



EIT DIGITAL

Open Innovation Factory 2024
Q&A Session 1 – Feb 20, 2024

EIT Digital **Open Innovation Factory**

€400k

Financial support
provided by EIT
Digital

>5.5%

Equity
requested

6

Months long
program

€10k

Revenue goal to
validate

Boost your startup with customers and technology providers within EIT Digital's extensive ecosystem of 350 partners and 21 European locations.

A program for fast-growing ventures that are less than **3 years old** (Jan 1., 2020) **and have traction**

We connect you with 1 000+ EIT Digital **VC/CVC partners** and **Business Angel Networks**

Eligibility and general

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What are the criteria to be eligible for the Open Innovation Factory 2024?

Open Innovation Factory 2024 – Cut-off 1 Specific document

Eligibility conditions	
The venture to be boosted has been incorporated between 01/01/2020 and the submission date.	Early-stage young startup
Proposals must include a minimum of two partners, from two different eligible countries (EU member States or HE Associated Countries).	Multi-country working team
Every partner contributes to budget allocation via EIT funding and/or partner's own contribution (co-funding) and should not fall under the same ownership	
The proposal requests a maximum of €400,000 of EIT Digital funding.	Cost sharing with maximum funding 400K
The activity partners own contribution (co-funding) must be at least 50% of the activity's budget.	
The venture to be boosted is not a subsidiary of another company and is not controlled by another company other than, if applicable, a non-trading holding company established solely for the assignment of founder shares.	Investable company
The venture to be boosted has outright ownership of a substantial majority of the product's IP to which the proposal applies.	
The equity proposal to EIT Digital from the venture to be boosted is between 5.5-12%	Equity range

Can you please describe your ideal candidate?

Dimensions for a strong proposal

Problem - Solution Fit

Business pain clearly described
Solution leveraging DeepTech
Existing traction

Market Impact

Customer as part of the team
Clear IP assets in the company
and freedom to operate

Venture Team

DeepTech expertise
Committed team with roles
clearly identified in the proposal
Strong and entrepreneurial CVs

Financial Planning

Resources in financial plan (from
partners, investors, founders,...)
Investor future commitment is a
HUGE plus

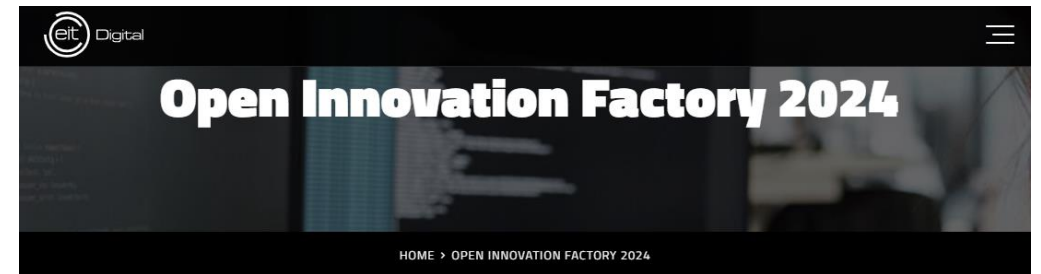
Are startups founded in 2019 or before eligible to apply?

- This restriction only applies to the venture to be boosted that must be registered **on January 1st, 2020, or later.**
 - This startup will be the business champion (and usually the activity leader).
 - This startup will provide the equity for EIT Digital sustainability.
- The rest of the partners have no constraints in this regard.

A startup founded before 2020 can participate in the consortium with another startup, but not as business champion.

How to find the right European partners for collaborative projects to deal with my R&D challenges ?

- EIT Digital Open Innovation Factory is not focused on R&D but in Innovation execution, supporting the boosting of early-stage startups in their initial steps in the market.
- To find complementary partners you can:
 - Check the partners list in the EIT Digital website
 - Register in the Matchmaking tool, describing your organization and the complementary features that you are seeking or those that you can offer to others



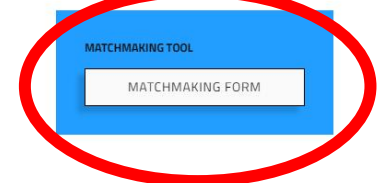
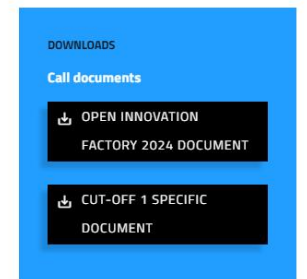
Join Open Innovation Factory 2024 to boost your deep tech startup!

Do you want to **accelerate the growth** of your **early-stage digital deep tech startup**?

Submit your proposal to the EIT Digital "Open Innovation Factory 2024" programme and receive our support to package your technology, sign up customers and attract investment.

The work programme is guided by the five focus areas - Digital Tech, Digital Industry, Digital Cities, Digital Wellbeing and Digital Finance - of the [EIT Digital Strategic Innovation Agenda 2022-2024](#).

Selected proposals will receive **financial support** from EIT Digital and be



Can we have more than 4 partners?

- There are strong reasons to limit the maximum number of partners to 4
 - Maximum EIT funding per proposal is 400K and it should be distributed to participant partners, with special focus to the startup boosted
 - Activity timeframe is short (six months) and complex coordination can make difficult to achieve the expected results
 - That increases the proposal risk and penalizes some of the evaluation questions unless it is very clearly justified and explained.
- Nevertheless, the eligibility condition states: **"Proposals must include a minimum of two partners, from two different eligible countries (EU member States or HE Associated Countries)."**

Do I need to allocate budget to all partners?

- **Indeed.** All participant partners must have some budget allocated, meaning that they are doing and reporting some effort in the project
- This effort budget can be sourced by EIT Funding or Co-funding (partners own funding, national grants, ...)
- The co-funding requirement (>50%) is calculated at activity level, meaning that a smaller co-funding % by some partners can be compensated with a larger one by others
- It is not required that all partners receive EIT Funding and some partners can just provide co-funding.
- However, the EIT Funding allocated to some partners can be dependent on the others partner reporting its committed co-funding.

What is the success rate of applications?

- There is not an objective or standard on that. It depends on their quality and total budget requested
 - In last cut-off there were 50 proposals and 8 were selected
 - In previous one there were 46 proposals and 8 were selected

How much extra effort does the program require?

- Proposal preparation
 - Filling in a (relatively) simple form. The key is summarizing the different concepts more than heavy documentation or multiple attachments
- Activity execution
 - Internal coordination between partners
 - EIT Digital monitoring
 - 45 minutes follow-up meeting per month.
 - 1 mid-term report at 3rd month.
 - Some communication/awareness contacts
 - Final reporting deliverables:
 - Project progress report
 - KPIs reporting
 - Deliverables
 - Cost reporting


What happens if the KPIs are not achieved

- If the KPIs are not achieved, specially the EIT level KPIs (sales/revenue evidence of 10K in the activity timeframe), there could be a reduction in the total grant amount.
- If final deliverables are low quality or the EU co-branding is not respected, and those issues are not solved after feedback, there could be reductions in the grant amount.
- EIT Digital carefully evaluates the proposals and closely follow-up the project progress, so that underachievement conditions are not usual
- Nevertheless, those **grant reductions doesn't change the equity percentage** promised.

What happens if one of my partners decide to leave? Can I substitute them?

- Indeed. If a partner decide to leave, the activity must be restructured to maintain the expected outcomes and, being sure to respect the rules:
 - More than one partner, more than one country
 - Budget equal or below the approved EIT Funding, co-funding equal or over the approved one.
- The Innovation Activity restructuring can be done:
 - Reallocating the budget and the effort between the remaining partners
 - Adding a new partner (or a becoming partner) to the Innovation Activity
 - EIT Digital needs to approve the changes
- In the extreme case of impossible continuation, the activity can be discontinued, and the pre-financing must be returned to EIT Digital

Budget & Funding

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What are the eligible costs?

HE cost (Budget)	Cost category	Indirect cost	HE detailed type cost (Cost reporting)	Remarks
A	Personnel	25%	A1a. Employees under an employment contract, actual costs A1b. Employees under an employment contract, unit costs	Employees, actual costs
			A2. Natural persons working under a direct contract	Contractors, actual costs
			A3. Seconded persons by a third party against payment	Seconded persons working similar to employees with a secondment contract.
			A4. Personnel, SME owners without salary	Non-employees. Any level of ownership. Unit cost by country (170-325 €/day)
B	Sub-contracting	No	B. Sub-contracting	Resources for the product. Follow special rules for “best value for money”
C	Purchase costs	25%	C1. Travel and subsistence	Actual costs.
			C2. Equipment	Only depreciation. For small items used just for the activity, full cost.
			C3. Other goods, works and services	Purchase of goods and services (in general, not related with the product) i.e. legal, marketing,...
D	Other Cost Category	No	D1a. Financial support to third parties: Grants	Subgranting. Limited to 60K.
		No	D2. Internally invoiced goods and services	Be careful. Only for companies with internal accounting transfer.
	In-kind contribution		Contributions by a third party for free.	Reported by the beneficiary under same concept Requires declaration/approval procedure

How does the owners/founders cost work?

- Cost type A.4 SME owners (sometimes called “sweat equity”) applies to:
 - Owners of the startup (shareholders during the activity) that are not employees
 - Working for the activity because their ownership interest
- There is a standard cost accepted
 - No need of cash-out by the startup
 - Standard rate (282 €/day) adjusted by country
 - Need to fill in and file a declaration of the time devoted to the activity
 - 25% additional indirect cost apply
- Note: future stock options does not represent current ownership

Can I change the budget allocation later?

- Indeed, it is possible to modify the budget distribution during the activity subject to some conditions
 - It is possible to change amounts between ledgers (concepts like personnel, subcontracting, purchasing) or between partners
 - Maximum EIT Funding amount has to be equal or smaller than the awarded one
 - Co-funding rate must be maintained or increased over the initial one
 - Changes must be approved by EIT Digital to assure that changes doesn't jeopardize the initial objectives in the proposal
- Changing between partners can be done only during activity timeframe
- Changing between ledgers are acceptable also at reporting time, but must be explained in the cost-reporting and accepted by EIT Digital


Is EIT funding compatible with local public support? How to avoid double-reporting?

- Indeed. Co-funding **can be supported using national grants** or other sources of funds.
- Co-funding **can't be sourced by another EU grant** (i.e. EIC, other EIT-KIC,...)
- The EIT Digital final reporting includes all cost reported (KAVA costs), what part is supported by the EIT Digital grant (EIT Funding) and what part is supported by other sources (national grants, partners own funds) without specifying which ones they are.
- If you are combining grants or other funding that prevent double-accounting, be sure to file documentation clarifying allocation, just in case a later audit.

What happens if not all budget is used

- During the activity timeframe, activities can adjust their budgets balancing between tasks or partners, without increasing the EIT Funding and keeping the co-funding rate
- If eventually the cost reported are lower than the adjusted budget, the grant to be paid will be adjusted using the co-funding rate.
- If that has been caused by lack of appropriate management of the project, also a reduction of the grant calculated could be applied.
- EIT Digital carefully evaluates the proposals and closely follow-up the project progress, so that underachievement conditions are not usual
- Reduction in budgets or underspending in the final report will **not change the equity percentage** promised.

Equity & sustainability



What is the equity to be given?

- Activities are requested to contribute to the financial sustainability of EIT Digital providing a percentage of equity in the company. **The equity offer needs to be justified and reflect venture's current maturity and valuation.** The eligible range is from **5.5% to 12%**. If the offer is outside of that range, **the proposal will be rejected**. Specifically, the venture to be boosted will be asked to sign a Share Transfer Agreement (STA).
- Providing equity shares the startup success with EIT Digital. If the company thrives, EIT Digital will receive significant amount in the future to reinject it in the EU innovation ecosystem. If the company fails, no liabilities remain for the founders.

Do you get equity in all the partners or only the startup?

- Only the Venture Boosted (called Business Champion) must provide between 5,5 and 12% of their equity to EIT Digital for its long-term financial sustainability
- The rest of the partners don't transfer equity
- The equity % is based on the cap table at the beginning of the activity. If additional capital is issued by the startup (i.e. for a new investor), the % is automatically recalculated.

EVALUATION OF THE COMPANY - IF THE VALUE OF MY COMPANY IS 16 EURO MILLIONS, HOW WE MANAGE THE ENTRANCE OF EIT

- The requirements for Open Innovation Factory 2024 include:
 - Maximum EIT Funding: 400 K
 - Minimum equity provided: 5,5%
- The equivalent pure investment with those figures corresponds to a pre-money valuation of 7.2 M€
- If your company actual valuation is currently 16M, this program is not the right one for your organization
- We recommend that you check other programs by EIT Digital to support more mature ventures (i.e. Growth Services, EIT Digital Champions,...)
- In any case, you could apply under the Open Innovation Factory 2024 conditions.

Subjects

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How can you boost our early stage venture to simplify the multi modal and destination rail experience market in Europe?

- The EIT Digital Open Innovation Factory 2024 supports innovative early-stage startups in the five Focus Areas: Digital Tech, Digital Industry, Digital Wellbeing, Digital Cities or Digital Finance.
- To know more about those areas, check the SIA 2022-2024 (Strategic Innovation Agenda).
- EIT Digital will help to boost your early-stage startup in one of those areas by:
 - Support in the preparation of a good quality proposal
 - If selected, close support in the Innovation Activity execution
 - Financial support up to 400K
 - Training and coaching through the Speed Master program
 - Joining the EIT Digital Equity Portfolio where you receive support and advice to progress.

Does EIT Digital offer grants to academics whose research is related to cryptocurrency markets?

- Open Innovation Factory 2024 is not supporting research but boosting early-stage startups that are in the initial steps of the solution commercialization or very close to that.
- Cryptocurrency markets are part of the Digital Finance area, included in the EIT Digital Strategic Innovation Agenda 2022-2024

We're preparing our second application: how to align better with the strategic goals and valuation expectations.

- If you have participated once, you received extensive feedback on your application. You can use that feedback to understand how to improve your proposal.
- In any case, the evaluation is totally independent from the previous case, without positive or negative implications from the previous application.

What is the best jurisdiction in Europe to raise an edtech startup? Which jurisdiction is best placed for Edtech?

- EIT Digital Open Innovation Factory 2024 is addressed to all countries in the EU and those associated to Horizon Europe
- There is no advantage to be registered in any of the eligible countries

Is it expected another call for 2024?



- The Open Innovation Factory 2024 call will be open for the whole year, with two cut-off dates:
 - April 10, 2024
 - October 21, 2024