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# SHOW ME THE MONEY!

## Designing & managing a self-financing incubator



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# Introduction

- Increasing demands and money pressures
- Self financing - appropriate or possible?
- European Union best practice: 65% self /35% Govt.
- From design stage to managing operations
- Incubators can fail if not self financing - why?
- **Politics, politics, politics!**
- Self financing does not happen overnight, set it as a goal from start, get adequate 'start-up financing'
- Benefits: long term survival, independence & culture



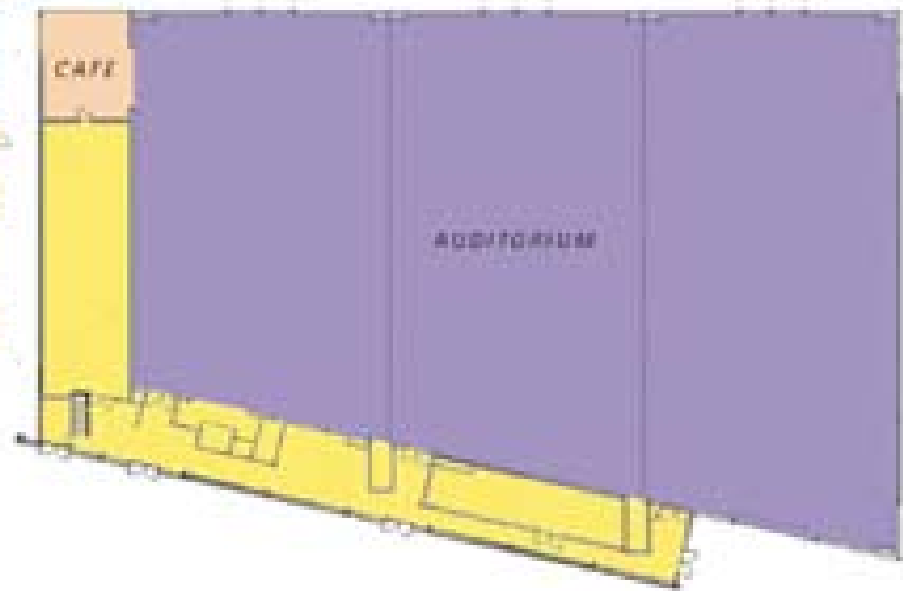
# Innovation Centre - financing a major building



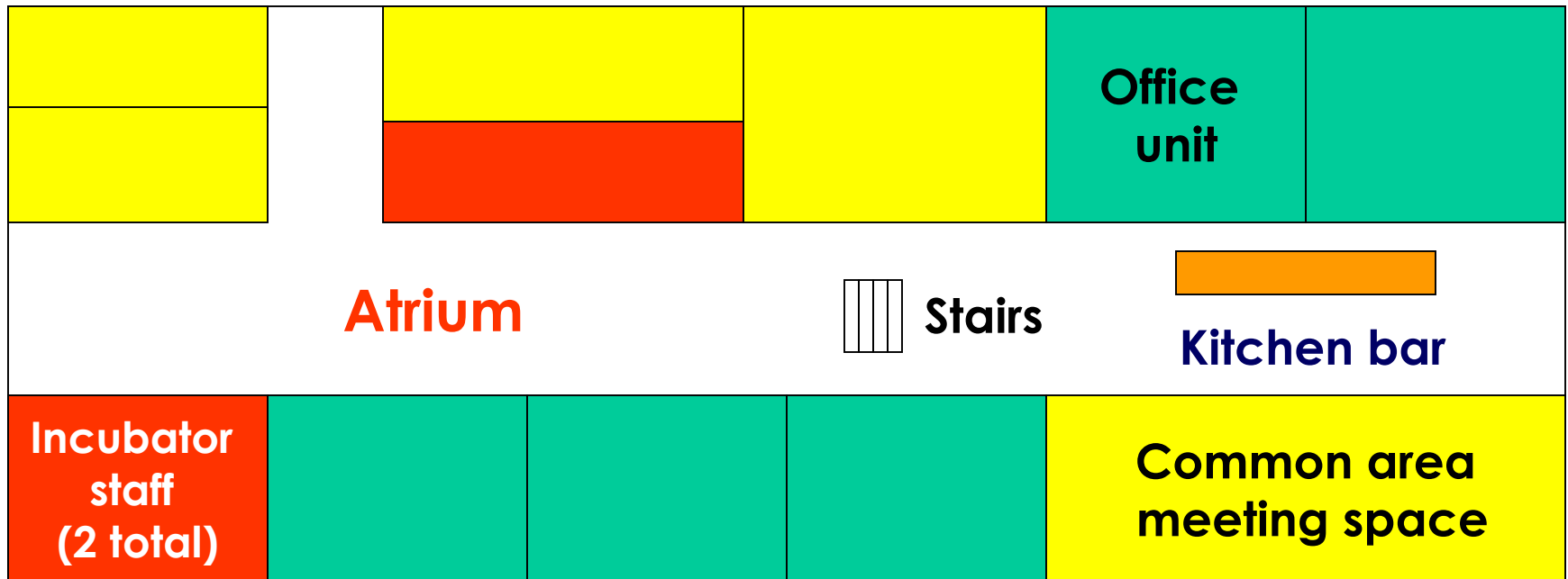
# Space matters - growing into a building



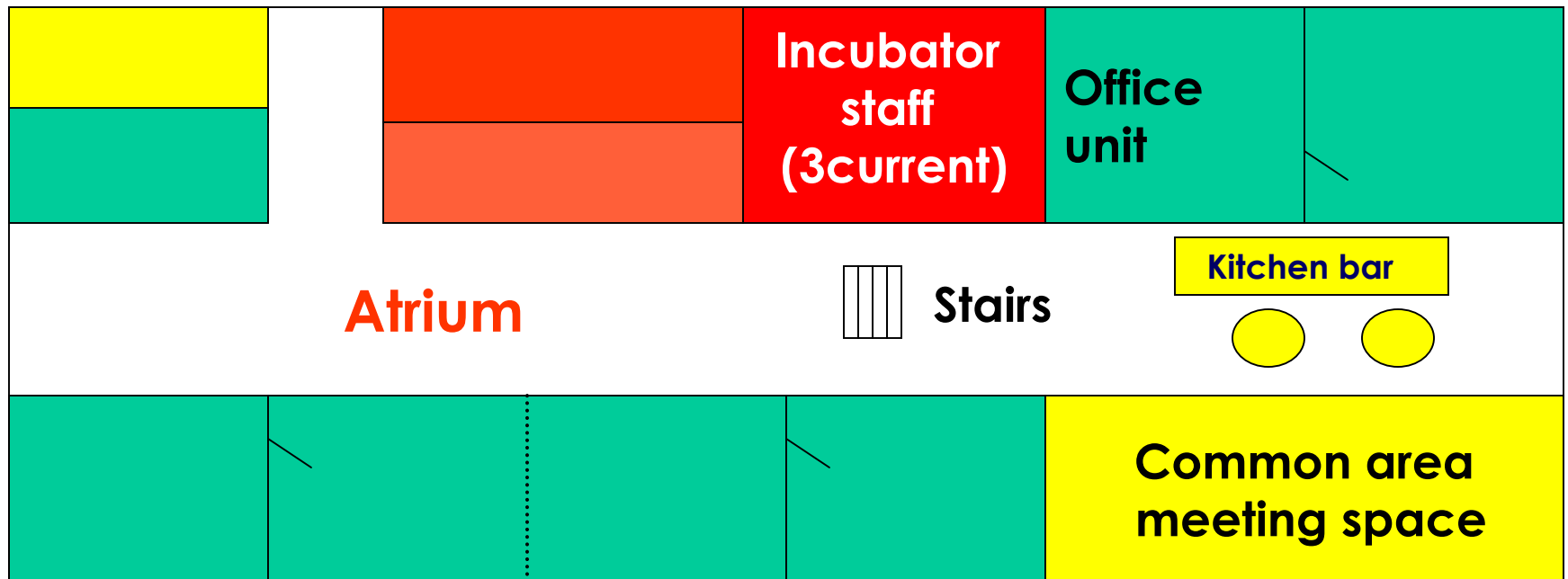
# Space matters - growing into a building



# Example: Ground Floor, before



# Example: Ground Floor, **after**



# Income sources

- Develop several income streams
- Incubator companies: market rents / services / royalty & equity / in kind
- Virtual clients
- Anchor tenant, select established companies, spin outs
- Programs and events
- Sponsors - cash and in-kind - programs, community support
- Consulting - but don't let it distract from core focus



# Royalty agreements

- A route to gain a return on business development services
- Start-ups need support but often cannot afford to pay
- Innovation Centre offers a high level service and wants to be paid for it, example deal:
  - Notional value put on services, e.g. \$45,000
  - Royalties deal: 2 - 5% of turnover over years 3, 4 and 5
  - Currently capped at agreed level
  - Legal agreements and reporting requirements
- Potential benefits - pay back prospects, commercial culture



# Generating income: assets



**Physical space**



**Proximity to University**



**Brand, services,  
reputation &  
network**

# Controlling costs

- Phase spending with growth
- Keep core staffing light, make the most of advisors, student interns, 'ambassadors' etc
- Invest time in systems - contact management, process flow, events, IT etc
- Stretch **BRAND** across more areas, e.g centres, programs
- User pays principle, clear charging structure
- Beg, borrow, 'steal' or sponsor - paintings to furniture
- Don't do something new without working the numbers



# Self sufficiency tips

- Long term budgets (5 years), keep revising
- Keep testing upper limit of pricing, update agreements
- Space planning: keep common areas less than 25%, need a 'building' that is big enough to spread overhead costs over
- **Negotiate deals on the right side of the door**
- Don't sell sq metres! Sell impact, reputation & network
- **Not all start ups are poor, all the time** - escalate rents



# Conclusions





delivering the promise for the sunshine coast

# Contact us

[www.innovation-centre.com.au](http://www.innovation-centre.com.au)

Visit our web-site for the latest information  
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