Annex 11 – Financial sustainability model for Innovation activities: Backflow Model

The model of backflow can apply to Partner-driven and Start-up driven Innovation projects, including Fast Track Start-up driven Innovation projects (DiGinnovation).

The amount of backflow is capped to an amount equalling the EIT funding received by the consortium, plus a project-specific, risk-related mark-up to be defined for each individual project.

The individual backflow shall be primarily contributed by the Commercialisation Partner(s), which are expected to be Industry Partners that commercialise the product or service and only in extraordinary cases other types of Partners.

The backflow shall only apply for the event of the successful commercialisation of the project.

The definition of **successful commercialisation** of the project is linked to the achievement of KPI EITHE02.4: Innovations launched on the market or EITHE02.4: Innovations launched on the market with a sales revenue of at least 10 000 EUR documented, and shall be defined in detail at the time of full proposal submission. Additional parameters to be defined by the consortium are: **the amount (mark-up in addition to the total project funding received), timing of payments and conditions for the backflow (eg: percentage of revenues, fixed yearly amount).**

The Net Present Value (NPV) of the model proposed by the consortium will be crucial criteria for the portfolio analysis phase in the selection of the funded projects and the option selected for backflow must be outlined in the full proposal to a sufficient level of detail that will allow a proper assessment of the project's risks and benefits.

The consortium agrees to commit to the financial sustainability contract to be completed under the conditions expressed in the proposal with EIT Health after project approval.

A shared revenue plan will be defined at full proposal stage submission, with the assistance of EIT Health services during the Support Programme, and this will include:

- Fixed amount per year or Percentage of shared revenue (use of operating profit or free cash flow instead of revenue as baseline is possible. In this case, a mark-up of minimum 5% is compulsory)
- Extra specific project mark-up
- Threshold from whereon the payback period starts (e.g. certain revenue threshold to be defined; positive gross margin threshold; break-even threshold)

- Backflow start point from whereon the payback is due (standard clause of not later than 3 years after project end)
- Backflow end point until when payback is due (standard clause of 5 years after backflow start point)

If the project is accepted into the portfolio, details of the backflow will be agreed prior to the signing of the Project Grant Agreement (PGA) and will be outlined in the agreement.

Indeed, backflow mechanism (amount, caps, timeline, responsible party/ies, conditions, etc.) must be fully defined and agreed upon in writing by both parties before the project starts i.e., funds will be released only after both parties have agreed on the backflow mechanism details.

Understanding the complexity of the return forecast of the solutions in the market with a timeline of three years, EIT Health will accept a re-negotiation of the backflow model 6 months prior to project finalisation, as long as commitments from the consortium will bring similar revenues to the network.

The revenue received by EIT Health from these projects will be invested in future innovation opportunities for the network.