) while in Germany almost 80% think that being an entrepreneur improves their social and economic status.

### **1.1.2 Profile of Entrepreneurs**

Examining the profile of entrepreneurs in Spain shows that potential founders have an average age of 37 years. People who are already involved in some entrepreneurial activity are a little bit older, averaging 40 years. Experienced entrepreneurs however profile as much older, averaging 48 years. Generally entrepreneurs tend to be middle-aged. Of the people who participated in the interview (25-34 years, 35-44 years and 45-54 years) over 6% of each group say that they are currently integrated in the startup industry. However, of the younger (18-24 years) and older (55-64 years) age groups only 3.8% and 3.1% state that they are involved in entrepreneurial activities.

Considering the gender of entrepreneurs, it can be observed, that the rate of potential entrepreneurs is equal between women and men. However, almost 60% of the new and experienced entrepreneurs are male.

In terms of level of education, the Spanish entrepreneur who is new on the scene (no longer than 42 months in an enterprise) tends to have at least a secondary education (81.5%). Additionally, 39% of the entrepreneurs have a graduate degree and 8.5% hold an even higher education.

Amongst the experienced entrepreneurs almost 28% do not even have a secondary education and only 4% have a postgraduate degree.

In addition, it is interesting how many of the entrepreneurs studied a special entrepreneurship program. Looking at the new entrepreneurs, there is a gap between those who had a specific entrepreneurial education (43.5%) and those who did not (56%). This gap gets even bigger when considering the established entrepreneurs where almost 72% did not have a specific entrepreneurial education. Between those who quit their entrepreneurial activity only 36% had a specific education. The reason for those numbers is obvious, since the amount of entrepreneurial programs at universities and business schools has been increased immensely in recent years.

It is important to distinguish the amount of entrepreneurial companies that participated in the GEM in 2014, which are based on innovative ideas. A total of 14.7% claimed that they provide absolutely innovative products or services. This percentage is higher than in 2010 (10.8%) but still lower than in 2011 (16.3%) and 2012 (19.2%). Although in Spain there are more entrepreneurs with completely innovative products or services than in Germany, the value is still under the European average (17.1%). It is interesting to notice that 10% of the participants claim that they do not face any competition in the market.

### **1.1.3 Company Sizes**

Less than 5% of the new companies that registered in 2014 started with more than 5 employees. The majority (54.7%) of “new” companies (paying salaries less than 42 months) are operating without employees. This percentage has improved since the crisis when in 2011

it reached 70.7%. Back in 2006 only 20.8% of new companies were operating without employees.

The percentage of companies with 1-5 employees was again at its lowest in 2011 (25%) but has since recovered (37%). In 2006 this group was at its highest accounting for almost 67% of companies.

Another positive development in 2014 can be observed in the category of companies with 6-19 employees, with a percentage of 6.5%, this is the highest value since 2009. To the contrary the percentage of companies with 20 or more employees decreased from 3.2% to 1.7% when compared to 2013.

In total, 92% of the companies operating in 2014 are employing 5 people or less which is 9% higher than in 2008 but 4% lower than in 2011. Among established companies, which already pay a salary for longer than 42 months, 86% are employing 5 or less people, a value which is 5% higher than 2006. Meaning these established companies did not take a significant cut regarding employees during the crisis.

#### **1.1.4 Startup Sectors**

According to the GEM, Spanish startups are directing 80% of their business to B2B-services or to the final consumers. Only 20% of the businesses are active in the primary sector of the economy. Back in 2006 those values were slightly different: 36% of the startups concentrated their business in the primary sector and only 64% targeted consumers and B2B-services. Today, the established companies still have a higher concentration in the primary sector (36%) than the newer startups.

#### **1.1.5 Conclusion of the GEM Study**

One result of the survey made by the Global Entrepreneurship Monitor is that Spaniards recognize their ability to establish new companies but usually lack opportunities due to the low social and economic status connected to entrepreneurship.

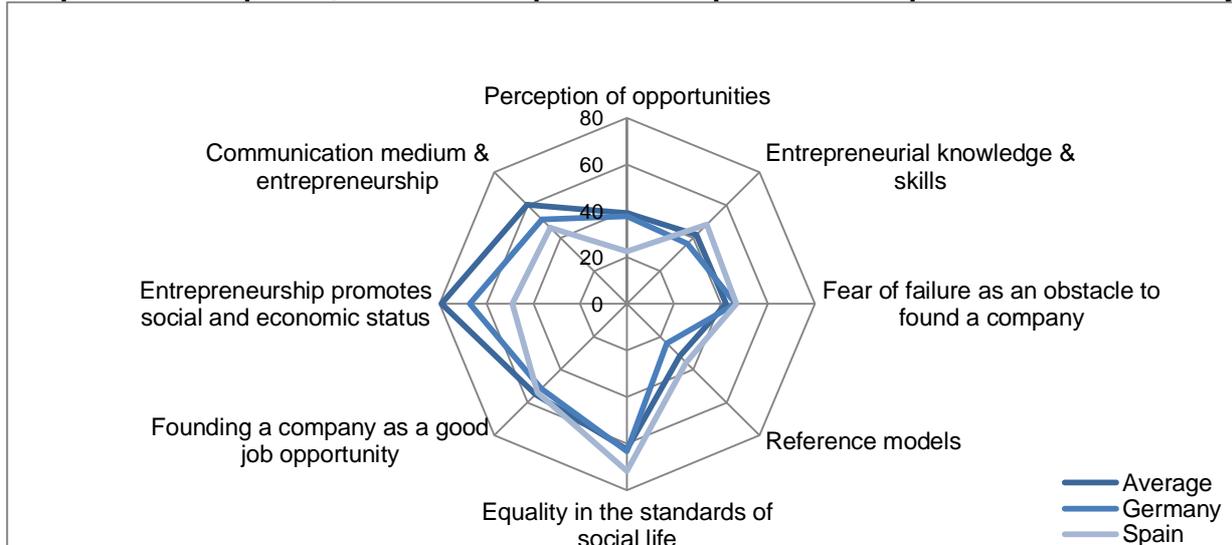
The self-belief that Spaniards possess in their capabilities to launch companies should not be taken as overconfidence. For one, Spain has business schools specialized in entrepreneurship ranked within the top ten business schools worldwide. Secondly, there are many examples of Spanish startups which have had great success. This is despite the fact that the startup scene in Spain is not as sophisticated as others in Europe which will be discussed later in this study.

In total, 5.47% of the adult population is integrated in entrepreneurial activity and 3.33% of them are completely new to the area. Although 5.47% is quite a low value, it is the first time in that past few years that it has risen in comparison to the previous year (2013). To get an idea of the potential, the highest percentage in the last ten years was 7.6% in 2007. As the

economy in Spain continues to grow after the crisis, it can be expected that the startup scene will do so as well.

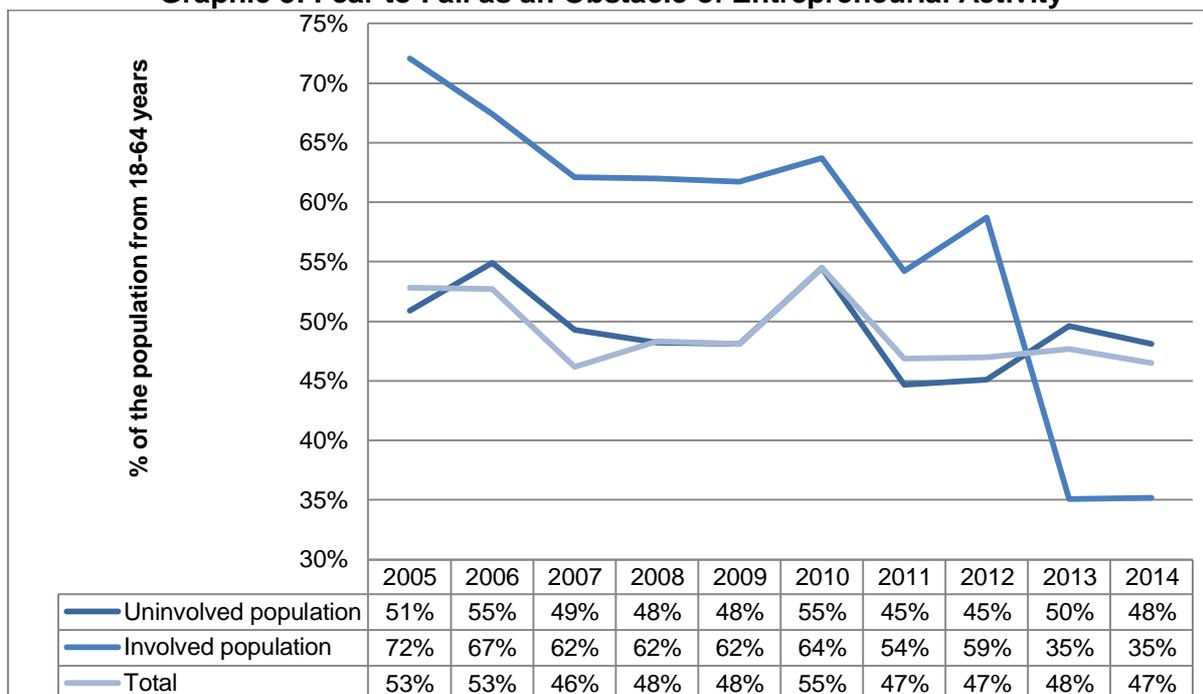
Only 1.25% of entrepreneurs in Spain closed their businesses in 2014. Of those, 50% of them stated that the company was not profitable. On the other hand, 7% of them are developing into established entrepreneurs, which indicates that the fear to fail is unfounded. As demonstrated in the next graphic, the fear to fail as an obstacle for starting entrepreneurial activity is at an all-time low in the opinion of entrepreneurs (it fell from 72.1% in 2005 to 35.2% in 2014).

**Graphic 7: Perceptions, Values and Aptitudes of Spaniards Compared to EU & Germany**



Source: GEM Spain 2014

**Graphic 8: Fear to Fail as an Obstacle of Entrepreneurial Activity**



Source GEM Spain 2014

### 1.1.6 Presence in the Media

From 2013 to 2014 reports about successful startups in the media increased 6%. In total 54% of people interviewed by the GEM said that, in their opinion, the media reports about success stories, which is the second highest number of the last decade.

In Spain, 46% of people interviewed said that they are aware of the existence of specialized media. In Germany the awareness is slightly higher with 51%.

There are many notable sites in Germany that publish daily articles about the startup scene. *Gruenderszene.de* and *deutsche-startups.de* are probably the most famous of these sites. *Alexa.com* ranks *gruenderszene.de* 357<sup>th</sup> within Germany and 8.900<sup>th</sup> worldwide whereas *deutsche-startups.de* ranks 1.100<sup>th</sup> and 26.000<sup>th</sup> respectively. In Spain there is still a lack of comparable sites and those that exist do not have the same reputation. *Emprendedores.es* and *Loogic.com* might be the most famous and are ranked 725<sup>th</sup> and 2.000<sup>th</sup> within Spain. Some of the biggest Spanish newspapers, for example *El Mundo* and *Expansión*, have already integrated their own startup section into their print and/or media edition. *Expansión*, the most important Spanish economic newspaper, with a circulation of over 55,000, is the only one of them which brings in daily news about startups. Other newspapers with high circulation, such as *El País* or *ABC*, do not have a special section yet.

## 2. Financing

The percentage of financing of startups by venture capital and business angels has increased significantly, so that the ecosystem of investments in early stage companies is maturing. On the other hand, public support by the Spanish government has almost disappeared. In 2012, public institutions represented 31.8% of the venture capital investments but by 2014 it had been cut in half, 14.1%. The intention is to increase private financing. This seems to have been effective as, from 2011 to 2014, the amount of investments in companies at an early stage almost doubled, as can be seen in table 3.1.

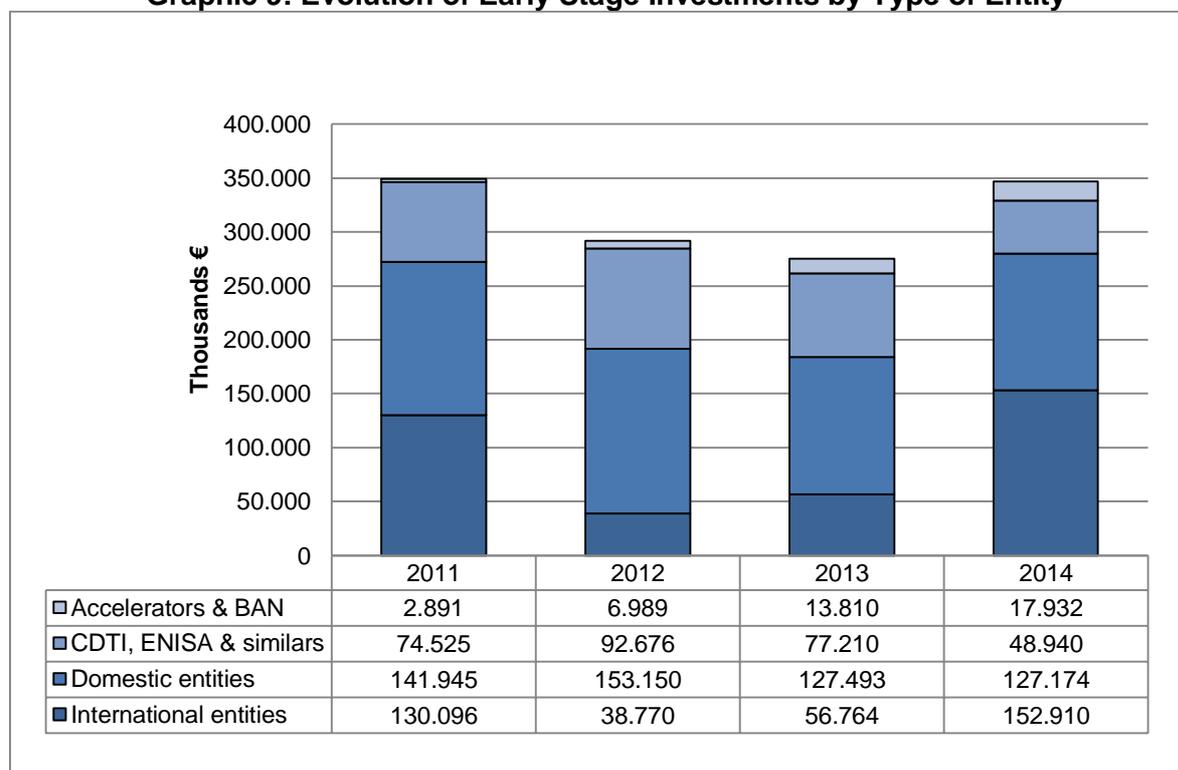
**Table 2: Amount of Investments in Companies at an Early Stage**

	2011	2014
Total	107	196
National Venture Capital Funds	76	98
International Venture Capital Funds	15	56
Groups of Business Angels, Accelerators and Incubators	14	37
Public Institutions	2	5

Source: ASCRI 2014

According to the *Spanish Venture Capital & Private Equity Association (ASCRI)* Spanish companies in early development stages, received €347M in 2014 (2013: €184.3M). Of that amount, €280M was invested by venture capital companies and funds (domestic and international), whereas €48.9M was invested by public institutions and €17.9M by business angel networks, accelerators and others, as shown in graphic 13. As you can see, international investors put up nearly three times more than in 2013.

**Graphic 9: Evolution of Early Stage Investments by Type of Entity**



Source: ASCRI 2014

In 2014, 1,057 investment deals were made and the average seed money for startups younger than 4 months was around €55,000. Due to the different needs of the various startups, the margin for seed capital was between €500 and €1.5M. Taking the median into account, it shows that half of all startups needed a seed investment of €20.000. The average amount of capital coming from the founders of a new startup was €30.000. This means that 63% of the needed capital came from the founders of the business itself.

Until 2008, most venture capital was invested in traditional Spanish companies. Since then, more venture capital has been invested in technology-based companies with the highest amount of investment coming in 2014 (over €100M more than in 2013).

## **2.1 Venture Capital**

The Spanish Venture Capital & Private Equity Association (ASCRI) says that 81% of the investments in early stage companies in Spain came from venture capital firms.

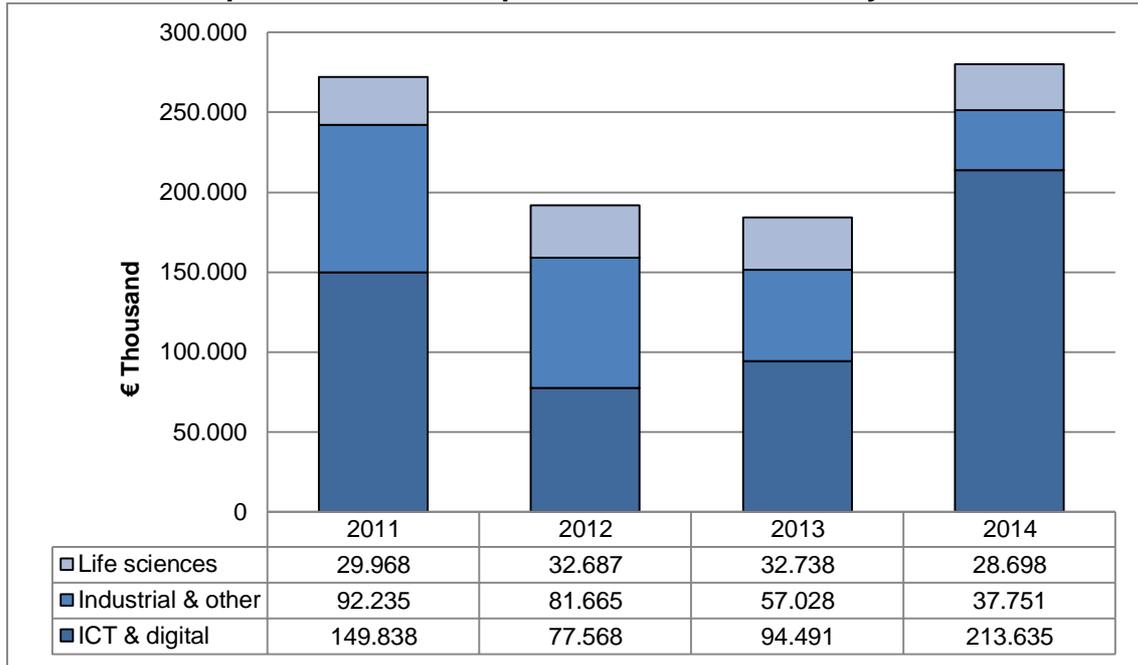
As of the end of 2014 there were 98 domestic venture capital companies in Spain, which means that half of all major investors active in Spain are venture capital companies.

Spanish venture capital companies invested €127.1M in Spanish companies in 2014. This means that there was almost no difference to 2013 (€127.5M). In contrast, foreign venture capital companies invested more in Spain (€154M).

Venture Capital funds invested 52% more in 2014 than in 2013. Spanish startups raised €280M from both, national and international venture capital funds in 313 total deals. In total, 154 funds invested, which lead to the third highest investment in history. They invested €153M primarily in series C and following rounds with a growth of 169% compared to 2013 whereas national venture capital funds (€127.1M invested) stayed more or less at the same level as in 2013 (127.5M invested). Due to the increased interest in international funds, the Spanish Venture Capital & Private Equity Association expects that there will be a positive trend in the future.

Those who profit from venture capital in Spain are mainly the companies from the ICT & Digital sector (77%). In contrast, companies from traditional sectors are profiting less and less from venture capital, because of the decreasing activity by public institutions that are their typical investors. Companies from the Life Science sector received less investment than in the previous three years, so these companies have yet to exploit their potential (see graphic 14).

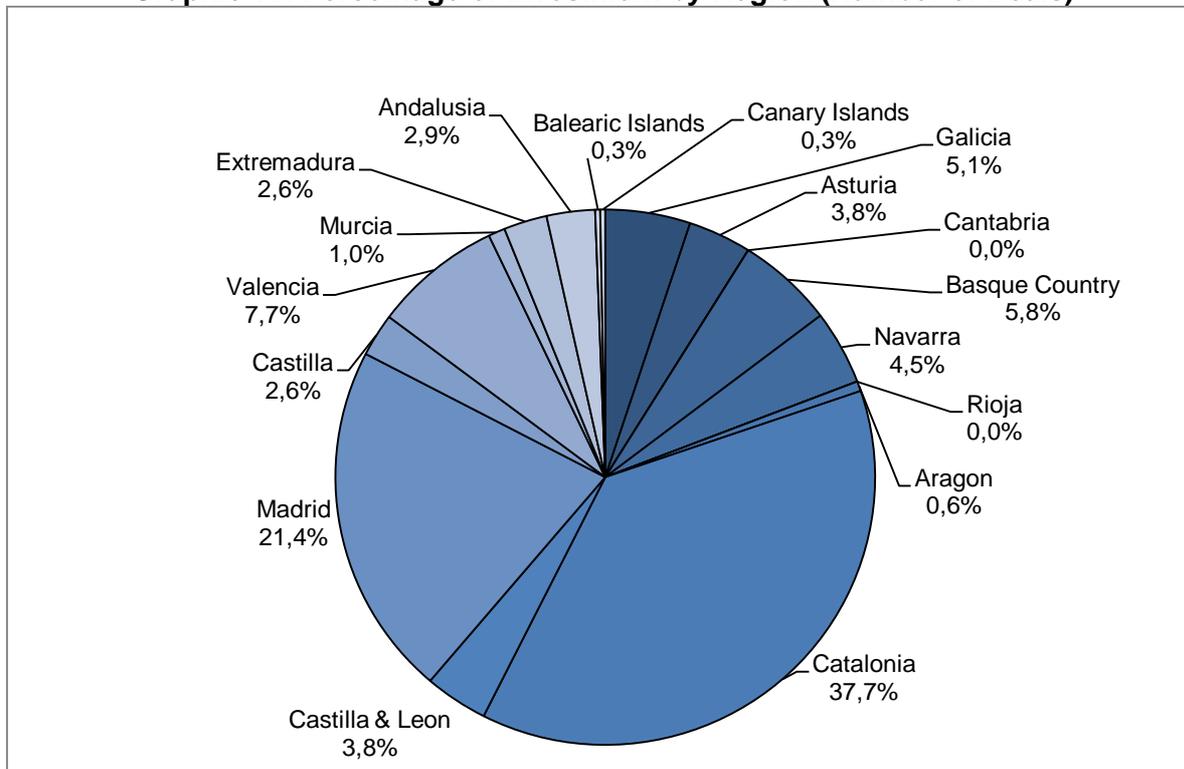
**Graphic 10: Venture Capital Investment Volume by Sector**



Source ASCRI

Catalonia is the community with the highest amount of venture capital firms, 37.7% are located there, and is also the community where most of the capital was invested; 60% of annual investments. Second is Madrid, where 21.4% of the companies are located and 20.5% was invested. In third place comes Valencia with 7.7% of the venture capital firms and 4.3% of the investments.

**Graphic 11: Percentage of Investment by Region (Number of Deals)**



Source ASCRI

The following are some Spanish venture capital firms that were involved in the biggest investment deals of 2015: *Active Venture Partners, Adara Ventures, Agora Inversiones, Axon, Bonsai Venture Capital, Cabiedes & Partners, CRB, FJME Ventures, Gestión CR País Vasco, Inveready, Kibo Ventures, Nauta Capital, Onza Capital, Qualitas Equity, Riva y García, Seaya Ventures, Start Up Capital Navarra, Vitamina K* and *Ysios Capital Partners*.

The main funds of 2014 were: *Ysios Biofund II Invierte* (€52M), *Caixa Invierte Biomed II* (€35M), *Cabiedes & Partners IV* and *Axon's ICT III Spain* (both €24M), *Suma Capital's Energy Efficiency Fund I* (€20M), *Inveready's Invierte Biotech II* (17M€) and *Inveready First Capital II* (€12M). It's also worth noting that in September 2015, *Nauta Capital* had their first closing of a new fund worth €60M. *British Business Bank Investments Limited, Criteria Venture Capital, Institut Català de Finances, Merifin Capitala* and *Sabadell Inversión* were the investors. The goal is to increase the amount up to €150M within one year and to invest in 25 companies in the next 5 years.

In 2014, foreign venture capital firms invested €154M in Spain and exceeded the year before by 169%. This underlines the attractiveness of Spanish startups. The company *ScytI* raised more than half of the investment made by foreign venture capital companies. In total, 18 international funds made new investments in 2014, which is three less than in 2013. Additionally, 14 international companies invested for the first time in Spain.

As an example *Vulcan Capital, SAP Ventures, Vy Capital, Adams Street Partners* and *Industry Ventures* (all based in the USA) invested in *ScytI*, an internet voting platform that was founded in 2001. *Highland Venture Capital* (USA) invested €22M in *Social Point*, a social Internet gaming company founded in 2008. A startup with a mobile app for buying and selling second hand products called *Wallapop* received €36.8M from *Accel* and *Insight Venture Partners* (both from the USA) as well as some investors who remain unknown.

Additionally, these were the international venture capital firms involved in other big investment deals regarding early stage companies in Spain in 2014: *Earlybird* (Germany), *Idinvest* (France), *Insight Ventures*, *Nature Capital* (Israel), *Qualcomm* (USA) and *Partech Ventures* (France).

## **2.2 Business Angels**

The amount and strength of business angel networks in Spain is growing. They are based mostly in cities and certain regions of the country. The Spanish Association of Business Angel Networks (AEBAN - Asociación de redes de Business Angels de España) lists a total of 34 business angel networks, located in 11 of the autonomous communities of Spain. Madrid (13) and Barcelona (12) are the communities with the highest number of networks that are members of the AEBAN. In other communities, the number of business angel networks total 4 or fewer. All networks combined, partner about 2,000 investors who released monetary resources valuing €40M in 2014, according to AEBAN. That information does not match with the information given by the Spanish Venture Capital & Private Equity Association (ASCRI) which, in contrast, claim that the amount invested by business angels and accelerators

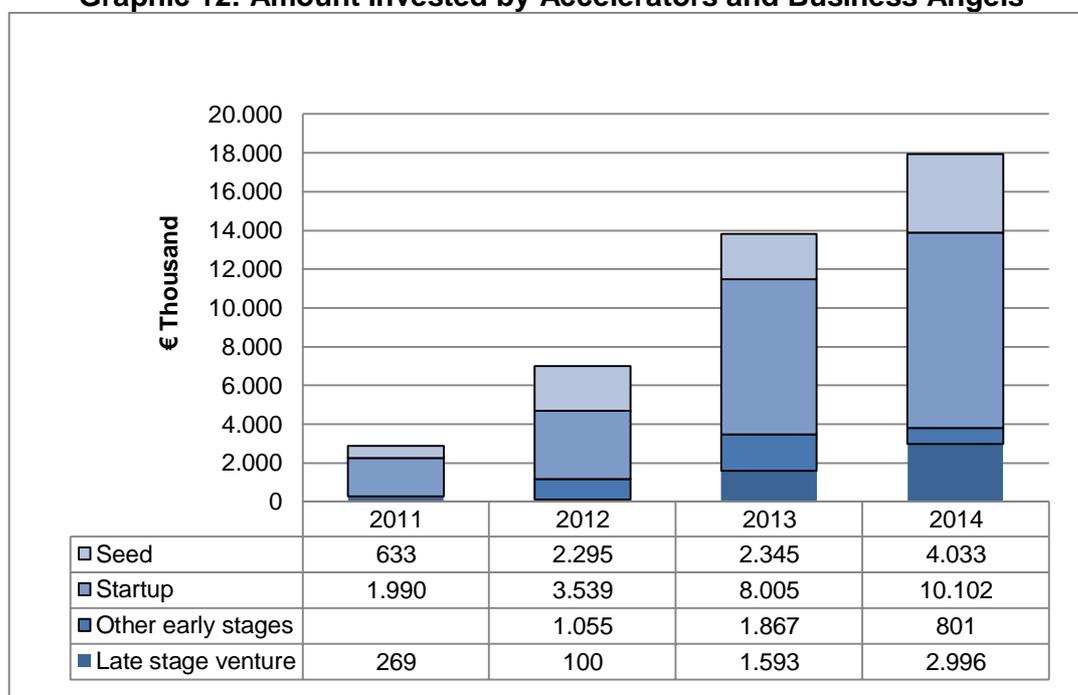
together was €17.9M in 2014 (see graphic below). This would mean that business angels and accelerators accounted for 5% of the total early stage investments in 197 deals.

Even though most of the business angel networks are members of AEBAN, there are still some that have not joined such as the *Red Baía* (Business Angels Industrial de Andalucía), an Andalusian network that specializes in industrial projects.

Some networks provide training and courses. *Seed & Click* for example, offers training for people interested in becoming a business angel among other events.

Graphic 16 illustrates that in 2014 the amount invested by accelerators and business angels was more than six times higher than it was three years earlier. Their investment activity is concentrated with a total of 83% on seed investments, startups and other early stage ventures.

**Graphic 12: Amount Invested by Accelerators and Business Angels**



Source: ASCRI 2014

A list of the business angel networks of AEBN can be found in the appendix.

### 2.3 Family Offices

Family businesses play an important role in the Spanish economy, making up for 85% of all companies and 70% of the gross domestic product. Only 30% of them own family offices and few invest in startups or innovation. Inditex for example owns a family office called *Ponte Gadea Inversiones* and mainly invests in real estate. The magazine *Emprendedores* also reports that getting the attention of family offices in Spain is not easy since much of the business runs through personal contacts and connections. Another factor that complicates the access to family offices is the lack of an online presence. However, with the emergence and

growth of the Spanish startup industry, some of the family offices have started developing departments that are specialized in startups.

The following are some well-known family offices that are investing in startups and/or supporting entrepreneurial activities.

José Manuel Entrecanales, the CEO of *Acciona* has a family office called the *José Manuel Entrecanales Foundation*. This foundation has the goal to increase economic development through investments in innovation and entrepreneurship. Those investments are concentrated in renewable energies, smart cities, biotechnologies and other related fields.

*Casa Grande de Cartagena* is the name of a family office run by the Del Pino family (owners of *Ferrovial*). The *Rafael del Pino Foundation* offers courses and research opportunities for entrepreneurs. The foundation also collaborated with the *Zinc Shower* conference in 2015, which was previously mentioned.

*Cofema Investments* is a family office that invests on behalf of families based in Barcelona into biotechnology as well as Internet, energy and industrial manufacturing companies. It is currently investing in 7 companies.

The previously mentioned *Business Angels and Family Offices Network* by *IESE Business School* consists of 12% family offices and the *Business Angels Network of ESADE Business School* also includes family offices.

## 2.4 Corporate Investors

These are some examples of the different activities by Spanish corporate investors:

- *BBVA*  
On top of the activities mentioned in chapter 2, the bank's *BBVA Ventures* program provides funding and expertise to promising technology companies in financial services. It cooperates with entrepreneurs and co-investors in the US and EU, becoming a long-term partner in their success.
- *Bankinter*  
*Bankinter Capital Riesgo* (Venture Capital) provides venture and seed capital for early stage companies, growth ventures, startups and later stage companies. This year it invested in *Viuing*, participating in a Series A round of €700.000.
- *La Caixa*  
The bank participates in the *Emprendedor XXI* award (first prize €100.000) and it is granting venture capital through *CaixaCapital Risc*, offering micro-credits to entrepreneurs and small businesses through *MicroBank*.
- *Repsol*

*Repsol Energy Ventures*, the venture capital firm created in 2011, is seeking to invest in startups in high technology industries within the scope of bioenergy, renewable energy, sustainable mobility, energy storage and energy efficiency.

- *Mercadona*

The owner of *Mercadona*, Juan Roig, founded his venture capital company *Angels Capital*, which invests in customer-oriented companies that are based in Valencia.

## 2.5 Crowdfunding

From 2013 to 2014 financing via crowdfunding has increased by 114% and since 2012 a sum of €100M has been raised through crowdfunding platforms.

According to a study by the University of Cambridge and the Spanish Association of Crowdfunding, a specific form of crowdfunding “*crowdlending*” increased by 383% in 2014 and financed projects with a total of nearly €14M. Equity crowdfunding increased by 234% and “*crowddonating*” by 70%.

Starting in 2010, Lanzanos.com was the first crowdfunding platform in Spain and is now the largest. Since crowdfunding has become a trend in Spain, there are now estimated to be 100 different active platforms. Of these, 35 are members of the Spanish Association of Crowdfunding. International platforms like kickstarter.com are also active in the Spanish market.

In September 2015, the first apartment was bought through crowdfunding in Spain. There were 49 participating investors and they are expecting a profitability of 68%. Housers.es, which claims to be the first crowdfunding platform for real estate in Spain, is the website where the apartment was sold.

The Spanish government released a law in May 2015 that regulates crowdfunding. Since then the *Comision Nacional del Mercado de Valores* (the regulatory body of the Spanish Stock Market) is responsible for the supervision of crowdfunding projects. More details about the law can be found in chapter 5.

### 3. Institutional Support and Legal Framework

The institutional support and legal framework in Spain, has been modified and modernized in recent years in order to adapt it to new international competition rules and hence reinforce the country's competitiveness.

The most important changes in the Spanish legal framework are listed below.

#### 3.1 New Law on Support of Entrepreneurship and Internationalization

The main goal of this law is to incentivize an entrepreneurship culture and to promote business activity. The most important factors in order to reach these objectives are:

- Creation of an entrepreneurship culture
  - o Formal education  
Introduction of content for gaining skills in the creation and development of business projects from the early stages of school
  - o Creation of "small businesses" or "student companies" by university students open to starting their own business
  
- Boosting entrepreneurial projects
  - o Reduction on tax fees for the self-employed  
The self-employed and entrepreneurs in Spain have to pay a monthly fee to the social security system. The new regulation introduces a flat rate for new entrepreneurs at €75/month, which means a reduction of almost 80%.
  - o Limited responsibility  
A new entity has been adopted in order to protect the personal assets of the entrepreneur called, the entrepreneur limited corporation (Emprendedor de Responsabilidad Limitada, ERL). This protects the debtor's residence against possible claims of creditors over debts generated in business or professional activity, except in cases of fraud or gross negligence.
  - o No minimum capital requirement  
This allows the launch of a company without meeting the minimum capital requirement of €3,000. In return, the annual remuneration payable to shareholders and directors, and the ability to pay dividends is restricted.
  
- Improving the regulatory environment
  - o Accelerating business creation  
The law set a quick method for the creation of new companies with simplified models and processes. However, the government is talking about 24 or 48 hours as a reference, not as a legal arrangement.
  - o Second chance guarantee  
Surveys show that Spanish entrepreneurs identified the failure of their business project as a personal failure. This often means that they do not try again. On the other hand, it is known that failure is the first commandment of the entrepreneur. Following that philosophy, the law speeds up the liquidation of failed projects through extrajudicial agreements with creditors, and offers

greater protection for entrepreneurs. It also foresees the possibility of reducing up to 25% of the debt and of a payment extension of up to three years.

- Tax Incentives

- Special income tax rate (15%) for the reinvestment of benefits
- VAT payment

A special regime for the self-employed and SMEs, which is voluntary, will allow the deferment of the VAT until the payment of the invoice is due. According to the government, 2.3 million SMEs and freelancers can benefit from this scheme.

- R&D support for companies with few or no benefits

In the former tax framework only companies with a certain level of benefits can profit from the tax deduction for R&D. To avoid the discouragement of R&D activities, the law now allows for application to the Treasury for compensation for the amounts that would have been received by deducting their investments in R&D. The only limitation is that the refund may not exceed €3M.

- Tax incentives for investors

Individual investors in new or recently created business projects (business angels) may deduct 20% of the amount provided from their personal income tax and have full exemption on the profits reinvested in another entity within a maximum of twelve years.

- Support for Expansion

- Reduction of administrative costs

The government will review the legal status of the entrepreneur every year to remove barriers that are identified with this type of activity. It is committed to reducing administrative burdens for each new procedure being established and to reduce the burden of statistics and accounting procedures in the first years of activity.

- More ways to qualify for public contracts

Contact between entrepreneurs will be promoted to create joint ventures that deal with public tenders. Furthermore, it introduces a new limit for the classification of competitors in public tenders (€500.000) and the simplification of procedures to access this type of competition.

- Support for Internationalization

- Access to international support

- Advice for entrepreneurs who want to access the entrepreneurial support schemes of international institutions

- Incentivize the entrance of foreign talent and investors

- Residence permissions will be used as a tool to attract investments in government bonds (+€2M), housing purchases (+€500.000) or business projects.

### **3.2 Reform of the Law on Patents**

In November 2014, the Minister's Cabinet of the Spanish government, sent the Parliament a revision of the legal framework of industrial property in Spain including a profound renewal of the current Patent Law 11/1986.

Although it has not been approved by Parliament as of now, the most important point under discussion is to strengthen the Spanish patent system. The current system simply promotes the initiative to patent but the new system will prioritize the truly inventive and innovative activity.

To do this, it transitions from "weak" patents, which often generate technological bubbles, high litigation and unjustified monopolies; to "strong" patents comparable to those of International Systems in other industrialized countries. It also simplifies the procedures and adapts the regulations to the international industrial property framework, promoting the internationalization of companies.

The drafted Patent Law clarifies and simplifies the procedure for granting patents, which will always entail a previous examination. In addition, the Spanish rules would adapt to the EU framework and other international norms. Furthermore, it promotes entrepreneurial activity by reducing the fee for obtaining a patent by 50%.

The creation of a strong patent involves important benefits:

- For the competition: to avoid unjustified monopolies, since no protection or exclusive rights will be given to the patent unless justified through true innovation
- For the image of the Spanish patent system: to strengthen and equate it to the more advanced systems of industrial property throughout the world
- For the Administration and the Courts: to avoid administrative and judicial overload, since no unjustified monopolies will be granted

Another benefit of the new patent law is related to legal certainty, because it clarifies the regulatory framework, adapting it to technological developments and to the new international framework.

Finally, the protection of innovation is encouraged for SMEs and entrepreneurs by reducing the cost of the procedure for obtaining a patent.

### **3.3 Governmental Promotion of the Digital Economy in Spain**

The Government, led by *the Ministry of Industry, Energy and Tourism and the Ministry of Finance and Public Administration*, has decided to develop a Digital Agenda for Spain as a frame of reference in regards to: information and communications technologies (ICTs) and e-Administration; to adapt Spain's strategy for achieving the goals of the Digital Agenda for Europe; to maximize the impact of public policies on ICT; to enhance productivity and competitiveness; and to transform and modernize the Spanish economy and society through efficient and intensive use of ICTs by citizens, businesses and public administrative bodies.

The objectives and plans of action established in this Digital Agenda are intended to encourage the creation of employment opportunities and economic growth through the smart adoption of digital technologies.

The Digital Agenda for Spain is structured around six major goals:

*i. Foster the deployment of networks and services to guarantee digital connectivity*

The existence of ultra-fast broadband networks is necessary to develop new services and to transfer the benefits generated by digital technologies to Spanish society as a whole. Therefore, the Digital Agenda for Spain endorses the goals related to coverage and adoption of broadband services outlined by the European Union in the Digital Agenda for Europe: planning for speeds of over 30 Mbps for 100% of citizens, and over 100Mbps in at least 50% of households by 2020.

To encourage the establishment of these networks, the Digital Agenda for Spain proposes measures for removing barriers of deployment, promoting the deployment of ultra-fast broadband networks, optimizing the use of the radio spectrum and improving the experience of broadband users.

When deploying infrastructures and telecommunications networks, operators in Spain are occasionally faced with inconsistent regulations adopted by multiple public Administrative bodies, with unjustified barriers and unnecessary complexities that slow down the extension of these networks. Passing a new General Telecommunications Act and simplifying rules and procedural management will be the key to boosting the deployment of new networks. These measures are accompanied by the development of a national strategy for ultra-fast networks to boost its implementation in Spain.

*ii. Develop a digital economy for the growth, competitiveness and internationalization of Spanish companies*

The Agenda proposes measures to: bolster the transforming use of ICTs in companies; boost e-commerce; promote an innovative industry of digital content; enhance opportunities for the electronic industry; encourage the internationalization of technology companies; support the development of future industries and strengthen the ICT industry through the development of technological projects in public services.

The efficient and intensive use of ICTs in companies, especially in SMEs and micro-companies, will be a key factor in improving the productivity of the Spanish economy. The Digital Agenda proposes to: promote access to ultra-fast broadband in SMEs; stimulate ICT use in companies through an integrated approach; support the development of ICT solutions in underserved areas; and further the use of electronic invoicing.

Electronic commerce is another indicator that shows the technological development of a society. The Digital Agenda for Spain takes on the objectives of the European Union to get at least 50% of the population to shop online and 33% of SMEs to shop or sell online by 2015. Aware of the situation that Spain is behind the European average in this field, measures have been proposed to help the adoption of electronic commerce by SMEs.

The digital content industry has enormous growth potential which places it as one of the most relevant sectors in the digital economy, which can then be transversely applied to the remaining sectors of the economy. To encourage the development of this industry, the following actions are proposed: a comprehensive plan shall be designed considering training, R+D+i, and public/private collaborative elements; legislation on intellectual property rights for the use of content in the digital realm shall be simplified; and development and internationalization shall be facilitated for companies that create, produce or distribute digital content.

*iii. Improve e-Administration and adopt digital solutions for efficient provision of public services*

The third goal of the Digital Agenda for Spain aims at increasing the effectiveness and efficiency of public administrative bodies and optimizing public expenditure, whilst maintaining universal and quality public services.

*iv. Reinforce confidence in the digital environment*

Establishing a climate of trust in the digital sector is an indispensable factor in order to accomplish an effective implementation of ICTs in companies and administrative bodies, as well as, promote the use of said technologies by citizens. With this purpose in mind, the Agenda considers adopting a comprehensive strategy that takes into account different areas and agents, of the public and private sector, involved in digital confidence and security. Also the Agenda serves to reinforce and supplement other strategies and plans of the Government in this area.

The Agenda proposes three main lines of action in terms of confidence: boost confidence in the services market; strengthen existing capacities to promote digital confidence; and promote organizations that show excellence in the field of digital confidence.

*v. Boost R+D+I system in Information and Communications Technologies*

Investment in research, development and innovation in ICT and the application of the accomplished results are key factors to improve the competitiveness of local companies and public administrative bodies.

In the case of the Digital Agenda for Spain the main lines of action are: to increase the efficiency of public investment in R+D+I in ICT; encourage private investment in this area; encourage these practices in small and medium-sized companies; and expand the Spanish participation in R+D+I in ICT in the international arena. The initiatives in this regard are aligned with the Spanish Strategy of Science, Technology and Innovation that highlights, among other things, the challenge of moving towards a digital society and economy.

*vi. Promote digital inclusion, literacy and the training of new ICT professionals*

The sixth goal is to achieve an inclusive Information Society where citizens and professionals receive a high level of training in order to truly benefit from the intensive use of ICTs. With this in mind, the Agenda considers two main areas of work. Firstly, to promote digital inclusion and

literacy and secondly, to digitalize current training systems and promote the training of new ICT professionals.

Digital training also brings about tangible benefits in the business and work realm. Adjusting the education system to cater to the needs of new ICT professions is an essential requirement. Therefore, different measures are proposed for various training levels.

The main action will be to improve the efficiency of fund allocation and management, so that it is possible to devote part of them to the training and acquisition of ICT skills.

### 3.4 Governmental Regulation of Crowdfunding

Crowdfunding has been regulated in Spain since 2015, when the consensus of all involved participants was reached after intensive negotiations were held between the government, crowdfunding platforms and bank institutions.

One of the first points of the law is a classification of the different types of crowdfunding. Here the law describes the following categories:

- *Traditional crowdfunding*  
This is the case in which, for example, an author who presents a work (a book, an album, an exhibition...) and finances it through financial contributions from different users, will then reward those users depending on the amount contributed. This type of crowdfunding is not affected by the new law.
- *Equity crowdfunding*  
Here a company that needs financing opens up to small investors who receive equity in the company in exchange. The new law affects this type of crowdfunding.
- *Crowdlending or P2P lending*  
Here a company or entrepreneur, in need of funding, comes to an agreement with small investors who will lend that money. In this case there is no transfer of shares: after a while, the entrepreneur will return the money to investors with interest, which was previously set. This type of crowdfunding is also affected by the law.

The law also distinguishes two types of investment figures: the accredited and non-accredited investor, whose investment limits are different. Accredited institutional investors are companies or funds with assets worth €1M, businesses worth €2M or equity of €300.000; as well as personal investors with an annual income higher than €50.000 and net assets of more than €100.000. Those who fall outside these conditions will be considered non-accredited investors.

Non-accredited investors will be limited to investments of €3.000 per company or no more than €10.000 per year and platform. On the other hand, accredited investors will not have investment limits, promoting the business angels of technology companies, whose investment amounts are usually much higher. The goal of these investment limits is to protect inexperienced investors in high-risk investments.

Investment limits are also defined for companies. Startups that decide to finance through *equity crowdfunding* with accredited investors may raise up to €5M. The limit of funding for

companies that use *equity crowdfunding* or *crowdlending* through non-accredited investors will be €2M.

When a company uses *equity crowdfunding* they set a specific funding target. However, the funding occasionally exceeds that amount if the project has motivated potential investors. With the new regulation, the law states that companies can never exceed 125% of the funding they had originally requested.

As financial intermediaries between companies and their investors, *equity crowdfunding* platforms are also regulated and supervised by the National Securities Market Commission (CNMV), which oversees their operations. Current platforms have until late October to formalize their application.

Moreover, *crowdlending* platforms work like credit institutions, hence they will be subject to the control and regulation of the Bank of Spain. In fact, when a small investor wants to check the credit history of an entrepreneur before lending them money, the Bank of Spain will regulate the forms that have to be submitted to the investor.

*Equity crowdfunding* companies must be established with a minimum capital of €60.000. However, if in the past year they have financed business projects with a value worth over €2M, the minimum capital will be increased to €120.000.

They must also have civil liability insurance with a minimum coverage of €300.000 and a total of €400.000 per year to meet all potential claims.

## 4. Spanish Startups

### 4.1 Successful Spanish Startups

This year *Alienvault* has collected the highest total investment in Spain with an amount of €45.3M, followed by *Wallapop* which raised €36.8M, *Jobandtalent* with €23M and *Carto DB* with €20.6M. Others worth mentioning are *PeerTransfer* (€17M), *Olapic* (€13.5M) *Typeform* (€13.3M) and *PackLink* (€11.3M). All of these, along with some other successful companies, are presented in the following section:

- *AGNITIO* specializes in identifying voices through biometrics. It helps governments to prevent crime and courts to provide evidence. One of their offices is based in Virginia, USA, necessitated by one of their major clients, the FBI.
- *Alienvault Unified Security Management*, the company that raised more than €45M this August, is a platform designed and priced to ensure that mid-market organizations can effectively defend themselves against today's advanced threats. It counts *NASA* as one of its customers.
- *CartoDB* is a startup that analyzes and visualizes location data through the cloud. Since their biggest clients (*NASA*, the cities of New York and Los Angeles, *Twitter* and *The New York Times*) are American, they moved their head quarter to New York. Since 2012 they have raised \$31M.
- *Farsens* offers low cost "wireless battery free sensors that allow for condition monitoring in almost any device and circumstance, thus providing endless opportunities", states the startup which is already selling in the USA and Japan.
- *Jobandtalent* is a job-matching platform founded in 2009. Currently, *Jobandtalent* counts 5 million users with 450.000 new users registering each month. In May the startup raised €23M.
- *Justinmind* is a system that creates prototype apps for various devices. It is used by *Google*, *HP*, *Cisco*, *NASA*, *Redbull*, and *Sony* among other major companies and was founded by, the Catalan, *Xavier Renom*. *Justinmind* was one of the first Spanish companies to establish itself in Silicon Valley.
- *Kantox'* idea is to disintermediate banks and brokers from the foreign exchange process, by driving down costs and administration time for companies. Instead of trading through a bank or broker, with *Kantox*, two trusted companies trade with each other directly (peer-to-peer). The FinTech startup has reached \$2,000M in total transactions and boasts more than 1,500 corporate clients.
- *Olapic* is a visual marketing startup that raised €13.5M this year. The company claims to increase engagement, revenue and ROI for their customers.

- *Peertransfer* provides paying and processing solutions regarding tuition and fees for educational institutions and their international students. At the moment the startup supports students from 220 countries and territories making educational payments.
- *Scyt! Online Voting* enables voters to securely and easily cast their vote from any location and on any device with a stable Internet connection and therefore has become the leader in internet voting with over 87% of the market share worldwide. Public institutions such as the European Parliament and the State of New York are using *Scyt!*.
- *Talent Clue* provides recruitment software that is currently being used by Accenture, Groupon, Applus Idiada, Cosentino, Media Markt, and Danone among other companies and universities.
- *The Mad Video* is a startup, which is already operating in the US market. The startup developed software that adds tags to videos. Companies like eBay, Sony and PWC are some of their customers.
- *Typeform* has developed a simple do-it-yourself system for online surveys that can be answered from any device. Some of their famous clients are companies like *Airbnb*, *Uber*, *The New York Times*, *The Financial Times*, *Salesforce*, *NIKE* and *Adobe*. *Typeform* increases their business volume by almost 20% each month, and are now creating 8M surveys per month. At the end of September, Index Ventures (UK) and some international business angels invested \$15M.
- *Wallapop* is a C-2-C platform where people sell and buy second hand products. In April *Wallapop* raised €36.8M of venture capital, the second highest investment in a Spanish startup so far this year.

## 4.2 Opportunities for Collaborations with Spain

These are some possibilities for foreign and Spanish companies to profit from bilateral collaborations:

- **Corporate venturing:** investing in high-potential start-ups (directly or through fund)
- **Venture capital and business angels:** investing in high-potential start-ups
- **Local community development:** sponsorship and engagement in local activities
- **Mentoring:** engage in direct support of start-ups with knowledge and contact
- **Access to markets:** give startups access to company, suppliers or sales channels
- **Education and training:** realization of innovation related seminars
- **Joint innovation:** collaboration in joint innovation projects in Spain

Some examples of successful German-Spanish startup collaborations already exist:

*RocketInternet*, one of the world's largest e-commerce focused venture capital firms and startup incubators, founded in 2007 in Germany, has expanded some of their startups to the Spanish market. Examples are *CupoNation*, *Spotcap*, *Westwing*, *Wimdu*, *Zalando* and *Zencap*.

*DaWanda*, Europe's largest online marketplace for handmade products, based in Berlin and operational since 2006, identified Spain as their new target market. They have detected an opportunity for about 190.000 self-employed designers with only 5% who already sell online. *DaWanda* gives them access to 2 million potential buyers across Europe – without risk or high initial investment.

*Packlink* was established in 2012 and is already collaborating with more than 20 transport companies (e.g. DHL, UPS and TNT). At the moment, the startup is selling 300 different services and is operating in 4 countries (Spain, Germany, France and Italy) with the possibility to provide global service. *Packlink* has raised a total of €24.9M until now (September 2015), the latest investment (€11.1M) was financed by *Accel Partners*, *ACTIVE Venture Partners* and *Eight Roads Ventures*.

*Graphenano* has developed a reliable and secure method of graphene manufacturing, providing several productions of graphene daily with unusual sizes. The company consists of young entrepreneurs from Yecla, Madrid, Valencia and Munich, with a 90% Spanish and 10% German capital share. The headquarters are located in Yecla (Murcia) and they have sales offices in Munich, Dallas and Jinan (China).

## 5. Role of German Chamber of Commerce for Spain (AHK Spanien)

The core mission of the AHK is to promote economic relationships between companies in Germany and Spain. In our daily activity, we serve the business and investment needs of interested parties in our network, which has steadily grown through the years.

For foreign corporate or financial investors it is especially difficult to get to know the Spanish startup scene, and its enormous possibilities, without a large network in this special entrepreneurial ecosystem. Here is where the AHK offers vital assistance.

In this context we can help all types of investors, from corporate investment managers to venture capitalists or business angels, to find the right investment projects and startups in Spain via steady scouting of the Spanish entrepreneurial ecosystem along with a clear definition of your investment requirements. We can also offer investors a regular deal flow of startups that interest us after a brief study of the innovation value of each project. Both options have the same goal, to open the possibility of investing in highly innovative projects in Spain.

Furthermore we provide support to German startups looking to start operations or commercial activity in Spain. It is important to mention our main consultancy areas:

- Company building in Spain
- Tax and legal support
- Establishment of business alliances
- Recruitment of personnel

All these services are provided by a young, innovative and motivated team, which is continuously searching for the best opportunities to share with you.

For further information please contact us:

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