

A background image showing a person's arm reaching out towards a sunset. The arm is in the foreground, and the sunset is in the background, creating a warm, golden glow. The image is partially obscured by a yellow rectangular area containing text.

EIT FOOD FINANCIAL SUSTAINABILITY & COMMERCIALIZATION STRATEGY

FROM KEY EXPLOITABLE RESULTS TO FINANCIAL RETURN FOR EIT-
FOOD

SPECIFIC EXPERTISE

- EU funding and innovation consultants
- track record supporting exploitation and business planning, in a.o. agro-food, bio-economy and process industry
- hands-on collaborations with ≥ 400 EU consortia every year; large industries, startups, SMEs, research organisations & Universities.
- PNO has supported EITs: Climate KIC, EIT Health, EIT Raw Materials



Ron Weerdmeester

Manager PNO Group Innovation Team
Expertise: EU RD&I projects, PPPs
management and strategy



Marco Karremans

Manager Corporate Finance Team
Expertise: Investor readiness, investor
match, business case and Finance
arrangements

COLLABORATION WITH EIT FOOD



Support EIT Food in the domain of financial sustainability strategies and ROI mechanism :

- Assessment of the project's risk profile, proposed ROI-mechanism, business case, the project's risk profile and define possible points of attention to tackle in reaching final agreements end 2020 - 2021
- Collection follow-up data and in-depth assessment on business case and ROI mechanism, e.g. key exploitable results (KERs), revenue model analysis, realistic quantification of Serviceable Obtainable Market (SOM) and go-to-market strategies.
- Advise both EIT Food and project consortia in preparing risk-adjusted and fair agreements on ROI mechanism per project.
- Strategic support on longer term sustainability strategies for EIT Food

AGENDA

Objective: understanding what is expected from a good Financial Return mechanism (FRM) and commercialisation strategy for EIT food funded projects:

1. BACKGROUND OF FRM
2. FRM'S IN THE CONTEXT OF KAVA PROPOSALS AND PROJECTS
3. FRM IN THE EVALUATION PROCESS
4. WHAT DOCUMENTS AND DATA TO PROVIDE
5. FRM SCOPE AND AGREEMENT
6. CONDITIONS FOR A SOUND SELF-DEVELOPED FRM
 - *Clear KERs*
 - *Who owns and has exploitation rights (IPR)*
 - *Business Model related to the KERs*
 - *Business Case(s) for exploiting partner(s)*
 - *Clear FRM related to credible market introduction perspective*
7. COMMERCIALISATION AND FRM TEMPLATE
8. RECAP - SOME KEY RULES FOR DESIGNING YOUR FRM
9. Q&A

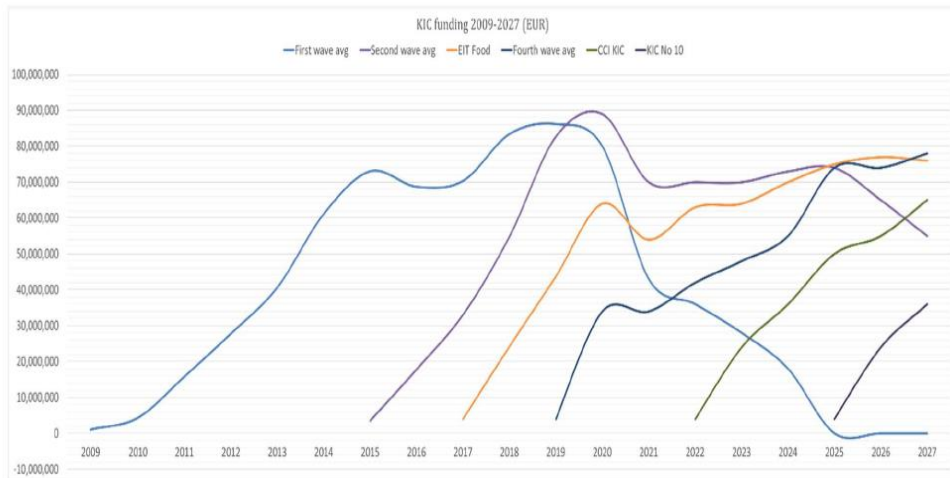


A background image showing a person's hands framing the sun, creating a bright, warm glow. The person's head is visible in profile on the left, and their arms are extended from the right, with hands positioned to hold the sun. The scene is set outdoors during sunset or sunrise, with a blurred landscape in the background.

BACKGROUND OF FRM

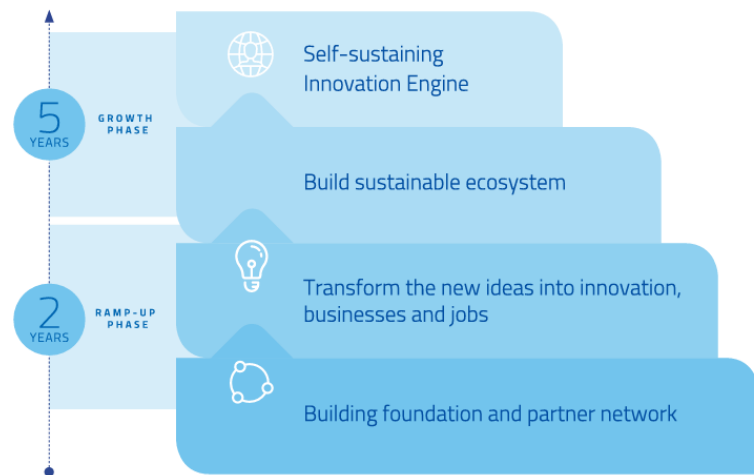
FINANCIAL SUSTAINABILITY FOR EIT-FOOD

EIT FOOD SUSTAINABILITY STRATEGY



	Start-up	Ramp-up	Maturity	Exit from EIT grant
Years	1 – 4	5 – 7	8 – 11	12 - 15
EIT Co-funding rate	Up to 100%	Up to 80%	Up to 70%	50% at year 12, decreasing by 10% per annum

Creating a world leading innovation ecosystem for food production and nutrition



BACKGROUND OF FINANCIAL SUSTAINABILITY IN EIT



The **EIT regulation** state that *“mechanisms must be introduced and should generate returns that should be reinvested into the KIC to leverage other funds”* and ensure Financial Sustainability.



In line with the **EIT Food Financial Sustainability Strategy** and EIT requirements, all Innovation Activities are required to give a financial return to EIT Food to support the **long-term financial sustainability plan** (e.g. from NGOs, services sales, investment in start-ups, etc.). FRM's were introduced in Call for Proposals Guidelines since 2019*



The **FRMA** details the mechanism designed to contribute to the financial sustainability of EIT Food based on the Activity's successful commercialization. In other words, it is a **“success fee”** related to the exploitation of the Activity's Key Exploitable Results supported by EIT.

The background of the slide is a photograph showing the back of a person's head and their hands held up to frame a bright sun, creating a lens flare effect. The scene is outdoors, likely at sunset or sunrise, with a blurred landscape in the background.

BACKGROUND OF FRM

FRM IN THE CONTEXT OF KAVA PROJECTS

FRM IN THE CONTEXT OF KAVA PROJECTS

KERs,
exploitation
plan and **FRM**
in your
proposal

**FRM
agreement
(FRMA) with
EIT Food**

Further
elaborate
exploitation
ideas

Collect the
input from
partners and
desk studies

Finalise your
Exploitation
and business
Plan

**Exploitation
decision** by the
exploiting partner/
**exploitation of
results**

Proposal

Evaluation

KAVA project

Market



**Business
Case + FR
mechanism**

**Specific FSM
Agreement**

**IP and
business
models**

**Further
market
analysis**

**Detailed
business Plan**

**Implement
ROI/FR
mechanism**

KER's -> IP -> Business Modelling -> Market analysis -> Business Plan -> go to market

FRM IN EVALUATION PROCESS

FINANCIAL RETURN MECHANISMS IS EXPLICIT PART OF THE EVALUATION

PART A

EXTERNAL EXPERTS WILL EVALUATE PART A OF ALL APPLICATIONS WHICH PASS ELIGIBILITY AND INCLUDE THE

- EXCELLENCE IMPACT : 40 %
- IMPACT PATHWAYS: 30%
- QUALITY AND EFFICIENCY KPIS : 30 %

PART B

PROPOSALS THAT WILL PROCEED TO PART B OF THE EVALUATION PROCESS, WILL BE EVALUATED **MORE IN DEPTH** BY EXPERTS ON THE SAME CRITERIA



FRM IN EVALUATION PROCESS

FINANCIAL RETURN MECHANISMS IS EXPLICIT PART OF THE EVALUATION: **PART A**

Excellence 40%		Impact pathways and KPIs 30%		Quality and efficiency of implementation 30%	
25%	*Clearly demonstrated market and societal need/demand for the proposed innovation	40%	Proposals significantly contributes towards EIT Food's Societal, Environmental, Economic impact. There is a clear link between the project's KPIs and Impact Indicators.	40%	Value for Money of the proposed activity. Extent of proposal's co-funding rate will be reflected in the evaluation score.
25%	Innovativeness of the proposed solution, advancing state of the art in the field.	40%	Proposal's intended impact is significant, as measured by the # of EIT Core KPIs and additional KIC-specific KPIs for Innovation, in particular: <ul style="list-style-type: none"> • Marketed Innovations • Designed and Tested Innovations • Start-ups created • Innovation testbeds established Extent of proposal's intended impact will be reflected in the evaluation score.	40%	Competences, operational capability, and complementarity of the consortium to achieve project objectives
25%	*Soundness/credibility of the business concept and robust commercialisation strategy	20%	Clearly demonstrated collaborative strength and synergies of consortium to contribute to the EIT Food Focus Area Challenges with the innovation(s) being developed.	20%	Adequate resources (human and financial) to achieve project objectives
25%	Stage of development of the innovation and its critical/non-critical technologies is clearly demonstrated	1 st level of evaluation of your FRM			

FRM IN EVALUATION PROCESS

FINANCIAL RETURN MECHANISMS IS EXPLICIT PART OF THE EVALUATION: **PART B**

Excellence 40%		Impact pathways and KPIs 30%		Quality and efficiency of implementation 30%	
25%	Consortium's research and analysis of market need is clearly demonstrated. Value proposition for consumers is clearly demonstrated	30%	Effectiveness and feasibility of the workplan are clear and convincing to achieve project objectives. Thorough and comprehensive risk register and corresponding mitigation plan.	40%	**Ambitious commercialisation strategy and <u>COMPETITIVE</u> Financial Return Mechanism contribution to KIC's Financial Sustainability
25%	Business plan is well researched and convincing. Uniqueness of the innovation is clearly demonstrated.	40%	**Extent, relevance, and timeliness of contribution from project-level KPIs and Impact Indicators towards overall KIC KPI targets and Societal Impact Indicator targets.	40%	Revenues expected from the Key Exploitable Results (KER) are realistic . The market assumptions of said revenues are thoroughly explained. A robust IP management plan is in place.
25%	**Convincing Proof of TRL stage of at least 7 at the time of proposal submission, in the form of prototypes, data, feedback from tests/ trials, consumers' assessment, that show evidence of completion/achievement of TRL 6.	15%	Strength of Economic Impact, via forecasted income and through wider economic, societal, health or environmental gains which can be attributed to the activity.	20%	The ramp up in expected annual revenues is realistic and substantiated by project milestones for market introduction and commercial scale-up.
25%	Feasibility to increase the TRL level of the innovation within the timeframe of the proposed activity is realistic and clearly explained.	15%	Demonstration of Knowledge Triangle Integration, through contribution of EIT Food support/ programmes/ network/ capability & resources to the development, deployment and scaling up of solutions and Impact Goals.	In-depth evaluation of your FRM (at least score of 3!)	

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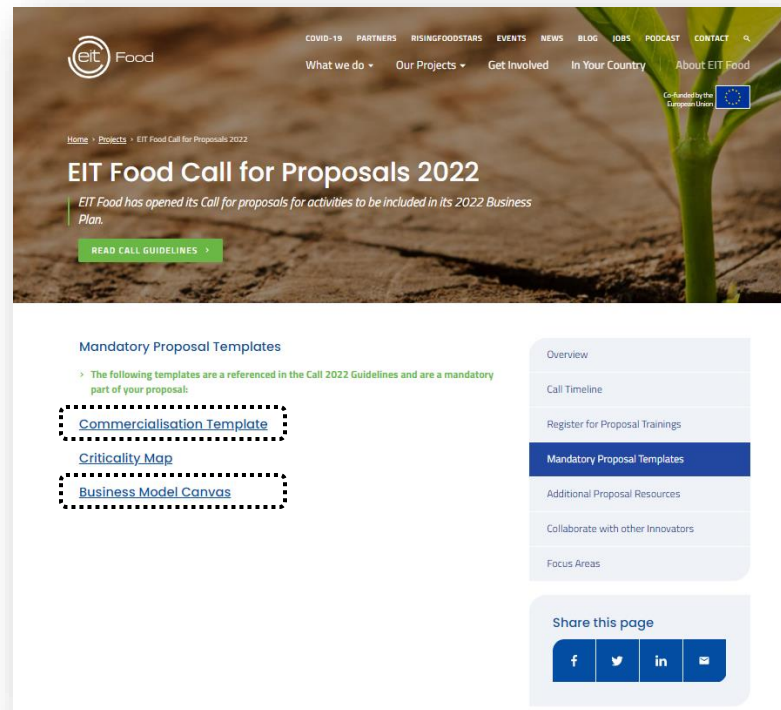
CLEAR FINANCIAL RETURN MECHANISM

WHAT DOCUMENTS AND DATA TO PROVIDE?

MANDATORY DOCUMENTS TO BE PROVIDED

<https://www.eitfood.eu/projects/eit-food-call-for-proposals-2022#tab3>

- **Business Model Canvas**
- **Commercialisation and Financial Return Mechanism Plan (Template)**
 - *Supporting Documentation explaining expected Serviceable & Obtainable Market (SOM) and market share*
 - *Supporting Documentation describing sales/distribution channels for the SOM*
 - *Supporting Documentation of Product Readiness Level*



The background of the slide is a photograph showing a person's hands from behind, framing a bright sun. The person's head and shoulders are visible on the left, and their arms extend towards the right, with hands positioned to hold the sun. The sun is a bright, glowing orb, and the overall scene is bathed in a warm, golden light, suggesting a sunset or sunrise. The background is slightly blurred, focusing attention on the hands and the sun.

CLEAR FINANCIAL RETURN MECHANISM

FRM SCOPE AND AGREEMENT

SCOPE FINANCIAL RETURN MECHANISM AND MINIMUM ROI

- **Revenue sharing:** sharing % of revenues generated by exploited KER(s) during agreed time period
- **Credible Business Case;** projected revenues based on market, team, milestones GtM / scale up
- **Return on Investment (ROI)** of EIT's funding to a KAVA: sum of revenues shared annually
- **Minimum required ROI:** 50% of EIT grant budgeted for KAVA, incl. budget amendment
- Proposals with **ROI > 50%** considered more ambitious; a higher score in criterion 'ambition and competitiveness of mechanism' in Part B evaluation;
- For a **multi-annual KAVA:** minimum ROI 50% of total EIT funding (sum of annual grants provided)

Example minimum expected return:

- if the total proposed budget is 1 M EUR, of which 60% funded by EIT Food, or 600 K EUR
- then propose a mechanism that provides return ≥ 300 K EUR within acceptable timeframe
- Consider a higher return if your project has a higher risk factor

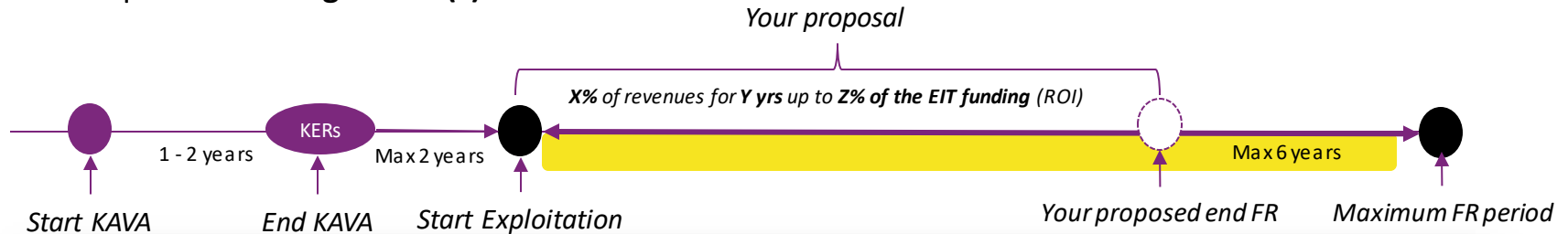


KEY CONSIDERATIONS IN PROPOSING FINANCIAL RETURN MECHANISM

- **Start year and end year of revenue sharing:**

Exploitation KERs to start **2 years at latest after KAVA ends** and revenue sharing **cannot exceed 6 years**.

- If **targeted ROI is not reached** within projected period: continuation of revenue sharing until the 'cap amount' is achieved, up to 6 years after start exploitation.
- Exploitation is monitored; in case no revenues generated, EIT Food may request **Access rights KER(s)**.



Example 'risk adjusted' return

- Exploitation after 2 years KAVA end-date; extra 2% may be foreseen; ROI 52% of EIT funding
- If in addition, revenue sharing in 4 years; extra 2% return per year (in total ROI 60% of EIT funding).

SPECIAL CASES OF FRM

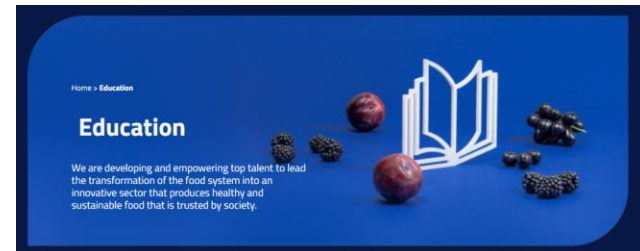


KAVAs under **RIS**: expected financial return 35% of EIT grant budgeted:

- **EU Member States**: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain.
- **Horizon Europe Associated Countries***: Montenegro, Republic of North Macedonia, Serbia, Turkey, Ukraine.
- **Outermost Regions**: Guadeloupe, French Guiana, Réunion, Martinique, Mayotte and Saint-Martin (France), the Azores and Madeira (Portugal), and the Canary Islands (Spain).

* These third countries, which are all listed in the European Innovation Scoreboard, will be eligible for the EIT RIS, following the successful conclusion of individual Horizon Europe Association Agreements

- **Education programmes** embedded to use EIT Food Education services and infrastructure; “Education” component to include **50% revenue share of course fees**.





AGREEMENT FOR FINANCIAL RETURN MECHANISM

Mechanism proposed by exploiting party/parties finalised with EIT Food after the proposal's selection.

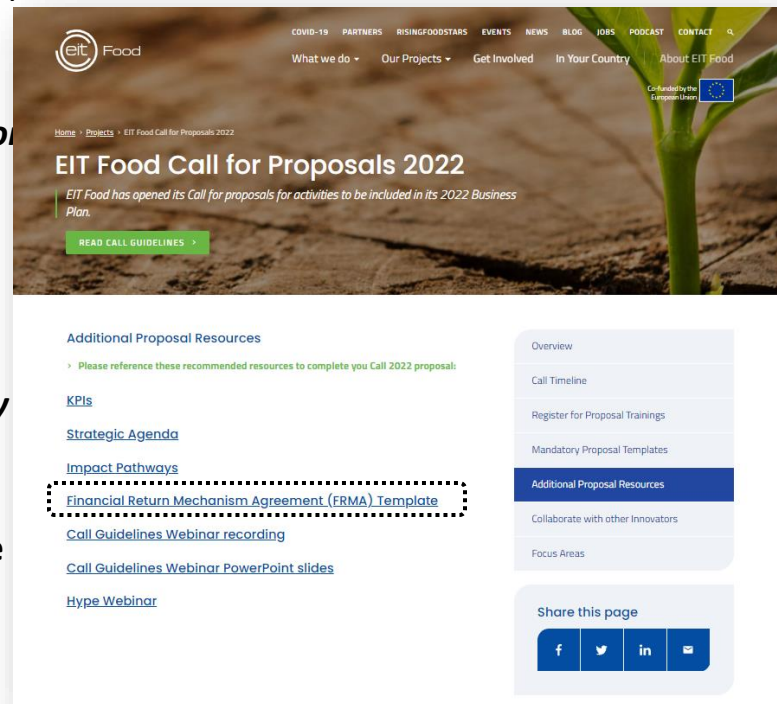
Financial Return Mechanism Agreement (FRMA)

- Signed with the ***exploiting party/parties of the consortium, on behalf of Activity consortium.***
- Signed as a ***mandatory condition for funding.***
- Should be finalised before the activity commences.
- In case multiple KERs by multiple exploiting partners, each relevant exploiting partner must co-sign FRMA.
- Exploiting party or parties must be an already ***existing legally registered entity*** at the time of application.

The terms of the FRM:

- Will be documented in a **Term Sheet** as an **attachment to the FRMA**
- FRMA template is available, including framework of term sheet:

<https://www.eitfood.eu/projects/eit-food-call-for-proposals-2022#tab4>







AGREEMENT FOR FINANCIAL RETURN MECHANISM

TERMS SHEET – ATTACH TO THE FRMA

- DEFINITION OF KER'S
- OWNERSHIP – IP
- CALCULATION BASE OF THE FRM
- ESTIMATED PAYMENT SCHEDULE FOR RS
- MONITORING RULES



Co-funded by the
European Union



ANNEX I Terms for Revenue Sharing Mechanism Agreement (RSMA)

KAVA #	Project Title			Activity Leader	EIT Food amended grant			
Responsible Exploiting partner	Contact Person	Function	Contact data					
Key Exploitable Results (KER)								
#	Title			IP owner – responsible				
Revenue Sharing Mechanism								
Type	Example: Revenue sharing related to the exploitation of the KERs							
Calculation base for the FRM	Example: A % over the annual revenues from the sales of the KERs Revenue sharing with EIT Food occurs until a defined cap is realised.							
Description of the Self Developed FRM	KER #	%	Start year	End year				
	1	X%	20	20				
Monitoring and payment schedule in case of Revenue Sharing								
Projected revenues (in €) KER #1	2022	2023	2024	2025	2026	2027	2028	beyond
	2022	2023	2024	2025	2026	2027	2028	beyond
Projected revenues (in €) KER #2	2022	2023	2024	2025	2026	2027	2028	beyond
	2022	2023	2024	2025	2026	2027	2028	beyond
Projected financial Return KER #1 and #2 to EIT Food	2022	2023	2024	2025	2026	2027	2028	beyond
Explanation (if relevant and where required):								
<ul style="list-style-type: none">The projected revenues and Revenue Sharing to EIT Food are an estimation that serves EIT Food internal income projections, and by no means a legal obligation of the exploitation or KAVA project beneficiaries.Based on the total projected revenues of KER #1 and KER #2 the cap on revenues sharing with EIT Food is expected to be realised in 20. The revenues sharing will continue after 20, but no later than 2025 in case the cap on revenues sharing has not been realised in 2023 due to realised revenues being lower than projected revenues.								
Monitoring of calculation base for the RSM								
KER 1 and 2	<ul style="list-style-type: none">The exploitation partner will inform EIT Food about the annual revenues generated and a calculation of the EIT's revenue share through a dedicated annual report using a template to be provided by EIT Food.This report will quantify the exact annual revenues generated related to the exploitation of the Key Exploitable Result as defined in this Termsheet. The Exploiting Partner will provide EIT Food with a signed sworn declaration on the veracity of the annual KER report not later than Month XX of the subsequent calendar year. EIT Food will provide a template for this declaration.							
Payment schedule								
KER 1 and 2	Payment of the Revenue Sharing, calculated as the agreed percentage on the received revenues, as certified in the beneficiaries official accounts, will be paid to EIT Food on an annual basis, each year within at least 30 working days after the after the reception of the report, the sworn declaration and the invoice issued by the Exploiting Partner.							
Monitoring and payment schedule in other cases								
Not applicable								
Any additional special clauses								
Not applicable								





ADDITIONAL ACCESS RIGHTS

Art. 2.4. The EIT Food Partners acknowledges and agree that the Exploitation of the Results of the KAVA shall start at term agreed for the exploitation and detailed in the Term- Sheet

Art.2.5. if at any moment during the Exploitation Period the exploitation Results are not expected to generate any revenues, the KIC LE reserves the right to claim additional Access Rights

- commitment letter with the confirmation of the cease of the exploitation

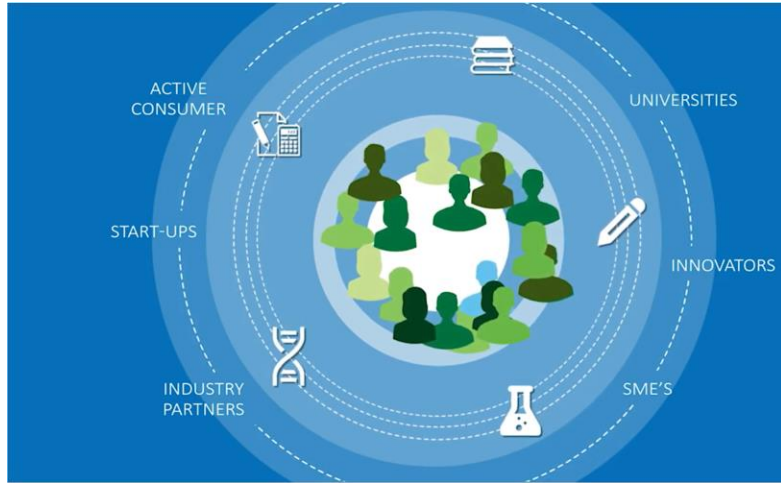
Article 8: Additional Access Rights for KIC LE – Right to disseminate

exclusive or non-exclusive, fully paid-up, irrevocable, world-wide Access Rights to use the Results of the KAVA for the enhancement of the KIC EIT Food and the EIT Food Partners, for example for use in scientific papers, benchmarking. Such access rights shall include the right to grant sublicenses.

The EIT Food Partners will continue to own the Results of the KAVA they have generated. EIT Food does not request to transfer the ownership of the Results from the EIT Food Partners.

Art. 2.6. The KIC Partners shall be liable towards the KIC LE for **the infringement of the commitment of cease of the exploitation** and will indemnify KIC LE with an amount equal to the max the agreed ROI (agreed % of the EIT Funding)

CONDITIONS FOR A SOUND FINANCIAL RETURN MECHANISM



1. Clear KERs

2. Who owns and has exploitation rights (IPR)

3. Business Model related to the KERs

4. Business Case(s) for exploiting partner(s)

5. Sound and credible commercialization and go-to-market strategy

6. Clear agreements between partners about responsibilities for FRM (consortium agreement)

The background of the slide is a photograph of a person's hands and arms framing a bright sun. The person is seen from the back, with their hands held up to their face, creating a frame around the sun. The sun is very bright, causing a lens flare effect. The person is wearing a dark long-sleeved shirt. The background is a blurred outdoor scene with trees and a body of water.

KEY EXPLOITABLE RESULTS

AND HOW TO DEVELOP AN EXPLOITATION PLAN

((KEY) EXPLOITABLE RESULTS ((K)ER))

What is an **exploitable result**?

A product, new service, new standard, new training courses:

- will be further developed for **market introduction** after the project end
- responds to a specific **need** of a well-defined **group of customers/users**

How can an ER be exploited:

- **Direct use:** Manufacturing, Industrialization; Selling of technology/product; Research Consultancy for external clients; New research project; Training/new university course
- **Indirect use:** Distribution and licensing agreements; Development of a new legislation standard; Joint ventures; Start-up/ Spin-off company

What are the differences among **KER** and **ER**:

- **KER:** Result selected for building a **full business plan**;
- **ER:** no full business plan. ER example: new university course, input for new project due to a spin off research from the project

Innovation Radar

Welcome to the Innovation Radar platform.

This website lets you discover great EU-funded innovations by either searching by keyword or by applying filters or both!

Additionally you can navigate the map to find innovations based on their geographical location.

The filters include the possibility to discover innovations based on their market readiness. There are four categories reflecting different levels of maturity of innovations:



"Optimisation": Innovations considered 'Ready for the market'.



"Creation": Innovations that are progressing on the technology development process.



"Commitment": Innovations for which concrete market-oriented ideas have been put together.



"Exploration": Innovations in the early phases of technological readiness.

For more information about Innovation Radar visit our [about page](#) or [FAQs](#). Or jump straight in and [search the database](#).

☐ Don't show this message again in the future



SMART FARMING - EXAMPLE



WHAT ARE KER'S?

WHO OWNS THEM?

WHO EXPLOITS THEM?

WHAT DOES THE MARKET LOOK LIKE?

WHAT PART OF THE MARKET WILL YOU CAPTURE?

WHO EARNS WHAT?



IPR – SOME BASIC PRINCIPLES

Who owns what, and how that impacts the exploitation plan

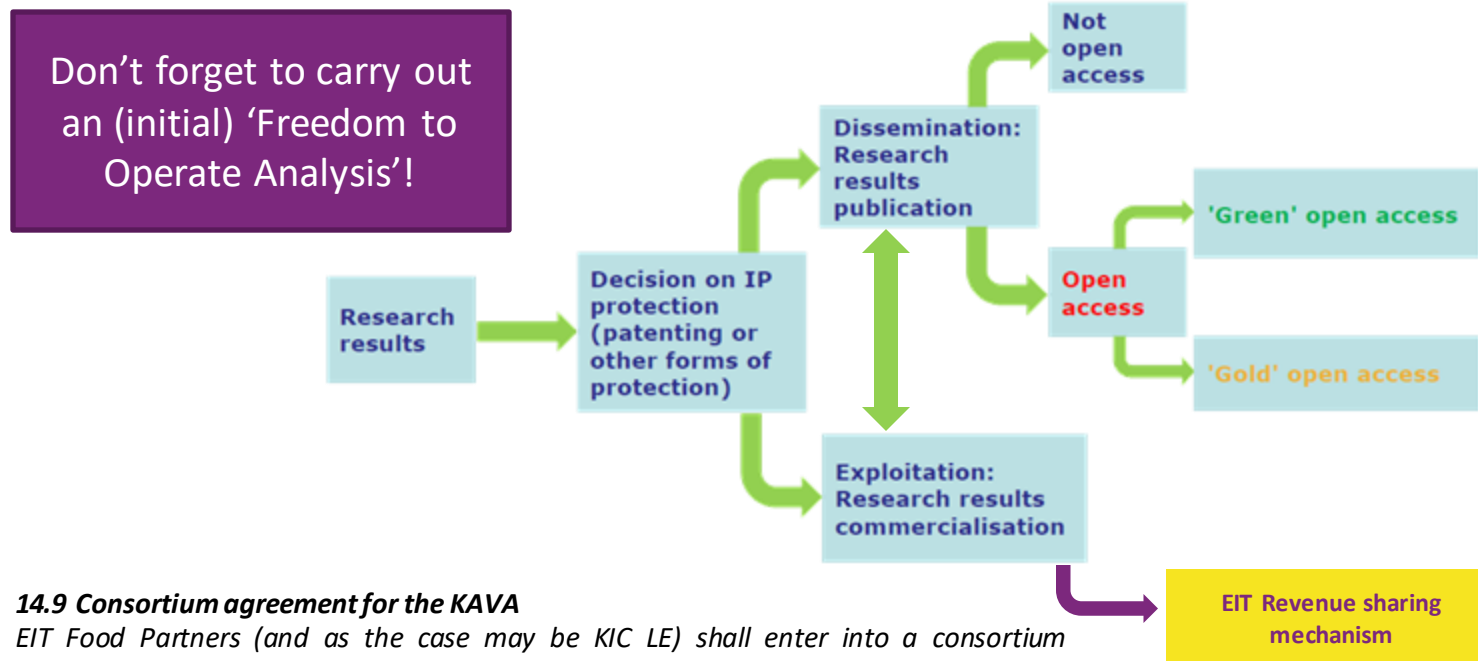
MANAGING IPR DURING IMPLEMENTATION



“I invented fire, but now everyone is using it for free. In hindsight, maybe my first invention should have been intellectual property law.”

MANAGING IPR DURING IMPLEMENTATION

Project results are owned by the partner(s) that developed (or acquired) them!



14.9 Consortium agreement for the KAVA

EIT Food Partners (and as the case may be KIC LE) shall enter into a consortium agreement for the KAVA(s) they are involved in, in order to specify or supplement binding commitments among themselves in addition to the provisions of the FPA and the SGA, in particular with respect to ownership of Results and Access Rights.

IPR – PROTECTION AND ACCESS RIGHTS

IPR	What for?	Registration?
Patent	New inventions	Registration is required
Utility model	New inventions	Registration is required, but conditions are less stringent than for patentability
Trade Marks	Distinctive signs	Registration is required
Industrial Design	Appearance of products	Registration is usually required, but it is possible to acquire an unregistered design right
Copyright	Literary, artistic and scientific works	Not required, but it can be registered in some countries
Confidentiality	Confidential business information/trade secrets	Not required, but internal protection measures needed (i.e. NDAs)

Always use IPR symbols, such as © for copyright, ™ and ® for trademarks, or any other equivalent indicating that it is protected by one or more different IPR

Granting of minimum Access Rights (note: additional Access Rights can always be agreed upon!)*

	Access to background	Access to results
Project implementation	Royalty-free	Royalty-free
Exploitation of results	On fair and reasonable conditions	On fair and reasonable conditions

- ✓ IP protection and access rights are relevant to understand ROI mechanisms and realism!
- ✓ has to be agreed between partners asap BEFORE starting the project or at least before starting exploitation

*See: SUBSECTION 3 RIGHTS AND OBLIGATIONS RELATED TO BACKGROUND AND RESULTS OF THE SPECIFIC ACTIONS, in the EIT Framework Partnership Agreement (FPA)

EIT FOOD FINANCIAL RETURN MECHANISM

BUSINESS MODEL, BUSINESS PLAN

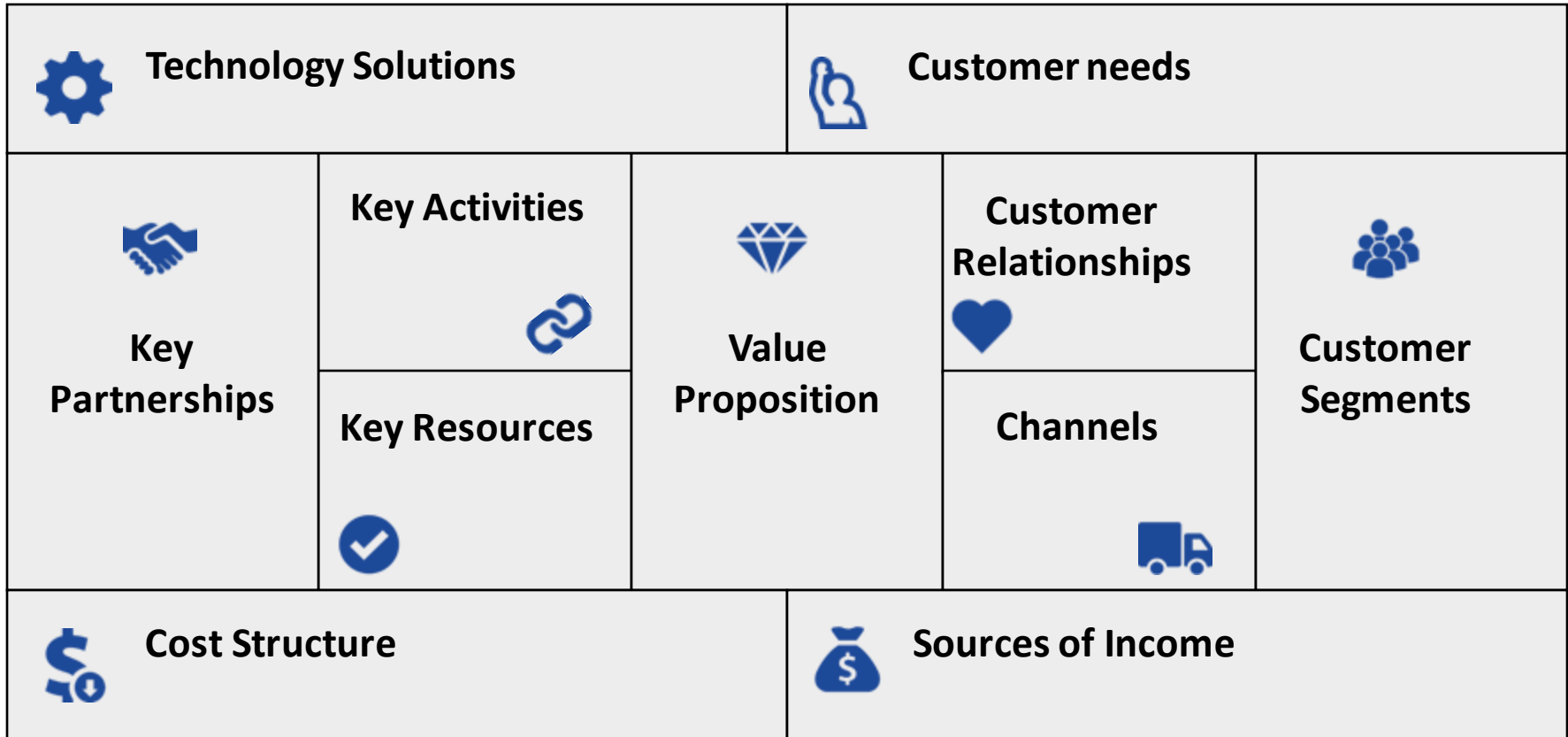


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EIT FOOD FINANCIAL RETURN MECHANISM

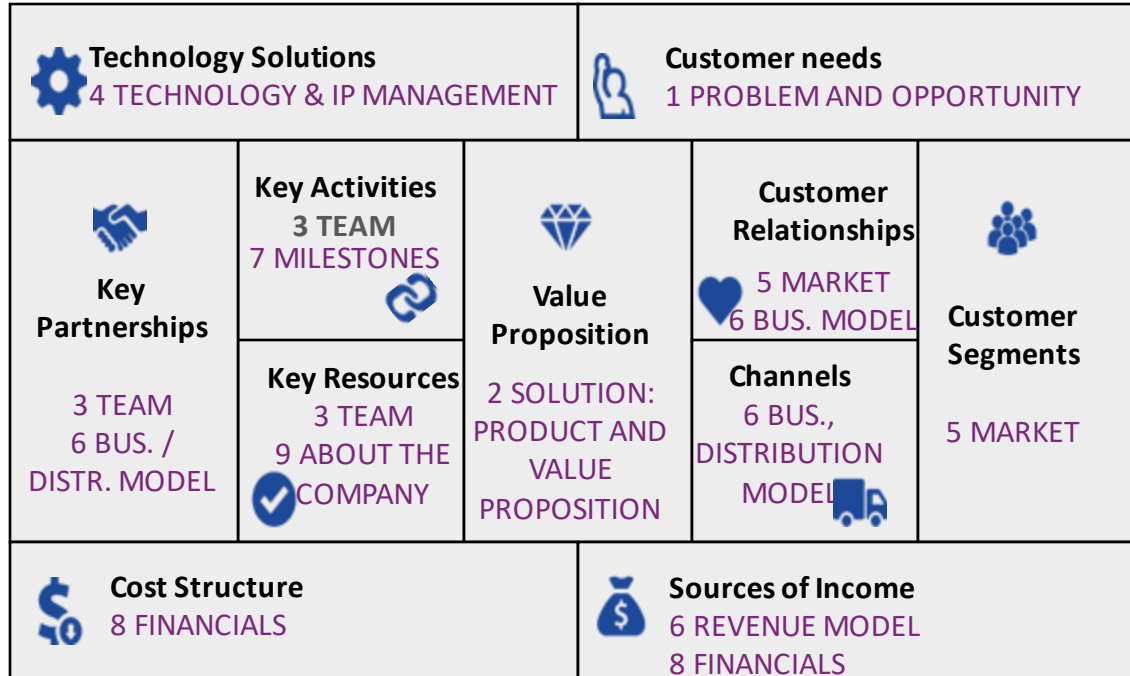
BUSINESS MODEL, BUSINESS PLAN

Business model Canvas | framework to elaborate exploitation KERs



From Business Model Canvas to Business Plan

Business Model Canvas



Business Plan exploitation KERs (example main structure)

EXECUTIVE SUMMARY

1 PROBLEM AND OPPORTUNITY

2 SOLUTION: PRODUCT AND VALUE PROPOSITION

3 TEAM

4 TECHNOLOGY & IP MANAGEMENT

5 MARKET AND CUSTOMER SEGMENTS

6 BUSINESS, REVENUE AND DISTRIBUTION MODEL

7 ROADMAP & MILESTONES

8 FINANCIALS

9 ABOUT THE COMPANY

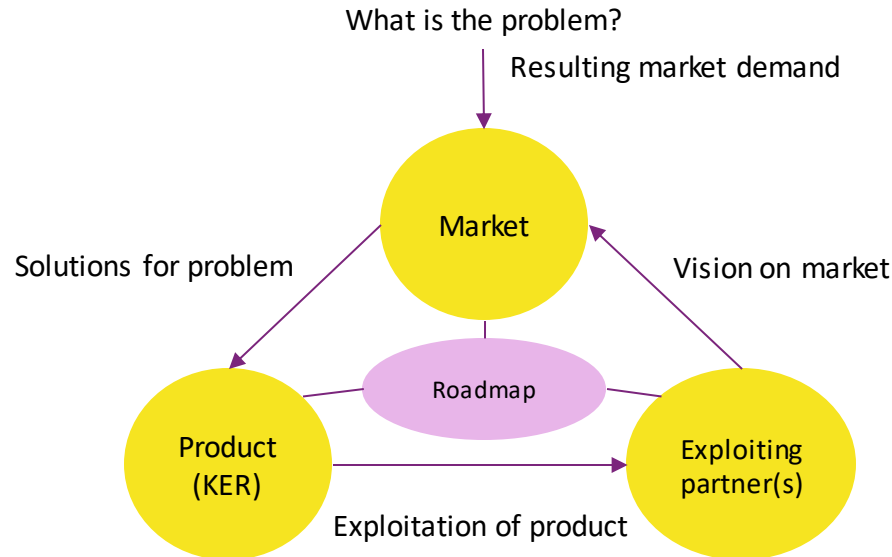
APPENDICES (SUPPORT LETTERS OFF-TAKERS, CO-FUNDERS)

Business Plan

The key of good business plan from a funder's perspective:

A proposition has potential success when **Market**, **Product** and **Execution Power** of this proposition are strongly integrated, with clear assumptions underlying each element.

The integration of elements result in a **Roadmap for Exploitation** with milestones to be reached.



Seedling Irrigation

ly in danger ,
trees

n

SAM
€1.4 bln

SOM

(M):

for food and non-food young
ess globally (EUR 3.1 bln)

(SAM):

ve tree irrigation market with
.4 bln)

Market (SOM):

fruit, nut and olive trees

Technology Readiness Levels (TRL)

Where a topic description refers to a TRL, the following definitions apply, unless otherwise specified:

TRL

1

Basic principles observed

2

Technology concept formulated

3

Experimental proof of concept

4

Technology validated in lab

5

Technology validated in relevant environment (industrially relevant environment in the case of key enabling technologies)

6

Technology demonstrated in relevant environment (industrially relevant environment in the case of Key enabling technologies)

7

System prototype demonstration in operational environment

8

System complete and qualified

9

Actual system proven in operational environment (competitive manufacturing in the case of Key enabling technologies; or in space)

Manufacturing Readiness Levels (MRL)

Phase

MRL

State of Development

Phase 3:
Production
Implementation

9

Full production process qualified for
of parts and full metrics achieved

8

Full production process qualified for
of parts

7

Capability and rate confirmed

Phase 2:
Pre production

6

Process optimised for production rate
production

5

Basic capability demonstrated

Phase 1:
Technology
assessment and
proving

4

Production validated in lab environment

3

Experimental proof of concept complete

2

Application and validity of concept verified
demonstrated

1

Concept proposed with scientific validity

Exploiting partners

- Which organisation(s) will bring the product to the market?
- Connection to value chain/distribution channels
- Best option and alternatives for manufacturing and distribution of KER's
 - Proprietary manufacturing
 - License manufacturing



A background image showing a person's hands holding a bright sun, creating a lens flare effect. The person is seen from the back, and their arms are extended towards the sun. The scene is outdoors, with a blurred background of trees and a body of water.

EIT FOOD FINANCIAL RETURN MECHANISM

COMERCIALISATION AND GO-TO-MARKET STRATEGY

Seedling Irrigation

Types of milestones for roadmap of exploitation:

- KER fully developed in order to be exploited,
- supplier or offtake agreements are signed,
- a first commercial scale production plant,
- first/launching customer(s),
- certain threshold in sales volumes,
- number of customers,
- introduction in certain countries,
- introduction to new type of customers etc.

TU/e

Proof-of-Principle

MVP

Pilot Project

Today

2018

2020

Example Casing Seedling - Sales related Milestones

2020 Q4: 5 small scale pilots- total 25 m2 (first revenue: € 2,500)

2021 Q3: 10 large scale pilots - total 2500 m2 (€ 25,000)

2022 Q4: start commercial sales

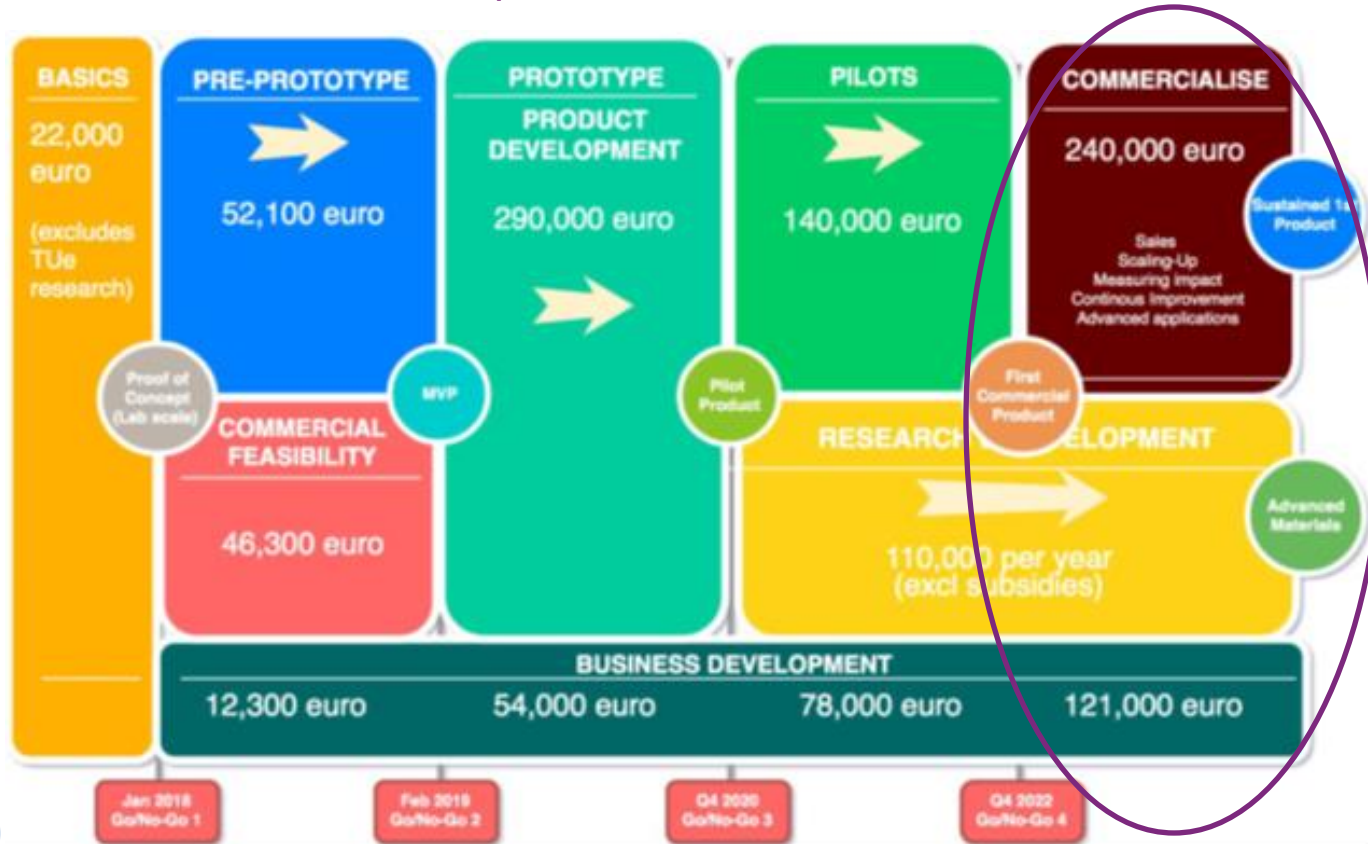
2023 (1st full year of sales): 400,000 m2 (€ 3.2 mln)

2026 (5th year of sales): 25% market share, 25k customers and € 17,5 mln

Prototype

Roadmap

Milestones for development and sales



Go-to-market strategy based on assumptions and scenario analysis

It's all about **robust assumptions**:

- What are the key assumptions underlying operational costs, investments and revenues?
- Are the quantified key assumptions robust, i.e. reliable, realistic, valid?

Assumptions need:

- Reliable sources of information for each key assumption
- Validity check with **scenario analysis**: are the financial outcomes (e.g. revenues, EBITDA, cash position) within acceptable barriers in a base / best / worst case scenario ?



Key assumptions	Scenarios		
	Base case	Best case	Worst case
Projection start year market introduction	2019	2018	2020
Forecast period (YR)	10	12	8
Corporate income tax	25%	21%	30%
Year of market size data	2018	2018	2018
Total available market (TAM)	23.900.000.000	23.900.000.000	23.900.000.000
Serviceable available market (SAM)	4.900.000.000	4.900.000.000	4.900.000.000
Serviceable obtainable market (SOM)	70.000.000	70.000.000	70.000.000
Market share of SOM start year	80%	100%	60%
Annual scale up rate sales volume	1,5	2,0	0,8
Price per unit start market introduction	830	910	785

Commercialisation Strategy to result in draft Cash Flow projections

Income statement (Profit & Loss Statement)

and

Cash Flow Statement

"Casing" Income Statement

Currency: EUR

Revenues

Sales
Cost of goods sold
Gross margin
Gross margin %

Operating expenses

Sales & marketing
Research & development
General & administration
Total operating expenses

Operating Profit

EBITDA (earnings before interest tax depreciation and amortisation)
EBITDA margin %

Subsidy / Grants
Depreciation and amortisation
Earnings before interest and tax (EBIT)

Interest
Financial cost

Earnings before tax (EBT)

Tax
Net result

**EBIT from
Income
Statement**

"Casing" Cash Flow Statement

Currency: EUR

Earnings before interest and tax (EBIT)

Depreciation and amortisation
Change in working capital
Interest
Tax

Operational cashflow

(Des)investments

Investment cashflow

Other changes in equity
Change in interest bearing debt

Financial cashflow

Total cashflow

Cash beginning of period
Total cashflow

Cash end of period **Net Cash position**
resulting from cash in- and outflows

Seedling Irrigation

Fast & Milestones | Tree

2020 Q4: 5 small
scale pilots - total

2021 Q3: 10 large scale
pilots - total 2500 m²

2023 Q4: 400,000 m²
sales (EUR 3.2 MLN)

2026 G
custom

A background image showing a person's hands holding a bright sun, creating a lens flare effect. The person is seen from the back, and their arms are extended towards the sun. The scene is outdoors, with a blurred background of trees and a body of water.

EIT FOOD FINANCIAL RETURN MECHANISM

COMMERCIALISATION AND FRM TEMPLATE

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM PLAN

1. Value Proposition and Unfair Advantage

2. Clear Key Exploitable Results

3. Clear Exploiting party/parties

4. Scope of activities and responsibilities of exploiting party

5. Exploitation rights on the IP/Freedom to operate

6. Clients /client group identified & fee model identified

7. Serviceable Obtainable Market identified

8. Market introduction / distribution channels

9. Roadmap Go-to-Market and ScaleUp milestones

10. Revenues Of Key Exploitable Results

11. Proposed Financial Return Mechanism



COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

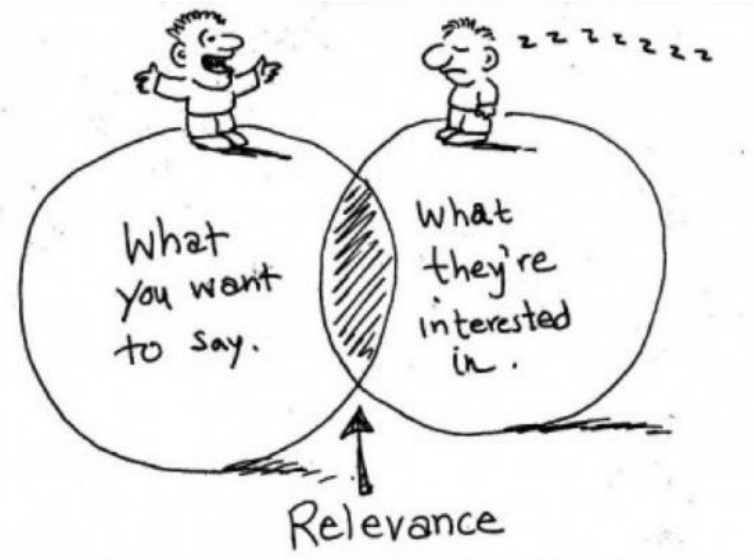
VALUE PROPOSITION AND UNFAIR ADVANTAGE

Questions to be answered:

- What is your single, clear compelling message; what the features of **your solution**?
- Please describe the **value proposition** of your innovative solution according to the definition LEAN Business Model Canvas.
- Please describe the **Unfair Advantage** of your innovative solution (something that cannot be easily copied or bought).

Optional supporting documentation:

Attach an analysis report following the structure of the Value Proposition Canvas.



COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

KEY EXPLOITABLE RESULTS (KER'S)

# KER	Title of KER	IP owner - responsible
1.		[one of the KAVA consortium partners]
2.		
3.		

KER #	Exploiting party of KER	Part of consortium KAVA project? State yes or no
1.	[one of the KAVA consortium partners]	
2.		

Optional supporting documentation:

Attach a Summary of previous research / lab / Proof of Concept results, quantified, when possible.

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

SCOPE OF ACTIVITIES AND RESPONSIBILITIES OF EXPLOITING PARTY

	a) contractual basis of the exploitation	b) exploiting party manufactures/ executes the KER	c) If not, which party generates (manufactures) the KER?
KER # 1	IP owner / IP license	Yes / No	[Name of third party]
KER # x	IP owner / IP license	Yes / No	
	d) Fully or partly distribution of KER by exploiting party	e) Sales distribution model exploiting party	f) Sales distribution model third party distribution partners, if applicable
KER # 1	Fully / partly	[max. 3 sentences]	[max. 3 sentences]
KER # x	Fully / partly		
	g) Sales channels of KER		
KER # 1	KAVA consortium partner (if so please name partner) / Existing network of exploiting party (if so please provide names) / online sales / other, please specify type of sales channel (e.g. supermarkets, food producers etc.)		
KER # x			

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

EXPLOITATION RIGHTS IP

Questions to be answered:

- Did you carry out a **Freedom to Operate Analysis**?
- Is there **third-party IP** you need to take into consideration when exploiting your KER? If so, how will this be arranged?



"The funny walk and tuxedo feathers are my intellectual property and trademark. If you want to look or act like me, you have to pay me a million dollars."

	Freedom to Operate Analysis is executed for IP of KER?	IP by third party to take into account when exploiting the KER?	In case of third party IP, how will this be arranged?
IP KER # 1	Yes / No	Yes / No	Provide short description in approx. 2-3 sentences
IP KER # X	Yes / No	Yes / No	

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

CLIENTS /CLIENT GROUP IDENTIFIED & FEE MODEL IDENTIFIED



“Someone calling themselves a customer says they want something called service.”

Questions to be answered:

- Who are the expected **main clients** of each KER? How did you choose your entry price?
- Please describe the clients per KER.
- Provide specific client names or client types, i.e. retailers, manufactures, farmers etc., who could partly be the KAVA's consortium partners.

KER #	Client name or Client type	Fee model
1		
X		

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

CLEAR PROBLEM AND MARKET NEED IDENTIFIED

Please provide a **summary of the market analysis report** with:

- Societal and/or economic problem related to one or more of the innovation clusters
- General solution path / approach to this problem (not yet being the solution developed during the KAVA)
- Total addressable market both historic and outlook, market segments in case of multiple applications of solution and range of types of prospective clients
- Historic and prospective competitors with alternatives to the solution developed during the KAVA



COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

SERVICEABLE OBTAINABLE MARKET IDENTIFIED

- Describe and quantify to which market segments each KER is to be exploited.
- Please copy and complete the table below if you have more than one KER.
- **MANDATORY Supporting Documentation:** Please provide documentation explaining on which expected SOM and market share your quantification is based on.

SOM for KER # 1:									
1. Name market segment 1:	[e.g. client type(s) or client name(s) (which can be consortium partners), specific region(s) / countries]								
2. Units in:	Please select relevant unit for KER: Persons, kg, ltr, m2 or describe other type of unit								
	2022	2023	2024	2025	2026	2027	2028	2029	2030
3. SOM market segment 1 in units									
Market share segment 1 (1-100%)									
4. Sources estimated SOM	[e.g. draft /expected offtake agreements, letters of intent customers, market research reports, competitor analysis etc.]								

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

ROADMAP GO TO MARKET AND SCALE UP MILESTONES FOR KER'S

key milestones that represent a **feasible commercial growth path (scale up pace)** for each KER in the coming 5 to 10 years.

Milestones KER # 1		
Milestones description	Time (Quarter, Year)	Targeted market introduction channels <u>and</u> SOM (quantify channels and SOM)
KER # 1 fully developed for market introduction		
....		
....		
....		

MANDATORY Supporting Documentation:

Product Readiness Level: evidence documenting the status of the activities required to launch the innovation in the market. **Business Plan** that includes the description of the sales/distribution channels for the described SOM

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

REVENUES OF KEY EXPLOITABLE RESULTS

Provide the type of estimated revenue streams of each KER for the exploiting party

KER #	sales of product	sales of service
1	Yes / No	Yes / No
X	Yes / No	Yes / No

Please provide an estimation of the annual revenues in euro per KER in line with the previous sections on clients /client group identified & fee model identified, commercial scale up milestones and the serviceable & obtainable market for each KER.

In €	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues KER 1									
Revenues KER x									
Total Revenues									

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

PROPOSED FINANCIAL RETURN MECHANISM (1/3)

1. Is your proposed Financial Return Mechanism (FRM) based on revenue sharing?

- Please state: Yes or No.
- In case of 'yes' please go to question 2 and in case of 'no' please go to question 3.

2. If your proposed FRM is based on revenue sharing, please complete the features in the table below for each KER.

KER #	% of revenues shared	Start year of revenue sharing	End year of revenue sharing	Total revenues shared per KER with EIT Food in €
1				
X				
			Total in €	

3. In case you propose another base for your self-developed Financial Return Mechanism than revenues sharing please specify how you propose to calculate a financial return for EIT Food

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

PROPOSED FINANCIAL RETURN MECHANISM (2/3)

4. Please provide your proposed timing for the project financial return(s) to EIT Food for revenue sharing, lump sum or other mechanism, after the end of the KAVA project.

In €	2022	2023	2024	2025	2026	2027	2028	2029	2030
Projected financial return to EIT Food for KER 1									
Projected financial return to EIT Food for KER 2									
Total Projected financial return to EIT Food									



Sum of all revenues shared annually = ROI of EIT Funding

COMMERCIALISATION AND FINANCIAL RETURN MECHANISM TEMPLATE

PROPOSED FINANCIAL RETURN MECHANISM (3/3)

Please describe how the exploiting party of each KER provides clear insight in the realised revenues of the KER(s)

Please provide the name and department of the department and duly authorized person to sign the Financial Return Mechanism Agreement with EIT Food

- Exploiting party for KER #
- Organisation name
- Department
- Duly Authorised person to sign
- E-mail of authorized person
- Telephone number of authorized person

The background of the slide is a photograph showing the back of a person's head and their hands held up to frame a bright sun, creating a lens flare effect. The scene is outdoors, likely at sunset or sunrise, with a blurred landscape in the background.

RECAP

RECAP - SOME KEY RULES FOR DESIGNING YOUR FRM

RECAP - SOME KEY RULES FOR DESIGNING YOUR FRM

- Remember: FRM is **part of the evaluation!**
- **Exploiting party** to be in lead! Will sign the FRM agreement with EIT Food on behalf of the consortium
- Link your FRM to the **business case**
- Quantify projected revenues over time related to your **Key Exploitable Results**
- Qualify the type of expected revenues:
 - Product sales
 - Service sales
 - License-income
- Provide elements that demonstrate a **credible growth-path** (see business model)
- Monetize and **plan your proposed expected Financial Return to EIT**
- At least provide for a return-on-investment of $\geq 50\%$ (risk-adjusted) – sharing your success with EIT!

CS169714



"We're looking at a six figure return.
Unfortunately, they're all zeros."

Q&A

GOOD LUCK!

