

## Scaling up European Companies in the US. Challenges and Solutions

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### 1. Scaling up in the US.

Once a European scaleup has demonstrated product-market fit and is showing commercial traction in its home market, it is often looking to scale up and grow overseas. For the sake of this article, let's call such startup a scaleup. The first port of call is usually in a country sharing a border or a language. The UK, France and/or Germany are often the main targets of scaleups looking to expand in one of the larger European economies.

However, scaling up within Europe has its challenges. The continent remains fragmented. Each country has its own set of rules, tax codes, without mentioning language. Each European country is a different market and tackling a new market requires resources and presents risks.

The US remains the market where many scaleups, depending on their business model, want to end up. It has a large internal market, is homogeneous, with one common language. It is a market where scaling up big is possible. Showing commercial traction in the US can also bring other benefits to European scaleups, such as a bump in valuation, and a route to a US exit.

However, when and how to enter the US market is a major decision for most European scaleups. The marginal costs and efforts are significant and the risks high:

- Entering the US market is a drain on both time and finances, done at the expense of a domestic or European expansion. Failure to execute properly can in some instances jeopardize the very existence of the scaleup
- Ignoring the US market and entering it too late is also a risk. A competitor scaling up in the US can take a decisive lead on the European scaleup, and also jeopardize its very existence.
- Ignoring the US market is also a missed opportunity to give a serious shot at market which can deliver a significant boost to revenues and valuation.

When and how to enter the US market remains a constant conundrum for most European scaleups. And many will simply not enter the US.

For those taking the leap, there are a number of options available:

- Go alone: this option has the benefit of the scaleup maintaining the entire control and equity of its US scaleup. But it significantly underestimates the resources needed in terms of time and

money to implement, without even considering the experience needed to enter such a large and different market.

- Use service providers: consultants, accelerators and other incubators. They are meant to provide the scaleup with a landing hand in the US. However those options usually suffer from shortcomings.
  - o A misalignment of interest. The service providers get paid cash and/or equity for doing some work. The providers that just get cash are obviously not aligned. Whether the scaleup succeeds or fails still ends up a profitable operation. Those that get given free equity are handed out a free option.
  - o In most instances they lack experience building successful businesses on their own

## 2. Venture Scaling USA: a Joint Venture partner that will build your US business (<https://montecarlocap.com/venture-scaling-usa/>)

Seeing both the need of European scaleups as well as the need to provide a significantly more compelling alternative, Monte Carlo Capital and Ilove Capital teamed up to offer an alternative solution: Venture Scaling USA

In essence:

We have a team of 25 full time employees in the US. We have built 16 businesses over the past 5 years with 8 more in the pipeline for the next 2 years.

So what's attractive for the European scaleup? We build the scaleup's US business.

We are NOT consultants. We are NOT an incubator or an accelerator. We do NOT charge fees. We are business builders and our only upside is by building a successful US business.

The JV is co-owned by the European Scaleup and us.

We can also extend the geographic scope to include all North America and Brazil (where we also have a strong foothold).

- o Our main focus is to build distribution
- o We can finance the business
- o We hire the team
- o We will establish the office in our headquarter in Columbus, Ohio, inside the Ohio State University, (which is significantly cheaper than building a team on the East Coast or the West Coast), in NY or in Miami.

This is all done in collaboration and support of the scaleup

Given the resources we put into each business and that our only upside is the equity, we are very selective on the types of businesses we partner with. We seek businesses:

- o that are showing commercial traction in at least one European country

- that have a unique know-how / expertise and a competitive edge against all other existing solutions
- that we can build to a very minimum of \$20M in annual sales within 5 years

- How does the process work in practice?

- The scaleup sends us an overview of the business and technology
- We will then arrange an introduction call
- If both parties wish to pursue, we will draft a MoU
- We will then assign a project manager who will coordinate a due diligence on the technology and the business, and prepare a preliminary business plan for the US market.
- Once the plan is agreed on, we set up a Joint Venture, and start implementation.

- Why is this a better alternative than existing options?

The JV aligns interests. We have a team of 25 people dedicated to building businesses, including entrepreneurs in residence, legal, accounting, business development, etc. And on top of we have teams in each of the 16 individual business whom we can leverage.

The main cost to the Scaleup is to part with a part of the equity in the US business.

However the scale of the resources we can deploy is significantly greater than any scaleup will typically be able to deploy before years. The scaleup will end up with a share of a significantly larger business, with a significantly greater chance of success than going it alone, and with greater speed.

### 3. Profile of Venture Scaling USA partners

Venture Scaling USA is a partnership between Monte Carlo Capital and Ilove Capital

#### Monte Carlo Capital ([www.montecarlocap.com](http://www.montecarlocap.com)):

Ian Sosso founded Monte Carlo Capital in 2009 initially to invest his own capital, with a main focus on early-stage businesses. Today, MCC is a group of high net worth individuals and family offices investing directly into scaleups in Europe and the US. Monte Carlo Capital seeks business that are highly disruptive with significant upside. Ian is the lead investor in most businesses founded by Ilove, and in 2019 won the award for best European early stage investor. Ian is also a board member of EBAN, the Brussels based trade association of business angels and early stage investors, representing 30,000 angels in over 50 countries. Ian lectures venture capital at the university of Monaco.

#### Ilove Capital ([www.ilovecapital.com](http://www.ilovecapital.com))

Ilove core business is to build businesses around intellectual property licensed directly from US universities. Ilove has built 16 businesses, with 8 more in the pipeline for the next 2 years. Ilove is based in Columbus Ohio (where running cost for a scaleup is a fraction of the US East Coast and West Coast) with offices in NY and Miami, with a team of 25 which includes scientists, business development, full time lawyers, accountants, marketing, etc. Each of the 16 business built employs its own team, and keeps being by Ilove as the business grows.