TIPS Training Academy
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Session: Business Plan

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INTRODUCTION

> Business plan: why and how to do it?

- What?
  - Formal statement of a set of business goals
  - "Roadmap" covering 3-5 years of industrial/commercial exploitation in the context of a project or company development
- Why?
  - To convince investors (private & public) to fund a part of your project in exchange for future (prospective) returns on investments
  - BP are expected to be generalized when requesting funding for "close to market projects" (ex: "Innovation actions" in HORIZON 2020)

SECTIONS OF A BUSINESS PLAN

I) Presentation of the value offer:

- What am I selling and why should someone buy my product?

II) Competitive market environment analysis:

- Why should someone buy my product instead of buying from a competitor?

III) Exploitation strategy:

- What "business model" do I choose regarding exploitation (= industrialization & commercialization)?

IV) Financing strategy:

- How much does it cost and how much will I need to finance my development?

I) VALUE OFFER & BUSINESS MODEL DEFINITION

- Value offer:
  - Product functionalities (components, products, service…)
  - Embedded technologies
    - Freedom to exploit these technologies
  - Targeted performances of the product (discrimination with other similar products on market):
    - Needs are not covered by existing products,
    - Product is less expensive,
    - User-friendly product,
  - What is the current stage of development of my product (at the time you draft the BP):
    - Technology/Manufacturing Readiness Level,
    - Identify the necessary stages for your product development (gap between development and first market replication)
      - What are the identified risks and other barriers to reach market?

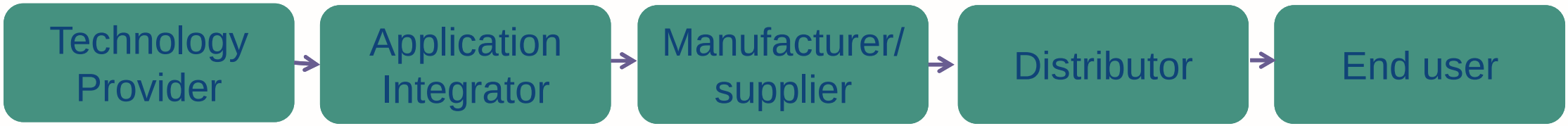
I) VALUE OFFER & BUSINESS MODEL DEFINITION

Associated Business Model:

- How does the new product fit in your development strategy:
  - Given the existing portfolio of your company?
  - Given the portfolio being developed?
  - Given your internal strategy:
    - Will you produce yourself (competencies?)
    - Will you commercialize yourself (competencies, network?)

=> Have a good vision of the implications (investments) to master the necessary blocks in the value chain

=> Find the right place in the value chain:



II) COMPETITIVE MARKET ENVIRONMENT ANALYSIS

- Market description:
  - Macroeconomic overview & segmentation (how big is the cake?)
  - Targeted markets (how big is your slice of the cake?), expected evolution,
  - Regulatory framework to access markets:
    - Existing and up-coming
    - Entry conditions
- Customers per segmentation:
  - Who/Where are your potential customers:
    - Value chain analysis: Business to Customers, Business to Business
    - Needs and expectations from customers: necessity to obtain testimonials
    - Matching your offer to the identified needs

II) COMPETITIVE MARKET ENVIRONMENT ANALYSIS

> Competitors per market segment:

- Key players:
  - current and future competitors;
- Profiles & strategy:
  - Blockbusters, Leaders, challengers, outsiders;
  - Strategy: high / low end quality, Profitability, niche market, market shares…
- Products strengths and weaknesses vs competitors'
- Methodology & conclusion: PEST/SWOT analysis

III) EXPLOITATION STRATEGY: INDUSTRIALIZATION & EXPLOITATION

- Freedom of exploitation: IP background check
  - Make sure potential barriers are identified: Monopole, licensing agreements & partnerships…

- Industrialization:
  - Volumes & capacities to address targeted market
  - Modalities of industrialization: internalized, outsourced, in partnership (co-exploitation)…
    - Internalized: Investments & planning, localization, regulations…
    - Externalized/outsourced: Selection of subcontractors, localization, logistics…
    - Partnership: strategic issues, joint-venture…

III) EXPLOITATION STRATEGY: INDUSTRIALIZATION & EXPLOITATION

- Commercialization:
  - Deployment strategy:
    - Direct, distributors network, prescribers, procurement, partners…
    - Geographically- and time-wise
    - Triggering actions:
      - Marketing campaign, scientific communication, early adopters, demonstration…
  - Recommendation: Account planning (first years of commercialization)
    - Identify key customers and associated volumes

Overview of financial components of a BP

IV) FINANCING STRATEGY: FRAMEWORK DEFINITION

- Definition of framework for BP: different phases

- Step 1: **P&L**
  - Revenues & Expenses associated to company activity (R&D, Industrialization, Commercialization)
- Step 2: **Financing Plan**
  - Match the Needs vs Resources (R&D, Industrialization, Commercialization)
  - Project cashflow

IV) FINANCING STRATEGY: FRAMEWORK DEFINITION

Table	Objective
Profit & Loss	Profitability (revenues-expenses) generated by the company activities (R&D, Industrialization, Commercialization)
Financing Plan	• Financial needs (equity, loans, auto-financing, public funding) to cover all phases • Long term/macro vision: 5 to 10 years

IV) FINANCING STRATEGY: P&L

Profits (R&D, Industrialization, Commercialization)	Losses (R&D, Industrialization, Commercialization)
Turnover: product sales volumes * unit price	Operating costs: • consumables, • Subcontracting, • Other operational costs.
Subventions (R&D, industrialization, commercialization)	Workforce costs: • Salaries, • Subcontracting, • Indirect costs.
	Taxes Amortizations (depreciation of investments)

NET PROFIT (+/-) = Profits - Losses

SELF-FINANCING CAPACITY = NET PROFIT* + Amortizations

*: - subventions

IV) FINANCING STRATEGY: P&L

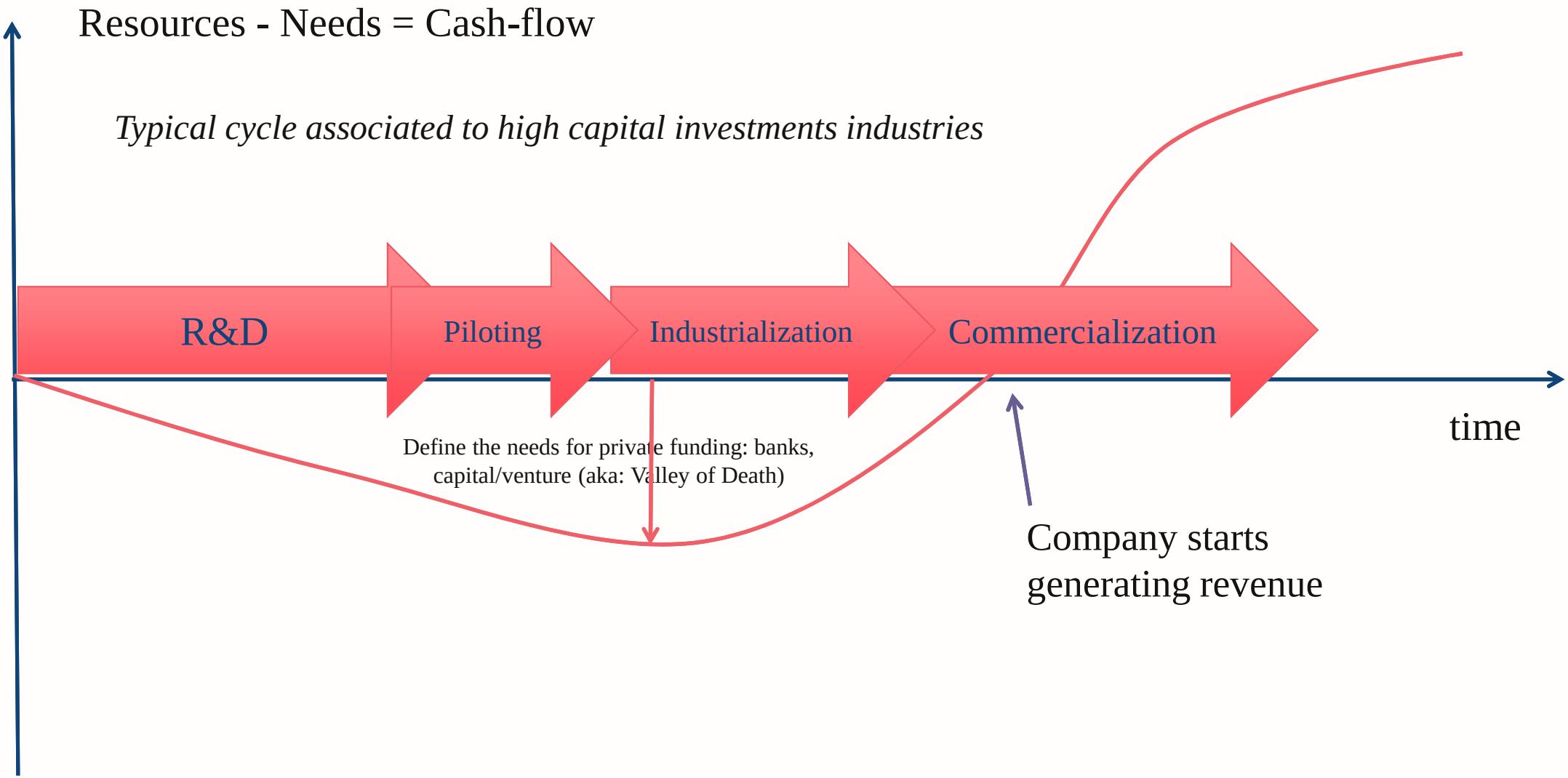
- P&L: methodology
  - Profits/Revenue:
    - Generated by turnover associated to products commercialization
    - Hypothesis to be explained:
      - Product price & evolution,
      - Market penetration over time (introduction, maturity, obsolescence),
      - If applicable, Identify 'recurring turnover' vs 'new business turnover'
      - Recommendation: elaborate optimistic and pessimistic scenarii
  - Losses/Expenses:
    - Cost structure of product (operational expenses: consumables, subcontracting…)
    - Costs associated to workforce + overheads
    - Taxes + amortizations (depreciated investments over time)
- Do not be surprised: NET PROFIT will likely be negative over the first years of the P&L
- SELF FINANCING CAPACITY considered as a resource for Financing Plan (linked to investments made by the company)

IV) FINANCING STRATEGY: FINANCING PLAN

NEEDS R&D/Industrialization/Commercialization	RESOURCES R&D/Industrialization/Commercialization
INVESTMENTS (prototypes, pilot, manufacturing equipment, buildings)	PUBLIC FUNDING •Direct: subventions (Ex: HORIZON 2020) •Indirect (Ex: R&D tax credit)
REIMBURSEMENT Loans & investors	PRIVATE INVESTORS (bear the risk = will ask for return on investment) •Founders (Friends, Family…) •Equity partners (Banks, Business Angels, Venture Capitalists…) LOANS •Banks
SELF FINANCING CAPACITY (-)	SELF FINANCING CAPACITY (+)

CASHFLOW= RESOURCES - NEEDS

IV) FINANCING STRATEGY: FINANCING PLAN



CONCLUSION: BP GOOD PRACTICES

- Story telling (= BP hypothesis): where do you want to bring your company 5-10 years from now?
- Do not focus your pitch on figures only: your BP must tie a nice & sound story together!
- Be flexible: BP only gives an idea of the road to follow, reality will unfortunately not be linear;
- Be convincing: on your ability to capture markets, anticipate risks and competition;
- Investors/Banks/Partners will cost you eventually… return on investments (*5/*10) will have to be accounted for after a defined period of time (when will the company generating profit to pay-off debts?)

Back-up

P&L (example)

PROJECT XXX - P&L											OK
PF - SOLDE CUMULE (trésorerie)											
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PRODUCTS											
TURNOVER											
SUBVENTION											
SUB-TOTAL											
LOSSES											
operational costs											
overheads	20%										
R&D costs											
SUB-TOTAL											
ADDED VALUE											
personnal costs											
EBITDA											
Amortizations											
Dotation aux amortissements											
EBIT											
TAXES											
IS	33%										
CIR											
NET PROFiT											
SELF FINANCING CAPACITY											

Financing plan (example)

PROJECT XXXX - FINANCING PLAN											OK
CR - CHIFFRE D'AFFAIRES											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
NEEDS											
investments											
Autofinancement négatif											
TOTAL BESOINS											
RESSOURCES											
Augmentation de Capital											
Comptes courants											
Subvention d'investissement											
Subvention d'exploitation											
Avances remboursables											
Emprunts											
CIR											
Autofinancement											
TOTAL RESSOURCES											
SOLDE PLAN FINANCEMENT											
SOLDE CUMULE (trésorerie)											

CONTACT

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