

EIT Health Accelerator

Start-up Rescue Instrument 2020

A new programme in the EIT Health Accelerator 2020 Portfolio, dedicated to highly innovative European start-ups with financing rounds affected by COVID-19 crisis



Publication of call:

May 14, 2020

Online Submission deadline:

June 1, 2020

Webinar for interested applicants:

May 26, 2020 11:00h - 12:00h CET

Webinar Registration via the following [link](#)

As part of the [EIT's Crisis Response Initiative](#), this activity directly contributes to the European Union's response to the COVID-19 pandemic. The EIT Health Start-up Rescue Instrument's overall budget and the required pre-financing through EIT are both subject to the approval by the EIT Governing Board, which will not be granted before June 2020. All applicants will be informed as soon as the approval is granted.



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1. Purpose of Start-up Rescue Instrument

Within the next 6-12 months many start-ups will likely struggle to close financing rounds due to the coronavirus, considering that private funds have shifted focus. In many cases, these funds are stopping investments into new targets while prioritizing on their existing portfolio companies. This can inevitably result in long-lasting harm of the European healthcare start-up scene. Therefore, the European Institute of Innovation and Technology (EIT) has deployed a package of measures to support the growth and rescue of young ventures during the crisis and to help them adapt and accelerate to post-crisis economic reality. To this end, EIT Health will act as a facilitator between investors, start-ups, and the healthcare ecosystem to bridge the financing gap.

EIT Health Accelerator is committed to supporting start-ups and alleviate the economic shock posed by COVID-19. The Start-up Rescue Instrument will act as a co-investor in start-ups by co-investing up to €500k in in Series A, Series B and bridge-financing rounds of highly innovative start-ups and increasing private investor's firepower.

This co-investment opportunity is available to private sector players that include, but are not limited to, Business Angels, Venture Capital firms that currently hold a stake in the company. The investment may support these highly innovative start-ups to cover minimum burn rate linked to innovation activities and operations.

2. Executive Summary: What is the Start-up Rescue Instrument?

The Start-up Rescue is a new EIT Health instrument that supports European innovative start-ups by providing funding in return for Options for EIT Health e.V.. Start-ups can apply soon to receive up to €500,000 from EIT Health in return for options. Private co-investor willingness to co-invest at least 50% is required from current investors, already present at the capitalization table, or new ones. The model that EIT Health is exploring leverages the value of an investor's commitment and co-invest up to €500,000 in grants-for-options. For example, if a private investor commits at least €250,000 EIT Health would match this with a €500,000 grant, giving the start-up a total cash injection of €750,000.

With this opportunity, EIT Health will help start-ups activate private capital and propel their venture's acceleration. In addition to providing a boost to bridge financing rounds, EIT Health will offer selected start-ups a strong network of partners. All start-ups selected will be supported by the international EIT Health Business Creation Team for at least 8 months as part of a structured project and thereafter supported as an Alumni.

EVALUATION

EIT Health will evaluate the project proposal in a multi-stage process through internal and external selection committees based on a) eligibility criteria and internal screening b) external evaluation and investment committee panel and c) internal risk assessment and senior management committee to deliver final decision following pitches of start-ups that successfully reached the final vetting stage.

FUNDING & PRIVATE INVESTMENT MATCHING

EIT Health will grant the start-up up to €500,000 for a project running up to 8 months and will ask for options in return. The co-investor's payment will trigger the EIT Health grant-for-options. The Investor Profile requests for private investors to support current or target portfolio start-ups through the COVID-19 crisis. Further details terms and a comprehensive list eligibility see. **(Section 4.4 and 4.5)**.

AGREEMENTS & CONTRACTUAL OBLIGATIONS

The terms of funding are governed by a Sub-Granting Agreement, [Term Sheet](#) and [Option Agreement](#).

PROJECT PLAN & PAYMENT

The project plan and term sheet stipulate the payment. The funding may be spent by the start-up for those activities necessary and relevant to reach the project's objectives. However, the funding cannot be used for pure basic research activities. **(See Section 6)**

- Applicants may not request more than €500,000 in EIT Health funding.
- Applicants must outline a preliminary project plan with designated milestones in their application, as well as, associated deliverables and costs, that are appropriate to their funding need. Upon acceptance, a more detailed project plan will be drafted with the start-up and the Start-up Rescue Instrument team to align milestones to the EIT Health funding instalments.

REPORTING

In addition to the final report, specific monitoring rules will be enforced to assess start-up performance in funded projects, such as progress according to the Project Plan. Even after completion of the project, start-ups must update EIT Health on company progress for impact tracking purposes as set out in the term sheet.

DISCLAIMER

As part of the EIT's Crisis Response Initiative, this activity directly contributes to the European Union's response to the COVID-19 pandemic. The EIT Health Start-up Rescue Instrument' overall budget and the required pre-financing through EIT are both subject to the approval by the EIT Governing Board, which will not be granted until June 2020. All applicants will be informed as soon as the approval is granted.

3. Timeline

May 14 – June 1, 2020: Application period through the [Optimy platform](#)

June 1 – June 25, 2020: Evaluation period

June 30 – July 3, 2020: Final Evaluation period with Virtual Pitch and Q&A sessions

Note: Start-ups are highly encouraged to bring their lead investor or co-investor to the pitch and Q&A session. Start-ups will likely receive a slot during the afternoon, approximately 3-7pm CEST.

July 6, 2020: Announcement of selected projects

July 6 – July 15, 2020: Signature period as well as initiation of co-investments to trigger EIT Health grant-for-options payment: (Documentation to be signed include: Term sheets, Option Agreement, Sub-grant agreement)

July 2020 – March 2021: Start-up project implementation

4. Application

4.1. Application Requirements & Support

The application to the Start-up Rescue Instrument must comply with the following requirements:

- Must be in English
- Submitted through [EIT Health Optimy application platform](#). Incomplete submissions, late submissions, or submissions via any other routes (e.g. email) will not be accepted. All documents requested in the submission platform must be uploaded to the platform before final submission.
- The application requires additional documentation for the evaluation and risk assessment process that is to be uploaded via the application tool. Additional documents may also be requested during the analysis phase. A full list of required documents for the initial application can be found in the FAQ.

Applicants are strongly encouraged to seek advice and contact their regional EIT Health Business Creation Manager (BCM) for guidance before applying. The regional BCMS can be found via the following [link](#). They may support the applicant in defining the appropriate actions to produce an application which fits the scope and goals of the EIT Health Rescue Instrument. All applications will require a confirmation letter from an investor willing to co-invest at least 50% of the value of the EIT Health grant requested. Please see the Eligibility Criteria for details. Further questions can be sent to the Start-up Rescue Team.

Investors are strongly encouraged to contact EIT Health. Dedicated member(s) of the Start-up Rescue Instrument Team will be responsible for investor relations and resolving financial/eligibility/legal questions. These questions should be sent to the Start-up Rescue Team.

The Start-up Rescue Instrument Team

Joy Cürten, Head of Accelerator - joy.cuerthen@eithealth.eu

Ana Barrenechea, Accelerator Programme Manager - ana.barrenechea@eithealth.eu

Anais Delicourt, Business Creation Manager - anais.delicourt@eithealth.eu

4.2. Rules of Participation

Start-ups selected for the Start-up Rescue Instrument are disqualifying from participating in any other projects or programmes from EIT Health that provide grants, irrespective of the size of such grants. Please see FAQ section for details.

Start-ups must ensure that they follow the guidelines set forth in (**Section 4.3-4.6**) in order to be deemed eligible.

4.3. Start-up Eligibility

Only start-ups that comply with the following criteria can apply to the Start-up Rescue Call:

- Investment rounds affected by the COVID-19 crisis
- Seeking Series A or Series B financing round or was in promising preparation of a bridge financing round \geq €1M before COVID-19 crisis
- Pre-money (of current round) or Post-money valuation (of previous round) \geq €5M (determined after 1 January 2019). (See Section 7.1)
- Private investor willing and able to co-invest at least 50% of value of EIT Health grant
- Related product with TRL \geq 4 (Biotech); TRL \geq 6 Medtech/Digital Health
- Active in Medtech, Biotech and Digital Health areas. Please note that drug development projects are not eligible for this programme
- Be an SME According to EU definition
- Be registered in one of the EU Member States or countries associated to Horizon 2020
- Be incorporated on or later than January 1, 2013.

Start-ups that do not meet these are discouraged from completing the application.

4.4. Investor Eligibility & Profile

To qualify, start-ups must ensure they have met the private co-investment requirements as their confirmation is key to eligibility.

- Private investors who entered investment negotiations with start-up in the previous months and that are affected by COVID-19 outbreak. These include Business Angels, Super Angels, CVCs, VCs, family offices and other equity investors who could bolster tailwinds of their current or target portfolio start-ups.
- The investor shall provide the start-up with evidence ability and willingness to co-invest at least 50% of EIT Health grant-for equity requested under current terms to submit with application.

4.5. Investment Terms

For its Start-up Rescue Instrument EIT Health will utilize the options model. The options model was selected in order to ensure EIT Health is treated in a way that is economically comparable to a shareholder, and to enable its participation in the financial success of a start-up without assuming equity. While private co-investors may negotiate independently, both start-ups and investors must agree to abide by the following investments terms. An application to the instrument shows intention to abide.

- EIT Health will grant funding in return for take Options. The number of options will be based on a market standard valuation of the start-up. The valuation will be part of the Term Sheet and the definite agreements with the start-up.
- The valuation shall be equal for the private investor and EIT Health, however the financial contributions of EIT Health and private investor can invest under own terms.
- The co-investor's payment triggers the 1st EIT Health grant-for-options payments
- Start-ups will receive their grant-for-options pay-outs from EIT Health in tranches
- Investors should be prepared to have transferred funds by July 1, 2020 to align with this timeline. Start-ups must verify they have received at least €125,000 prior to the first installment of EIT Health's grant-for-options pay-out.

4.6. Application Eligibility

Only one application is eligible per start-up and applications must be submitted through [EIT Health Optimy application platform](#). Incomplete submissions, or submissions via any other routes (e.g. email) will not be accepted. Documents requested in the Optimy must be uploaded to the platform.

Applicants must own or have the rights to the intellectual property that is the basis for the project or product. The application will require the start-up to:

- Draft a project with a duration of 8-9 months that ends prior to March 31, 2021.
- Outline how the EIT Health funding is to be spent. This outline should include four or more milestones that are required for implementation of the project. The milestones should be connected to deliverables and projected timelines. All funding must be spent according to Horizon 2020 Guidelines and connected to innovation-related activities.
- Clarify how the project and the funding associated will impact the company and support management of the current crisis. Companies should directly comment on the impact of COVID19 on their company, outline their financial short-term strategy for the next four months and describe crisis mitigation measures, as well as, mid-term strategy for 2020 and 2021.
- Project must be within the scope of the main challenges in EIT Health: strengthening healthcare systems in Europe, promoting better health of citizens, contributing to a sustainable health economy in Europe. (see FAQ section)

5. Evaluation Process

EIT Health will evaluate the Rescue Instrument applications and project proposals submitted in a multi-stage process through internal and external selection committees based on a) eligibility criteria and internal screening b) external evaluation and investment committee and c) internal risk assessment and senior management committee to deliver final decision following pitches of start-ups that successfully reached the final vetting stage. Applications and documentation will be treated confidentially.

5.1. Stage 1: Eligibility Check and Internal Screening

Submitted applications will be reviewed using the initial eligibility criteria for start-up (Section 4.3), project and investor fit. Eligible applications will be assessed by an independent team of experts comprising finance and investment experts. Confidentiality agreements will be in place and conflicts of interest will be actively managed.

The internal screening will be executed by the Access to Finance Team by ranking start-ups according to the following evaluation criteria contained in the Rescue Instrument Scorecard (See annex for sub-categories within criteria)

- PRODUCT (/25)
- MARKET (/15)
- COMPANY & MANAGEMENT (/20)
- FUNDING (/20)
- PROJECT PLAN SECTION (/8)
- OVERALL IMPRESSION - Venture credible and sound (/12)

Approximately 40 of the top-ranked start-ups will be invited to the next stage of the evaluation process, where their application is reviewed by external evaluators.

Mandatory Documentation Requested for Application

- One-pager executive summary
- Standard investor pitch deck (includes Description of Problem, Solution, Market and Competitors, Business Model, Go-to-Market Strategy, Product Roadmap, Financials, and Team).
- Valuation file upload: Proof that Pre-money (of current round) or Post-money valuation (of previous round) are \geq €5M
- Template Investor Letter (Mandatory)
- Template Investor Input (Recommended)

5.2. Stage 2: External Evaluation and Investment Committee

The external evaluators used are contracted by EIT Health e.V. and receive training on the EIT Health strategy, rules, and procedures. They are instructed to check for conflict of interest and to inform the EIT Health HQ, if necessary, before evaluation of the proposal proceeds.

The external evaluation will be completed by three experts per start-up. This includes at least one subject area expert with scientific knowledge on the technology behind the innovative start-up and the specific market. Furthermore, at least one investor with a track record in related investments will evaluate the business opportunity from an investor's perspective. The third expert may take up either one of the former two categories, or another. The pan-European, tailored, and high calibre nature of experts will ensure the quality of the Rescue Instrument Start-up Portfolio. Using the same supporting material than in Stage 1, the experts will score the start-ups according to the following evaluation criteria contained in the Rescue Instrument Scorecard (See annex for sub-categories within criteria):

- PRODUCT (/25)
- MARKET (/15)
- COMPANY & MANAGEMENT (/20)
- FUNDING (/20)
- PROJECT PLAN SECTION (/8)
- OVERALL IMPRESSION - Venture credible and sound (/12)

Approximately 20 of the top-ranked start-ups will be invited to the next stage of the evaluation process where the Access to Finance Team will cross-check evaluator responses and execute a risk assessment comparable to a Due Diligence.

5.3. Stage 3: Internal Risk Assessment and Decision Support

At this stage of the evaluation, an internal team will review the scorecard of the external investor evaluators. This will not only include reviewing scores, comments, and concerns, but will also include reviewing the evaluator's open questions. The internal team will use this information to create an internal risk assessment. The internal team may request other documents from the start-ups at this stage. A non-comprehensive list of these documents is included below. The availability and quality of these documents as well as the research the internal team will conduct will support in the next phase of the evaluation.

Risk Assessment Documentation Requested

The documents that may be requested include but are not limited to:

- Structure of ownership (capitalization table)
- Complete documentation of last financing round (including investment and shareholders-agreement)
- Documentation of corporate status of the company (Articles of Association, list of shareholders, etc.)
- Financials (i.e. Historical financials divided into different revenue streams and cost centres, P&L, balance sheet, revenue projections etc., financial plan for the next 5 years,)

- Recent Due Diligence documents or financial audit documents (not older than 1 year from the application), if available
- List of all Intellectual Property Right items owned – specifically IPR connected to project
- Letters of Intent or Pilot Agreements with potential customers or partners (should start-up have any).
- Legal documentation: shareholders agreement, investors agreement articles of incorporation, Intellectual property (patents, etc.)
- Additional information that may be valuable to prepare for the evaluation session

5.4. Stage 4: Access to Finance Committee & Management Approval

Within the final stage of the evaluation, the best projects will be invited for a session of approximately one hour. Company representatives from pre-selected projects will be invited to pitch to the Senior Access to Finance Committee that comprises EIT Health’s financial tools and programmes. Start-ups are highly encouraged to bring their lead investor or co-investor to these one-hour session consisting of both pitch and Q&A session. The sessions are scheduled between June 30th- July 3rd and will likely occur in the afternoon from 3pm-7pm CEST. Invitations to these sessions will be received from the June 25th.

To prepare for the sessions, the Access to Finance Committee, will assess the scores in the previous evaluation steps as well as the additional information that is revealed during the risk assessment stage. This pitch interview to supplement application information will be held. The session includes a Q&A session to resolve any issues that were not clarified in the previous evaluation steps.

The co-investor is encouraged to attend this session to highlight their commitment, to the project.

5.5. Stage 5: Selection Announcement and Feedback

The Start-up Rescue Portfolio Start-ups are expected to be approved by Senior Management on July 6th. Following the pitch sessions, Q&A, and final evaluation stage the Access to Finance Team will reach out to finalists and give them feedback on their performance. The project milestones, private co-investor payment of first instalment and signature of the pertinent agreements will follow.

6. Project

6.1. Project Approval Procedure

The project is approved upon the signature of the Sub-Granting Agreement which is aligned to the [Term Sheet](#). Upon selection, the following processes are initiated.

- A Project Plan will be completed by selected applicants. The project plan will outline milestones and associated deliverables that align with the funding pay-outs that occur in tranches. The project plan must be approved by the Start-up Rescue Instrument team.
- The recipient must sign electronically a project Sub-Granting Agreement with EIT Health eV. The approved Project Plan will be included in the annex of the Sub-Granting Agreement.
- Once all signatures are received, the selected project and associated company will be asked to acknowledge the support from EIT Health on media, social networks, papers, presentations, etc. using the 'Accelerated by EIT Health' logo until the options are exercised. The logo can be downloaded [here](#). The details can be found in the (Promotion and Branding Section 6)
- The first instalment will be triggered upon proof of the €125,000 co-investment. The first EIT Health pay-out will be the pre-payment to achieve the first milestones and its deliverables. Upon achievement of the first milestone outlined in the project plan, the next pre-payment is triggered.
- The details can be found in the (Payment Conditions Section 7).
- A final report is expected at the end of the project (Project Reporting Section) below.
- Participation in yearly reports to report on start-up activities are expected for three years from project signature.

6.2. Project: Payment Conditions

Start-ups should assign impactful deliverables to each milestone and expect to plan for the payment instalments according to the Project Plan and the following conditions. The amounts requested at each milestone can be unique, yet the first amount is fixed.

EIT Health funding of up to €500,000 will occur in instalments and according to the start-up Project Plan. Upon signature of the agreements, but only after the triggering co-investment of €125,000 is made (**see Investment Terms Section 7**). Investors should expect to co-invest this amount prior to July 1st. Once this is confirmed, EIT Health will transfer a matching value of €125,000 to the start-up. This payment is an upfront payment to enable the start-up to reach the first milestone and its associated deliverables. After appropriate documentation of the first milestone is received and approved by the Start-up Rescue Instrument team, the second payment will be transferred. The remaining instalments will occur according to the same logic. Please note that the last instalment must occur before January 31st. Therefore, documentation showing both the resolution of the 50% co-investment by December

15th, as well as documentation showing completion of the second to last milestone prior to December 31st. Later payments due to delayed milestone achievements or deliverables are not possible.

An example of a project payment plan is included below. Please read Section 6.3 for further tips to align the payment plan to the Project Plan

Project Start: July 31st

Upon triggering the co-investment, a fixed €125,000 amount will be released by EIT Health.

Project 1st Milestone: to be reached by September 15th

upon approval trigger 2nd pre-payment

Project 2nd Milestone: to be reached by November 15th

and upon approval trigger 3rd pre-payment

Project 3rd Milestone: to be reached by December 31st

and upon approval trigger from 4th pre-payment.

Project 4th Milestone: to be reach by March 31st.

If milestone(s) are not fulfilled, EIT Health reserve the right to request the return of the pre-payment from the start-up. In addition, to providing adequate documentation and ensure that the Milestones have been met and ensure that their spending is compliant to the Horizon 2020 guidelines. These are outlined in the section below 6.7 Project: Eligible Costs.

6.3. Project Content and Project Plan Creation

Once selected, start-ups will receive instructions on how to create a Project Plan and will be asked to submit their details about the project (in the form of milestones, etc.) into the EIT Health submission platform. While the application outlines the planned project content, the Project Plan is more specific and is subject to approval by the Start-up Rescue Instrument Team. The start-up will be supported throughout this process and information sessions will be scheduled by the Access to Finance Team to ensure candidates and informed.

The Project Plan should reflect the company Business Plan and the anticipated milestones. The milestones should align to the project cost related to innovation-linked activities and the project operation. Start-ups will be asked to outline four distinct milestones and associated deliverables that will be aligned with the EIT Health funding instalments.

The template for the Project Plan will be made available prior to June 15th.

6.4. Project: Delivery

Start-up will be expected to deliver on their project according to the Project Plan outlined. As pre-payments are subjected to achievement of milestones, the documentation provided for each milestone will be reviewed. The documentation should be formatted according to the guidelines set forth in the Project Plan. Small adjustments may be necessary throughout project delivery and will be communicated to the start-up.

6.5. Additional Services from EIT Health

In addition to the grant-for-options provided by EIT Health, selected start-ups will be supported throughout the entirety of the Project and become Alumni of EIT Health Accelerator and will get access to additional services:

- Support from Business Creation Managers (BCMs) in your region during the time of the funding project (defined in the contract signed upon selection)
- Access to EIT Health ecosystem, receive invitation to EIT Health events with EIT Health Partners and attend European start-up events
- Access to EIT Health Alumni platform with opportunities to attend peer-focused events with regional and international insights
- Access to Mentoring and Coaching Network, a comprehensive platform with mentors, subject-matter specialists, and other experts in the field of healthcare where start-ups can pay for expertise (paid service).
- Access to Living Labs and Test Beds Network, a European platform that supports start-ups in the validation process, for instance co-creation, consume testing as well as feasibility studies (paid service).
- As well as the potential to utilize the EIT Health Talent Marketplace (a piloted service).

6.6. Promotion and Branding

Start-ups supported by the Start-up Rescue Instrument will be featured by EIT Health online media.

Additionally, start-ups supported by EIT Health agree to the EIT Health branding. Start-ups participating in Accelerator activities agree to use the “Accelerated by EIT Health” logo as well as the EU flag logo (which includes a sentence about the EIT and display it in their partnership page). Start-ups also agree to mention EIT Health in its press releases as a partner.

The branding must remain visible on the start-up's webpage and be visible along with other advertised partnerships for not only the entire project duration but also until the EIT Health option is redeemed. Even once the option is redeemed, start-ups may keep the EIT Health branding.

6.7. Project: Eligible Costs

The EIT Health funding of up to €500,000 must be spent according to Horizon 2020 guidelines outlined in the Sub-Granting Agreement. All costs directly associated to project costs that are directly associated to project costs are eligible.

As it is necessary to ensure careful documentation of milestones and deliverables required for each prepayment, justifications related to project costs are highly recommended.

Pre-payments will occur according the Project Plan to reach the next milestone. All pre-payments are made under the assumption that the start-up will allocate these funds to eligible costs.

Eligible costs are defined in the Horizon 2020 model Grant Agreement and reflected in the EIT Health Sub-Granting Agreement. Costs that conform to both columns are eligible.

Cost Categories	Cost Activities
<ul style="list-style-type: none"> • Cost categories that are directly associated to project costs • Personnel: e.g. personnel under employment contract directly involved in the project • Travel and subsistence: e.g. travel to an EIT Health event • Equipment/ depreciation: e.g. laptop purchased specifically for the activity • Services and sub-contracting: e.g. Patent, lawyers, consultant fees • Other direct costs: e.g. consumables / catering 	<ul style="list-style-type: none"> • Cost activities are directly associated to project costs • Innovation activities • R&D development • Management of changing cost base • Management of supply chain costs • Manufacturing hurdles • Project-related costs according Project Plan

Costs that are not eligible are:

- Costs that are not directly linked to the project as defined in the project plan (e.g. overhead)
- Costs incurred after the end of the project
- Costs that are already funded by EIT Health. Double funding is not accepted.

Start-up costs are likely to be audited. Costs should therefore be reasonable, justified and must comply with the principles of sound fiscal management, in particular, regarding economy and efficiency. Certainly, start-ups must also comply with applicable national laws on taxes, labour, and social security.

6.8. Project: Midterm, Final Report and Follow-up

A mandatory midterm report is due on December 15th 2020. A template will be provided through the Optimy platform on November 15th.

A final report at the end of the project is mandatory. A template will be provided through Optimy platform. The final report will be based on the project plan signed by EIT Health and the start-up. The final reports are expected after the project has been completed and will be due April 30th.

Both the Midterm and Final Report include but are not limited to the following points:

- Project description
- Description of results achieved, and deliverables of each milestone as outlined in initial project plans
- Descriptions of any adjustments to project delivery and mitigation necessary

Additionally, the Final Report will include:

- Financial Statement
- Lessons learned, successes and outcomes
- KPIs (Key Performance Indicators) achieved (e.g. jobs created thanks to the EIT Health grant, additional investment attracted, revenues created)

7. Funding

With Start-up Rescue Instrument, EIT Health will participate in the economic success of the start-up and will receive Options. This participation is part of EIT Health's sustainability strategy. Any financial remunerations EIT Health receives as a result of its option will be re-invested in innovations project by the EIT Health. Thus, the sustainability strategy aims at vitalizing the European start-up scene and establishing EIT Health as an independent player in the European start-up market.

7.1. Investment Considerations

Alongside the requirements outlined in **Section 4.4. - 4.5.**, the following investor terms should be noted:

- The co-investor must be private investor. EIT Health will only engage in equity co-investments alongside Business Angels, Super Angels, CVCs, VCs, family offices and other investment partners.



- The co-investor's payment triggers EIT Health grant-for-options
- Private investors already on or new to capitalisation table must confirm ability and willingness to co-invest as soon as possible. If the start-up requests 500K of EIT Health grant, at least €125,000 **should** be invested by July 15th, 2020 (as it triggers the EIT Health payment) and all €250,000 **must** be invested in the start-up by December 15, 2020.
- The "matching" investment by private investors shall be a non-refundable investment into the company (e.g. equity-investment). The condition of this investment can be negotiated independently from EIT Health and shall follow standard market terms. However, the valuation shall be equal for the private investor and EIT Health.
- Start-ups will receive their grant-for-options pay-outs from EIT Health in tranches
- The number of Options EIT Health shall subscribe to depends on the start-up valuation. The valuation will be part of the Term Sheet and the definite agreements with the start-up.
- The valuation shall be determined as the higher of either (i) the post-money valuation of the preceding financing round or (ii) the pre-money valuation of the private co-investment. The post-money valuation should be recent (determined no earlier than 1 January 2019).
- Loans or other repayable financings will not qualify as private co-investment. Convertible loans are accepted if a mandatory conversion (and consequently no repayment) is agreed.
- The co-investors must be prepared to provide and submit evidence of their ability and willingness to co-invest at least 50% of the value of the EIT Health commitment under current terms. This shall be in the form of a **confirmation letter** (Template Investor Letter (Mandatory)) outlining the total investment planned prior to the crisis and their continued interest to co-invest alongside EIT Health, as required to proceed with application.
- The co-investor must submit Template Investor Letter (Mandatory) and Template Investor Input (Recommended) within the application phase (Section 4). Those terms need not be fixed and legally binding when EIT Health is signing binding agreements with the start-up and can be changed in the further process.
- To align with the timeline investors *should expect* to provide co-investment before July 1st. Start-ups will be asked to verify that they have received at least €125,000 prior to first EIT Health's instalment. Whenever the co-investment commitments have been paid out, at least pro-rata to the next instalment, the remaining grant payments will occur in instalments according to the project plan. The full 50% co-investment pay-out *must* be completed by December 15th, 2020. This along with the start-up milestone achievement triggers the last EIT Health grant payment, which must occur prior to January 31st. Later payments due to delayed milestone achievements or deliverables are not possible.

7.2. Compatibility

Instrument compatible with other national/public start-up funding programs – also indication of financial need and resilience. However, these public actors cannot qualify as private investors in accordance with the co-investment required for this instrument. The key requirement is the private nature of the investment entity (i.e. Business Angels, Super Angels, CVCs, VCs, family offices and other equity investors) and origins of the investor's funds are not critical. For the avoidance of doubt: If a private investor is co-financed with public means, the investment will still be treated as a private investment. E.g.: If a Business Angel is investing under the European Angels Fund, EAF (which is financed by the European Investment Fund, EIF), this investment qualifies as private investment). Thereby, EAF Business Angels' portfolio start-ups would be eligible for the Rescue Instrument.

7.3. Terms Sheet and Options Agreement

By using Options, EIT Health intends to be treated economically comparable to a shareholder and to participate in the financial success of the start-up without assuming equity. Options are internationally known, and do not include debt-elements.

EIT Health will provide funding in return for options, using the following conditions:

- Options shall be **exercised in certain financial events**. Thus, EIT Health will only participate in the upside of the start-ups if start-ups are successful.
- The number of Options EIT Health shall subscribe, depends on the valuation indicated in the application which must be equal to that of the co-investor. The valuation of the Start-up will be part of the [Term Sheet](#) and the definite agreements with a start-up.
- Options will **dilute in financing rounds** in the same ratio as equity-shares.
- EIT Health will participate in the following financial events:
 - Sale of more than 50% of the shares in the Company,
 - Sale of more than 50% of the assets as well as the licensing of substantial IP rights of the Company
 - IPO
 - Liquidation
- In these financial events, **EIT Health has the right, not the obligation**, to exercise the Option agreement, which EIT Health can do in two ways:
 - Converting Options into equity
 - Compensation pro rata basis (at the discretion of the start-up)
- In case of a **merger**, the options of EIT Health shall be converted into new options or similar instruments on the level of the new entity. The conversion shall occur on the same economic conditions as agreed for the shareholders.
- As long as Options are not exercised, EIT Health does **not hold equity** in the start-up and will not have rights of a shareholder.
- EIT Health does **not seek IP ownership** in the start-up.
- Please see [Term Sheet](#) and [Options Agreements](#) draft templates for more details.

8. Frequently Asked Questions

Who are the dedicated members of the Start-up Rescue Instrument Team that are responsible for investor relations and resolving financial/eligibility/legal questions?

Such questions should be sent to the Start-up Rescue Team.

- Joy Cürten, Head of Accelerator - joy.cuerten@eithealth.eu
- Ana Barrenechea, Accelerator Programme Manager - ana.barrenechea@eithealth.eu
- Anais Delicourt, Business Creation Manager - anais.delicourt@eithealth.eu

In the eligibility criteria you are mentioning that is a condition that the startup was preparing a financing or a bridge round in a volume of more than € 1 mio. – however, if the private side is only investing € 250k (which is accepted as minimum amount) the total sum of the COVID-19 Rescue Instrument amounts to € 750k. How does that fit together?

- EITH is looking for ambitious startups which have the potential and ambitions to attract significant investment amounts after the crisis. This is the reason why the intended financing round needs to amount to more than € 1 mio. However, under current conditions business plans need to be adapted. Thus, COVID-19 Rescue Instrument does not aim at replacing the intended financing round 1:1, but is rather tailored to cover the minimum financial means to come through the crisis.
- Please note Rescue Instrument will not fully substitute a planned round. If EIT Health remains below the original amount of capital the start-up was looking for, crowding out of private investors will be avoided and Rescue Instrument guarantees it did not just replace or push aside an alternative investor)
- Start-up must have already successfully attracted capital and the post-money valuation of the last financing round (determined after 1 January 2019) amounts to at least € 5 mio. For the avoidance of doubt: not eligible are start-ups in the seed-phase and below a post-money valuation of less than € 5 mio.
- Start-up was before COVID-19 crisis in promising preparation of a Series A or Series B financing round or was in promising preparation of a bridge financing round to prepare Series B financing (each in the amount of at least € 1.000.000).
- Due to the crisis start-up was not able to close the intended financing round and is now seeking support.

If start-up seeks € 1 mio round and the sum of private co-investor and EIT Health funding adds up to €750,000, is start-up still eligible?

Yes. If start-up puts forward minimum investment of 50% of grant requested and sum of private and EIT Health co-investment (e.g. €250,000 private plus €500,000 EIT Health) the start-up is still eligible. The start-up does not have to raise the full round via the Rescue Instrument. The assumption is that EIT Health helps start-ups bridge their financing rounds and that they are either not fundraising from scratch or able to raise the remaining funds to reach 1M€. I.e. if a start-up raises a total 1M€, EIT Health requires to have 250K€ from private investors to trigger the 500K grant.

Is it possible to replace the investment coming from the private side partly with EIT Health funds? E.g.: Start-up has confirmation from private investors in the amount of € 600k. If the start-up qualifies under COVID-19 Rescue Instrument this amount shall be reduced to €250k. Is this possible?

No, this is not possible as the instrument is aiming at activating private money not replacing it. Thus, in the example the private side would invest € 600k and EITH €500k, always provided that these amounts support a successful development of the start-up.

EIT Health's Mission

EIT Health's mission is to promote entrepreneurship and develop innovations in Strengthening healthcare systems in Europe, promoting better health of citizens, and contributing to a sustainable health economy in Europe. EIT Health will enable citizens to lead healthier and more productive lives by delivering products, services and concepts that will improve quality of life and contribute to the sustainability of healthcare across Europe.

The main societal challenges addressed

- Strengthening healthcare systems in Europe
- Promoting better health of citizens
- Contributing to a sustainable health economy in Europe

EIT Health Focus Areas

- Companies should develop projects that fit the overall EIT Health objective:
- “Strengthening healthcare systems in Europe, promoting better health of citizens, contributing to a sustainable health economy in Europe.” Additional more specific focus areas identified by EIT Health for 2020 and 2021 include:
 - Bringing care home
 - Harnessing the power of real-world data (RWD)
 - Creating the enabling environment for healthcare transformation
 - Towards holistic care pathways

- From the workplace to the health place: employer leadership in improving health
- Fostering healthy lives by introducing behavioural change

Can a Start-up from non-EU countries participate in Start-up Rescue instrument?

No, only start-ups registered in one of the EU Member States or [countries associated to Horizon 2020](#) can participate.

Can a Start-up that were not previously a part of EIT Health network participate?

Yes, EIT Health is interested in engaging the best start-ups from EU/H2020 associated countries, even if they have not previously been a part of EIT Health network.

What will be the official status of a start-up participating in Start-up Rescue Instrument in EIT Health network?

The start-up will be a Sub-Grantee – The start-up will not become an EIT Health KIC partner.

Will Start-ups pay fees?

No, they will not. They do not make a commitment in the present (paying fees initially), but they make a commitment in the future (they exchange the grant for an Option in their company).

What happens with the IP?

The instrument does not affect the existing IP structure.

How many projects will be funded in 2020?

If EIT approval is granted favourably, there will be a project capacity of approximately 12-15 start-ups with approximately €500,000 per start-up. Other configurations may be considered.

Will Start-ups need to contribute with co-funding?

No. For the Start-up Rescue Instrument the common co-funding requirement of EIT Health is replaced by the necessity to have a private investor willing to co-invest for the project.

How will the valuation of a Start-up be decided upon?

The pre-money valuation used shall be the higher of the following: either (i) the post-money valuation of the last financing round if the financing round was concluded no more than one year prior to application or (ii) the pre-money valuation obtained as a part of valuation analysis during due diligence. The valuation used must be higher than €5 000 000. The individual valuation of the Start-up will be part of the Term Sheet and the definite agreements with a Start-up.

Is a letter of support required from existing EIT Health partners during the application process?

We do not require a formal letter of support. For EIT Health, the best show of support is the engagement with co-investment from a private investor with an active participation in a Start-up.

When can EIT Health convert Options into equity or receive a compensation payment from the start-up?

EIT Health can convert Options into equity or receive a compensation payment from the start-up in the following financial events:

- Sale of more than 50% of the shares in the company
- Sale of more than 50% of assets as well as the licensing of substantial IP rights of the company
- IPO
- Liquidation

In the event of a merger, the options of EIT Health shall be converted into new options or similar instruments on the level of the new entity. The conversion shall occur on the same economic conditions as agreed for the shareholders.

How will EIT Health's Options be implemented?

The following example illustrates the participation of EIT Health:

- The Company has a share capital of €50,000. No other options have been granted. There is no Employee Stock Ownership Plans (ESOP) or a similar scheme in place.
- A pre-money valuation of €10,000,000 has been determined.
- EIT Health invests the full amount of €500,000 into the Company. The price per option is €200.00 ($\frac{€10,000,000.00}{€50,000.00} = €200.00$)
- In this situation EIT Health assumes on a pre-money valuation of €10,000,000 in total 2,500 options corresponding to a participation of 4,8 % (rounded) of the increased share capital (€52,500) of the Company.

Will EIT Health be involved in future financing rounds?

By assuming options, EIT Health will not become a shareholder and will not become a party of a shareholders' agreement. Thus, provided that the future investors confirm *vis-à-vis* EIT Health their acceptance of the terms of the options, EIT Health does not need to be involved in financing rounds, if, EIT Health's Options are not converted into equity.

Will EIT Health be involved in the decision making of the start-up?

Unless EIT Health's Options are converted, there is no need to involve EIT Health in shareholders' resolutions. The start-up and its shareholders stay free in their decision-making process.

What happens if the start-up does not ask for the full €500,000?

This is possible. Number of options that EIT Health will obtain will be based on the amount of funding provided in relation to the valuation.

What happens with options if the project is terminated?

The number of options is re-calculated based on the amount of EIT Health funding provided prior to the termination.

Will the participation of EIT Health be the same in every European country or will there be differences?

Economically EIT Health's options will be implemented at the same conditions all over Europe. However, the legal implementation will consider different legal jurisdictions.

Can the economic conditions be negotiated?

The economic conditions are the same for all teams and will not be negotiated.

Am I eligible if I have benefitted from another EIT Health program?

One start-up cannot receive funding in more than one EIT Health Project (Innovation, Campus and Accelerator) at the same time. I.e. start-up registered as External Project Partner and Link Third Party into Plaza and that have already received EIT Health sub-granted funding in 2020 are not eligible to this instrument. In addition, start-ups selected for Rescue Instrument will not be eligible for the BP2021 Call for an EIT Health Innovation pillar activity such as the Start-up Amplifier. Start-ups remain eligible for 2021 Accelerator Programmes, only if, the 2021 EIT Health activities are initiated after the Instrument activities are fully reported on. Please confirm with your respective Business Creation Manager and the EIT Health e.V. Accelerator team.

What agreements does a Start-up need to sign when Project is funded?

Start-up needs to sign the following agreements: (1) Term Sheet that sets out the process (2) Project Sub-Granting Agreement (SGA) with project plan, (3) Option Agreement.

What does TRL 4 or 6 means to be eligible to the Start-up Rescue instrument?

Where a topic description refers to a TRL, the following definitions apply, unless otherwise specified:

TRL 1 – basic principles observed

TRL 2 – technology concept formulated

TRL 3 – experimental proof of concept

TRL 4 – technology validated in lab

TRL 5 – technology validated in relevant environment (industrially relevant environment in the case of key enabling technologies)

TRL 6 – technology demonstrated in relevant environment (industrially relevant environment in the case of key enabling technologies)

TRL 7 – system prototype demonstration in operational environment

TRL 8 – system complete and qualified

TRL 9 – actual system proven in operational environment (competitive manufacturing in the case of key enabling technologies; or in space)

9. Annex

A) Scorecard

PRODUCT (/25)	
	Value / interest of product or service
	Innovativeness of Idea: is it a disruptive solution or innovative at least
	Clinical validation
	Value for patients and external influencers
	IP & Entry Barriers
	Technology
	Strength of proof of concept (likeliness of product working)
MARKET (/15)	
	There is a clear market need
	Market opportunity & Sizing
	Traction: clients/first adopters/ beta users / KOL and/or patient groups engaged
	Overall development strategy/Business Model
	Regulatory affairs
	Reimbursement
	Go to Market and Scale out Strategy
	Partnerships/ network
	Positioning versus competition
COMPANY & MANAGEMENT (/20)	
	Management capability (potential, expertise)
	Quality of advisory board
	Ready to have investors in its governance / fund raising
	Investors demonstrate interest on remaining onboard or co-investing
	Slide deck and presentation quality
FUNDING (/20)	
	Financing Structure Attractiveness (history of funding)
	Pre-money/ Post-money valuation
	Investor Commitment: (Are any investors committed in the current round?)
	Revenue Streams and Projected Sales
	Value creation/ investment potential / clear exit scheme
Project Plan Section (/8)	
	Feasibility (ability to execute project plan in 8-10 months according to milestones)
	EIT Health Impact
OVERALL IMPRESSION - Venture credible and sound (/12)	
	Overall impression
	Strengths
	Weaknesses
	Recommendations for start-up
TOTAL	
	Maximum points