EIC ACCELERATOR PILOT – FINANCIAL DATA (ANNEX 4)

Angelo Nuzzo

16.09.2020

SUBMISSION FORM

Structure

Part A – Administrative form

Additional call specific questions:

- Request for blended finance and associated equity amount requested
- Consent to receive counter-offer with requested grant amount for activities above TRL8 in the form of blended finance

Part B – Proposal Template

• Introduction • Section 1 – Excellence • Section 2 – Impact • Section 3 - Implementation	Document 1 (30 pages max - pdf)
• Annex 1 – Security and Ethics • Annex 2 – CVs • Annex 3 – Others	Document 2 (no page limit - pdf)
• Annex 4 – Financial & Corporate Information	Document 3 (no page limit – pdf and xls)
• Annex 5 – Pitch deck	Document 4 (no page limit – pdf)

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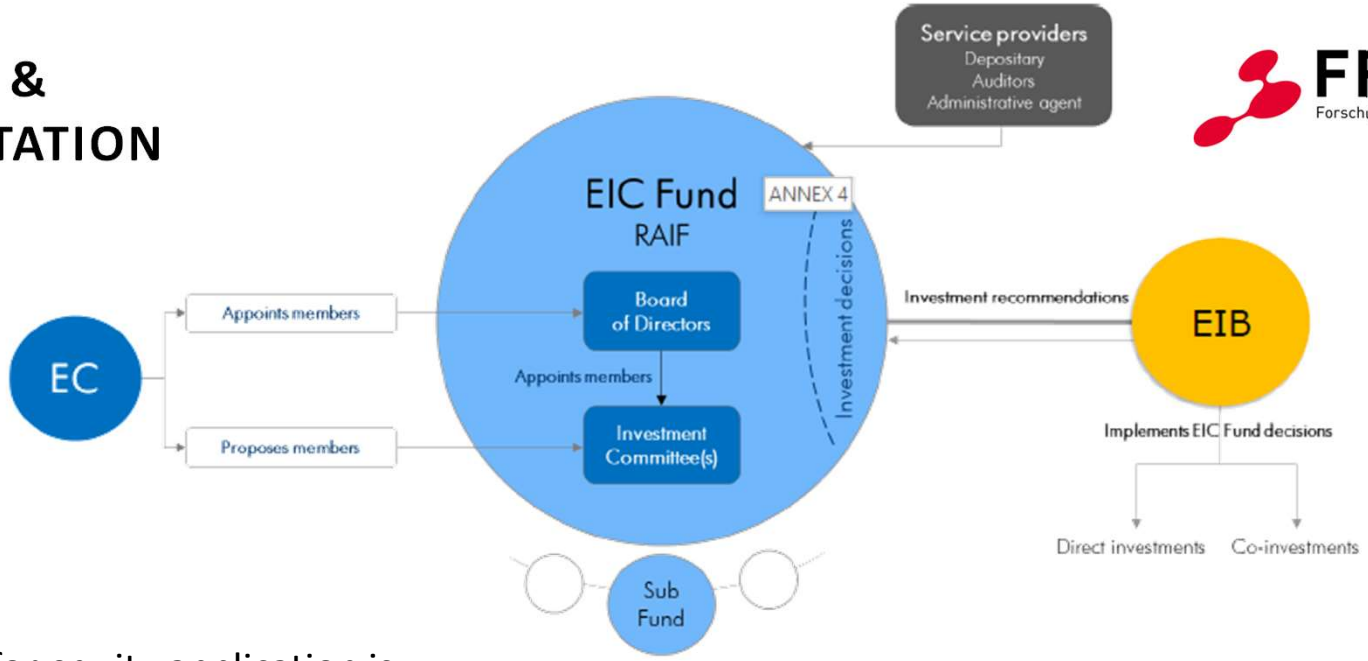
RATIONALE & IMPLEMENTATION



- Key requisite for equity application is "non-bankability", in 3 specific forms:
  - **Not yet bankable**
  - **Not enough bankable**
  - **An investment option has been found/given but with not good conditions**

- blended finance available for TRL 6-9, equity agreement linked to grant agreement (TRL 6-8 only for grants)
- EC invests via a Special Purpose Vehicle "EIC Fund", using support and advice from EIB
- crowding-in private capital

source: European Commission

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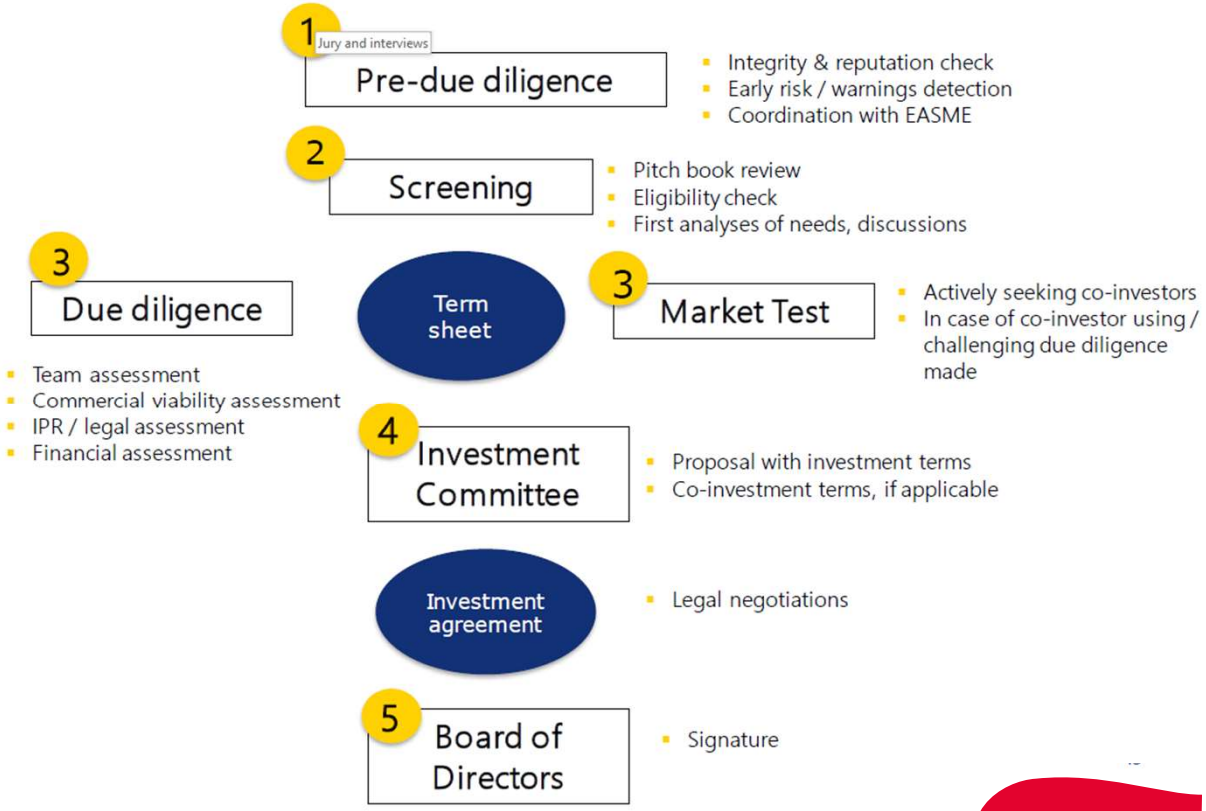
INVESTMENT PROCESS

Due diligence process:
1. easy cases: small company with one line of production and no other investors
→ 4-6 weeks expected

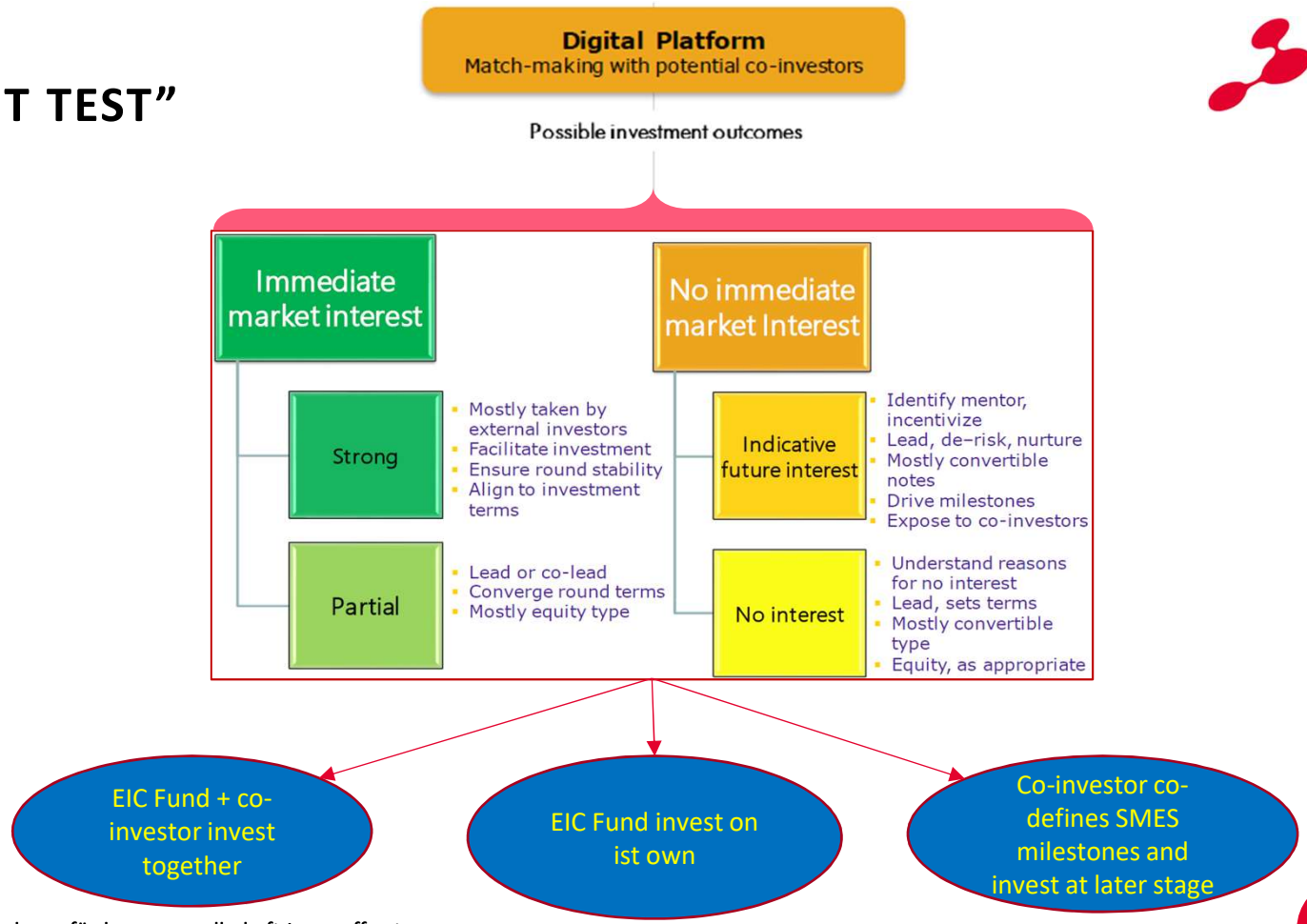
2. complex cases: companies with several lines of activities, with a fragmented structure of owners/holders
→ up to 6 months

Market Test:
A key step in the process is the "Market Test": in the first weeks of the due diligence there will be a public search for co- or alternate investors to form a pool of potential interested parties



[source: European Commission]

“MARKET TEST”



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source: European Commission

ANNEX 4 (EXCEL FINANCIAL SHEET)

Structure	Particular Use / Relevance

Table 1 - Simplified financials
- Profit & Loss
- Cash flows
- Balance sheet
- Business metrics and ratios
Table 2 – Company financial data
Table 3 – Company financing history
Table 4 – Company ownership and capital structure (Blended applicants only)
Table 5 – Current financing round
⚠ Figures for the company in k€
	• Financial information required to substantiate the financial needs, being for grant-only and blended finance
	  • Ownership & capital structure is relevant for blended finance requests to understand nature and importance of owners
	  • Information on current financing round will be useful to explain the remaining financing provided by other sources
	  • Cashflow gives indication on solvency and ability to further finance the innovation
	• Financing track-records and current efforts will be used to substantiate the need for EIC support
	EVALUATION ⇨ Implementation / leveraging of investments and non-bankability – Step 1 & 2
	• Simplified financials will also be used to quantify the scale-up potential of the innovation (impact)
	• EVALUATION ⇨ Impact / potential to scale-up – Step 1 & 2

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ANNEX 4 (EXCEL FINANCIAL SHEET) – TABLE 1

Table 1 - Simplified financials, k€ - *Please fill in with figures for your company. The figures below are illustrative. You may use the formulas provided to accelerate data input*

	Actual (If applicable)			Forecast					
P&L	N-2	N-1	N (explain which year)	N+1	N+2	N+3	N+4	N+5	N+6
Revenues	0	0	0	0	0	0	0	0	0
Gross Margin	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Selling, General and Administrative expenses	0	0	0	0	0	0	0	0	0
R&D expenses	0	0	0	0	0	0	0	0	0
Other operational expenses	0	0	0	0	0	0	0	0	0
EBITDA	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Interest	0	0	0	0	0	0	0	0	0
Other revenues/expenses (including grants)	0	0	0	0	0	0	0	0	0
EBT	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Taxes	0	0	0	0	0	0	0	0	0
Net Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
CASHFLOWS	N-2	N-1	N	N+1	N+2	N+3	N+4	N+5	N+6
Cashflows from operating activities (net)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cashflows from investing activities (net)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cashflows from financing activities (net)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
of which									
Proceeds from grants	0	0	0	0	0	0	0	0	0
Proceeds from issuance of debt	0	0	0	0	0	0	0	0	0
Repayment of debt	0	0	0	0	0	0	0	0	0
Proceeds from issuance of equity	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0
Net increase/decrease in cash and cash equivale	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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ANNEX 4 (EXCEL FINANCIAL SHEET) – TABLE 1 (CONT.)

BALANCE SHEET	N-2	N-1	N	N+1
Total assets	**0**	**0**	**0**	**0**
of which				
Cash and cash equivalents	0	0	0	0
Inventory	0	0	0	0
Accounts receivable	0	0	0	0
Property and Equipment	0	0	0	0
Intangible assets	0	0	0	0
Other assets	0	0	0	0
Outstanding liabilities	**0**	**0**	**0**	**0**
of which				
Accounts payable	0	0	0	0
Short-term debt	0	0	0	0
Long-term debt	0	0	0	0
Other liabilities	0	0	0	0
Equity	**0**	**0**	**0**	**0**
of which				
Share capital	0	0	0	0
Retained Earnings	0	0	0	0
Other equity	0	0	0	0

Business metrics and ratios *(please do not change*	N-2	N-1	N	N+1	N+2	N+3	N+4	N+5	N+6
Cash and cash equivalents	0	0	0	0	0	0	0	0	0
Total debt	0	0	0	0	0	0	0	0	0
Total Equity	0	0	0	0	0	0	0	0	0
Gross Margin, %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA Margin, %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Debt-to-Equity ratio	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Return on Equity, %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Return on Capital Employed, %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Break-even (operating cashflows)	N	N	N	N	N	N	N	N	N
Cross-check: is the Balance Sheet balanced?	0	0	0	0	0	0	0	0	0

BUSINESS METRICS

Summary at the end of Table 1, mostly automatically updated based on previous sub-table information

- ***Cash and cash equivalents***
  Is the company already **profitable** (→cash positive before year N)? Note: it is normal and fine for most young company have negative cash flow. Check the **growth potential**: are the financial projection supporting the scale-up requirement (up to millions €)?

- ***Total debt***
  Is the debt variation under control? It is an index of **how much the company is exposed to creditors**

- ***Total Equity***
  The trend should represent the **strategy of giving shares** over time.

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- ***Gross Margin, %***

  The portion of each euro of revenue that the company retains as gross profit. The higher the gross margin, the more capital a company retains on each euro of sales, which it can then use to pay other costs or satisfy debt obligations. Evaluate if it is attractive over time

- ***EBITDA Margin, %***

  Earnings before interest, taxes, depreciation, and amortization: its margins reflect a firm's short-term **operational efficiency**. The margin (=*EBITDA / Total Revenue*) is used to compare the performance with companies in the same business sector. A low EBITDA margin indicates that a business has profitability problems as well as issues with cash flow. On the other hand, a relatively high EBITDA margin means that the business earnings are stable.

- ***Debt-to-Equity ratio***

  A low debt-to-equity ratio indicates a lower amount of financing by debt via lenders, versus funding through equity via shareholders. A higher ratio indicates that the company is getting more of its financing by borrowing money, which subjects the company to potential risk if debt levels

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- ***Return on Equity, %***

  ROE is a **measure of efficiency**. A rising ROE suggests that a company is increasing its ability to generate profit without needing as much capital. It also indicates how well a company's management is deploying the shareholders' capital. In other words, the higher the ROE the better

- ***Break-even (operating cashflows)***

  The point in the ongoing operation of a business at which sales revenue equals fixed and variable costs and cash flow is neither positive nor negative. In order words, the cash break-even point shows a firm's minimum amount of revenue from sales that are required to provide the business with positive cash flow.

- *Cross-check: is the Balance Sheet balanced?*

  The balance sheet is separated with assets on one side and liabilities and owner's equity on the other: *Assets = Liabilities + Owner's Equity*. The balance sheet is so named because the two sides of the balance sheet ALWAYS add up to the same amount. An unbalanced sheet is a red flag for some critical situation

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ANNEX 4 (EXCEL FINANCIAL SHEET) – TABLE 2 & 3

- Table 2: A good indicator of the health financial status of the company: too high cash burn vs available money)
- Table 3: Capability of attract funding, and of which type

Table 2 - Company up-to-date financial data

Information item	Value, k€	Optional comment box
External Debt as of application date		
Total cash balance as of application date		
Cash burn per month (as per last month)		

Table 3 - Company financing history

Please, specify all the previous funding and equity history

Date	Entities providing financing	Public or private	Financing type (e.g. equity, convertible loan, debt, grant)	Amount, k€	Implied valuation, k€ (if relevant)	Comments
			equity			
			convertible loan			
			debt			
			grant			
			other (specify…)			
			Total	0		

ANNEX 4 (EXCEL FINANCIAL SHEET) – TABLE 4 & 5

Table 4 - Company ownership and capital structure (Blended applicants only)

Shareholder name	Type	Optional comment on investor type	Amount of shares fully diluted	Ownership % Fully-Diluted, as of application date	% of voting rights, as of application date	Forecasted ownership % Fully-Diluted, 12 months from application date	Forecasted % of voting rights, as of application date
	founder		0	0	0	0	0
	management team		0	0	0	0	0
	friends and family		0	0	0	0	0
	business angel		0	0	0	0	0
	family office (non-institutional investor)		0	0	0	0	0
	strategic/corporate investor		0	0	0	0	0
	venture capital fund		0	0	0	0	0
	private equity fund		0	0	0	0	0
	other institutional investor		0	0	0	0	0
	public investor		0	0	0	0	0
	employees stock option plan		0	0	0	0	0
	other		0	0	0	0	0
		Total	0	0	0	0	0

Table 5 - Current financing round

Information item	Value, k€	Optional comment box
Total financing needed	**0**	
Grant amount requested		
Equity amount requested (if applicable)		
Other financing - specify		
Suggested post-money valuation		

VERY IMPORTANT!!!

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EIC ACCELERATOR PILOT – PITCH DECK (ANNEX 5)

Angelo Nuzzo

19.02.2020

SUBMISSION FORM

Structure

Part A – Administrative form

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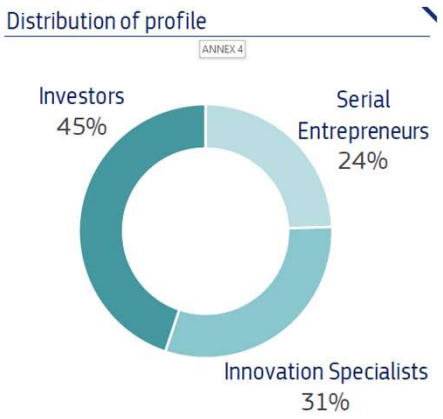
JURY AND INTERVIEWS

- All interview juries will be able to assess both grant proposals and blended finance proposals (i.e. no dedicated juries for blended finance).
- The timing of all interviews (grant or blended finance) will be extended to 75 minutes, considering the extra amount of information in the proposal and the additional sub-criteria.
- Extra decision time will be reserved at the end of the day for blended proposals. This is to take the complexity of the evaluation (TRL/counter-offer/financial assessment) into account.
- TRL assessment performed by remote evaluators and confirmed by jury (role of the briefer)



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PITCH DECK CONTENT

Company Purpose
- Problem & Solution
  - Value Proposition
    - Market Opportunity & Risks
      - Competition
        - Business Model
          - Commercialisation & Marketing Strategy
            - Financial Projections
              - Team
                - Conclusion and Summary

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PITCH DECK CONTENT

Company Purpose

- What is your mission?
- Describe the company and what you do in one sentence.
- Show a picture of your product if available.

Problem & Solution

- What is the ***customer pain***?
- Is there currently a problem/unmet market need?
- Tell a short story about how your innovation is unique (e.g. USP) in alleviating this pain or providing pleasure to your customers.

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PITCH DECK CONTENT

Value Proposition

- How does your customers value of your offering?
- Define and assess the concrete benefits a customer gets from using your products or services.

Market Opportunity & Risks

- What is the market creating potential?
- Give a prediction of the size of the target market and the share you intent to capture.
- Explain how your product will transform the market.
- List the main risks related to your innovation and how you deal with them.

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PITCH DECK CONTENT

Competition

- Who is the competition and where are you?
- Show how you will overtake the competition.
- Use a comparison table.

Business model

- ***How do you make money***?
- Outline the revenue model, pricing, cost structure and schedule of **when** the revenues should be coming in.
- Explain your position in the value chain

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PITCH DECK CONTENT

Commercialisation & Marketing Strategy

- What is your concrete plan to reach your customers and to enter the market?
- Give approximate time to market deployment and provide proof of early market traction, if possible.
- Show the specific countries and market your are planning to enter

Financial Projections

- What are your sales, number of clients and investment (i.e. VC, PE, etc.) projections?
- What will you do with the money received?
- Provide details on the level and nature of investment attracted to date and how EU funds will contribute to the project.

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PITCH DECK CONTENT

Team

- Who are the key team members and other relevant players (i.e. partners)?
- Convince that the team has the skills, experience, determination and forcefulness to achieve the commercial success of the innovation: why you and why now?
- Highlight previous commercial success achieved by the team.

Conclusion and Summary

- Leave the jury with a final convincing statement that you will actually solve the customer pain mentioned at the beginning
- This slide might be standing on screen all along the Q&A: think what you want to stay impressed during that time

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