

Servitisation for a green transition: The journey ahead for circular business model financing



16 MAY 2023, 4.00 pm – 5.30 pm CET

The EaaS Project



The Efficiency as a Service (EaaS) project aims to develop and deploy the servitisation model to enable the transition and accelerate the market adoption of energy efficient solutions in a B2B context. The project is being implemented in Belgium, the Netherlands and Spain.

BASE, AGORIA, ANESE and EIT Innoenergy are leading the project in Europe.

AGORIA



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement



The EaaS tools are now available here!



EaaS Explanatory Documentation

This power point presentation and fact sheet can be used as supporting documents to explain the Efficiency as a Service model.



EaaS Contracts and Risk Mitigation Guidelines

This model contract may need to be adapted to local regulations, but can serve as a good template to start implementing EaaS. It has been developed over the past year and includes input from a large number of experts.



EaaS Economic Model

This economic model will enable you to price your cooling service, once populated with your technical and economical parameters.



Servitisation for a green transition: The journey ahead for circular business model financing



16 May 2023, 4:00 pm – 5:30 pm CET

This Virtual Dialog will explore the challenges and opportunities of financing circular business models with experts and stakeholders already implementing the model.

[Read more >](#)



Servitisation for a green transition: Practitioners' perspectives on Circular Economy



24 April 2023, 01:00 pm – 2:30 pm CET

This Virtual Dialog is part of a series of events as part of the European Commission H2020 project Efficiency as a Service (EaaS) Initiative, which

Servitisation for a green transition: The journey ahead for circular business model financing

Hosts & Moderators



Dimitris Karamitsos
Senior Energy Efficiency
Business Developer
BASE



Arno Nijrolder
Business Analyst
Sustainable Energy
EIT Innoenergy



Servitisation for a green transition: The journey ahead for circular business model financing

Topics for the day

- Challenges and opportunities in financing circular business models
- Overcoming the roadblocks in circular economy financing
- Successful examples and ways ahead

Servitisation for a green transition: The journey ahead for circular business model financing

Speakers



Christian Levie
Managing Director
Econocom Lease



Dirk Verbruggen
Regional Director
CFO Centre Belgium



Wouter de Wolf
Marketing Manager B2B
Signify



Samuel Allison
International Program Manager
Societe Generale Equipment
Finance

Servitisation for a green transition: The journey ahead for circular business model financing



16 MAY 2023, 4.00 pm – 5.30 pm CET

Servitisation for a green transition: The journey ahead for circular business model financing



Speaker

Dirk Verbruggen
Regional Director
CFO Centre Belgium





Introducing the speaker

Dirk Verbruggen - Sustainable CFO

- Co-Founder SusteneriGroup – Sustainable & Circular Finance
Regional Director and parttime CFO - CFO Centre Belgium.
- Experienced senior-level executive with extensive experience in Finance & Sustainability as well in a multinational environment (Toyota Material Handling Belgium & France) as in SME's.
- Active in Sustainable Finance and specialized in Circular Business Models/Finance-Funding with state of the art new circular business models and financing methods.



Servitisation for a green transition: The journey ahead for circular business model financing



Christian Levie

Deputy Managing Director of Econocom Lease Belux

Board member and Vice-President of the Belgian Lease Association

Over 30 years in financing and leasing.

Econocom supports companies and governments in the implementation of as-a-service business models, product-service combinations, leasing solutions for IT and technology assets



Econocom Group : Digital General Contractor

Distribution, Services, Financing – Euronext listed

Key figures

16

countries



8.750

employees



€2,7 Billion

Revenue 2022



**50 years
experience**



7M

Assets managed



500.000

Assets refurbished per
year





What are the advantages of going into aaS?

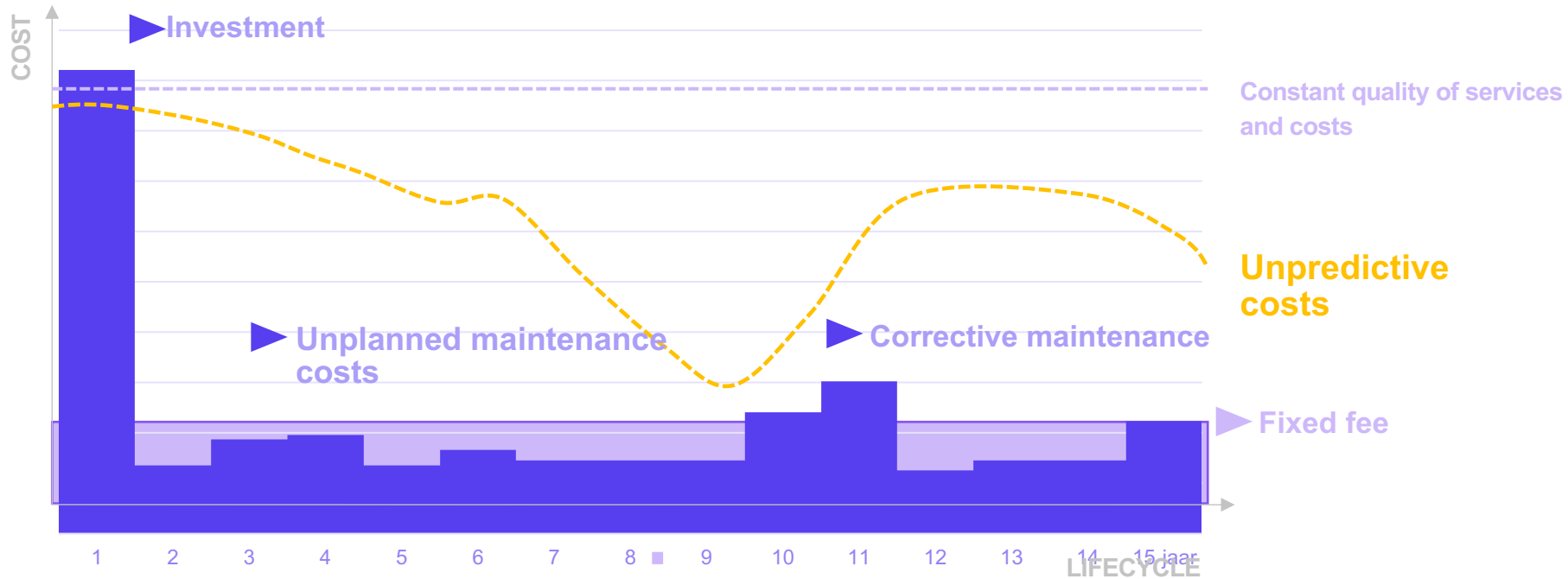
- Circular business models create ecological and economic value.
- According a study of Accenture value creation in a circular lifecycle can be up to seven times higher than one-off sales.
- More value is created as not only the value of producing and selling a product is realized but value to the customer is created over the full life cycle of the product (also maintenance, repair, financing, insurance, second hand, scrapping,)
- By generating more value to the customer more company value can be created. Continuous and predictable revenue streams.



What are the advantages of going into aaS?

- Improve customer relationship
- Target new markets
- Long-term relationship – unburden, SPOC, flexibility
- Increased predictability and efficiency through pro-active monitoring, services

What is the **value proposition** to the customer?





What is the value of a company?

Recurring normalized EBITDA

X multiplier = 3 a 4 - 14 a 15

(depending of size company and industry)

- normalized net debts

= Company Value

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

Recurring EBITDA's = sustainable EBITDA's



Value creation

- Recurring business = recurring EBITDA's = value creation
- Long term relationship with the customer due to high value creation for customer and long contracts
- Circular business = one off sales X A LOT !
 - e.g. direct sales forklift: 45 k€
- long-term as-a-service 60 months = $60 \times 1,500 \text{ €}$ fee per month = 90 € (+ residual sales value at the end of the rental contract)

(included: forklift truck sales price, all-in service contract, insurance, financing)



What are the advantages of going into aaS for a financial institution ?

- New business opportunities
- Help and support existing and new customers
- Create recurring business and partnerships
- Innovate and differentiate
- Contribute positively to the green transition
- Improve their own CSR and Non-financial reporting KPI's
- Future-proof portfolio



Financing Circular Business models

What are the
existing
roadblocks?

- lack of financing capacity
- significant lack of knowledge
- the shift from ownership to use puts circular entrepreneurs under financial pressure
- capitalization on the balance sheet
- spread income streams =) total invoiced sales drops enormously
- reduced solvency
- increased and extended debtor risk
- extra & complex administration, etc.....

Key financial & accounting challenges of as-a-service offerings

P&L + Balance sheet

Your revenue is divided by 4 the first year of a 4 year aaS contract

You will be the owner of the assets

Assets on your balance sheet

Pre-financing

You need more financing than when you sell upfront

Challenging when your revenue is decreasing...

Invoicing

You evolve from 1 sales invoice to 48, 60 ... invoices spread over time

ERP changes need time, money, energy and scale !

Repair & recycling

As you are the owner, you are responsible for the take-back of the assets at the end of the contractual lifecycle



Financing Circular Business models – example financial road block

***Financing
capacity =>
not scalable***

Example: Bundles: pay as you use a washing machine.

- When 1000 customers = 1000 washing machines to be put on the balance sheet at around 1000 € per washing machine (at cost) = 1 M€
- Financed by financial leasing or long term rental at sometimes 100 % but most of the time only to be finance at 75 % => 25 % to be financed by own resources => 1M € at 25 % = 250 k€
- Leasing funding lines are limited and working capital should be financed also.



Financing Circular Business models – Road block

Matching issues

- **No matching** between term leasing/rental contract 3 – 5 years versus contract with customer (3 – 30 years)
- Circular entrepreneurship extends product life => 10 – 20 – 30 years; financing does not run that long!
- **B2C: not possible for financial leasing ?** well B2B2C.....
- **Residual values:** how to finance the residual value at the end of the contract with the customer?



SMEs vs Big Cies - Cies with or without equity - starting from scratch or transition ?

- Statement from the founder of Bundles (Marcel Peeters)

“I worked for a large company for a long time and then you notice how difficult it is to switch from, say, fossil energy to sustainable energy. Change is not going to come from the culture of such large companies. You really have to start driving it from a young company. So I said: I'm resigning and I'm going to do it myself.”

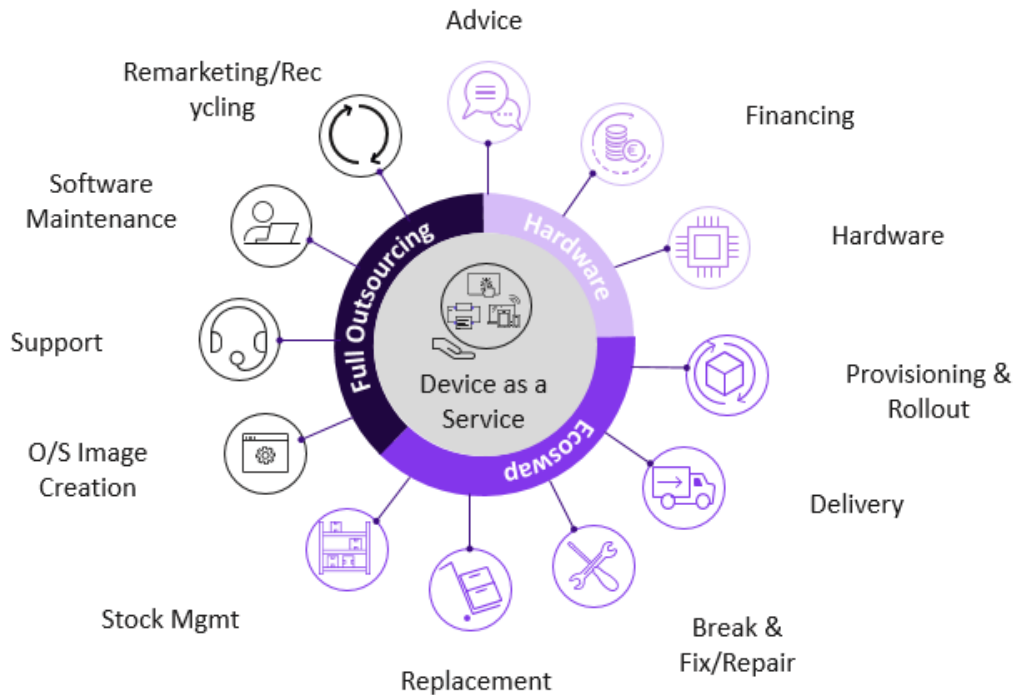
- Major companies are using the greenfield strategy in which they start a new circular business in a separate new company (with new management and staff). The financing of this newco is guaranteed by the mother company.
- Sometimes the go-to-market of circular business can be outsourced: AMPLIO RENTAL. <https://ampliorental.se/>



Case -Toyota Material Handling Europe

- Funding by TMHE
- off balance funding
 - via Leaseplan (now ING Lease): leasing met residual value > 16 % (+ buyback via sideletter)
 - than in the TMH Group via TMH Rental (Financing) company (international funding)
- Then on balance due to listing Toyota Industries on Tokyo stock exchange based on IFRS.

Case - IT as-a-service



<https://aankopen.vlaanderen-circulair.be/nl/aan-de-slag/webinars-circulair-aankopen/webinar-product-as-a-service-als-contractvorm-voor-circulair-aankopen>



huismadou
Hart van steden en gemeenten



vvsg



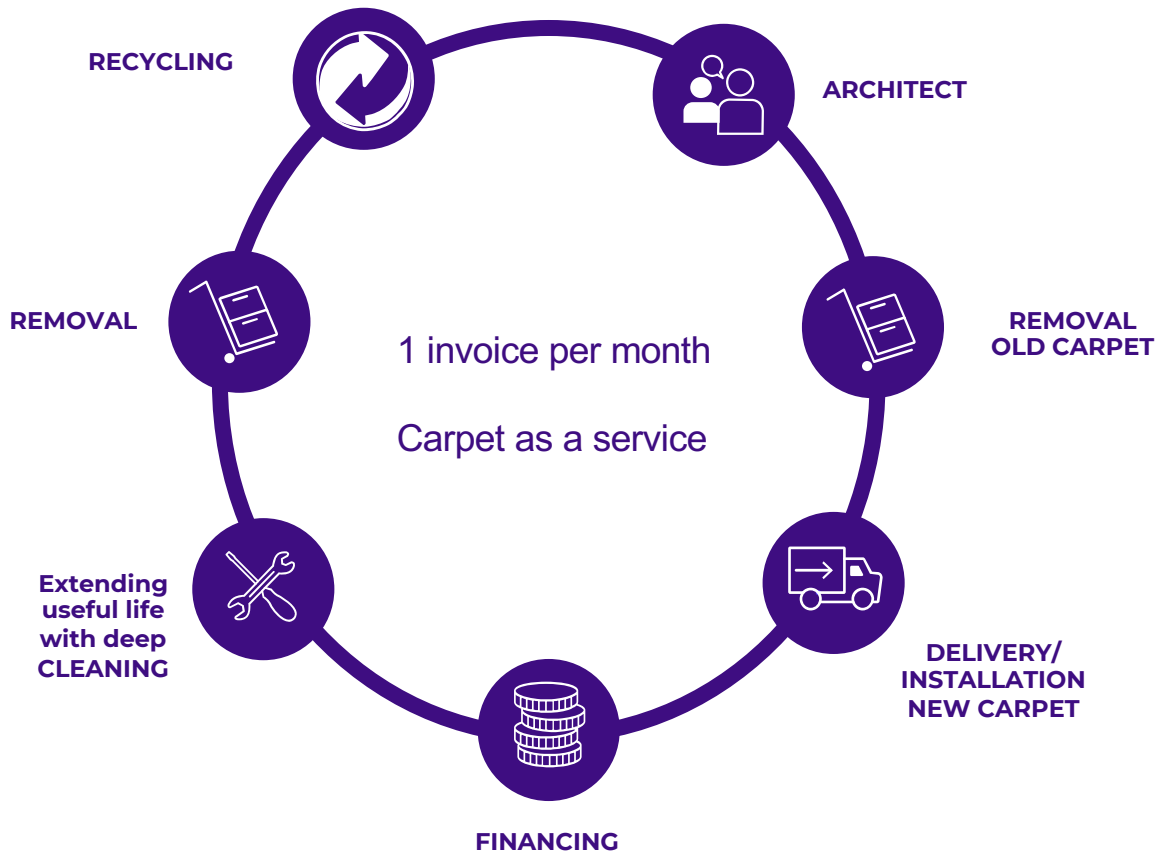


Case :

Flooring as-a-Service

Co-creation

1 party regroups all components from all suppliers to come to 1 periodic invoice





Solutions

On balance =) not scalable **off balance constructions (buy back contracts – guaranties)**

Decrease invoiced sales **sale and rent back operaties (check with auditor)**

Complex administration **IT systems, outsourcing, AMPLIO RENTAL**

Funding **creative funding mix**

Lack of knowledge **training – consultants – parttime CSO (Chief Sustainable Officer)**

Total life cycle management **dedicated ERP systems (product/vehicle file, rental solution,....) /
technical expertise / secondhand market / outsourcing waste management: Milgro**



What are the bottle necks on the financing side?

- Missing knowledge and mutual understanding on both sides
- Changing or unfavourable rules (tax, legal, public tenders,...)
- Uncertainty for investing (typical example = legal = are energy efficiency assets movable or immovable ?)
- Un sufficient data and tools to assess values, gains, externalities, impacts
- Not enough good projects to be financed (business plan, Value-added, USP's,...)
- Limitations of existing supervision rules more oriented to the past historical data than to the future trends (lifetime, new/used, 2nd value,...)



Recommendations for Financial Institutions

Accelerate: Do more + quicker

-sense of urgency : speed is of the essence. Huge gap : our world is only 9 % circular vs. 91 % linear

IPCC: CO2 emissions have to decrease by 2025, do not delay till tomorrow

-from the happy few to the many:

- start small projects to learn, each step is an important step
- how to scale-up => achieve significant results

-Helped by EU ambitions, willing to reorient capital flows + impact on financing prices

- Sustainable Finance Disclosure Regulation (SFDR) for investment vehicles
- Corporate Sustainability Reporting Directive (CSRD) from 2024
- EU Taxonomy and contribution to 6 objectives (a.o. climate & circular economy)



Recommendations for Financial Institutions – Vlaanderen Circulair/KPMG/Febelfin

1. Expand the financing offerings : combine various sources and returns + circular-specific solutions
2. Develop shared risk evaluation frameworks to improve risk assesment (identify and quantify both linear and circular) and acces to financing sources
3. Governance: monitor progress and KPI's



Recommendations for Financial Institutions

Example of the banks in The Netherlands :

1. Include both linear (f.e. “stranded assets”, volatility, supply chain, reputation, litigations...) and circular risks in financing decisions
2. Include circular metrics
3. Build experience with “landmarkdeals”, where new forms of financing are tested, and accept “learning” losses
4. Optimize and extend financing offerings
5. Co-create with partners : split/combine risks at various sources and prices (equity, mezzanine, senior debt, credit insurance, impact financiers, public support...)



Recommendations for Financial Institutions

- Example of the Circular Economy Charter of the Belgian Leasing Association

1/ Establish criteria to make it easier to finance projects:

- * Term 2 to 10 y (and longer for real estate)

- * commitments supplier for lifecycle management of the goods:
Ecodesign / ecoproduction / lifetime extension / pooling / modularity / residual value / second life / retrologistics / recycling

- * structures

 - ⇒ risk on supplier (Headlease – sublease)

 - ⇒ risk on end customer (Direct lease, Assignment of Receivables)

 - ⇒ portfolio financing



Recommendations for Financial Institutions

2/ Identify & manage the **risks** :

- credit risk
- operational
- idle time (non use in “pay-per-use” models)
- residual value

3/ Identify & manage the **gains** of circular business models

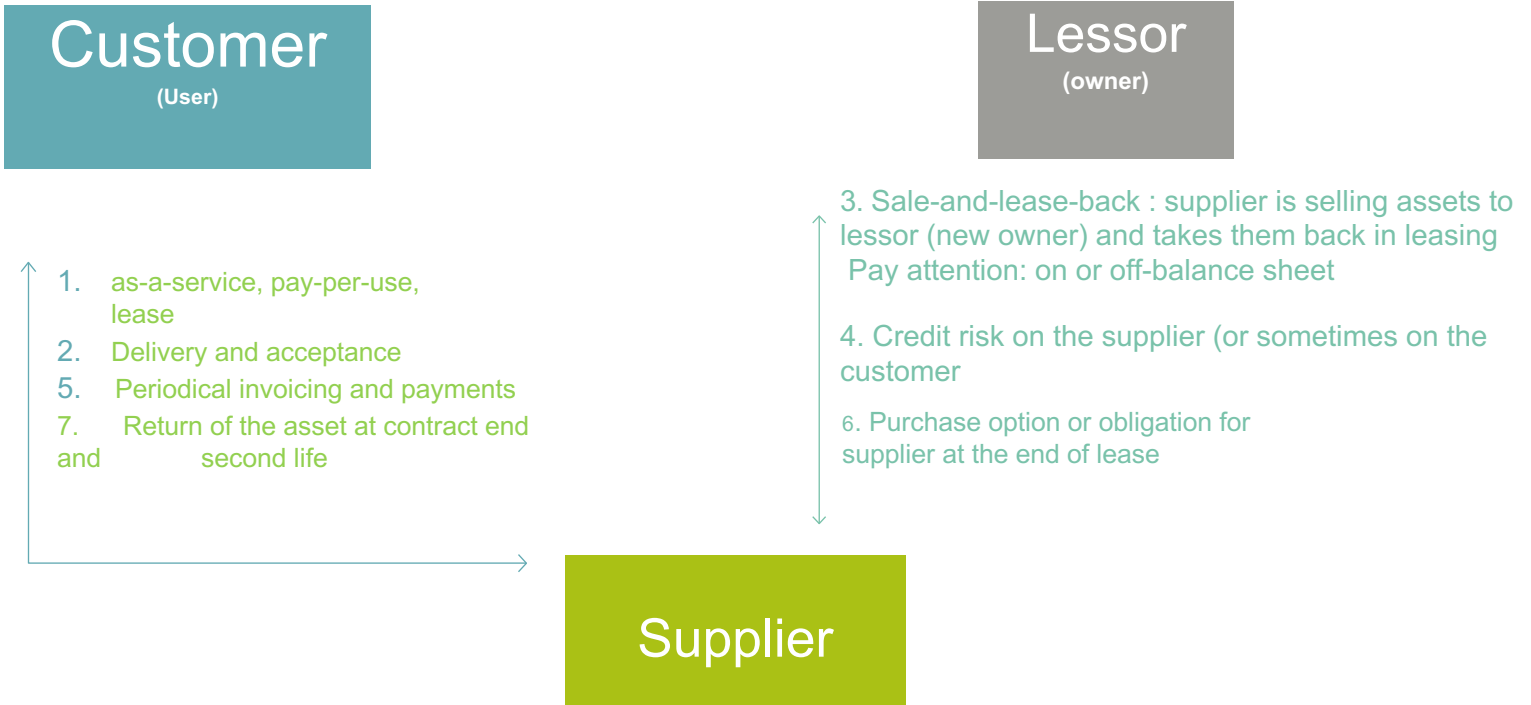
4/ **Companies** have to improve **communication & preparation** (“circular” or “as-a-service” is not enough to make the case a bankable case), and invest **equity** in the project

5/ **commitments** of the sector

- * training: => 2 courses at Febelfin Academy: targetting leasing cies + banks
- * learning by doing => finance deals + contribute to other initiatives by Fod Economy, Vito CEvaluator, Vlaanderen Circulair - Kpmg, Agoria energy as a service
- * help remove obstacles (vat, legal,...)

2 lease structures are possible for the transition from a «sales model» to an «as-a-service model»(1/2)

Back-to-back lease



2 lease structures are possible for the transition from a «sales model» to an «as-a-service model» (2/2)



Checklist

FROM A SALES MODEL TO AN AS-A-SERVICE MODEL: FINANCIAL AND OPERATIONAL IMPLICATIONS

False perception

- Supplier stays the owner → not necessarily
- Alternative: work in co-creation with a financing partner
- What to do internally vs. externally ?

	SALES MODEL	AS-A-SERVICE MODEL (WITHOUT FINANCE PARTNER)	AS-A-SERVICE MODEL WITH A FINANCE PARTNER LIKE econocom
 YOUR TURNOVER AND MARGIN	Turnover and margin are realised 100% upfront	Turnover and margin are realised over time	Turnover and margin are realised 100% upfront (for the hardware investment part)
 YOUR BILLING PROCESS	1 invoice 1 payment	48 invoices to be sent for a 4-year contract	1 invoice between the supplier and the finance partner
 YOUR CASH COLLECTION, DEBT MONITORING	One-off	48 follow-ups	Followed up by the finance partner
 YOUR CASH POSITION	100% of cash is collected immediately. Payment terms of 30, 60, 90 days	Cash is collected in installments. A source of financing is required (equity or loan)	100% of cash is collected immediately. Payment term of 30 days No pre-financing is required.

Checklist



YOUR CASH POSITION

100% of cash is collected immediately.

Payment terms of 30, 60, 90 days

Cash is collected in installments.

A source of financing is required (equity or loan)

100% of cash is collected immediately.

Payment term of 30 days

No pre-financing is required.



YOUR CREDIT RISK

Short-term credit risk on a large sum of money

Long-term credit risk on a large sum of money

No credit risk for the supplier, the finance partner bears the risk



YOUR BALANCE-SHEET

Working capital for payment term

More assets and debts on your balance-sheet and impacted ratios

You switch from capex to opex - it is an off-balance solution.



YOUR SALES CONTRACTS

You use your existing sales contract

You prepare the as-a-service contract

The finance partner provides the as-a-service contract



CONTRACTUAL DISPUTES

Potential disputes are covered by the legal guarantee.

Your reputation is at risk and there may be a financial impact.

The customer must take the initiative in case of a dispute.

Reputation and cash are at risk.

Risk of non-payment.

If this happens, the supplier must take the initiative.

Potential disputes are covered by the legal guarantee.

Your reputation is at risk and there may be a financial impact.

The customer must take the initiative in case of a dispute.



Preparation of Circular files – practical tool CEvaluator

How to handle Circular deals more specifically:

Evaluation tool = CEvaluator

- *Developed with support of public and financial players (Private Equity investors, impact investors, leasing)
- *Common reference for entrepreneurs and financiers
- *Balanced approach : opportunities and risks

Landing page :

ENG: <https://cevaluator.be/en>

FR: <https://cevaluator.be/fr>

NL: <https://cevaluator.be/nl>

Lessons learned– success factors



Assets known on the market (vs. completely new technology)



Credit quality of the end-user + B2B or B2B2C



Movable > immovable



Relatively low operating risk



Duration 5-9 years, balance with technical life



Co-creation (with clear roles and responsibilities)

Lessons learned– success factors



2nd hand can be financed if well documented



Prepare well your credit request: business case, differentiation, competitive advantages, USP's, risk mitigators, measure circularity



Fixed or variable fee with a minimum level



Reduce the risk with sufficient equity and various financiers



Do not finance all aaS assets on your balance-sheet , bottle-neck !

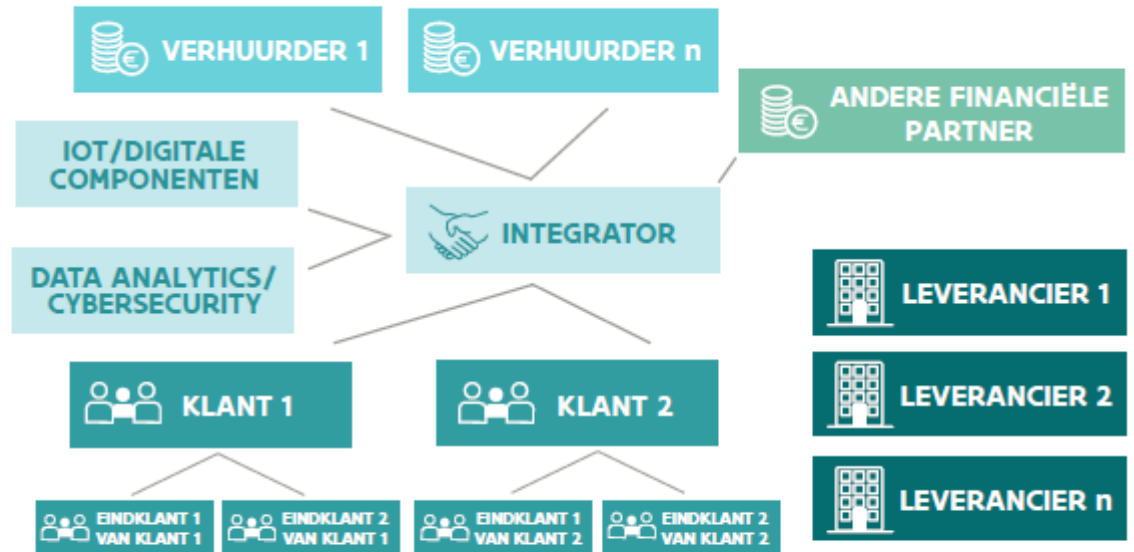


Integrate the benefits of Residual end-of-life Value

Lessons learned – the role of integrator

MEERDERE LEASE-MAATSCHAPPIJEN

Om risico's te spreiden of in te spelen op specialisaties, wordt ook vaak gewerkt met meer dan één lease-maatschappij. In vergelijking met de klassieke leasingmodellen worden de relaties complexer, maar het model blijft realistisch en illustreert treffend de impact van circulaire projecten op leasing.



Role of an integrator in the context of circular contracts

- Find the necessary credit lines
- Support to build a solid credit file
- Be the owner of the assets throughout the contract duration – off-balance solutions
- Treat the supplier's invoices (payment of suppliers, handling of credit notes) and the customers invoices
- Manage the asset lifecycle management – reporting
- Governance of all parties involved (suppliers, transporters, maintenance parties, financial services partners, ...)
- Take-back of assets at the end of the contract duration + 2nd life



Financiering van de circulaire economie

Uitdagingen en aanbevelingen

Hilde Janssens
Christian Levie

econocom



VLAANDEREN
CIRCULAIR



<https://info.econocom.be/nl/financing/financiering-circulaire-economie>

Uitdagingen en aanbevelingen

- 115 pagina's met **nieuwe inzichten** over de **financiering** van de **circulaire economie**
- De knelpunten en **opportunities voor financiële dienstverleners, bedrijven en overheden**
- **Succesvolle praktijkvoorbeelden van circulaire financiering**



DOWNLOAD NU

“Dit rapport van Econocom geeft zowel onze financiële spelers als ondernemers nieuwe inzichten, met aanbevelingen en ook valkuilen voor circulaire projecten. Econocom bewijst met verschillende lopende circulaire projecten de waarde van dit nieuwe economische model. Ze zijn circulaire doeners”

Brigitte Mouligneau, transitie manager circulaire economie bij Vlaanderen Circulair.

Thank you for your attention !

Servitisation for a green transition: The journey ahead for circular business model financing



Speaker

Wouter de Wolf

Marketing Manager B2B
Signify





Light as a Service

2023

Introduction



Wouter de Wolf

Marketing Manager B2B Benelux
wouter.de.wolf_1@signify.com

Light sources	Luminaires	Systems and Services	
PHILIPS	Our global brand for professional and consumer lighting	interact	Our global brand for professional connected lighting software and systems
No. 1 Connected, LED, Conventional	€6.9bn sales in 2021	37,000 people in 74 countries	Carbon Neutral Since 2020

Signify Light as a Service

How does it work

Plan & design



Build



Operate



Maintain & optimize



Hassle Free Service

Performance Indicators (energy, light level and uptime / other)

Financing

When does it work?



Lower energy consumption,
more efficient use of materials and
therefore lower CO₂ emissions



Immediate
savings
on energy costs



No investment;
monthly or annual
fee



Latest lighting
installation



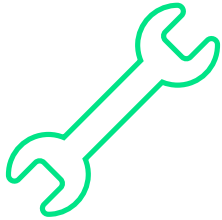
Guaranteed lighting performance
for turn key projects (energy consumption,
light output, uptime)



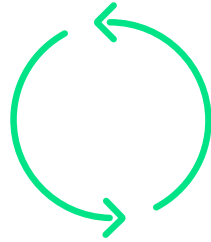
End of contract:
extend, upgrade or retrieve
by Signify

Business model

Why is light as a service circular?



Through our life cycle service we know what happens to our luminaires



End of Contract we can offer solutions: extend, upgrade or retrieve by Signify



We have the right incentives to extend lifetime

©ignify

Servitisation for a green transition: The journey ahead for circular business model financing



Speaker

Samuel Allison

International Program Manager
SGEF



SGEF INTRODUCTION - ORGANIZED AROUND 4 VERTICALS



SGEF at a glance

A Solution Provider Beyond Equipment Finance

At the heart of the **real economy**, Societe Generale Equipment Finance offers **tailored leasing and financing solutions** to vendors, dealers, manufacturers and corporate customers. With the widest geographical market coverage, SGEF supports the development of its partners and customers building on its expertise in **four sectors**:

- **Transport**
- **Industrial Equipment**
- **Technology**
- **Healthcare & Green Energy**

#1 IN EUROPE
#2 WORLDWIDE



21 *

COUNTRIES

1,350

EMPLOYEES

€14.3 bn **

OUTSTANDINGS

€7 bn ***

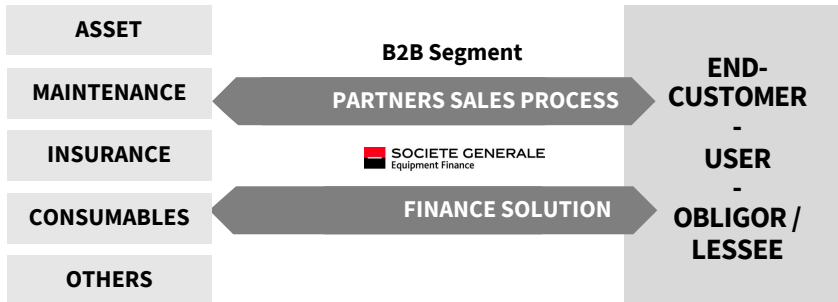
NEW BUSINESS

SGEF - SOLUTION OFFERING WITH OUR PARTNERS

Our goal is to support our customers' growth & strategy

We **take part in the development** of our partners - manufacturers and distributors - and clients - SME, professional and corporate customers - by providing with an **innovative and attractive range of tailor-made products & services**:

Integrated in clients & partners value chain

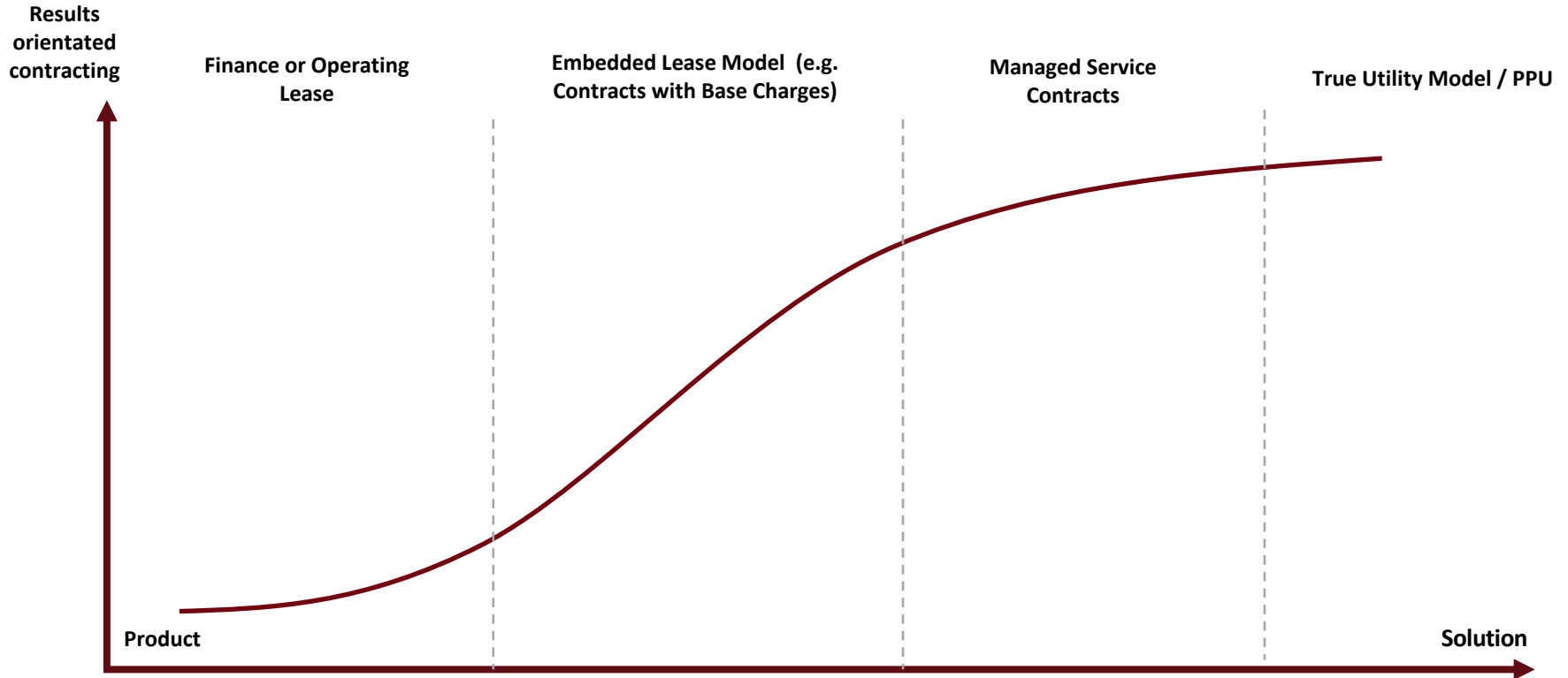


Products & Services

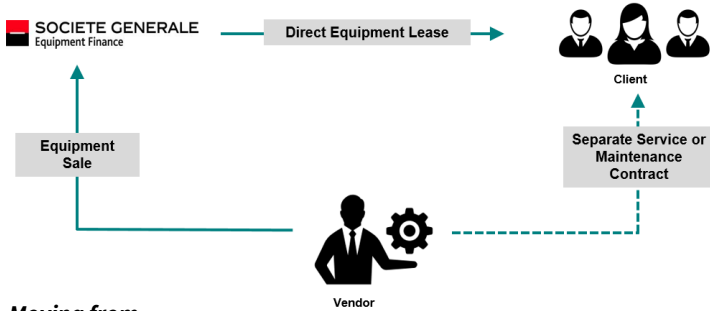
- Finance lease
- Operating lease
- Loan
- Hire purchase
- Rental
- Structured finance
- Inventory finance
- Sale of receivables
- Insurance products
- Maintenance finance
- Marketing support
- Reporting support



AS A SERVICE - SPECTRUM



SERVITIZATION: FINANCING STRUCTURES



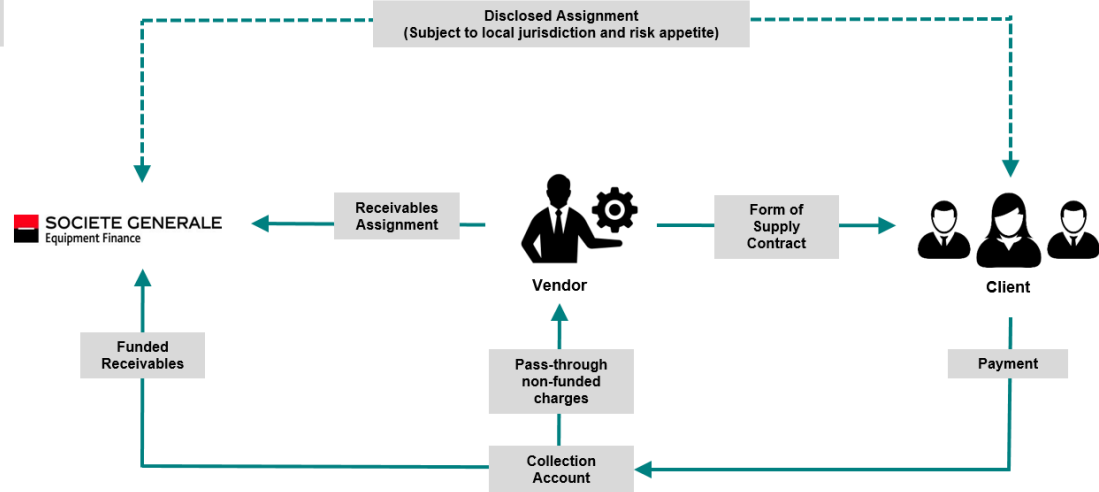
Moving from...

ASSET/EQUIPMENT FINANCE



...towards servitization.

SERVICE OFFERING STRUCTURES



Supporting the shift in customer's preference from ownership to usage and integrated services...

SGEF – SUPPORTING THE TRANSITION TOWARDS SERVICITIZATION

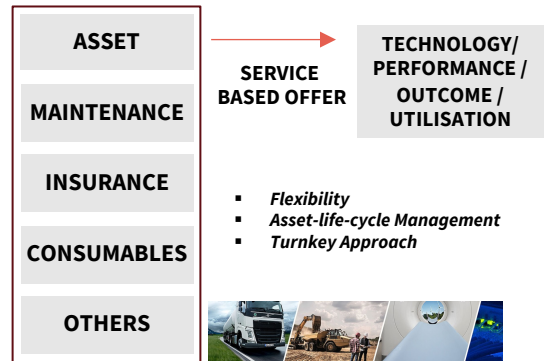
Evolving from...

ASSET/EQUIPMENT FINANCE



...towards servitization

SERVICE OFFERING



LIGHT AS A SERVICE



Signify Managed Services

A partner you can trust, giving you peace of mind

Plan & design	Build	Operate	Maintain & optimize
<p>We start by assessing what's already there, checking current installations for possible savings. Next, our team creates a customized lighting solution, tailored to your needs.</p> <ul style="list-style-type: none"> Scoping and quick scan Audit Solution design Business model 	<p>Once both parties are happy, our teams will coordinate end-to-end project management of everything. We'll remove old luminaires where necessary, then deliver, install and commission your new lighting solution.</p> <ul style="list-style-type: none"> Project management Installation Commissioning Hand-over 	<p>After everything is set up, we continue observation to ensure everything runs properly. We check system operations, consult on faults and manage content (where necessary).</p> <ul style="list-style-type: none"> On-site Remote Content Performance 	<p>From the beginning to end. Our recurring services include maintaining and repairing of your lighting solution, optimizing performance throughout the contract and verifying agreed performance.</p> <ul style="list-style-type: none"> Preventive and corrective maintenance Spare parts supply Documentation and training Data analytics, reporting and consulting System optimization Content management Asset management

PV AS-A-SERVICE



Photovoltaics for CZK 1

You do not need any starting capital to install photovoltaics now. You save both the environmental load and your funds.

<p>WE WILL INSTALL YOUR PHOTOVOLTAICS, AND YOU WILL ONLY PAY FOR ELECTRICITY USED</p>	<p>AFTER 15 YEARS, THE POWER PLANT WILL BECOME YOUR PROPERTY FOR THE PRICE OF CZK 1. YOU MAY EVEN BUY IT EARLIER</p>	<p>WE WILL ENSURE THE COMPLETE IMPLEMENTATION, AND WE WILL TAKE CARE OF THE SUBSEQUENT OPERATION AND SERVICING</p>
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MOVING TO CIRCULAR ECONOMY TOGETHER WITH OUR PARTNERS

SGEF and the wider Asset Finance industry is in a prime position to drive adoption towards the circular economy, developing solutions to accompany our clients' growing interest for sustainable business models

Circular Economy Definition

An economic model based inter alia on **sharing, maintaining, reuse, repair, refurbishment and recycling**, in an (almost) **closed loop**, which aims to **retain the highest utility and value of products, components and materials always**

How it translates for SGEF

In a leasing arrangement, some or most of the circular economy elements such as maintaining and prolonging the life of equipment, re-use, redistribution, remanufacturing, and recycling of assets can be provided in collaboration with our Vendor Partner or through other external partnerships

Business Models of Growth in a Circular Economy

- 5 Business Models of Growth in Circular Economy
- 3 Business Models where SGEF play an active role (Product Life Extension, Recovery and Recycling, Product as a Service)
- Asset Lifecycle Management Focus

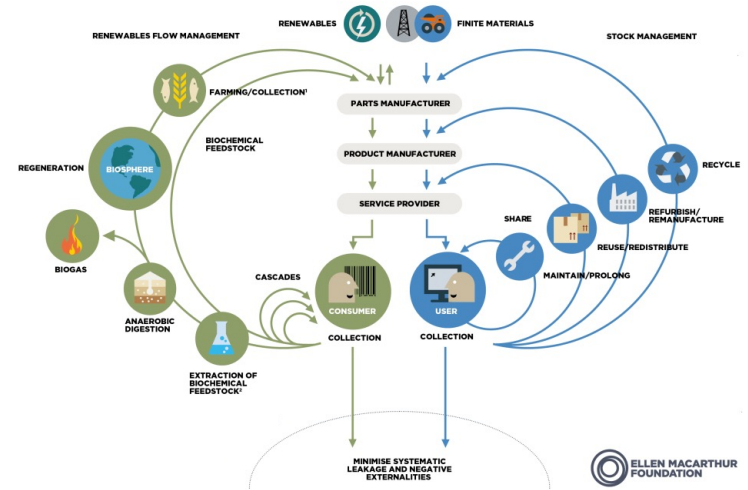
Circular Supply-Chain.

Sharing Platforms

Product Life Extension

Recovery and Recycling

Product as a Service



Source: The Ellen MacArthur Foundation

Servitisation for a green transition: The journey ahead for circular business model financing

Panel discussion



Christian Levie

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Thank you!

[EaaS - Efficiency as a Service \(eaas-initiative.org\)](https://eaas-initiative.org)

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