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# Commercialisation and Financial Sustainability



# Matchmaking Event Series 2023

Monday, April 17	Tuesday, April 18	Wednesday, April 19	Thursday, April 20
<b>Call Information Session</b> 09:30 – 10:30	<b>Sustainable City Logistics</b> 10:00 – 11:30	<b>Future Mobility</b> 10:00 – 11:30	<b>Guidance to applicants (Plaza)</b> 09:30 – 10:30
<b>Meet the Cities</b> 11:00 – 12:30	<b>Mobility &amp; Energy</b> 14:30 – 16:00	<b>Commercialisation and Financial Sustainability Session</b> 14:30 – 15:30	<b>Proposal Writing Workshop</b> 11:00 – 12:00

Recordings will be available on B2Match



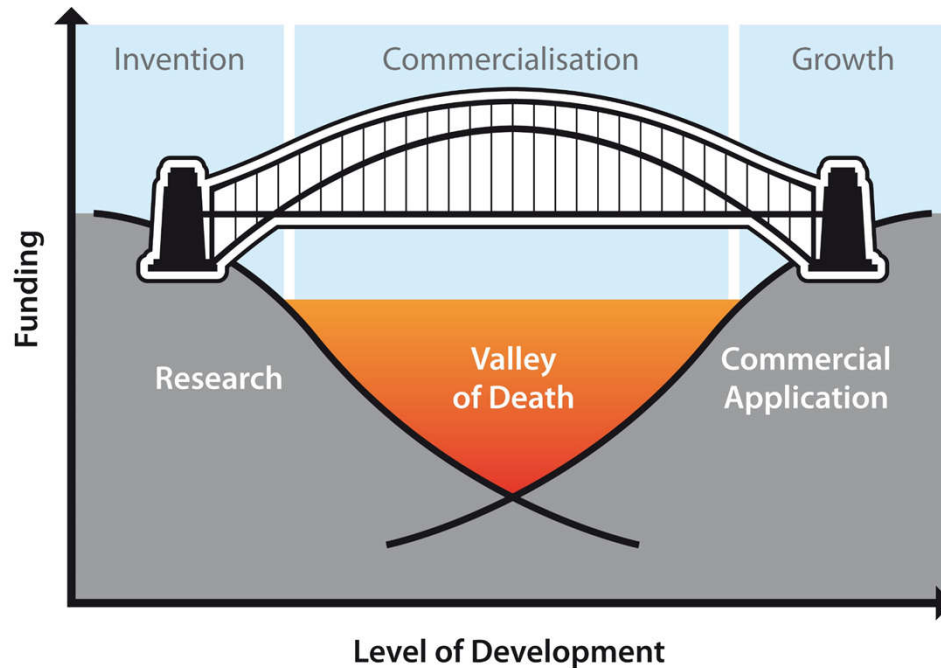
# AGENDA

Topic	Objective
What is FSM?	Common understanding on Financial Sustainability and intent. was devised. Review differences between Pillar 3 Market Development and the Pillar 2 Research.
FSM Results BP2020-23	Provide the social and economic results after 3 years on FSM in the EIT UM. Ensure common understanding of open issues, challenges and recommendations.
FSM Overview BP2023-25	Redefine FSM as a common responsibility and partnership between EIT UM and our consortia. General introduction to the three FSM models.
Three Models	Provide an overview of the General Partner/ Equity Partner/ Newco-Spinout. Detail on the three main FSM and review timelines, objectives, and outcome.
Next Steps	Ensure existing Gold, Silver, Network and new partners can provide input and content on FSM.
Q & A	Start the open discussion

# Financial Sustainability in BP2020-2021



# What is Financial Sustainability?



EIT Urban Mobility has a 14-year funding cycle in which to use the “EIT block” grant to mature to financial independence. This is called the Financial Sustainability Mechanism (FSM)

- Initial intent of the EIT
- Not a classic Pillar 2 Programme
- Payment on Outcome not Activity
- TRL6 and above
- Revenue 12-24 months
- Two Main Methods to FSM to r
  - Commercial revenue on product
  - Equity on Start-ups or Investment

## BP2020/21/22 Social Impact

Projects show high potential to deliver social impacts, **but most remain anticipatory due to early stages of commercialisation** and failure to scale-up

- Social impacts unrealisable during project lifetime
- Re-evaluation and support of projects over 24/36 months

Challenge of **finding suitable partner** to manage scale-up and **disagreement on division of responsibility**

- Suitable commercialisation partner should be identified in early stage
- Remove commercial risk from Cities
- Division of responsibility at each stage of project lifecycle – collective to specific

**Inability to produce business plans** for social and environmental scale-up of impacts **while becoming profitable**

- Emphasis commercialisation from inception
- Address the dichotomy of social + economic value

## BP2020/21/22 Economic Impact

- Conflictual relations – Consortia /EIT community / EIT UM and EIT Budapest
- Income and impact expectations of projects **decrease along** the post-five year
- Dependent on final pilots in Q4 to know whether products have reached optimal maturity – too late to act.
- The TRL is not equivalent to **the Commercial Readiness Level (CRL)**. Funding for Higher TRL but we need CRL.
- EIT request to up FSM targets – historically low return on funding “Investment”
- **Revenue share is not scalable** – equity is primary pathway to FSM
- **Equity is not a panacea** - balance income and expectations

### BP2020 -2021

Total Budget:	€33.04M
EIT Funding:	€23M
Financial Sustainability proposal:	€3M
Number of projects funded:	45
Commercial agreements signed:	38
Financial contribution to date:	€44K
ROI:	0.19%

**WE NEED A NEW MODEL TO ADDRESS THE WEAKNESSES OF THE FSM & DRIVE SOCIAL IMPACT**

# Financial Sustainability in BP2023-2025





# FSM as Partnership Development

## ACTIONS

- Implement lessons learned from BP2020-22
- Reduce risk of underperformance
- Place commercialisation at inception of projects
- Balance responsibility, risk and return
- Collective responsibility (expect cities) until signing FSM



## OUTCOME

- Create three-year partnership
- Pre- and Post- CA roles are understood
- Reduce performative compliance
- Increase social impact
- Reduce “rentier” perception
- Drive financial success of product/ SME



# Three FSM Models/Partners

**A** **General commercial partner/model (80-85%)**  
The commercial partner is an SME or Corporation that has **neither** KIC equity investment (b) **nor** intent to create a new company as a result of the project (c).

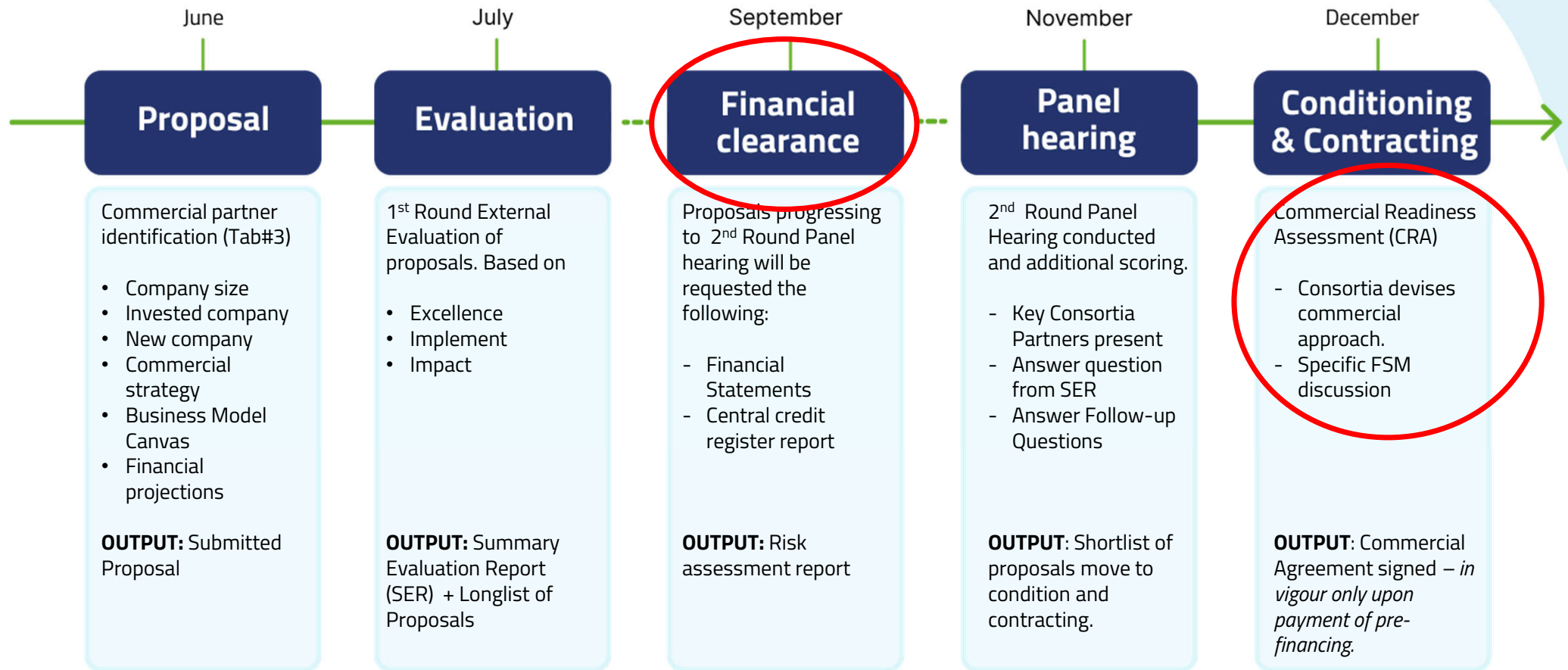
**B** **Equity portfolio partner/model (10-15%)**  
A company having either an **equity investment or a signed SAFE agreement** deriving from previous engagement in the following programmes:

- RAPTOR
- OPEN CALL 2020/21/22
- TARGETED CALLS
- CHALLENGE-MY-CITY
- ACCELERATORS
- INVESTMENT READINESS
- GRANT-FOR-EQUITY
- NEW EUROPEAN BAUHAUS

**C** **New company/ Spin-out created partner/model (5%)**  
A new company/spin-off created a core action of a project. The consortia devises the equity commit as the FSM. The commercial partner is responsible for its registration, consortia capitalisation and operational set-up.

**Market Readiness Evaluation** is compulsory.

# FSM Timelines, Action and Outputs



# Commercial Readiness Level (CRL)

## Definition:

- Similar system to the well-established TRL.
- Provide a credible understanding of the Commercial Partner and their commercialisation.
- Evidences the commercial partner capabilities and go-to-market capacity of staff
- Articulates clear objectives and ensure EIT UM supports specific needs for commercial growth and societal impact

## Process:

The Commercial Partner will be provided access to a form to be completed. The questions can be answered by free text writing. In many case detailed justification and additional evidences (Business Model Canvas, Sales Forecast, Contracts with Clients, Client Segmentation), may be requested.

- Any Consortia failing to complete the CRL assessment will not progress to contract.
- A score will out of 100 will be given that reflects the Commercial Readiness Level.
- The level of Sales Enablement support needed from EIT UM is linked to the CRL score

[To the form](#)



# Output from Commercial Readiness Level (CRL)

CRL	Results	Sales Enablement
1-3	The product is theoretically validated but there's no functional MVP or the MVO hasn't been fully tested. No market launches yet.	Mentoring and Advice Tenders & Bids
4	MVP is functional.	Mentoring and Advice Growth & Contribution to pipeline Tenders & Bids
5	The solution has been teste by 3 clients or more.	
6	The solution is implemented and giving service to at least 1 regular client	
7	The company has more than 1 client for more than a year	Growth and Contribution to Pipeline
8	Existing clients in 2 different markets or more than 5 clients	
9	Existing clients on an international level or more than 5 clients and a sales structure	

# A. General Commercial Partner

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## Commercial Readiness Level Assessment

When the 2nd Round Panel Hearing selects a project for the award, the commercial partner with full support of the consortia (except cities) will undertake a **Commercial Readiness Level (CRL) Assessment**. If project fits with the category **A. General Commercial Partner** then an agreement will be made that includes a fixed and variable fee

### Fixed Fee:

Based on the results of the CRL Assessment as well as factors such as company size, grant value, EIT partnership level, RIS affiliation to the EIT UM, level of support needed, a fixed fee will be discussed and proposed during the conditioning phase. All consortia partners (excluding cities) are involved in this negotiation.

### Variable Fee:

A variable fee will be agreed with the commercial partner based on the ability of EIT Urban Mobility to drive the commercialisation and success of a product/ SME. The duration of the agreement is between two to three years. The success fee will be assessed and discussed on any sale facilitated by the EIT UM. NB: Sales not enabled by EIT UM will not be subject to the variable fee.

**EIT UM becomes a core part of the GTM and includes the development of sales approach and pipelines**

# A. General Commercial Partner Sales Enablement

EIT Urban Mobility fully supports innovative companies by facilitating funding and the legal framework for cooperative projects **and** in the “go to market phase”.

## Process

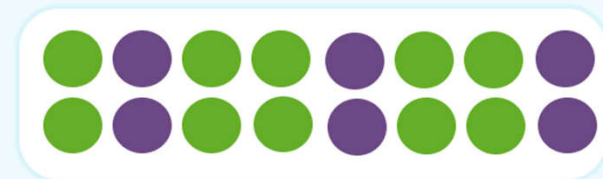
The commercial partners and their Commercial Readiness Level will be evaluated.



## Support

Each company will have a **customised proposal and development plan** depending on the results of the CRL evaluation.

- Mentoring & Advice
- Growth & Contribution to Sales Pipeline
- Tenders & Bids





# A. General Commercial Partner Bilateral Responsibilities

## EIT UM ENABLEMENT:

- Sales strategy planning and execution
- Regular Commercial reviews
- Redefining objectives & segmentation targets
- Access to expertise on the market trends and plan execution roadmap
- Qualified leads at demo stage
- Monitoring and follow-up until deal negotiation



## COMMERCIAL PARTNER

- Assign a commercial lead/interface
- Provide all relevant information about your products/services
- Provide targeted clients and vertical markets
- Transparency on sales strategy/sector/country
- Openness cost/pricing/ for implementation and contract
- Define specific sales expectations
- Attend regular commercial review meetings



# B. Equity Portfolio Company



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## EIT Urban Mobility – Impact Ventures

When the 2nd Round Panel Hearing selects a project for the award, the commercial partner with full support of the consortia (except cities), the **Commercial Partner**, will be invited to initiate the discussions with the Impact Ventures team on how the EIT UM will increase the equity position in the company

### Investment instruments:

#### a) Existing Priced Round:

- There is a co-investor who leads the round.
- The Company valuation is known.
- Price per share is determined by the valuation.
- Investment conditions are negotiated and specified.
- EIT UM's ownership of the shares is acquired after the closing.

#### b) Future Equity (SAFE):

- Company valuation not known.
- EIT UM's ownership of the shares will be acquired if there is a round.
- Valuation cap is negotiated.
- Conversion discount is negotiated.

*NB: EIT UM may decline equity*

# C. New Company/ Spin-Out

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## Market Readiness Evaluation Programme

When the 2nd Round Panel Hearing selects a project for the award, the commercial partner with full support of the consortia (except cities) in agreement with the EIT UM will plan the enrolment to the MRE programme that will take place during the implementation period.

## Responsibility Until New Company/ Spinout Creation (M1-M7)

- The consortia devise the equity commitment in the new company/spin-out as the proposed FSM.
- The consortia, led by Project Leader, is accountable until new company is created.
- The Consortia (excluding cities) is responsible for NewCo/Spin-out **registration, capitalisation and operational set-up.**

## Integrate Newco (M6-M12)

- A NewCo/Spin-out created by M6 **may become a partner** in amendment
- The commercial lead should **reallocate existing tasks and funding** the NewCo/ Spinout

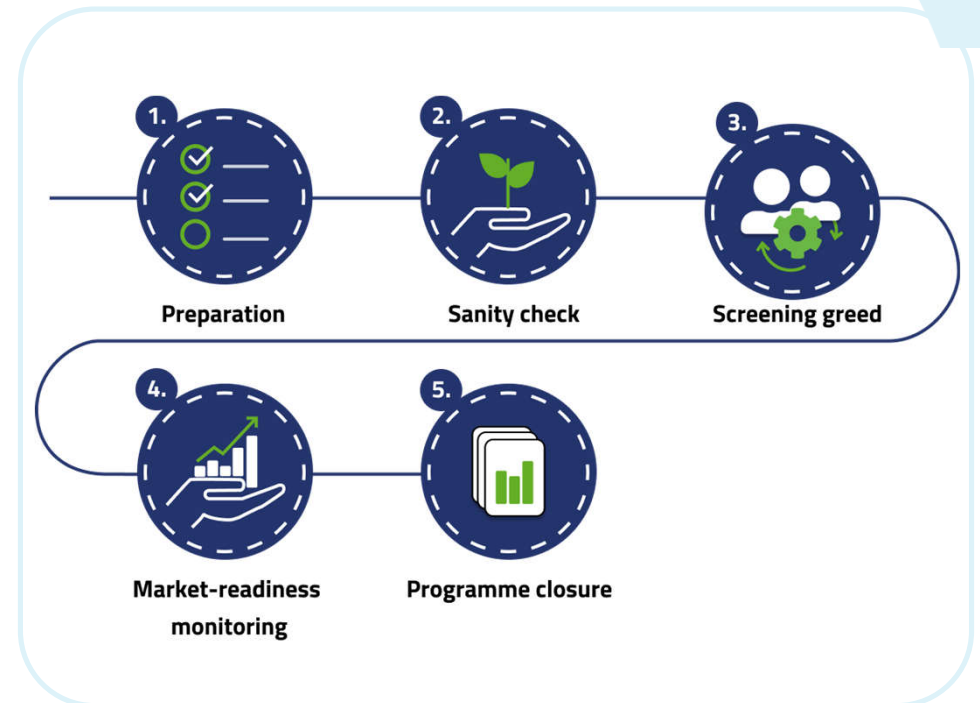
## C. NewCo/Spin-Out

The **Market Readiness Evaluation (MRE) Programme** (M8-M12) consists of a programme of development of an NewCo/Spin-out that totals 80 hours of work over 2 months

- NewCo must be registered and **operational latest by M8**
- All NewCo/ Spin-outs will be enrolled in the MRE
- MRE process started **no later than M9**
- MRE results define the optimal FSM for the NewCo/Spin-out
- Alternatives: Equity/ General Commercial Agreement/ other
- Costs associated to the MRE programme to charge of Consortia

**NB:** EIT UM may decline equity

### MRE CONTENT



## Q & A NEXT STEPS

### DETAILED REVIEW

**Gold Partners** : 1-2-1 Meetings with Innovation HQ

**Silver Partners**: 1-2-1 meetings with Innovation Hubs

**Network Partners**: 1-2-1 remote meetings bookable via B2Match

**Consortia Support**: Up until call close 1-2-1 discussion and advise



### OUTCOME

#### A. General Commercial Partner:

Define targets for fixed and variable fees. Agree on reduction criteria and percentage.

#### B. Equity Partner

Provide guidance via Impact Venture to existing companies interested in Open Call.

#### C. NewCo/Spin-Out

Review and select external advisors. Define cost/price and time requirements.

#### EIT Information Session in Brussels

Conclude documents with EIT HQ. Present review of FSM to all KICs and Directorate Generals (May 16-17).

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# Connect with us

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[eiturbanmobility.eu](http://eiturbanmobility.eu)



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