

Technical Assistance Facility for Industrial Modernisation & Investment (TAF)

Virtual Workshop

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Cisco WebEx Meetings

What makes a business case?

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What is expected from a TAF application?

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Contents





What makes a business case?

From a vision to an investment project

How to transform a vision into a structured and clear investment proposition



Vision
(e.g. «moving from
healthcare to Care for
Health»; «unlock
potential of data analysis
to sector ABC»)



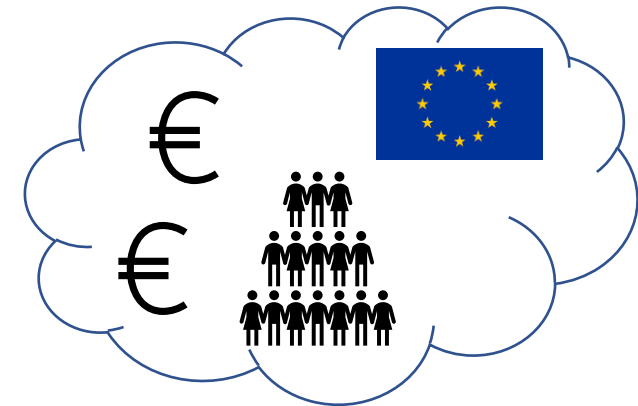
CUSTOMER CENTRICITY



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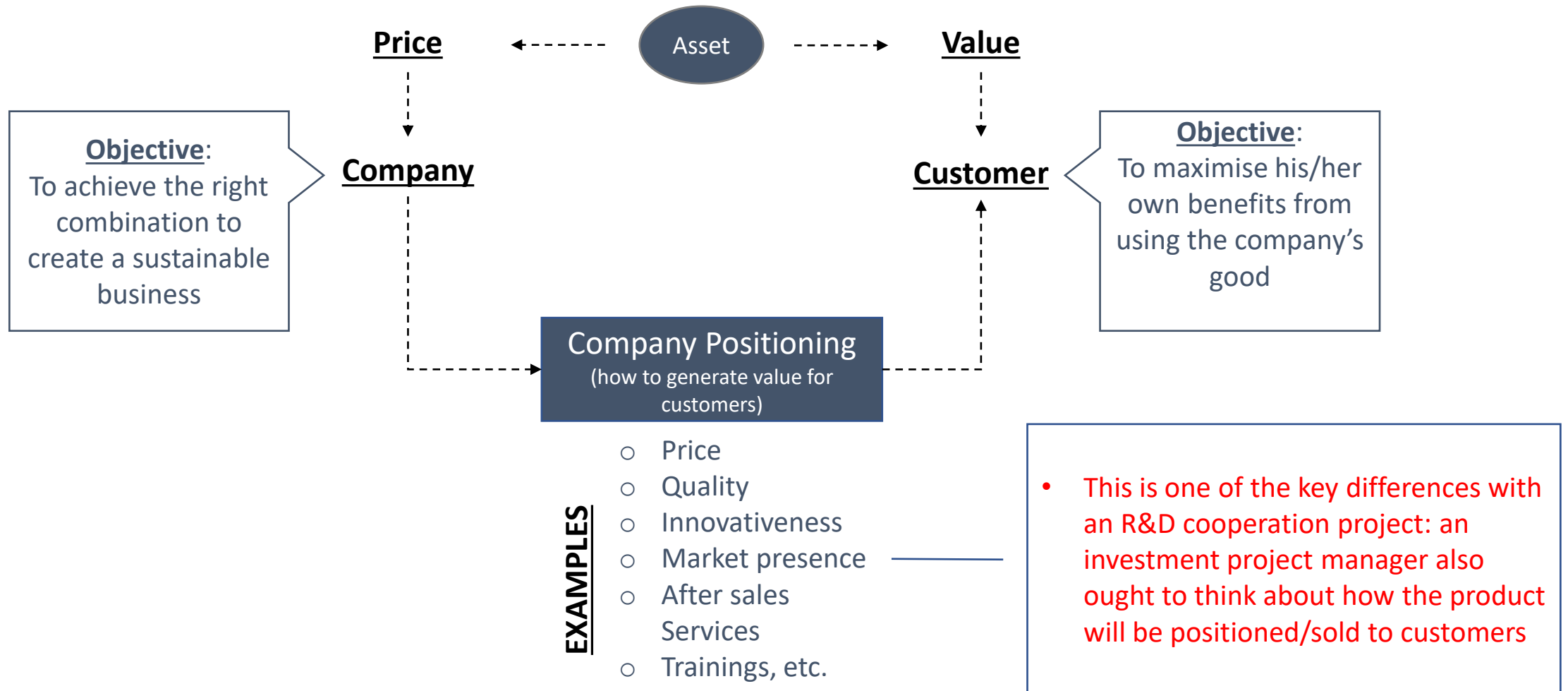
Key questions to address for a Business Case

1. Who is your customer?
2. Why would (s)he be interested by your product/service?
3. How much and when would (s)he pay for your product/service?



Customer centricity and positioning

How to create value for your customers



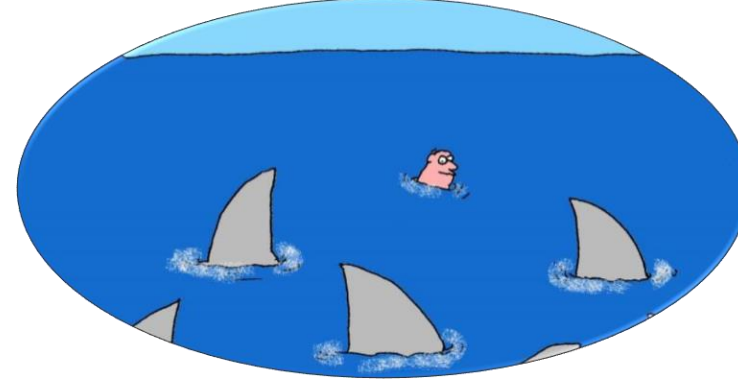
Looking at the big picture: vizualizing your eco-system



Common pitfalls - examples:

“There are no players providing such a diverse and compelling product offering on the market” ⁽¹⁾

“If you think about the battery life — we had devices that could last for a week [...]. Then you have this new device, it’s excellent but you need to charge it every day. OK, so how do you actually sell that to the customer?”⁽²⁾



- Keep in mind your **eco-system** and its different **stakeholders** (i.e. your company, investors, other companies, consumers, suppliers, non-profit organizations and the government); not only as you refine your business ideas, but also as your company operates
- Bear in mind **customer** preferences and keep track of how they evolve. Stay informed on the latest (technological or societal) **trends** and investigate whether these can be replicable in your industry⁽³⁾
- Pay attention to other **new entrants** and **existing competitors** whilst ensuring that you have the right balance of **suppliers**. Follow actively **governmental actions** and **non-profit organizations**, as they can influence your operations, competition and barriers to entry

(1) Kick-Off Meeting with TAF participant

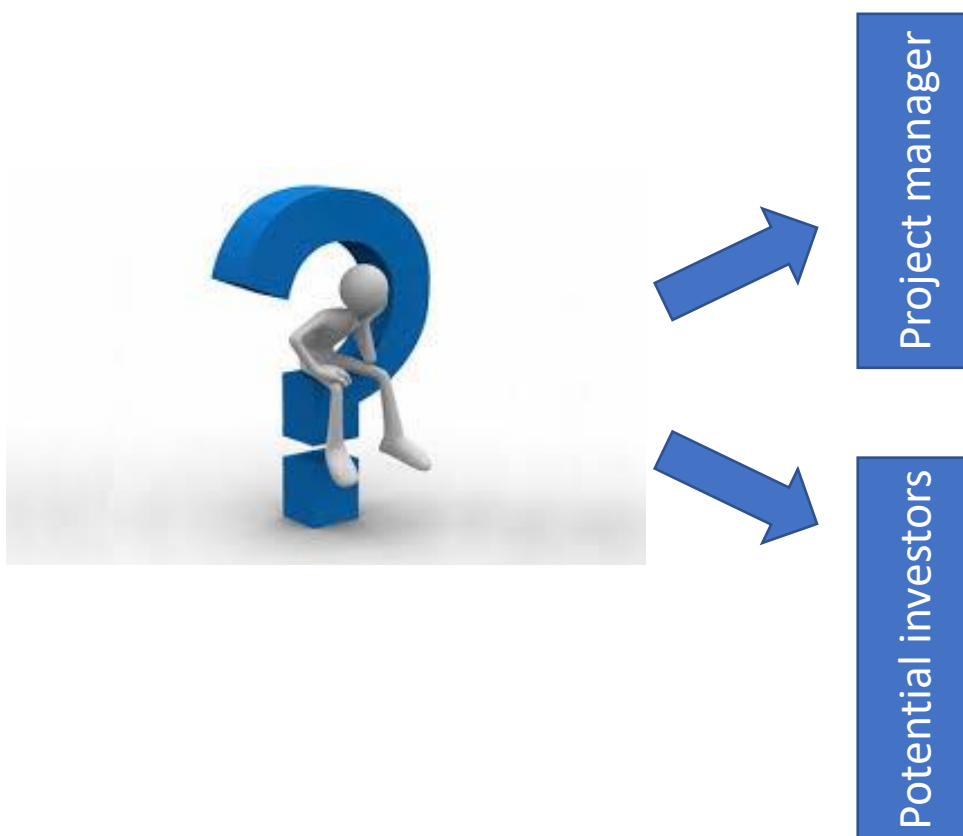
(2) Mikka Grundstorm – former senior manager Nokia R&D about Iphone – 2007 (<https://www.bbc.com/news/business-35807556>)

(3) TAF Project – discussion on relevance on Blockchain technology to handle food related information to customers

Going into the numbers and finding data



Clarifying and structuring the investment proposition



Business Plan:

- Is the project financially sustainable?
- What are the financial risks?
- How are the costs expected to evolve?
- How much cash is needed?
- Is a Public/Private partnership suitable for developing my project further?

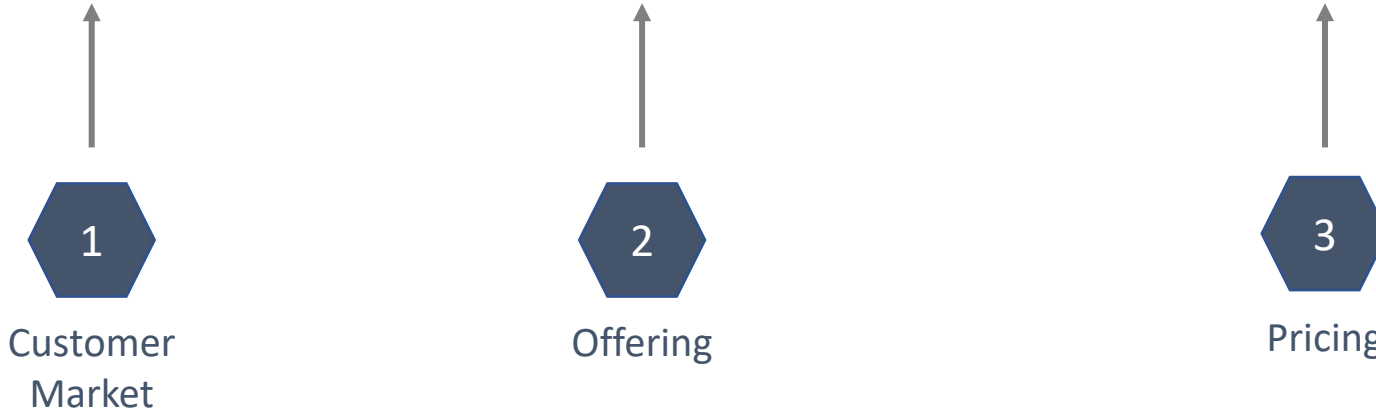
Business Case:

- Is this project financially sustainable?
- Is this a good investment?
- What is the risk of (not doing) the project?
- How much cash is needed?
- What is the expected Return on Investment?

Revenues



$$\Sigma \quad (\# \text{ customers}) * (\# \text{ products / services per customer}) * (\text{revenue per product / service})$$



1

- Assessing the **market size** (How big is your universe? How many target costumers can we reach? Who are the most likely buyers?)
- Main input to be sought after: market growth, market size and penetration rate
- Different sources can be used to assess the market size¹

2

- A market can be very **heterogeneous** even within a same country > this may required differentiated strategies / approaches / penetration timing
- Think of (i) **different** sort of products / services that can be offered, (ii) what **customers needs** are these targeting at and (iii) **why** and **when** do customers buy?

3

- Different strategies to set-up the pricing; depending on customer profiles, countries, etc.
- Pricing could be based on (i) **economic cost** of offering or (ii) on **perceived customer benefits**. Also try to **benchmark** your pricing vs. competitors.

(1) See Appendix

Costs and investment



- **Cost assumptions** will be used to test the validity of your cost structure (e.g. flat sales staff costs whilst revenue increase, absence of IT investment with surging revenue for a technology co, etc.)
- The costs structure needs to be aligned with your **strategy**
- **Benchmark** your cost structure by looking at existing companies having a similar business model. This helps estimating the costs structure more accurately
- Investments in **assets** (Capital Expenditures) needs to be considered thoroughly – usually larger at project start

| | | | | | |
|--------------|----------------|----------------|---------------------|---------------------|------------------|
| Revenue | | | | | |
| Gross Margin | | | | Production Costs | |
| EBITDA | | | SG&A ⁽¹⁾ | Production Costs | |
| EBIT | | Depreciation | SG&A ⁽¹⁾ | Production Costs | |
| EBT | Financial cost | Depreciation | SG&A ⁽¹⁾ | Production Costs | |
| Net Income | Tax | Financial cost | Depreciation | SG&A ⁽¹⁾ | Production Costs |

Earnings before Interest, Taxes, Depreciation & Amortization

Earnings before Interest and Taxes

Earnings before Taxes

(1) Selling, General and Administrative expenses

EUR 20 EUR 25 EUR 45 EUR 60 EUR 75 EUR 100

In a nutshell: look at the big picture... yet stay focused on your customers



**Business Plan mechanism and key
questions from the investor community**

1. Is there a Market?

- What have you done to identify the market?
- How large is the market and what could be your share?
- How will you cater products and/or services to your customers?
- What do you know about competing products?
- How will your product/service be priced?

2. Who is your client?

- To whom will you send your first invoice?
- What is the service/product you are invoicing?
- Why would your customer pay?



What is expected from a TAF application?



The first steps



- Read the **specifications** carefully!
<http://s3platform.jrc.ec.europa.eu/taf>
- Fulfill the **admissibility criteria**
- Specify your **investment idea** (draft a business plan)
- Demonstrate **institutional backing** by providing a **signed MoU** on behalf of the core partners
- Show **private sector involvement** (ideally)
- Fill in the **application form**
<https://ec.europa.eu/eusurvey/runner/TAF-application-form>
 - About the project consortium
 - Level of project development
 - About the investment idea
 - Service request form

Key elements to consider before applying

Investment ideas applying to TAF should:

- Be **revenue-generating**
- Present an envisioned **business model** and contain a clear **investment proposition**
- Manifest their **commercialization path** and close-to-market innovation with a clear evidence of **impact**

Ideas can have a **public funding/co-financing component** if an income component applies

ERDF funding, H2020 grants or similar are **not** defined as income!



The Investment proposition in a nutshell

- A **viable investment** Includes elements of macroeconomic, legal and regulatory context, technical and environmental viability, economic and financial viability, project implementation and management capacity and the overall risk profile
- A **“Bankable” investment** fits the Bank’s lending business strategy, the business plan, size, reputational risk and timing





Thus, a TAF application shall clearly describe...



- **The investment** (what the money will buy)
- The **international dimension** (the international business model)
- The **products/services**
- The **customers**
- The **business model** and the **revenue** streams
- **Evidence** on how the investment idea was/will be **validated**
- **Roles** of project consortium members and their complementarity

...and demonstrate:

- **Leadership:** capacity of a project manager to develop and run a complex project
- **Implementation:** the core team should demonstrate it has the right profiles a clear governance structure for the elaboration of the business plan and the implementation of the project
- **Private sector engagement:** a clear declaration of interest from companies gives a first positive indication that the project may meet a market need

2Win!

Reference to only public funding raises questions about the commercial value of the project, whereas blended finance can be a good option for some investment propositions

To sum up: What does a successful TAF application entail?



- **Specifications and eligibility:** read the **guidelines** carefully to timely prepare the content and make sure the admissibility criteria are fulfilled
 - **Maturity of the investment idea:** before considering to apply, consult the TAF application form to assess if your investment idea is mature enough i.e. possesses all the bankable business plan elements
 - **Preparation phase:** preparing a good TAF application **takes time!** Consider **a month** for the preparation of the content
 - **MoU (Investment Protocol) signed:** it is the step which showcases the commitment of core partners and the secured **institutional backing** for the finalization and implementation of the investment proposal
 - **Support letters collected:** reaching out to market and to commercialisation requires the involvement of the private sector and of other relevant players. Demonstration of their interest and involvement is also a sign of **maturity of the investment idea**
 - **Investment idea clearly described:** make sure your idea is readable and understandable to a wider audience. **Avoid making it too technical!**
- The reference here is to the **investment proposal** and not the EU funded project idea!

Summary





Feedback from the first 4 assessment rounds: the key pitfalls (1/2)

1. **Investment ideas not mature enough:** the ideas presented are at the level of European projects looking for grants rather than investment proposals
2. **Incomplete applications:** clear indication that the submission was done last minute, resulting in a poor content and many elements missing
3. **Investment ideas not readable:** inability to clearly describe the business model and to use a simple language without being too technical
4. **Absence of institutional and private sector backing:** inability to show commitment of core partners and stakeholders through signed MoU's and letters of support
5. **Absence of the international dimension:** core partners are mostly coming from different regions from the same country rather than different countries
6. **Consortium vs. legal entity:** governance is approached from the perspective of the European project consortium, not from the scope of the roles and capacities of the core team aimed at the finalisation and implementation of the investment idea and which type of legal entity is considered within that scope

Feedback from the first 4 assessment rounds: the key pitfalls (2/2)

7. **Roles and the capacities of the project team not explained:** failure in proving that the project team has the relevant experience and expertise needed for the finalization of the business plan and its implementation
8. **Market analysis not performed:** failure in describing their market, the main actors in the value chain, competitors and potential customers
9. **Business model not elaborated:** tendency to describe the investment idea from the “European project” point of view, failing to elaborate on the business model’s concepts and bankability
10. **Unique value proposition (UVP) not clearly defined:** inability to assess the market and the relevant actors in the value chain, and to define the business model
11. **Absence of the cash flow projections:** missing indication of the revenue generation, the cash flow projections and the resource needed
12. **Commercial and sustainability aspects** missing from the investment proposals, again due to inability to clearly define their business models
13. **Funding and investment channels not identified and/or pre-secured:** failure to pre-secure or pre-identify investors and other potential funding sources (e.g. national funding instruments)



Annex I – Business Plan Outline

Executive Summary

Product / Service description

- ✓ Form
- ✓ Functionality
- ✓ Features
- ✓ IP
- ✓ Development roadmap

Business Model

- ✓ Revenue model
- ✓ Pricing
- ✓ Sales and distribution model
- ✓ Customer list
- ✓ Market and competitive forces

Team

- ✓ Founders & management
- ✓ Boards
- ✓ Industrial partnership – Letters of Intent

Financials

- ✓ Income Statement
- ✓ Cash Flow Statement

Annex II – Market Analysis: Sources

- <http://www.euromonitor.com>
- <http://www.emarketer.com>
- <http://www.marketresearch.com>
- <http://www.reportbuyer.com>
- <http://www.frost.com>
- <http://www.datamonitor.com>
- <http://www.bccresearch.com>
- <http://www.gartner.com/technologies/research>



Thank you!

For any further questions, please contact:

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