

Q&A Session 13.10.2022

Co-funding capacity for companies



LUXINNOVATION
#MakingInnovationHappen

Joint Call HPC

Involved Parties



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère de l'Économie



Luxembourg National
Research Fund



LUXINNOVATION
#MakingInnovationHappen

Main eligibility criteria for companies

Co-funding capacity

- Equity / capital increase
- Bank loans
- Free cash flow

Economic impact

- Substance
- Exploitation of assets resulting from the project activities

Innovation

- Competitive advantage on the market
- New or improved product, process, service
- New marketing method/ New organisational method

Generic criteria

- Incentive effect
- Undertaking **not** in difficulty
- SME analysis

Call criteria

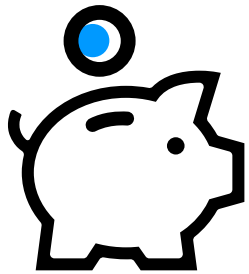
- Collaboration with public research organisation(s)
- Industrial research projects

Co-funding capacity

How to assess the company's co-funding capacity in relation to the project budget



The company must demonstrate its viability and financial soundness regarding its contribution to the project.



Co-funding needs to be carefully documented within the application and can consist of:

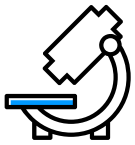
- Equity / capital increase
- Free Cash Flow
- Loans

Project Budget and Co-funding

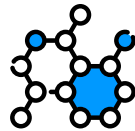
How to assess the co-funding needed for the project?



Staff costs (gross salaries
+ 20% for social charges)



Investments/Equipement
(depreciation over project
duration)



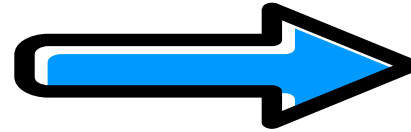
Materials/Consumables



Subcontracting



Overhead (25% of the staff
costs)



Estimation of the
total eligible
budget.



Budget Estimation

Example

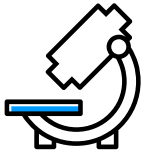
FINANCIAL SUMMARY	Total project
Personnel costs	€ 300.000
Employer's social security charges (20%)	€ 60.000
Additional overhead costs (25%)	€ 75.000
Costs of tools and equipments	€ 80.000
Special costs *	€ 120.000
Total project	€ 635.000



Aid rate: 65% - max 80 %

This depends on the size of the company

Funding Conditions



R&D grants for public research organisations



Max 400k EUR per project
(collaboration with
companies)



Aid rates up to 100%

Project eligible costs –
[FNR financial regulations](#)

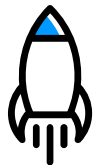
24 months to 36 months



R&D aid schemes for companies



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35% upfront
payment (call
specific)



Max 700k EUR per project
(collaboration with
research institute)



Aid rates up to 80%
of eligible costs

Aid intensities

Industrial research

- *Acquisition of new knowledge*
- *No direct commercial application*

Size of the company

Large	Medium	Small
≤ 65%	≤ 75%	≤ 80%

Co-funding sources

The different types of financing

Equity/Own funds

The own funds which are within the applicant company such as accessible reserves or retained earnings.

Loans

Bank loan or shareholder loan.

Capital Increase

Companies who have not yet accumulated sufficient own funds might need to rely on outside financing for the R&D project in form of a capital increase.

Free Cash Flow

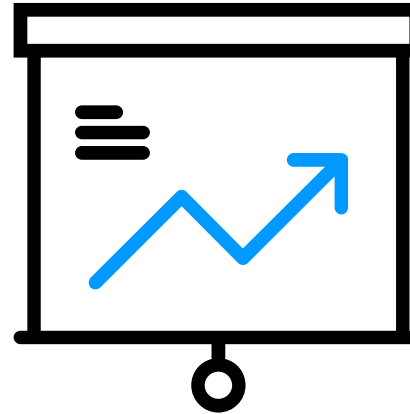
Using the cash generated by the company after taking into consideration of the operational cash outflows, investment expenses and the working capital expenses.

Cash Flow Forecast

Mandatory

Cash Flow Forecast

- Mandatory for each company
- Detailed CFF for start ups (younger than 3 years)
- Simplified CFF for all other companies



Points to take into consideration

- Realistic assumptions
- Demonstration of financial viability
- Documenting the hypotheses
- Starting in November 2022

Both templates can be downloaded directly on the research-industry-collaboration platform in the “Attachments”-section

Cash Flow Forecast

Simplified

CASH-FLOW FORECAST TABLE	REPLACE THIS TEXT WITH THE COMPANY NAME				
	Q1	Q2	Q3	Q4	Q1
Available cash		0	0	0	0
Sales (receipts)					
Loans (bank, shareholders)					
Capital increase					
Other income (subsidy, etc)					
Total Receipts	0	0	0	0	0
Purchase of goods					
Other expenses and subcontracts					
Staff					
Social security charges					
VAT, taxes					
Loan repayments and interest					
Investments					
Total disbursement	0	0	0	0	0
Cash flow adjustment	- €	- €	- €	- €	- €
Cash-flow balance	- €	- €	- €	- €	- €

Example of the structure of the detailed Cash Flow Forecast.

Cash flow in EUR	2019	2020	2021	2022
Revenues				
Revenues product A	825.000	1.320.000	2.112.000	3.379.200
Total Revenues	825.000	1.440.000	2.400.000	3.782.400
<i>Growth</i>		75%	67%	58%
COGS product A	41.250	66.000	105.600	168.960
Cost of Good Sold	41.250	66.000	105.600	168.960
Gross Margin	783.750	1.374.000	2.294.400	3.613.440
<i>in %</i>	95,0%	95,4%	95,6%	95,5%
Human Resources	245.310	478.584	562.440	784.763
IP-rights	14.808	14.808	14.808	14.808
Product maintenance & Enhancement	3.000	3.000	3.000	3.000
Branding / Marketing / Communication	123.750	216.000	360.000	567.360
Office rent (incl. Electricity + insurance)	24.000	24.000	24.000	24.000
Telecommunication (mobiles, internet...)	1.800	3.600	4.200	6.000
Accounting	2.400	2.400	2.400	2.400
Audit	1.440	1.440	1.440	1.440
Travel & Accomodation	41.250	72.000	120.000	189.120
Other OPEX	262.908	412.908	613.908	917.388
Operating Expenses	508.218	891.492	1.176.348	1.702.151
		75%	32%	45%
EBITDA	275.532	482.508	1.118.052	1.911.289
<i>in %</i>	33%	34%	47%	51%
EBIT	275.532	482.508	1.118.052	1.911.289
Earnings before Tax	275.532	482.508	1.118.052	1.911.289
Taxes (rough estimate)	68.883	120.627	279.513	477.822
Net profit / loss	206.649	361.881	838.539	1.433.467
<i>in %</i>	25%	25%	35%	38%
<i>Growth in %</i>		75%	132%	71%
Cash flow				
Operational Cash-flow	275.532	482.508	1.118.052	1.911.289
<i>cumulated</i>	<i>275.532</i>	<i>758.040</i>	<i>1.876.092</i>	<i>3.787.380</i>
Equity	-	-	-	-
Debt to associates	-	-	-	-
Bank debt	-	-	-	-
Subsidies	-	-	-	-
Financing Cash-flow	-	-	-	-
Investing Cash-flow	-	-	-	-
Free Cash-flow	275.532	482.508	1.118.052	1.911.289
Change in working capital	-	-	-	-
Ending cash balance (cumulated)	275.532	758.040	1.876.092	3.787.380

Reminder – Undertaking in difficulty

Ineligible companies: undertakings in difficulty

- **For all companies** (excluding SME < 3 years of existence)
 - more than half of subscribed share capital (share premium included) has disappeared as a result of accumulated losses
- **Large enterprises**, if within the last 2 years:
 - book debt to equity ratio > 7.5
 - EBITDA to interest coverage ratio < 1.0
- If restructuring (following a rescue or restructuring aid), subject to collective insolvency proceedings or an outstanding recovery order of a State aid
- Needs to be assessed at the applicant level and Single Economic Unit (SEU) based on the accounts of the last financial year:
 - On the highest consolidated accounts
 - If no consolidated accounts exist this can be done through a simplified aggregation



Undertakings in difficulty need to demonstrate that they are in the process of resolving the issue, e.g. recapitalisation

Reminder – Undertaking in difficulty

Ineligible companies: undertakings in difficulty



Undertakings (applicant and/or group entity) in difficulty on the basis of the 2021 accounts need to demonstrate that they are in the process of resolving the issue.

The relevant documentation needs to be submitted at the end of the Phase 1 together with the CFF.

Example of relevant documentation could be:

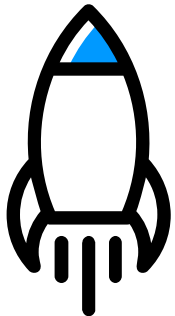
- Documentation regarding a capital increase (term-sheet, LOI)

What does my company need to prepare?



Large companies and SMEs (older than 3 years)

- Simplified Cash Flow Forecast
- Information/Documentation of any financing not stemming from own funds (this should be annexed on the platform)
- If an **undertaking in difficulty**: relevant documentation concerning the resolution of the situation



Start-up (applicant company younger than 3 years)

- Mandatory detailed Cash Flow Forecast
- Information/Documentation of any financing not stemming from own funds (this should be annexed on the platform)
- If an **undertaking in difficulty**: relevant documentation concerning the resolution of the situation

Upcoming Q&A sessions

Regular update of the FAQ section on research-industry-collaboration.lu/faq



Q&A session 3: Completeness check before the submission for the first phase of the Joint Call HPC

- Required attachments
- Q&A



**Submission
Deadline Phase-1**

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