

A Work Project, presented as part of the requirements for the Award of a Master's degree in  
Management from the Nova School of Business and Economics.

**LEGAL SAGE:**  
**RESHAPING CASE ANALYSIS FOR LEGAL PROFESSIONALS**

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## **Abstract**

The following thesis regards a real-life simulation of a startup focused on developing an innovative product for the legal industry, which aims to help lawyers in conducting a more efficient case analysis.

The work project begins with an overview of the business plan for Legal Sage, outlining its objectives and the foundational structure of the project, from its use case to the financial forecasts. Subsequently, an investment memorandum is presented to evaluate the startup from an investor perspective, analyzing the proposed venture and assessing the viability of a potential investment opportunity.

**Keywords:** Software as a Services, Legal Technology, Entrepreneurial Finance, Startup Valuation, Business Plan, Investment Memorandum, Entrepreneurship

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## **Business Plan (Founder Perspective)**

### **1. Legal Sage and current challenges for lawyers**

In 2024, Italian lawyers reported that activities related to court cases accounted for almost 60% of the total business volume generated, which amounts at €66,519 (Cassa Forense 2024, 28). The importance of the law practice related these activities is reflected by the extensive research and analysis required for the case preparation, which involves identifying key information related to the case at hand. Specifically, this activity includes examining past court decisions with similar characteristics and researching specific laws applicable to the client's case, especially in broad topics as civil and labor law, where a deep analysis of different legal frameworks is required to have a comprehensive idea of the whole case: as an example, the recently introduced EU directive, the AI Act, requires lawyers to expand their expertise by integrating AI competencies to address complex challenges (4cLegal 2024, 9) . In this context, lawyers face a significant workload, characterized by the drafting of the documentation required and, most importantly, the development of the strategic approach to adopt in each case: besides, the growing complexity of the legal system contributes to create more uncertainty regarding possible outputs of court cases, requiring a increasing volume of information that must be analyzed to ensure an accurate case preparation. In fact, 29% of lawyers reported to spend between 5 and 10 hours for court cases preparation, mainly due hurdles related to analysis of the case and research of appropriate law cases, as results from a survey of 50 lawyers are presented in *Appendix 13.1*. In this context, lawyers face significant challenges in formulating the best approach for their clients' cases due to the inadequacy of the traditional tools available in law firms. Therefore, they are deeply impacted by this situation especially regarding time management, posing the risk to deliver worse quality outputs to their clients for the fact of not having enough time to properly analyze and assess each case.

Nonetheless, lawyers are more and more curious about the potentialities of new technologies related to Artificial Intelligence (AI) that can help them to boost their productivity and improve the output required by the client: in fact, research show that at least 58% of them see AI as a big opportunity to improve the output of their daily tasks (Cassa Forense, 2024, 54). In addition, they have increased their expenditures in technological tools by 7%, averaging 9,500 € per law firm, a trend expected grow in the next years (Osservatorio Politecnico di Milano 2023).

In this context, to improve lawyers' productivity and quality of the output, Legal Sage plans to propose an innovative product which will reshape the way Italian lawyers realize case analysis, providing them all the necessary information to create the best strategic approach for their clients' cases, simplifying the legal research activity through delivering a data-oriented approach that exploits the latest and most accurate Large Language Models (LLMs) technologies.

## **2. The Product**

### **2.1.1 Core feature and use case**

Legal Sage, as a Software as a Service (SaaS), wants to reshape the way that lawyer's approach and develop the best strategies for the court case they face. By leveraging Artificial Intelligence and statistical analysis, the tool will identify the most cited laws and court cases by lawyers and judges in sentences which share similar content with the case faced by the lawyer, ranging from civil code articles to judicial rulings in past court decisions in the field of civil and labor law. In this way, the software will provide users a comprehensive and informed overview of the case they face, allowing them to assess risks in an effective way and helping them to understand the optimal course of action (e.g. pursuing litigation or exploring alternative resolutions).

For more clarity, a use case will be considered. In the following scenario, a legal professional handles a dispute involving vehicle damage caused by an atmospheric event. In this scenario, the user accesses the platform, types his/her specific questions or areas of inquiry into Legal

Sage’s search bar. From a technical point of view, the interface presents a very intuitive design, especially the bar feature which is designed to give users flexibility to describe their case and insert the details that are involved. Additionally, it is very important to provide a clear and detailed description of the case the user is going to face, since the more comprehensive and specific the user’s prompt, the more accurate and relevant the output will be.

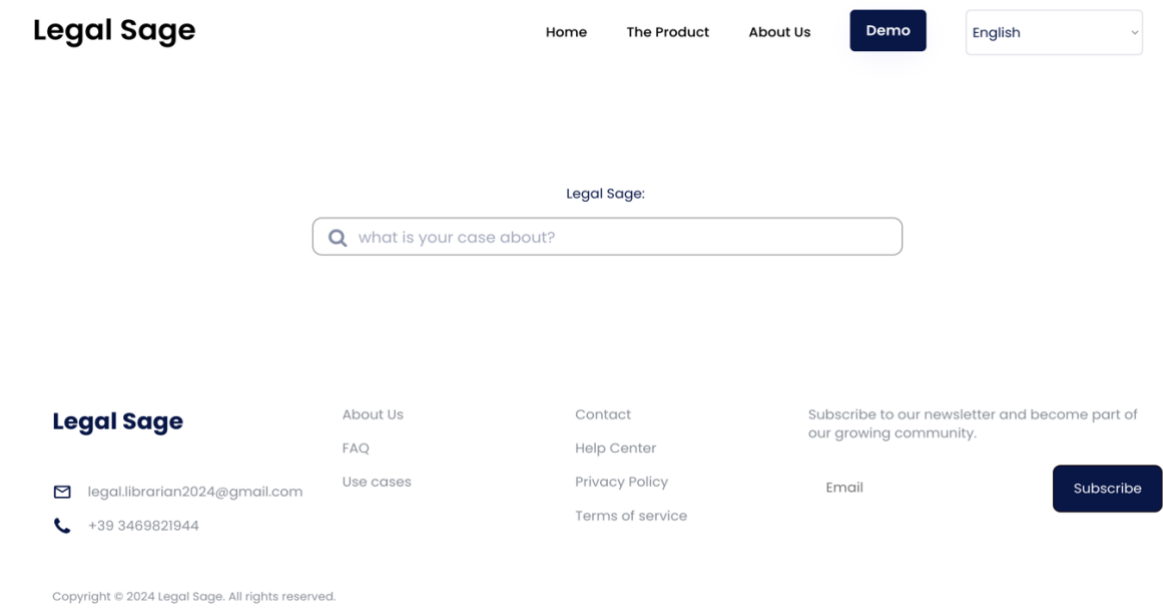


Figure 1: Legal Sage’s search bar

After entering the input data, the platform will generate a bullet-point summary that highlights the key information that the user will need to deeply understand his or her case.

Here's what Legal Sage can tell you about your case:

According to Legal Sage, the strategy most often adopted by the losing party has the following characteristics

- in 7 out of 10 cases, the party used Article 2043 of the Civil Code.
- in 8 out of 10 cases, the party used Article 2051 of the Civil Code.

According to Legal Sage, the strategy most frequently adopted by the winning party has the following characteristics

- in 8 out of 10 cases, the party used Article 1227 of the Civil Code.
- in 7 out of 10 cases, the party attached the 'fortuitous event' principle
- in 8 out of 10 cases, the party attached the principle of exceptionality and unforeseeability.

According to Legal Sage, the judge's reasoning follows the following case law:

- in 8 out of 10 cases, the judge attached art. 2051 c.c.
- in 7 out of 10 cases, the judge attached the principle of the etiological link between the 'thing in custody and the harmful event'
- in 8 out of 10 cases, the judge attached the principle of 'fortuitous event and quid iuris'.
- in 8 out of 10 cases, the judge cited Cass. Civ., Sec. Un., Order No. 2094 of 30 June 2022.
- in 6 out of 10 cases, the judge cited Cass. Civ., Sec. VI, 30 March 2022, no. 10188.

*Figure 2: Extract of expected output after query*

In the use case presented, the software shows three types of information, grouped in boxes: first, it reports the most cited court cases and articles, on an historical basis, by the lawyer who was awarded as “winner” of the case, reporting his/her strategy adopted; secondly, it reports the most cited court cases and articles of the lawyers who were awarded as “defeated” in previous cases, showing then the strategies that are not likely to be used to win the cases; thirdly, the software shows the orientation of the jurisprudence in previous court cases, providing a comprehensive overview about the expected reasoning that the judge will provide in the decision. All the boxes report the information regarding the cases and law cited from a statistical perspective, which gives a strong value to what Legal Sage produces as an output.

Besides providing key insights that help in the creation of the strategy, the software provides the average and median values of the compensation awarded from the judge to the winning part,

allowing the user to assess the extra value is going to obtain after the court case or that the client would be likely to pay in case of defeat.

Alongside the described features, Legal Sage will provide the integral document of the most recent and similar court cases to the one faced by the user, to allow him/her to dive deeper in the search of information in a specific case without having to get lost in tumultuous activities of searching for documents in the legal databases of their providers. In this context, the legal research side of the software will be strengthened by the possibility to consult each article and court case cited in the boxes reported via a special link, giving the possibility of supplementing the analysis of the case with legal references without having to carry out further research.

Finally, Legal Sage plans to provide guidelines for the users to teach them how correctly writing prompts and to obtain the most precise output possible. In fact, Legal Sage believes that educating on the importance of prompts given to the platform will help users to understand the infinite potential hidden in AI tools and to prepare them for gaining the future soft skills that will be fundamental in the next future.

Thus, Legal Sage has the ambitious objective of providing a complete analysis of a specific legal case, providing all the information necessary for the lawyer to create the best trial strategy and optimize his time.

### **2.3 The Team**

Legal Sage's journey starts from the story of one startup's founders, Giovannino, who remembers about his childhood when he used to notice the high workload of his father, a lawyer from a small law firm, working day and night to resolve the most complex legal cases amidst mountains of paper documents, frequently staying up late to meet deadlines.

Today, Giovannino is a fundraising analyst for the startup LusoVU, which focuses on Augmented Reality products, and holds a Law degree and is completing his master's degree in management with specialization in finance. To support the development of the platform,

Giovannino is advised by Dario Del Gaizo, a data science graduate from Politecnico di Milano and KTH University who works in AI consulting startup: specifically, he advises the founder in the search and assessment of the right Chief Technical Officer (CTO) who would be ready to develop the platform at full scale and unlock its potential. Alongside that, Legal Sage can rely on experienced legal professionals who will help the founder to expand the network of lawyers that will potentially be helped by Legal Sage, such as Serena Monina, the secretary of the Law Bar association in Teramo (Abruzzo).

### **3. Market Analysis**

#### **3.1 The Market size**

To provide a comprehensive analysis of the market in which Legal Sage is going to operate, there are several aspects to take into consideration. Focusing on the Legal Technology market in Italy, it's appropriate to provide a precise definition: in fact, it refers to all technologies applied to legal services, ranging from legal research and analytics to billing services and digital signatures. Its market size is €35.000.000 in revenues, showing a strong growth compared to 2021, when it was €23.000.000 (+ 33%). Given these characteristics, Legal Sage has ahead a very large and well-developed market in the field of legal services, presenting various opportunities to enter successfully the Italian market. Indeed, it is necessary to carry out an analysis of the entire available market to understand which customer segment we will target. In this sense, the Total Addressable Market (TAM) will be addressed, followed by the Serviceable Addressable Market (SAM), and Serviceable Obtainable Market (SOM).

Focusing on TAM, the target customers of the product are lawyers: indeed, the number of registered lawyers amounts to 236.946 professionals, of which 221.523 are considered active. Indeed, the TAM is likely to be 221.523, with a value of 253.173.037.

Focusing instead on the SAM, the main target of Legal Sage centers around lawyers who work mainly in the areas of civil and labour law. To estimate a potential figure, it is assumed that

62% of lawyers work in these areas, as this percentage corresponds to their main annual business volume in these areas (Cassa Forense 2024, 29): additionally, 62% of survey respondents stated that their key areas are civil and labour law, as *Appendix 13.1* shows. Indeed, the number obtained is 137.345. After that, the number of active lawyers up to 50 years is 119.210, which corresponds to the 53% of the total. Specifically, the choice of this number is based on the fact that lawyers after 50 years old may be reluctant to change their work habits, according to the phenomenon of “resistance to change”, as workers with more years of seniority tend to show resistance due to a lower technological self-efficacy and higher effort expectations (Venkatesh 2003). In this context, in absence of specific data on the age distribution of civil and labour law practitioners, it is assumed that 53% portion applies in this case as well. Indeed, the number must be reduced to 73.891 professionals, with a value of €88.269.701.

Finally, for the identification of the SOM, the main assumption is to acquire a market share of 22% of the aforementioned SAM within five years, given the projected expansion of the Legal Tech market in Italy and the value proposition Legal Sage centers around. Indeed, the SOM should be 16.092, with a value of €20.180.905. For a comprehensive view of the TAM, SAM and SOM, please see *Appendix 13.2*.

### **3.2 The Competition**

In the Italian landscape, the main competitors are identified in three groups: AI-platform developed for legal research purposes, AI assistants for legal content and Legal databases providers.

***AI-platform developed for legal research purposes:*** the companies identified in this group are Lexroom.AI and Lisia.AI, startups which both focus on legal research and document drafting by providing AI-oriented solutions to allow lawyers to save time. Today, none of the mentioned companies offers an approach which combines the key features of legal analytics, which

analyses vast amounts of complex legal data, and legal research solutions, which streamline the process of finding laws and court cases to help lawyers in saving time, indeed standing with a unique combination of technical elements and a tailored approach for lawyers' cases. In addition, competitors have faced issues regarding the precision of their software to provide the most recent court cases for the specific need of the user: as reported by users, having the most recent cases creates a strong advantage in court cases because it allows lawyers to be updated with newest jurisprudence and to increase their knowledge. Lastly, no competitors have inserted a tailored guide about how to correctly write queries to get the most precise output possible, educating users to AI potential and increase the retention in the platform.

***AI assistant generating legal content:*** Explurimis and Simpliciter.AI are chosen as main competitors. In both cases, the tools they provide focus on generating content regarding the query of the user (e.g. provide what is the definition of a specific article of the Civil Code). Nonetheless, they present several issues related to the specificity of the output generated and tend to miss clarity and detailed about the output provided, not being able yet to add value for the user.

***Law database providers:*** those are Giuffrè Francis Lefebvre and Wolters Kluwer. Specifically, they are the main providers for Italian law firms regarding court cases' databases and scientific articles, alongside training courses and management software. In their current plans offered, both the companies have developed AI-related features (e.g. summary of a court case), but the limited functions provided to lawyers have not significantly incentivized users to adopt these features.

| FOCUS                               | Legal Sage                                 | LEXROM.AI  | lisia | Explurimis | simpliciter.ai                            | GIUFFRÉ FRANCIS LEFEBVRE | Wolters Kluwer |
|-------------------------------------|--|--|-------|------------|---|--------------------------|----------------|
|                                     | AI PLATFORM FOR LEGAL RESEARCH & ANALYTICS | AI PLATFOFORM FOR LEGAL RESEARCH AND DOCUMENT DRAFTING |       |            | AI ASSISTANT FOR LEGAL CONTENT GENERATION | LEGAL DATABASE PROVIDERS |                |
| Credibility and Network             | ✓  | ✓  | ✓     | ✗          | ✗   | ✓                        | ✓              |
| User Friendly UX Design             | ✓  | ✓  | ✓     | ✗          | ✓   | ✗                        | ✗              |
| Legal Research of Similar Cases     | ✓  | ✓  | ✓     | ✓          | ✓   | ✗                        | ✓              |
| Historical Analysis of the Cases    | ✓  | ✗  | ✗     | ✗          | ✗   | ✗                        | ✗              |
| Daily Updates on Latest Court Cases | ✓  | ✗  | ✓     | ✗          | ✗   | ✓                        | ✓              |
| Guiding Precise Prompt Crafting     | ✓  | ✗  | ✗     | ✗          | ✗   | ✗                        | ✗              |

Figure 3: Competitor analysis

## 4. Development Roadmap

### 4.1 Current state of things and technical milestones

Legal Sage plans to establish itself as the key service provider for the law market in Italy: to achieve that, several steps will be needed. As of now, the product is in a “*low-fidelity*” Minimum Viable Product (MVP) state, and several lawyers from the founder’s home region (Abruzzo, Italy) have already expressed their interest in trying the tool once developed: in fact, 10 lawyers provided their email addresses through the surveys conducted by the founder and are eager to receive updates on the platform’s development. For this reason, the startup’s agenda is centered around the expansion of the current network of lawyers, who are likely to be the early adopters of the product, in order to show them the solution and get back insightful feedback that will be gradually implemented in the core features of the product. In this phase, the aim is to show legal professionals the potential of such a software tool, highlighting how powerful the merge between analytics and optimized legal research can be. Given the current state of things, the startup targets the transition from the “*low fidelity MVP*” phase to a “*High Fidelity MVP*” (Blank, Steve and Dorf 2024, 231), which represents the closest version to the final product in terms of design, functionality and user experience, in order to test the assumptions

made and gather feedback before full scale development. Specifically, Legal Sage plans to build the technical infrastructure of the product for testing the market on a basis of 100.000 court cases for the year 2025. The following year, the platform will be able to manage and analyse optimally the data of around 1.000.000 legal cases. Since then, Legal Sage will make the technical infrastructure scale as the number of users grow: for a comprehensive overview of the IT infrastructure, please see *Appendix 13.3*. At the same time, building a software product which analyses court cases requires the gathering and extraction of raw data from court cases and laws in order to produce a valuable output for the final user. Under the assumption made, the dataset required for Legal Sage is composed of two types of content: Italian and EU court cases and legislation.

***Court cases:*** the main focus will regard the gathering of the sentences issued by the Italian and European judicial bodies, from the first instance up to the Supreme Court. Under the assumptions made, these documents can be collected through *scraping* techniques that can be realized either on the web or directly through the “Banca Dati di Merito”, a portal created by the Italian Ministry of Justice that allows all citizens to consult and download judicial decisions issued from 2016 to the present. In this regard, the main issue regarded the feasibility to extract data without breaking any law, especially GDPR related. Indeed, a legal assessment was to determine the feasibility of such an activity. As a result, these data can be freely downloaded as they are considered ‘public data’ and can therefore also be used for commercial purposes.

***Italian and EU legislation:*** these documents are fully accessible by going to government portals or third-party providers such as websites: thus, the scraping activity proposed for the sentences will be used as well.

#### **4.2 Strategic Pipeline and Expansion**

The expansion of Legal Sage’s current customer base will focus on developing strategic partnerships with key stakeholders, as growing of the network of lawyers interested in the

product is essential for effectively penetrating the Italian market. Among the stakeholders available to partner with, an analysis was realized and the following ones were identified as core partners.

First, Legal Sage plans to partner with regional courts to strengthen and broaden its user network: initially, the startup will focus the regions on central Italy, specifically Lazio, Abruzzo, Marche, and Umbria. This strategic decision is driven by the absence of Legal Tech startups in these areas, providing a significant opportunity to build a robust community of users within the Legal Sage network. Following this initial phase, the startup plans to extend its reach to other regions of Italy, involving partnership with other regional tribunals and law bar associations. These collaborations will have the aim to get access to court databases, allowing the company to enrich its product offering and gather insights from judges and court administrators to develop tailored solutions and address their specific needs.

## **5. Business Model**

Given the type of product and of customer Legal Sage plans to target, the type of business model proposed centers around a business-to-business approach (B2B), targeting lawyers. The revenues model itself, in fact, is very simple since the startup plans to get revenues from the usage of the platform.

### **5.1 Pricing strategy**

The proposed subscription model is designed to offer the maximum value obtainable to users. Specifically, it centers around a monthly subscription plan, charging customers at the end of every month. In terms of pricing strategy, the startup has opted for a value-based approach after considering several alternatives: a cost-based approach, although it creates short-term competitive advantage by underpricing competitors, bears the risk of underpricing the product; in fact, selling under the real value of our product may undermine the long-term potential of the company. Instead, the value-based approach focuses on maximizing the perceived value of the

product aligning the benefits it offers with the features included. In this way, the pricing charges on the real value delivered to customers.

In this way, the pricing strategy centers on the value generated for the lawyer thanks to the tool. In fact, the average annual revenue of lawyers in Italy is €66.519 per year and the judicial activity represents around 59,3% of their total salary (Cassa Forense 2024, 120), which leads to monthly revenue of €3.287. In this context, Legal Sage targets to help lawyers save at least 20% of their time and 15% of the indirect costs associated with judicial activities. Assuming that 50% of their working hours in activities related to the judicial side, the amount gained by the lawyer would be around €263: in addition, Legal Sage wants to capture 30% of the value created to the client, in order to stay in line with the prices proposed by competitors. Therefore, the starting price is 78€, which is a threshold that reflects the affordability, reliability and high value of Legal Sage. In addition, it will be increased by 10% annually: this choice aims to reflect the improvements of the product, and the new features added from the feedback received from clients. Please see *Appendix 13.4* for a complete overview of price development.

## **6. Financial Forecasts**

The financial forecasts will present what will be Legal Sage main sources of income and costs over a period of 5 years.

### **6.1 Profit & Loss Statement**

#### ***Revenues***

The first step to present the revenue model revolves around Legal Sage expected customer's growth. As a SaaS Startup, Legal Sage's principal revenue source will be its subscription-based model catering to lawyers. Given the current market dynamics and analysis of competitor growth rates, Legal Sage projects a monthly customer growth rate of approximately 16%. However, it is assumed that not all the customers will be satisfied of the product and then retain

their subscriptions: in fact, potential reasons for discontinuation could include finding the product less beneficial than expected or facing issues in the adoption and usage. To address this, the main assumption is that Legal Sage will incorporate a monthly churn rate of 3,5% (Recurly Research 2024): in 2026, the metric is expected to decrease at 3% and from 2027 is expected to be at 2% onwards. Indeed, Legal Sage expects a Net Customer Growth rate at around 12,5% per month initially, with projections to increase to 18% per month in the year the company reaches profitability. Therefore, revenues are expected to be €7.992 in 2025 as the product will reach its first customers, and then significantly growing in the following years: as financial projections show, a positive Net Income is expected in 2028 (€533.397), with break-even expected to be reached in the first months of 2029.

### ***Marketing***

Legal Sage's marketing strategy is designed to exploit the power of content marketing to drive subscriptions and build strong customer engagement. This approach is strategically designed to accelerate the expansion of Legal Sage's network of legal professionals and significantly enhance the company's visibility within the industry. In 2026 and 2027, marketing expenses will be around 40% of revenues, as Legal Sage plans to push at its most in the first years to achieve the milestones set. In year 2028, the company plans to hire a marketing specialist who will have the task to optimize expenses and realize targeted campaigns, leading a decrease at 30% for 2028 and 2029. For a detailed overview of the company's employees, please see *Appendix 13.5*. Regarding important metrics to assess the marketing efforts over the increase of subscribers, the main ratio considered is the Customer Acquisition Cost (CAC). In 2025, Legal Sage plans to start with a CAC of 450€, which is projected to decrease in a stronger way due to the growth of subscribers and the expansion of the network of lawyers existing. In addition, Customer Lifetime Value (LTV) is considered to understand the long-term potential of the startup and its value is € 1.363, which stays into the 3:1 ratio to CAC (Venkatesh and

Manglick 2021) meaning that the value of a subscriber should be 3x the value of acquiring him.

Main assumptions include a discount rate at 10% and a yearly retention rate at 65%, which is expected to 69% in 2026 and to 78% from 2027 onwards.

A comprehensive image of the Profit & Loss Statement for the period 2025-2029 is provided below.

| Year                                | 2025                 | 2026               | 2027             | 2028               | 2029                |
|-------------------------------------|----------------------|--------------------|------------------|--------------------|---------------------|
| <b>Revenues</b>                     | <b>7.992 €</b>       | <b>51.035 €</b>    | <b>291.673 €</b> | <b>1.816.248 €</b> | <b>11.309.793 €</b> |
| Subscribers                         | 20                   | 89                 | 502              | 2843               | 16092               |
| Price                               | 78                   | 86                 | 94               | 104                | 114                 |
| <b>Cost of Good Sold (COGS)</b>     | <b>- €</b>           | <b>- €</b>         | <b>- €</b>       | <b>- €</b>         | <b>- €</b>          |
| <b>Gross Profit</b>                 | <b>7.992 €</b>       | <b>51.035 €</b>    | <b>291.673 €</b> | <b>1.816.248 €</b> | <b>11.309.793 €</b> |
| <b>Personnel</b>                    |                      |                    |                  |                    |                     |
| Employees Wages                     | 165.000 €            | 240.000 €          | 285.000 €        | 330.000 €          | 396.000 €           |
| Rent                                | - €                  | 6.000,00 €         | 12.000 €         | 24.000 €           | 36.000 €            |
| Employees Engagement                | - €                  | - €                | 2.000 €          | 2.400 €            | 2.880 €             |
| Travel                              | 2.000 €              | 2.700 €            | 3.400 €          | 18.162 €           | 113.098 €           |
| <b>IT Infrastructure</b>            |                      |                    |                  |                    |                     |
| Software Licences                   | 3.000 €              | 3.600 €            | 14.584 €         | 90.812 €           | 565.490 €           |
| Data Storage                        | 481 €                | 5.529 €            | 6.082 €          | 6.690 €            | 7.359 €             |
| API usage                           | 17 €                 | 50 €               | 250 €            | 1.669 €            | 16.688 €            |
| <b>Marketing</b>                    |                      |                    |                  |                    |                     |
| LinkedinAds                         | 2.500 €              | 10.207 €           | 58.335 €         | 272.437 €          | 1.696.469 €         |
| GoogleAds                           | 1.000 €              | 5.104 €            | 29.167 €         | 90.812 €           | 565.490 €           |
| Networking Events                   | 1.000 €              | 5.104 €            | 29.167 €         | 181.625 €          | 1.130.979 €         |
| <b>Transaction &amp; Compliance</b> |                      |                    |                  |                    |                     |
| PSP fees                            | 40 €                 | 255 €              | 2.917 €          | 18.162 €           | 113.098 €           |
| Legal & Consulting expenditures     | 6.000 €              | 5.104 €            | 14.584 €         | 18.162 €           | 56.549 €            |
| Insurance                           | 1.000 €              | 2.552 €            | 14.584 €         | 18.162 €           | 56.549 €            |
| Administration and Miscellaneous    | 720 €                | 864 €              | 1.037 €          | 1.244 €            | 1.493 €             |
| <b>Operating Expenses</b>           | <b>182.758 €</b>     | <b>287.068 €</b>   | <b>473.106 €</b> | <b>1.074.340 €</b> | <b>4.758.141 €</b>  |
| <b>EBITDA</b>                       | <b>- 174.766 € -</b> | <b>236.032 € -</b> | <b>181.433 €</b> | <b>741.908 €</b>   | <b>6.551.652 €</b>  |
| Amortization                        | 6.221 €              | 7.465 €            | 8.958 €          | 9.854 €            | 10.839 €            |
| Depreciation                        | 4.800 €              | 6.400 €            | 2.800 €          | 3.900 €            | 4.290 €             |
| <b>EBIT</b>                         | <b>- 185.787 € -</b> | <b>249.897 € -</b> | <b>193.191 €</b> | <b>728.155 €</b>   | <b>6.536.523 €</b>  |
| Interest                            | - €                  | - €                | - €              | - €                | - €                 |
| Taxes                               | 24%                  | 24%                | 24%              | 174.757 €          | 1.568.765 €         |
| <b>Net Income</b>                   | <b>- 185.787 € -</b> | <b>249.897 € -</b> | <b>193.191 €</b> | <b>553.397 €</b>   | <b>4.967.757 €</b>  |

Figure 4: Profit&Loss Statement Projections

### 6.2 Cash Flows Statement

After the Profit & Loss Statement, the Cash Flows Statement explains how the startup generates and uses cash. As main assumptions, Legal Sage takes into consideration accounts receivable and accounts payables. First, the computation of account receivables is made considering the average number of days to receive the payment invoice. On average, B2B SaaS reported to take 60 days to collect account receivables (Upflow 2024), and Legal Sage team believes that this number will be held constant in the first 3 years of the project: onwards, the average number of

days will decrease by 15 days and remain constant. Instead, account payables are expected to be 5% of legal and consulting services in the first year, with the percentage growing by 10% onwards. Regarding Free Cash Flow (FCF), the first three years will present a negative amount related to CAPEX and a negative Net Income, expecting a funding need of €898.528 before the company will generate positive cashflows, which are forecasted for 2028 alongside with profitability. At the same time, the founders are supposed to finance the beginning of the project with their own cash, which amounts to €50.000.

A comprehensive image of the Cash Flow Statement for the period 2025-2029 is provided below.

| Year                               |   | 2025         | 2026         | 2027      | 2028      | 2029        |
|------------------------------------|---|--------------|--------------|-----------|-----------|-------------|
| Net income                         | - | 185.787 €    | 249.897 €    | 193.191 € | 553.397 € | 4.967.757 € |
| Depreciation & Amortization        |   | 11.021 €     | 13.865 €     | 11.758 €  | 13.754 €  | 15.129 €    |
| <b>Changes in working capital</b>  |   |              |              |           |           |             |
| Accounts receivable                |   | 1.314 €      | 8.389 €      | 47.946 €  | 223.921 € | 1.394.358 € |
| Inventories                        |   | - €          | - €          | - €       | - €       | - €         |
| Account payable                    |   | 300 €        | 766 €        | 3.646 €   | 6.357 €   | 25.447 €    |
| <b>Cash Flows from Operations</b>  | - | 175.780 €    | 243.656 €    | 225.733 € | 349.587 € | 3.613.975 € |
| CAPEX                              | - | 56.702 €     | 79.532 €     | 117.124 € | 250.394 € | 1.206.625 € |
| Purchases of long term investments |   | - €          | - €          | - €       | - €       | - €         |
| <b>Cash Flows from Investing</b>   | - | 56.702 €     | 79.532 €     | 117.124 € | 250.394 € | 1.206.625 € |
| Investments incoming               |   | 350.000,00 € | 550.000,00 € | - €       | - €       | - €         |
| Dividends Paid                     |   | - €          | - €          | - €       | - €       | - €         |
| <b>Cash Flows from Financing</b>   |   | 350.000,00 € | 550.000,00 € | - €       | - €       | - €         |
| <b>Free Cash Flow</b>              | - | 232.482 €    | 323.188 €    | 342.858 € | 99.193 €  | 2.407.350 € |
| <b>Change in Cash flow</b>         |   | 117.518 €    | 226.812 €    | 342.858 € | 99.193 €  | 2.407.350 € |
| <b>Beginning Cash Balance</b>      |   | 50.000 €     | 167.518 €    | 394.330 € | 51.472 €  | 150.666 €   |
| <b>Ending Cash Balance</b>         |   | 167.518 €    | 394.330 €    | 51.472 €  | 150.666 € | 2.558.016 € |

Figure 5: Cash Flows Statement Projections

### 6.3 CAPEX

Legal Sage's capital expenditures are driven by three main components: Platform development, Hardware and Research and Development (R&D) costs. First, the cost of Platform development is computed based on the hours employees spend building the product: regarding this, the result is obtained by multiplying the total hours worked by the hourly salary and the number of working days over six months, taking into consideration an additional 20% is added as a contingency to cover unpredicted costs. Regarding Hardware expenses, they include

developers' workstations and small servers needed to realize local testing. Specifically, hardware is assumed to be purchased each time a new team member joins, computing it considering the difference between the resources required the current year and the previous one and accounting for any hardware still in use. R&D costs focus on the continuous improvement of prompt engineering side to ensure that the platform provides precise and accurate outputs for users' queries. Please see *Appendix 13.6* for an overview of the forecasted CAPEX.

## **Investment Memorandum (Investor Perspective)**

### **7. Company Overview**

#### **7.1 Purpose**

To transform raw data contained in court cases in high valuable content regarding the best strategies adopted by lawyers and the most influent judge's interpretations based on an historical case analysis.

#### **7.2 Problem**

Lawyers are forced every day to spend multiple hours for realizing a proper assessment of the legal case they're facing. Moreover, given the increasing complexity of court cases and diverse legal frameworks to be applied due to an increasing amount of information involved, lawyers struggle to efficiently locate the right information needed for a comprehensive case analysis.

#### **7.3 Solution**

Legal Sage is a Software as a Service platform designed to provide advanced analytics for legal professionals, mainly focusing on core subjects such as cases which involve the understanding of civil law (e.g. contract law) and labor law (e.g. unemployment law). Currently transitioning from low-fidelity to high-fidelity MVP phase, the platform presents a proof of concept with basic core features and is ready to gather feedback from lawyers. As present, Legal Sage plans to offer insights about the most-used legal strategies, presenting data on the likelihood of success or failure. Additionally, it provides an analysis of prevailing and minority jurisprudence

related to the case faced by the user, based on a statistical assessment of similar court cases. Legal Sage's long-term goal is to enhance decision-making and risk assessment for lawyers by leveraging AI to suggest optimal strategies tailored to each case faced.

## **7.4 Team**

Regarding the current team of Legal Sage, while the founder seems enthusiast and experienced about the topic, his inexperience in founding and scaling a startup, as this is his first entrepreneurial venture, could be a strong hurdle to overtake: in fact, his inexperience poses challenges, especially due to the high-stake nature of high-fidelity MVPs, which will be the next phase. In addition, the startup still needs to find a CTO, which poses challenges about the feasibility of the project. However, building a successful ventures center around the right recipe for the team composition, which regards experience, talent and alignment in vision. In fact, research show that around 60% ventures fail primary due to problems related to the team (Klotz, Hmieleski, Bradley and Busenitz 2019). In any case, experience alone does not guarantee success for early-stage ventures; while it broadens the team's resources pool, it needs to be partnered by soft skills, such as a shared entrepreneurial passion and a unified strategic vision (Harvard Business Review 2019). Furthermore, heterogeneous teams are, which have a broader range of skills and viewpoint, are better equipped to tackle complex challenges but may have more trouble to maintain alignment. In Legal Sage case, prioritizing the search for an ideal CTO appears to be a strong starting point, since the founder, driven by clear passion and motivation to solves the challenges faced by lawyers, is committed to ensure that the technical hires align with the company's value. However, the absence of experienced members in the current team, especially regarding past successful experiences in venture building, could mine their project and increase the likelihood of avoidable mistakes as they progress.

## **8. Market Overview**

### **8.1 Market Analysis**

The Legal technology market in Europe is experiencing significant growth, mainly driven by an increasing demand for a better efficiency-oriented tools. Globally, the market was valued €25.900.000.000 in 2022: in this context, Europe emerged as one of the fastest growing regions, with a CAGR of around 5% towards 2027. Specifically, the European Legal Tech landscape is predominantly characterized by B2B solutions, which account for 90% of the services provided and with key focus on Litigation and contract management. Moreover, revenues in Europe are expected to be €7.400.000.000 for the B2B segment by 2027, with a 4,6% CAGR (Statista 2023). Looking deeper in the current market situation, revenues in the Legal Tech startup market was around \$350.000.000 and is growing at a steady rate of 12% CAGR: looking forward, the projected revenues are going to be \$548.800.000 in 2027. In addition, the Return on Investment (ROI) is expected to grow to 744%, reaching the highest value worldwide until 2027 (Statista 2023). However, the Legal technology market in Italy remains in a developing phase compared to more mature markets in Europe (e.g. UK). In fact, market reports show that despite significant progress the sector still presents niche characteristics, due to the small number of influential players (Legal Tech Report 2023). Nonetheless, the interest and consequent adoption of AI-powered software is becoming more and more important.

### **8.1 Competitor Analysis**

The analysis of the competition of Legal Sage takes into consideration the main service providers which focus on comparable products that the company produces. Hence, pros and cons of the current competitive landscape will be presented.

As reported in the competition section of the business plan, Legal Sage's geographic location offers a significant strategic advantage. Operating in central Italy, where LegTech startups are located uniquely in Rome, positions the startup to attract early adopters of this technology in underrepresented areas. In addition, building strong relationships with these initial customers could enhance loyalty and decrease the likelihood of users to switch to alternative products.

Moreover, Legal Sage's unique hybrid approach, combining legal research and legal analytics, has the potential to deliver a comprehensive solution tailored to lawyers' needs, additionally enhancing customer's retention. Furthermore, by offering prompt crafting guides to help lawyers understand the technology they're working with and maximize their benefits, they introduce an innovative approach that could be the anticipation of part of the future lawyer's tasks. On the other hand, several concerns exist regarding the technological competition that Legal Sage faces. Currently, the platform technological architecture is incomplete, placing it in a disadvantage position compared to other competitors in Italy, which have already developed their infrastructure and could look for more advanced and cost-effective one. This gap, which is due to the current state of things, position Legal Sage at risk of being outcompeted. In addition, the company could be threatened by the entrance in the Italian market but foreign companies which already generate revenues and want to expand their operation outside of their current domain. First, US startups are more established than European ones due to the maturity of the market: among these, Harvey is identified as the most likely competitor entering Italy. As of now, the company is backed by a strong funding round to improve its product offering and it has high-profile clients in his portfolio (e.g. KKR, A&O Sherman). In addition, the value proposition of the company is broadening, since they recently announced that Harvey will provide French case law to his clients. Moreover, its sales strategy is unique compared to other startups, since they decided to hire former lawyers to increase their network and convince lawyers to adopt Harvey (Balderton 2024). Alongside US, Uk-based startup Luminance, which specializes in contract analysis and generation, recently secured a Series B investment of £32.000.000 (Crunchbase 2024). The company has a strong technological advantage, since they own the LLM which rounds around the software. Similarly, other UK startups are Robin AI and Leya, which respectively raised £21.000.000 and £25.000.000 in seed funding (Crunchbase 2024).

## 9. Financial Analysis

For the sake of the investment memorandum, an analysis of the financial statements of the company will be provided.

In the first years of operations, the startup will report negative EBITDA, EBIT and Net Income, which will be reflected in the negative margins; starting from 2028, the company will reach profitability and EBITDA margin will be 40,8% and reach 57,9% in 2029, showing the operational efficiency gained. For a comprehensive overview of forecasted Legal Sage's EBITDA, EBIT and Net Income Margins, please see *Appendix 13.7*. Alongside that, the company demonstrates a steadily declining asset intensity, starting at 15% in 2026 and gradually decreasing to 2% as Legal Sage approached profitability: this trend reflects increasing operational efficiency and reduced reliance on assets. For an overall view on asset intensity development, please see *Appendix 13.7.1*.

To assess the robustness of Legal Sage's financial statements, a sensitivity analysis was conducted to assess the impact of changes in Sales, given the business model of the company. As a result, the analysis shows that a 20% decrease in Sales (€277.328) in year 2028 would still allow the startup to achieve positive profits: on the other hand, this decline would impact cash flows, resulting in a negative ending cash balance (-€125.404), putting the company at risk of financial distress. At the same time, the analysis shows that a 10% increase in Sales would improve financial performance, allowing Legal Sage to close year 2028 with a significant cash balance (€288.700), which would provide the startup with the flexibility to pursue new investments and expansion opportunities. Therefore, sustaining growth through the continuous acquisition of new customers is crucial to ensure financial stability and supporting future growth. For a detailed overview of the sensitivity analysis, please see *Appendix 13.7.3*. Alongside the financial analysis, the revenue model of the company shows potential to unlock other sources of income, even unrelated to the product that the company is proposing. In fact,

the startup could extract valuable analytics for other industries (e.g. insurance), showing the power hidden in the analysis of historical raw data contained in court cases.

## **10. Exit Opportunities**

In order to identify the best exit strategy for Legal Sage, an assessment on potential buyers needs to be realized. First, an exit strategy is the mode through which the entrepreneur intends to exit the firm (DeTienne McKelvie and Chandler 2015). Specifically, exit strategies generally come in two forms: taking the company public in an *Initial Public Offering* (IPO) or selling the company itself (Lemney and McCarty 2020). Among these two options, Merger and Acquisition activity seems to be an ideal fit, given the current state of the legal tech market. In fact, deals in this sector have significantly increased, driven by the sector's overall growth, and several major acquisitions were completed across North America and Europe. In North America, 18 acquisitions were finalized, with 13 occurring in 2023 and 5 in 2024, with key players as Thomson Reuters and LexNexis (Cascadia Legal Tech Report 2024); meanwhile, Europe saw a total of 12 deals completed deals (Crunchbase 2024)<sup>1</sup>. According to the previous data, potential acquirers of Legal Sage are likely to come from industries such as legal technology, consulting, accounting and financial services. It is reasonable to conclude that potential buyers could include companies seeking to strengthen their position in the Legal Tech market by acquiring innovative technologies. In this context, legal providers operating in Italy, such as Giuffrè and Wolters Kluwer could be potential acquirers: notably, Wolters Kluwer demonstrated interest in AI-driven solutions by acquiring Della AI in December 2022 to enhance AI-based contract analysis capabilities for the UK market.

## **11. Deal Terms**

To assess the potential deal terms, a valuation of Legal Sage was conducted through the Venture Capital method. This approach focuses on discounting the exit value at a high discount rate,

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<sup>1</sup> Biggest deals worldwide are Casetext, acquired by Thomson Reuters, for \$650.000.000 and Henchman, acquired for €160.000.000 by LexisNexis.

reflecting the investment's risk profile (Sahlman 1987). Although other methods were considered, such as the Discounted Cash Flows (DCF) Three Stage Model, the DCF approach was seen as unsuitable due to the lack of historical data and the high volatility in the key assumptions (Damoradan 2009).

For the sake of the assessment of the startup's valuation, two main value drivers were considered regarding the choice of the multiple to assess the Enterprise Value (EV) at the exit time, which is identified with Year 2028: Ev/Sales and EV/EBITDA. The EV/Sales is a multiple which shows the Enterprise Value of a company taking into consideration its revenues: specifically, the ratio is used for valuing early-stage companies which are not yet profitable, which is the case of Legal Sage, reaching profitability in its 4<sup>th</sup> year. Given the strong customer-oriented revenue model of the company, the metric seems to represent the best for a clear representation of the exit value of the company. Indeed, the multiple identified is 6.5x, derived as software development transactions over the past 5 years, based on a sample of 59 companies (MergerMarket 2024): as a result, the Enterprise value at year 2028 is €11.850.613. As reported in the business plan, the company has a funding need of €898.528 and plans to receive two financing rounds.

In this context, two scenarios are considered: one with a follow-on investment contingent on achieving specific milestones; a second where, instead, a new investor enters without any previous agreement regarding a follow-on. Both investment cases are assumed to have equity as instrument.

***First scenario.*** Key assumptions consider the exit year at 2028, with a value of €11.850.613, and an IRR target of 50%: for the follow-up investment, the Exit Value is assumed to be the same year, but the IRR required is lower (40%), justified by reduced risk as milestones are achieved. Under these assumptions, the post-money valuation of the company after the investment would be €2.331.973 with a 17,21% ownership for an investment of €350.000. If

milestones are met, a new investment of €550.000 is planned, bringing the ownership stake of the investor to 27,79% in total. Below, the capitalization table of the ownership is reported.

| Capitalization Table | 1st Round      |             |                    | 2nd Round      |             |                    |
|----------------------|----------------|-------------|--------------------|----------------|-------------|--------------------|
|                      | Shares         | Ownership   | Value              | Shares         | Ownership   | Value              |
| Founders             | 1000000        | 82,79%      | 1.683.859,48 €     | 1000000        | 72,2%       | 3.106.610 €        |
| Investor             | 207856         | 17,21%      | 350.000,00 €       | 384898         | 27,79%      | 1.195.727 €        |
| <b>Total</b>         | <b>1207856</b> | <b>100%</b> | <b>2.033.859 €</b> | <b>1384898</b> | <b>100%</b> | <b>4.302.337 €</b> |

Figure 6: Capitalization Table w/ follow-on

**Second scenario.** In this case, a new investor enters, targeting as exit year 2028 with an EV of €11.850.613 and an IRR of 40% due to less risk in the investment. The 2<sup>nd</sup> investor invests €550.000 and requires 12,8% as exit stake, with post money valuation at €4.302.337. As a result, the 1<sup>st</sup> investor stake adjusts to 15,01%. Therefore, the value of ownership of the 1<sup>st</sup> investor would be €645.727 when the 2<sup>nd</sup> investor enters. Below, the capitalization table of this case is reported.

| Capitalization Table | 1st Round      |             |                    | 2nd Round      |             |                    |
|----------------------|----------------|-------------|--------------------|----------------|-------------|--------------------|
|                      | Shares         | Ownership   | Value              | Shares         | Ownership   | Value              |
| Founders             | 1000000        | 82,79%      | 1.683.859,48 €     | 1000000        | 72,2%       | 3.106.610 €        |
| 1st Investor         | 207856         | 17,21%      | 350.000,00 €       | 207856         | 15,01%      | 645.727 €          |
| 2nd Investor         | 0              | 0%          | - €                | 177042         | 12,8%       | 550.000 €          |
| <b>Total</b>         | <b>1207856</b> | <b>100%</b> | <b>2.033.859 €</b> | <b>1384898</b> | <b>100%</b> | <b>4.302.337 €</b> |

Figure 7: Capitalization Table w/o follow-on

**12. Final Recommendation**

As outlined above, each scenario presents distinct disadvantages and drawbacks. In the first case, the investor would secure a higher ownership stake (27,79%) while assuming the risk of supporting the negative cashflows of the first years. In contrast, the second scenario leaves 1<sup>st</sup> investor with a reduced ownership stake (15,01%), which could limit potential upside if the company achieves long term growth and realizes the forecasted revenues in the business plan. Therefore, the recommended approach would be to proceed with an initial investment of €350.000 in the 1<sup>st</sup> round, accompanied by a commitment of follow-on of €550.000 in the second year based on specific milestones achieved. This approach allows the investor to realize a continuous evaluation over the startup development and aligning investor and founder’s incentives (BIP Ventures 2024). Indeed, this investment would be contingent to the

achievement of specific milestones set in the agreement for the 1<sup>st</sup> financing round. First, the timely development of the IT infrastructure as shown in the business plan: without developing the software-related side, progress will stall, and the feedback could not be transformed into new features to enhance customer's satisfaction and drive growth. In this context, the hiring of a Data Engineer with experience in developing Legal Technology products becomes a pivotal choice to allow the development of the project in the best way. Additionally, hiring an experienced CEO will be crucial for guiding the startup's development and ensuring its success in the coming years. Finally, the creation of customer support functionality, in order to provide real-time assistance to the lawyers, will play an important role, since providing complete assistance regarding the proper use of the tool will help Legal Sage to retain more customers. In this way, the proposed approach will allow Legal Sage to unlock its potential and reduce the risk of failure that characterizes the uncertain world of startups.

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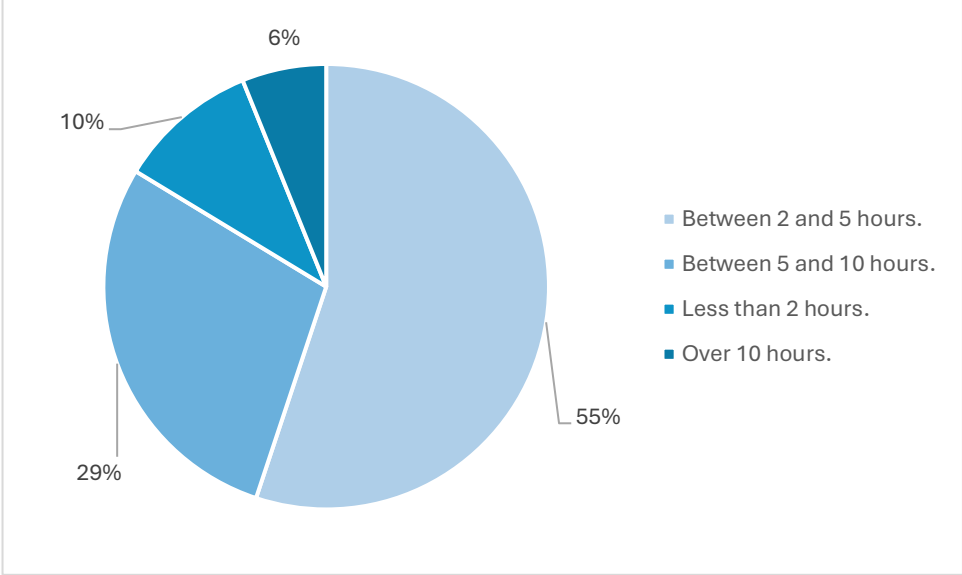
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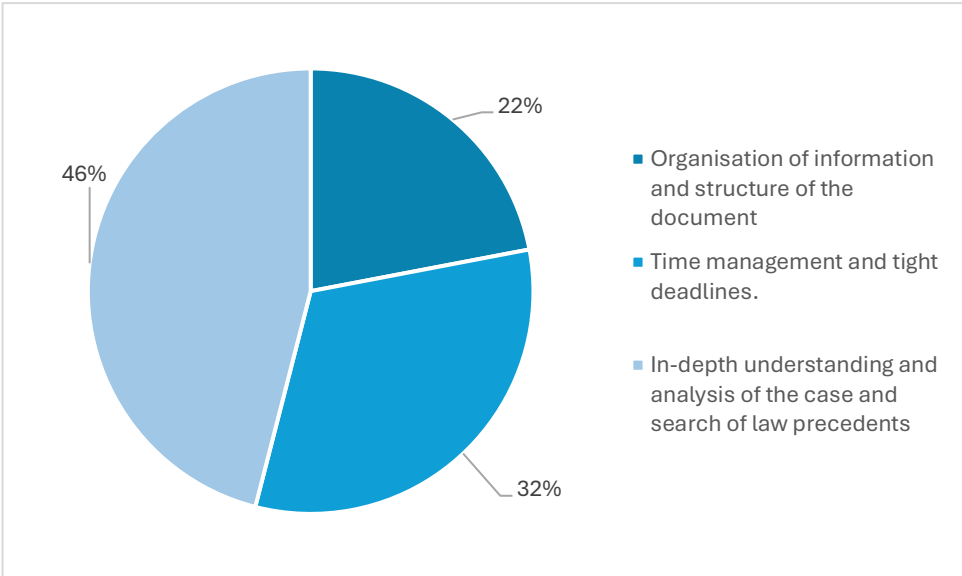
**13. Appendix**

**Business Plan (Founder Perspective)**

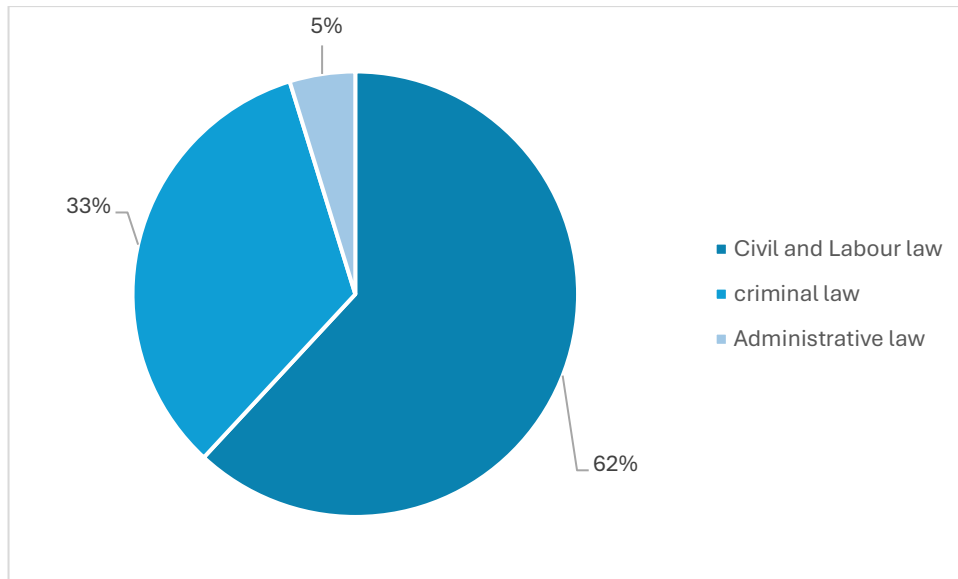
**13.1 Survey Results**



*Figure 8: Average Time For Preparing A Legal Document For A Court Case*



*Figure 9: Key Challenges While Preparing A Court Case*



*Figure 10: Key areas of focus for lawyers*

### 13.2 Market Size

The TAM, SAM and SOM values are provided below. The computation takes into consideration the average forecasted price of Legal Sage monthly subscription in the next five years.

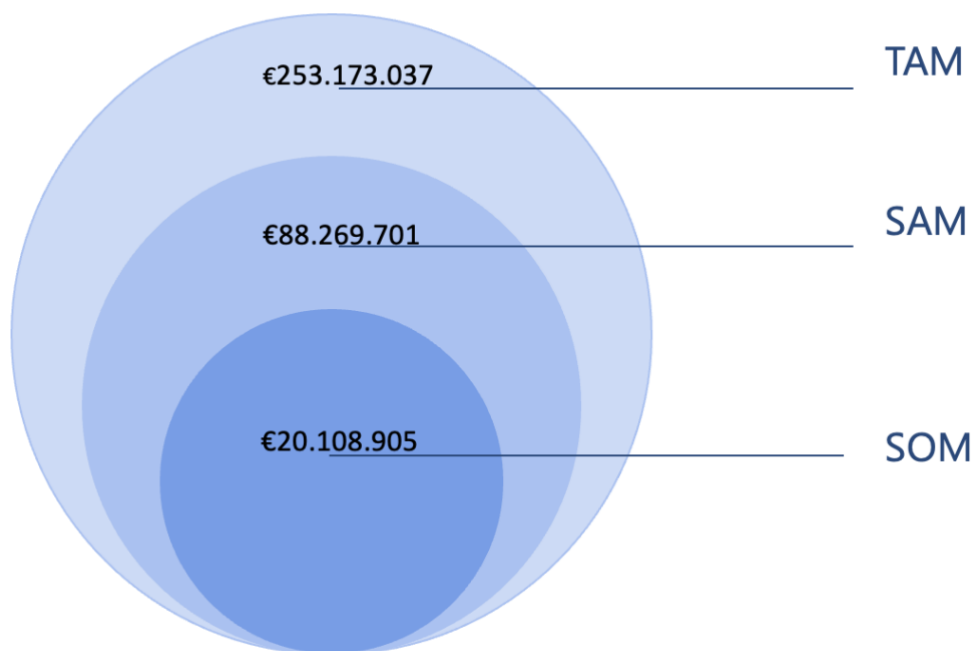


Figure 11: Legal Sage TAM, SAM and SOM

### 13.3 Pricing

Among competitors, Lexroom.AI charges 50€ per user; Lisia AI charges 89€ per user. Simplificiter.AI, instead, charges 20€ per user. Below, the forecasted pricing 2025-2029 is provided.

| Year           | 2025 | 2026 | 2027 | 2028 | 2029 |
|----------------|------|------|------|------|------|
| Price per user | 78   | 86   | 94   | 104  | 114  |
| Increase %     | 10%  | 10%  | 10%  | 10%  | 10%  |

Figure 12: Forecasted Pricing

### 13.4 IT Infostructure

An in-depth analysis of Legal Sage Infostructure is fundamental to understand the technical foundation to necessary to deliver a high-quality product. The development of the software requires the integration of multiple technologies. Specifically, Legal Sage will be built through techniques regarding data scraping and the integration of Anthropic's Claude 3 Haiku Application Programming Interface (API). From a technical perspective, it has high-volume processing capabilities, efficient scaling for multiple simultaneous requests and reduced computational overhead, enhancing document scanning and classification efficiency. On a business perspective, the choice is justified for its reduction of reduces, minimization of infrastructure needs; in particular, a more predictable pricing model, based on token conversion, makes cost management more efficient, since Legal Sage predictions consider the token used by the users in its query and guarantees a cost that reflects the usage.

### 13.5 Employees

In SaaS startups, employees are considered the greatest asset, as they form the core foundation for product development and continuous improvement given that their technical expertise and support are essential to achieve success: software engineer are critical drivers of technical innovation and product scalability. In addition, their role is vital in reducing churn rates by developing a user friendly, intuitive interface and ensuring robust security standards, which

collectively contribute to the long-term success of the company. Legal Sage’s team strategy prioritizes the recruitment of software as needed to support the product development and the integration of new features. The startup plans to start first with hiring the CTO, who will help in the search of an AI/ML engineer for the first year of operations: afterwards, a Data Engineer, a Sales Associate and a Marketing specialist will be hired in the following years. Regarding employees ‘salaries, they are computed taking into consideration the average salary for each position in Italy and adding a multiplier of 1.5x to account for the indirect costs related to labor: only the salaries of CTO and CEO will be below average since the management of operating expenses is seen as a key factor to limit the funding need to the core activities of the company. In addition, Legal Sage sets a policy oriented to employees’ commitment and retention focused on increasing their salary by 10% in 2029. Lastly, the company plans to capitalize the annual salary of one engineer, which will be the CTO, in the Capital Expenditures, since the work of the engineer is mainly related to the development of the platform.

| Salaries             | 2025               | 2026                | 2027                | 2028                | 2029                |
|----------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| CEO                  | 18.000,00 €        | 18.000,00 €         | 18.000,00 €         | 18.000,00 €         | 21.600,00 €         |
| CTO                  | 30.000,00 €        | 30.000,00 €         | 30.000,00 €         | 30.000,00 €         | 36.000,00 €         |
| AI/ML engineer       | 30.000,00 €        | 30.000,00 €         | 30.000,00 €         | 30.000,00 €         | 36.000,00 €         |
| Data engineer        | - €                | 30.000,00 €         | 30.000,00 €         | 30.000,00 €         | 36.000,00 €         |
| Sales                | - €                | - €                 | 18.000,00 €         | 18.000,00 €         | 21.600,00 €         |
| Marketing specialist | - €                | - €                 | - €                 | 18.000,00 €         | 21.600,00 €         |
| <b>Total Wages</b>   | <b>78.000,00 €</b> | <b>108.000,00 €</b> | <b>126.000,00 €</b> | <b>144.000,00 €</b> | <b>172.800,00 €</b> |

Figure 13: Employees’ Salaries

**13.6 CAPEX**

A comprehensive overview of the forecasted CAPEX is reported below.

| Year                     | 2025            | 2026            | 2027             | 2028             | 2029               |
|--------------------------|-----------------|-----------------|------------------|------------------|--------------------|
| <b>IT Infrastructure</b> |                 |                 |                  |                  |                    |
| Platform development     | 31.104 €        | 37.325 €        | 44.790 €         | 49.269 €         | 54.196 €           |
| Hardware                 | 24.000 €        | 32.000 €        | 14.000 €         | 19.500 €         | 21.450 €           |
| Research and development | 1.598 €         | 10.207 €        | 58.335 €         | 181.625 €        | 1.130.979 €        |
| <b>Total</b>             | <b>56.702 €</b> | <b>79.532 €</b> | <b>117.124 €</b> | <b>250.394 €</b> | <b>1.206.625 €</b> |

Figure 14: Forecasted Capital Expenditures

**Investment Memorandum**

**13.7 Financial Analysis**

**13.7.1 EBITDA Margin, EBIT Margin and Net Income Margin**

To provide a comprehensive overview of the financial situation of the company, financial ratios were computed.

| Year                     | 2025     | 2026    | 2027   | 2028  | 2029  |
|--------------------------|----------|---------|--------|-------|-------|
| <b>EBITDA Margin</b>     | -2186,9% | -462,5% | -62,2% | 40,8% | 57,9% |
| <b>EBIT Margin</b>       | -2324,8% | -489,7% | -66,2% | 40,1% | 57,8% |
| <b>Net Income Margin</b> | -2324,8% | -489,7% | -66,2% | 30,5% | 43,9% |

Figure 15: Profitability Ratios 2025-2029

### 13.7.2 Growth, Profitability and Asset Intensity

| Year                   | 2026  | 2027 | 2028 | 2029 |
|------------------------|-------|------|------|------|
| <b>Growth</b>          | 539%  | 472% | 523% | 523% |
| <b>Profitability</b>   | -490% | -66% | 30%  | 44%  |
| <b>Asset Intensity</b> | 15%   | 15%  | 2%   | -2%  |

Figure 16: Growth, Profitability and Asset Intensity 2025-2029

### 13.7.3 Sensitivity Analysis

The sensitivity analysis below evaluates how changes in Sales impact the Profit & Loss Statement and the Cash Flows Statement.

| Sensitivity Analysis   | Current Value | 50% increase  | 40% increase  | 30% increase | 20% increase | 10% increase | 10% decrease | 20% decrease | 30% decrease | 40% decrease | 50% decrease |
|------------------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Change in sales volume | 0%            | 50%           | 40%           | 30%          | 20%          | 10%          | 10%          | 20%          | 30%          | 40%          | 50%          |
| 2025                   |               |               |               |              |              |              |              |              |              |              |              |
| Sales                  | 7.992 €       | 11.987 €      | 11.188 €      | 10.389 €     | 9.590 €      | 8.791 €      | 7.192 €      | 6.393 €      | 5.594 €      | 4.795 €      | 3.996 €      |
| EBITDA                 | -174.766 €    | -170.770 €    | -171.589 €    | -172.389 €   | -173.188 €   | -173.987 €   | -175.565 €   | -176.364 €   | -177.164 €   | -177.963 €   | -178.762 €   |
| EBIT                   | -185.787 €    | -181.791 €    | -182.590 €    | -183.389 €   | -184.189 €   | -184.988 €   | -186.586 €   | -187.385 €   | -188.184 €   | -188.984 €   | -189.783 €   |
| Net Income             | -185.787 €    | -181.791 €    | -182.590 €    | -183.389 €   | -184.189 €   | -184.988 €   | -186.586 €   | -187.385 €   | -188.184 €   | -188.984 €   | -189.783 €   |
| EV                     | 51.945 €      | 77.918 €      | 72.723 €      | 67.529 €     | 62.334 €     | 57.140 €     | 46.751 €     | 41.556 €     | 36.362 €     | 31.167 €     | 25.973 €     |
| 2026                   |               |               |               |              |              |              |              |              |              |              |              |
| Sales                  | 51.035 €      | 76.553 €      | 71.449 €      | 66.346 €     | 61.242 €     | 56.139 €     | 45.932 €     | 40.828 €     | 35.725 €     | 30.621 €     | 25.518 €     |
| EBITDA                 | -236.032 €    | -210.515 €    | -215.618 €    | -220.722 €   | -225.825 €   | -230.929 €   | -241.136 €   | -246.240 €   | -251.343 €   | -256.447 €   | -261.550 €   |
| EBIT                   | -236.032 €    | -224.380 €    | -229.483 €    | -234.587 €   | -239.690 €   | -244.794 €   | -255.001 €   | -260.104 €   | -265.208 €   | -270.312 €   | -275.415 €   |
| Net Income             | -249.897 €    | -224.380 €    | -229.483 €    | -234.587 €   | -239.690 €   | -244.794 €   | -255.001 €   | -260.104 €   | -265.208 €   | -270.312 €   | -275.415 €   |
| EV                     | 331.729 €     | 497.594 €     | 464.421 €     | 431.248 €    | 398.075 €    | 364.902 €    | 298.556 €    | 265.383 €    | 232.210 €    | 199.037 €    | 165.865 €    |
| 2027                   |               |               |               |              |              |              |              |              |              |              |              |
| Sales                  | 291.673 €     | 437.509 €     | 408.342 €     | 379.175 €    | 350.007 €    | 320.840 €    | 262.505 €    | 233.338 €    | 204.171 €    | 175.004 €    | 145.836 €    |
| EBITDA                 | -236.032 €    | -35.597 €     | -64.764 €     | -93.931 €    | -123.099 €   | -152.266 €   | -210.600 €   | -239.768 €   | -268.935 €   | -298.102 €   | -327.269 €   |
| EBIT                   | -249.897 €    | -47.355 €     | -76.522 €     | -105.689 €   | -134.857 €   | -164.024 €   | -222.358 €   | -251.526 €   | -280.693 €   | -309.860 €   | -339.027 €   |
| Net Income             | -249.897 €    | -47.355 €     | -76.522 €     | -105.689 €   | -134.857 €   | -164.024 €   | -222.358 €   | -251.526 €   | -280.693 €   | -309.860 €   | -339.027 €   |
| EV                     | 1.895.873 €   | 1.895.873 €   | 2.843.809 €   | 2.654.222 €  | 2.464.634 €  | 2.275.047 €  | 2.085.460 €  | 1.706.285 €  | 1.516.698 €  | 1.327.111 €  | 1.137.524 €  |
| 2028                   |               |               |               |              |              |              |              |              |              |              |              |
| Sales                  | 1.816.248 €   | 2.724.372 €   | 2.542.748 €   | 2.361.123 €  | 2.179.498 €  | 1.997.873 €  | 1.634.623 €  | 1.452.999 €  | 1.271.374 €  | 1.089.749 €  | 908.124 €    |
| EBITDA                 | 741.908 €     | 1.650.032 €   | 1.468.408 €   | 1.286.783 €  | 1.105.158 €  | 923.533 €    | 560.283 €    | 378.659 €    | 197.034 €    | 15.409 €     | -166.216 €   |
| EBIT                   | 728.155 €     | 1.636.279 €   | 1.454.654 €   | 1.273.029 €  | 1.091.404 €  | 909.779 €    | 546.530 €    | 364.905 €    | 183.280 €    | 1.655 €      | -179.970 €   |
| Net Income             | 553.397 €     | 1.243.572 €   | 1.105.537 €   | 967.502 €    | 829.467 €    | 691.432 €    | 415.383 €    | 277.328 €    | 139.293 €    | 1.655 €      | -179.970 €   |
| EV                     | 11.805.614 €  | 17.708.420 €  | 16.527.859 €  | 15.347.298 € | 14.166.736 € | 12.986.175 € | 10.625.052 € | 9.444.491 €  | 8.263.930 €  | 7.083.368 €  | 5.902.807 €  |
| 2029                   |               |               |               |              |              |              |              |              |              |              |              |
| Sales                  | 11.309.793 €  | 16.964.689 €  | 15.833.710 €  | 14.702.731 € | 13.571.751 € | 12.440.772 € | 10.178.813 € | 9.047.834 €  | 7.916.855 €  | 6.785.876 €  | 5.654.896 €  |
| EBITDA                 | 6.551.652 €   | 12.206.548 €  | 11.075.569 €  | 9.944.590 €  | 8.813.610 €  | 7.682.631 €  | 5.420.672 €  | 4.289.693 €  | 3.158.714 €  | 2.027.735 €  | 896.755 €    |
| EBIT                   | 6.536.523 €   | 12.191.419 €  | 11.060.440 €  | 9.929.460 €  | 8.798.481 €  | 7.667.502 €  | 5.405.543 €  | 4.274.564 €  | 3.143.585 €  | 2.012.606 €  | 881.626 €    |
| Net Income             | 4.967.757 €   | 9.265.478 €   | 8.405.934 €   | 7.546.390 €  | 6.686.846 €  | 5.827.301 €  | 4.108.213 €  | 3.248.669 €  | 2.389.124 €  | 1.529.580 €  | 670.036 €    |
| EV                     | 73.513.653 €  | 115.104.733 € | 107.431.084 € | 99.757.435 € | 92.083.786 € | 84.410.137 € | 69.062.840 € | 61.389.191 € | 53.715.542 € | 46.041.893 € | 38.368.244 € |
| EV/Sales               | 6,5           |               |               |              |              |              |              |              |              |              |              |

Figure 17: Impact of Change in Sales in Profit & Loss Statement

| Sensitivity Analysis   | Current Value | 50% increase | 40% increase | 30% increase | 20% increase | 10% increase | 10% decrease | 20% decrease | 30% decrease | 40% decrease  | 50% decrease  |
|------------------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Change in sales volume | 0%            | 50%          | 40%          | 30%          | 20%          | 10%          | 10%          | 20%          | 30%          | 40%           | 50%           |
| 2025                   |               |              |              |              |              |              |              |              |              |               |               |
| Revenues               | 7.992 €       | 11.987 €     | 11.188 €     | 10.389 €     | 9.590 €      | 8.791 €      | 7.192 €      | 6.393 €      | 5.594 €      | 4.795 €       | 3.996 €       |
| Net Income             | - 185.787 €   | - 181.791 €  | - 182.581 €  | - 183.390 €  | - 184.189 €  | - 184.988 €  | - 185.786 €  | - 187.385 €  | - 188.185 €  | - 188.984 €   | - 189.783 €   |
| Free Cashflow          | - 232.482 €   | - 228.487 €  | - 229.286 €  | - 230.085 €  | - 230.884 €  | - 231.683 €  | - 233.281 €  | - 234.081 €  | - 234.880 €  | - 235.679 €   | - 236.478 €   |
| Ending Cash Balance    | 167.518 €     | 171.513,44 € | 170.714,29 € | 169.915,13 € | 169.115,98 € | 168.316,82 € | 166.716,51 € | 165.919,36 € | 165.120,20 € | 164.321,05 €  | 163.521,89 €  |
| 2026                   |               |              |              |              |              |              |              |              |              |               |               |
| Revenues               | 51035.24064   | 76.553 €     | 71.449 €     | 66.346 €     | 61.242 €     | 56.139 €     | 45.932 €     | 40.828 €     | 35.725 €     | 30.621 €      | 25.518 €      |
| Net Income             | - 249.897 €   | - 224.380 €  | - 229.484 €  | - 234.587 €  | - 239.691 €  | - 244.794 €  | - 255.001 €  | - 260.105 €  | - 265.208 €  | - 270.312 €   | - 275.415 €   |
| Free Cashflow          | - 323.188 €   | - 297.671 €  | - 302.774 €  | - 307.878 €  | - 312.981 €  | - 318.085 €  | - 328.292 €  | - 333.395 €  | - 338.499 €  | - 343.602 €   | - 348.706 €   |
| Ending Cash Balance    | 394.329,74 €  | 419.847 €    | 414.744 €    | 409.640 €    | 404.537 €    | 399.433 €    | 389.226 €    | 384.122 €    | 379.019 €    | 373.915 €     | 368.812 €     |
| 2027                   |               |              |              |              |              |              |              |              |              |               |               |
| Revenues               | 291.673 €     | 437.509 €    | 408.342 €    | 379.175 €    | 350.007 €    | 320.840 €    | 262.505 €    | 233.338 €    | 204.171 €    | 175.004 €     | 145.836 €     |
| Net Income             | - 193.191 €   | - 35.990 €   | - 58.157 €   | - 80.324 €   | - 102.491 €  | - 124.658 €  | - 168.992 €  | - 191.159 €  | - 213.327 €  | - 235.494 €   | - 257.661 €   |
| Free Cashflow          | - 342.858 €   | - 185.656 €  | - 207.823 €  | - 229.990 €  | - 252.158 €  | - 274.325 €  | - 318.659 €  | - 340.826 €  | - 362.993 €  | - 385.160 €   | - 407.327 €   |
| Ending Cash Balance    | 51.472 €      | 208.673 €    | 186.506 €    | 164.339 €    | 142.172 €    | 120.005 €    | 75.671 €     | 53.504 €     | 31.337 €     | 9.169 €       | 12.998 €      |
| 2028                   |               |              |              |              |              |              |              |              |              |               |               |
| Revenues               | 1.816.248 €   | 2.724.372 €  | 2.542.748 €  | 2.361.123 €  | 2.179.498 €  | 1.997.873 €  | 1.634.623 €  | 1.452.999 €  | 1.271.374 €  | 1.089.749 €   | 908.124 €     |
| Net Income             | 553.397 €     | 1.243.572 €  | 1.105.537 €  | 967.502 €    | 829.467 €    | 691.432 €    | 415.363 €    | 277.328 €    | 139.293 €    | 1.258 €       | 136.777 €     |
| Free Cashflow          | 99.193 €      | 789.368 €    | 651.333 €    | 513.298 €    | 375.263 €    | 237.228 €    | 38.841 €     | - 176.676 €  | - 314.911 €  | - 452.946 €   | - 590.981 €   |
| Ending Cash Balance    | 150.666 €     | 840.840 €    | 702.805 €    | 564.770 €    | 426.735 €    | 288.700 €    | 12.631 €     | - 125.404 €  | - 263.439 €  | - 401.474 €   | - 539.509 €   |
| 2029                   |               |              |              |              |              |              |              |              |              |               |               |
| Revenues               | 11.309.793 €  | 16.964.689 € | 15.833.710 € | 14.702.731 € | 13.571.751 € | 12.440.772 € | 10.178.813 € | 9.047.834 €  | 7.916.855 €  | 6.785.876 €   | 5.654.896 €   |
| Net Income             | 4.967.757 €   | 9.285.478 €  | 8.405.934 €  | 7.546.390 €  | 6.686.846 €  | 5.827.301 €  | 4.108.213 €  | 3.248.669 €  | 2.389.124 €  | 1.529.580 €   | 670.036 €     |
| Free Cashflow          | 2.407.350 €   | 6.705.072 €  | 5.845.527 €  | 4.985.983 €  | 4.126.439 €  | 3.266.895 €  | 1.547.806 €  | 688.262 €    | - 171.282 €  | - 1.030.827 € | - 1.890.371 € |
| Ending Cash Balance    | 2.558.016 €   | 9.263.088 €  | 8.403.543 €  | 7.543.999 €  | 6.684.455 €  | 5.824.911 €  | 4.105.822 €  | 3.246.278 €  | 2.386.734 €  | 1.527.189 €   | 667.645 €     |

Figure 18: Impact of Change in Sales in Cash Flows Statement