Financing circular business models

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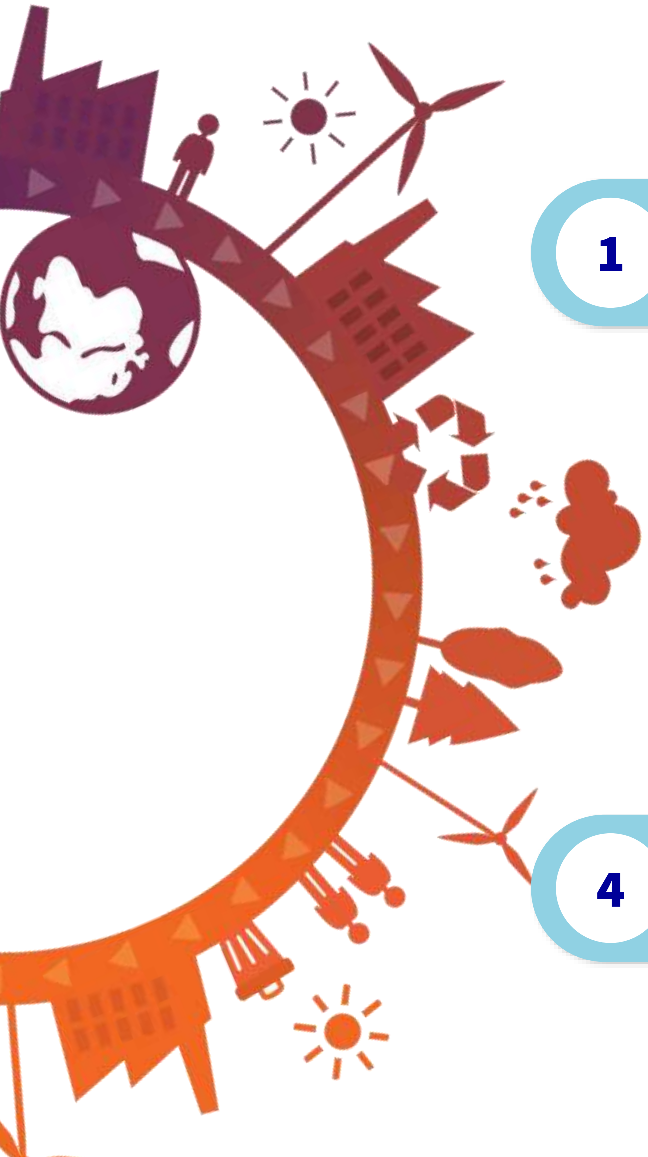
CE Banking in practice



1. What is a robust CE business model?
2. Financing CE business models is all about 'financial management'
3. From 'Old school' vs 'New school' to assess a product-as-a-service model
4. What are the challenges in financing product-as-a-service concept?

1 What is a robust CE business model?

- Business model that closes loops of fully renewable, regenerative or biodegradable resources inputs aimed at retention of economical, ecological and social value

- There is enough supply (of reusable materials) and demand (for circular product-materials or service): enough cash flow

- The model is part of the long term strategy of the company and integrated (first phase as pilot) in the business operation

- It contributes to a future-proof sustainable world

2 Financing CE business models is all about ‘financial management’

- There are roughly four types of business models:
  1. Circular supply of fully renewable, recyclable or biodegradable resources
  2. Product life extension
  3. Product recovery
  4. Product as a service (pay per use)

- First three types are on average good bankable . If necessary, together with other partners such as angel investors/ venture capital, private equity and crowdfunding platforms

- However ‘product-as-a-service’ is challenging!

3 From 'Old school' vs 'New school' to assess a product-as-a-service model

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Old School

- Focussed on historical financials
- Financing of assets
- Financial return
- Owner = 1 company selling the product

THE NEW SCHOOL

- Focus on future cash flow
- Financing of a service – (platform)
- Also taking social and ecological return into account , next to financial return
- Product owners can be more parties: joint venture of producers, service providers, platforms, leasing companies

4 Challenges in financing product-as-a-service concept

- Deterioration balance sheet producer due to retaining the assets as owner
  - Solution? off-balance finance in SPV managed by a leasing company. Discussion: who will share the risk?
- Shift credit risk from debtor to (a group of) creditor(s)
  - Co-finance between for example the bank, angel investors/venture capital, private equity and crowd funding platform
- Start-up with less experience is difficult to finance
  - Solution: financing CE collaboration start-up with corporate which has a strong financial position. Example **Food Bytes**: pitch competition-meets-event brings together game-changing startups, investors and industry leaders to boost most innovative concepts in food and agriculture
- Indicating the residual value of the product
  - Degree of product life extension as proxy for residual value: how longer in circulation, how lesser the depreciation

Examples from practice

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