

Financial Sustainability

Q&A session – 2nd Call for Proposals 2023

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Summary

1. Financial Sustainability, why ?
2. Commercial plan at the proposal stage
3. What is the financial contribution to the KIC ?
4. Mechanisms and illustrative examples
5. Contracts and related information

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Financial Sustainability, Why ?

- Financial Sustainability aims to ensure that the activity selected and supported with the EIT Grant has a potential on the market and contribute to the growth of the European Manufacturing market
 - It reflects the successful implementation of projects conducted under EIT Manufacturing umbrella
 - This indicator aims to attract more partners to demonstrate that our Community is a pool of innovators, delivering values and concrete innovations in the market.
- This is why the commercialization plan and the forecast of sales are expected when a project is submitted. To ensure the feasibility and the effective contribution to the growth of the Manufacturing sector in Europe.

If you need financial support to fund a low TRL/MRL project then you can contact our team and they will do their best to support you and redirect you to the appropriate programme (locally or EU funded).

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Commercial plan at the proposal stage

- What should you have **defined at proposal stage** ?
 - ✓ What is the gap to be filled ? Which needs remains unanswered ?
 - ✓ The market opportunity exists and is identified
 - ✓ The service / product is defined
 - ✓ The target group is defined

→ At proposal stage you already know what will be delivered, for whom and why. It is recommended having already done a market study to analyze the market.

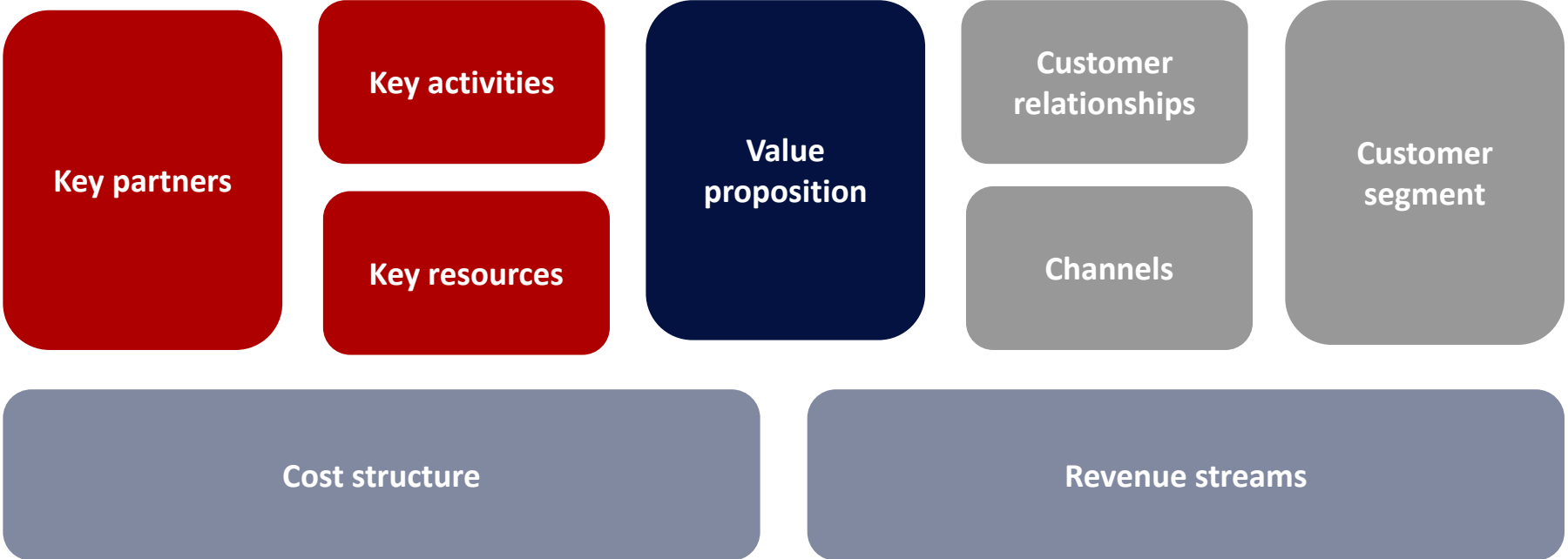
Commercial plan to be developed during the activity

- What should be planned **during the execution** of the project to ensure the go to market?
 - ✓ **Legal and compliance** checks: does the product/services needs to be approved / certified. Is a patent needed?
How to protect the technology/know how developed?
 - ✓ **Branding and positioning**: how the product/service fit with the current brand and the current positioning?
 - ✓ **Marketing, communication and design**: does my product/service and the communication around fits the expectations of the target? How can I make it more attractive ?
 - ✓ **Pricing** analysis: what are the costs, what are the market prices, measuring scalability of costs
 - ✓ **Partnership / Network**: Are distributor needed ? How to reach the audience ?

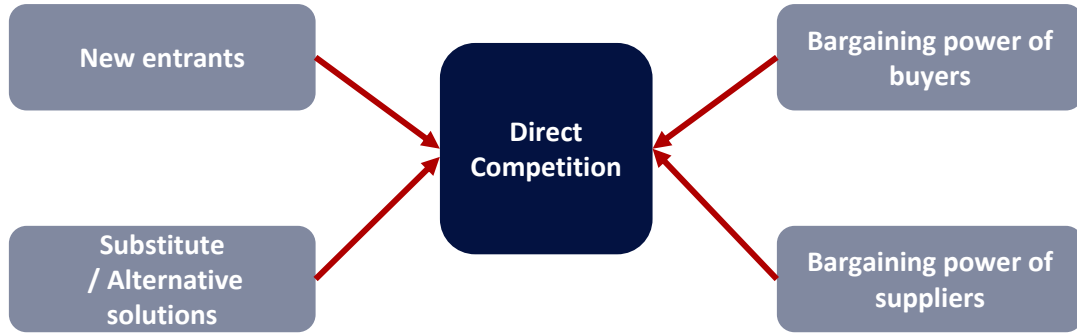
Some useful tools during and after the proposal

- ✓ At the proposal stage should have a clear vision on your product/service. Then you should be able to have a full, clear and well defined CANVAS model
- ✓ During the activity you need to ensure you have all relevant information about the market and to have a proper analysis on the internal and external factors
- ✓ During the activity you also need to have a marketing mix to ensure that you can produce and deliver the product/service to the target

CANVA model – at proposal stage



Porter and SWOT analysis – understand the environment



Being prepared for the market

- To ensure a proper go-to-market strategy you will need to define your marketing mix during the course of the activity
- **Product/Services**, what is going to be commercialized, includes design and fit to the target
- Define the **price**, i.e. having a clear assessment of the costs attached to the product/service and define the margin
- **Promotion**, communication, sponsorship etc
- People, having the skills and resources available
- **Process**, a clear step by step approach from the production to the selling point (and post sales if applicable)
- **Place**, distribution channel to reach the target
- **Physical evidence**, where the product/service is delivered

→ This analysis is still part of the original CANVA and should aim to complement and develop it



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What is the contribution to the KIC ?

- This contribution reflects the successful collaboration between your organization/consortium and the KIC during the execution of the project.
- This contribution can be settled:
 - **At the end of the project**, as a contribution to acknowledge the support received along the duration of the project
 - As soon as your innovation will reach the market, this **success criteria** will trigger a lump sum
 - **At the rhythm you generate your revenue/profit** over a period of 3 to 5 years (revenue/profit sharing)
- Every project should indicate a FS mechanism at the proposal stage, this proposal will be reviewed and assessed in terms of feasibility at the mid term review.
- Apart from this contribution related to support received during the project **you can also request from EIT Manufacturing Organization tailored support** post project (Business support for access to market, access to finance, etc).
 - ✓ This request can be done via the manager following up your project that will contact the appropriate person within the organization to address your challenge(s)

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Overview of mechanisms

1. Fixed sum
2. Success based contribution
3. Equity shares
4. Digital Content Agreement
5. Other

Fixed sum mechanism

1. Fixed Sum

1. The fixed sum can be defined
2. The amount is due by the end of the project
3. The amount will differ according to the type of activity (Innovation, education, RIS, Business Creation), nevertheless the amount should be **reasonable as regards to the benefits generated** (future sales expected, implementation in the production line etc)
4. One or many organizations can contribute, the level of contribution can be defined depending on the benefits

→ In case a project is not developing as foreseen, or a mechanism cannot be agreed during the review of the mid-term, then by default a fixed sum will be defined

Equity shares mechanism

2. Equity Shares

→ for a start up creating during a Project

- The KIC will become a shareholder at inception, with the same conditions than the founders
- Observer seat, no operational decision taken from the KIC, we will not intervene in your daily operations
- Percentage of shares : from 5% to 20%

→ for an existing company

- The KIC can become a shareholder of a company by waving the support provided or with preferred shares (liquidity preference)
- Observer seat, no operational decision taken from the KIC, we will not intervene in your daily operations
- Percentage of shares : from 5% to 20%

The acquisition of the shares is done in consideration of services rendered

Success based contribution mechanism - Innovation

3. Success based contribution

→ lump sum

- Lump sum due for the first sale of the innovation developed
- The range can be assessed from 40K to 250K depending on the benefits and the form of the organization
- Reporting obligation up to the success criteria is met
- To be settled 60 days after the first sale

→ Revenue/Profit Sharing – Sharing success after the criteria of commercialization is met

- We define together the min and max per year and / or over the full duration of the agreement
- The % of sharing is defined according to your structure of costs and does not aim to jeopardize your activities
- The expected range (in total) is expected from 150K to 350K
- Reporting obligation until the end of the contract
- Duration from 3 to 5 years

>> As this mechanism brings more uncertainty in the revenue to be recognized then the expected contribution is higher

Success based contribution mechanism - Other thematic area

3. Success based contribution

→ lump sum

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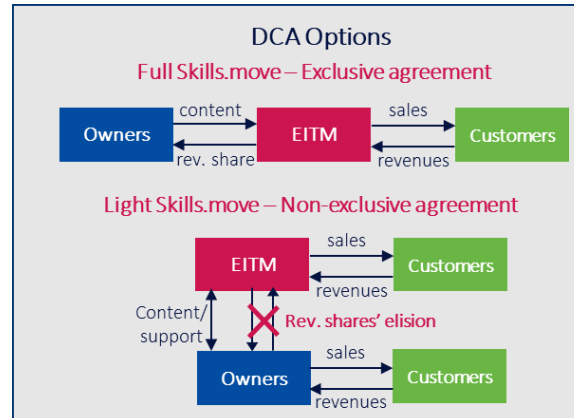
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Digital Content Agreement

4. Digital Content Agreement

→ Applicable for activities delivering learning paths

- Partners entrust **EIT M** to **exploit** the results of the KAVA by commercializing the digital nuggets through **Skills.move**
- For ALL projects **creating digital nuggets** and **learning paths** (regardless of the pill)
- Standard agreement defined by EITM – template already available in Plaza
- DCA signed by the 10th of the project and requested to account for KPI KIC.G03
- One agreement **by KAVA**, signed by **all the OWNERS** of the nuggets



Other mechanism

5. Other

→ Tuition fees for educational activities

- For activities such as summer school, winter school, Master & PhD you can select the "other" mechanism. The mechanism will take the form of tuition fees (more info in annex)

→ Transfer of technology / Expertise

- For complex projects you might have been developed expertise / specific technology that could be of interest, then we can discuss and see how it could be handle

→ Distribution / Agent

- You are a not-for-profit organization, and you cannot generate revenue streams, then Manufacturing SASU can play the role of the agent / distributor

>> The "Other" mechanism will give place to specific discussion as it does not fit into the standard contract. In case of nonalignment, the option of the fixed sum will be selected by default

How to finance it ?

If you are a not-for-profit organization / RTO / University

- As it is not expected from you to have a launch of the market, it is recommended to
 - Conduct some events that can allow you to collect funds, in order to be able to pay the FS contribution
 - Check internally what can be taken from the operational costs (indirect costs from other projects for instance, or local subsidy where you do not have any cost eligibility requirements)

If you are a profit organization / industrials

- You might oversee the commercialization, or you might introduce the product in your production environment, then:
 - You might have direct benefits generated by sales
 - You might have indirect benefits generated by the improvements of the production line (less defect will entail a better productivity, then a higher volume)
- Please bear in mind that if you set up a start up to take over the commercialization and propose a revenue sharing this might be a risk for the development of the start-up as one of the main concern of a start up is the cash availability.

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Commercial arm of EIT Manufacturing

What is it ?

Manufacturing SASU 100% controlled by EIT Manufacturing association is grouping all commercial activities that cannot be carried by the Association in accordance with the French regulation:

- Carry the **FS contracts** to not jeopardize the non profit aspect of KIC LE
- **Develop its own services** to bring values to the Community
- **Create synergies** with KIC LE integrating processes and services within the consortium
- **Promote and Bring to the market innovative solutions in cooperation with our Community**

Practically what does it mean ?

As the **FS contract** is **signed** with **Manufacturing SASU**, EIT Manufacturing will provide you the Grant and the access to the Community, when Manufacturing SASU will be entitled to **actively support you to successfully bring products on the market.**

Manufacturing

SASU

Main principles and conditions of the FS contracts

Parties

Manufacturing
SASU, fully owned
by EIT
Manufacturing

And

The Business
Owner in charge
of
commercialisation
(if applicable)

Liability

Limited to the
amount and
conditions defined in
the contract

No joint liability
within the
consortium

Reporting

The Business
owner will provide
on a yearly basis
the necessary
reporting to
Manufacturing
SASU (when
applicable)

Mechanism

In return of the
active
participation and
support from our
teams during the
time duration of
your project

Added value of our Collaboration

How do we bring value and participate to your success ?

Being part of EIT M Community

Radar

*Access to the
public sphere on
Agora*

Webinar

Access to events

Being supported by our teams

**Synergies with
other pillars**

Guidance for
reporting

*External key
contacts
identification*

*Project
follow up*

**Dedicated
point of
contact**

Manufacturing

Annex

Pioneering Learning Journey

- Financial sustainability is done through a fee mechanism to be collected from the participants by EITM
- A sponsor paying the fee is allowed (for instance the participant company/university etc.)
- Consortia are requested to market the activity price and propose the fees for the different categories requested by EITM (see next slides)
- Consortia are requested to run the appropriate marketing campaigns to find the appropriate #applicants requested by the call in each sub-segment

EITM Master Summer School



Examples of fee categories and costs

Please note: the programme can be sold per week since it must be modular

Fees	Participation fees
Main fee (3 weeks programme)	1500€
Early Birds applications (only of 3 weeks programme)	300€ of discount
1 digital week (if applicable)	600€
1 week programme on site	800€
2 weeks programme	1200€
Female applicants (3 weeks programme only)	1300€
Applicants from the RIS countries (3 weeks programme only)	1000€
Master School students	Free



EITM Doctoral Summer & Winter Schools



Examples of fee categories
and costs

Fee	Participation fees
Main fee	1500€
Students and professionals from EITM partners	1300€
Students from the consortium and universities belonging to the EITM doctoral school, but not enrolled to the EITM Doctoral School	1000€
Professionals from SIC members	1000€
Female students	1000€
Students from the RIS countries	1000€
Doctoral School students	Free
Early Birds applications	200€ of discount



EITM Doctoral School: Innovation short courses

Examples of fee categories
and costs

Fee	Participation fees
Main fee (per webinar)	150€
Spring/Fall series (3 webinars each)	300€
Doctoral School students	Free
Early Birds applications	50€ of discount