

Start-up Rescue Instrument 2020

Updated Frequently Asked Questions



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

As part of [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 once approval is granted.

Who can investors and start-ups reach out to with questions?

- **Investor** questions should be sent to the Start-up Rescue Team

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- **Start-up Eligibility Questions** EIT Health Regional Business Creation Managers

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1. ELIGIBILITY

Typical Borderline Eligibility Criteria Question: e.g. is the evaluation of the start-up of 5M a strict criterion? Can I still apply if my valuation is 4.8M? If the start-up is incorporated in November 2012 is it still eligible as the timeframe is off by just two months? And other variations of this question relating to the strict criteria listed below (Eligibility recap)

We know these cases are frustrating. It's difficult to draw the line but EIT Health must be compliant with the eligibility criteria. Start-ups that do not meet **all** the eligibility criteria may apply with the knowledge that if enough applications meet all eligibility criteria their application will not be reviewed. Applications that meet **all** eligibility criteria will be prioritized.

Eligibility criteria key to Rescue as the start-up must demonstrate high-growth potential, ambition and that it can spend the entire EIT Health Grant received before March 2021 – consider burn rate and maturity required to reach the milestones put included in project of 8 month duration.

Eligibility recap:

- Please note 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.

In the eligibility criteria there is a condition that the start-up must have been preparing a financing or a bridge round in a volume of more than € 1 mio. – however, if the start-up requests the 500K maximum of EIT Health Rescue grant and 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 start-ups 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 but the round must have been planned before pandemic outbreak. 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 € 1 mio. I.e. if a start-up raises a total € 1 mio, 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.

What timeline applies to valid private co-investors seeking to match EIT Health grant? Start-up has an investor that already transferred funds in March and contributed to the round recently – does this count as eligible co-investment to match EIT Health grant?

If the investment was made after the pandemic outbreak ([March 11th as declared by the WHO](#)) then it would be an eligible as the matching co-investment required to trigger EIT Health grant. *E.g. a startup already received 250.000 euro form a business angel in April this year does this count as private co-investment? Can we use the 200K€ already invested in the ongoing round as an effective investment for the EIT co-investment?* If the investment was made after the pandemic outbreak ([March 11th as declared by the WHO](#)) then it would be an eligible as the matching co-investment required to trigger EIT Health grant. If the round of investment is still open by the selection time (July) then they are eligible to use the money raised in April as co-funding.

What if the pandemic changed value of investment round sought by startup and valuation after the outbreak of pandemic (march 11th)?

As long as there is proof via investor letter and/or further supporting documentation that prior to the pandemic the startup opened a round equal or larger than 1M the start-up is eligible. Current crisis allows for downsizing of round. However, to be considered eligible the valuation must remain equal or superior to 5M. Example: Startup was looking to raise a Series A round of €2 million based on a €6million valuation pre-Covid. However, they are now considering and have investors coming on board for a smaller round (750k) on a lower valuation (4M) **because** of Covid. Not eligible.

Biotech and Drug Development Project Eligibility

Are start-ups eligible if they have drug development/vaccines projects? biotech start-ups are eligible if TRL>4 but drug development projects not eligible

Drug development question: suggestion to focus the project proposal on building on start-up platform technology rather than development of particular leads. One product companies are not strong candidates if at clinical stage as in this case it may be difficult to justify eligible expenses. Heavily dependent on the project plan they present in application and how they phrase the use of the grant in other innovation areas that are not strictly drug development. The co-investor's funds can be directed at the drug development as there are different strings attached to use of private capital.

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)

Any issue with super recent registrations?

No explicit restrictions on how recent registrations can be but do consider target maturity of start-ups (Series A / B seeking above EUR 1M)

2. COMPATIBILITY

*Compatibility of Rescue instrument with other EIT Health or external national programs

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.

Compatibility with other EIT Health programs: Is a start-up that has received a cash injection from a BP2020 program eligible? E.g. Amplifier

Start-ups cannot be selected in both programs because of double funding issue - rescue is subgrantee and amplifier is EPP. Innovation pillar partners in 2020 are not eligible. Rescue project funded will start in 2020 and ends in 2021 - last payment might be in January 2021 but you are right Rescue is BP2020 and amplifier will start in 2021. During 2020 or Rescue participation in **EIT Health money cannot have hit start-up's account.** If amplifier payments begin after Rescue activities are reported on in 2021, start-up is eligible (NB: to avoid double funding).

One start-up cannot receive funding in more than one EIT Health Project (Innovation, Campus and Accelerator) at the same time. **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.**

Example: If a start-up finalizes their project within a potential Startup rescue instrument agreement-funding before starting the BP2021 activities (e.g. finalization on 31.3.2021, incl. reporting, start of BP2021 at 1.5.2021) that would be eligible?

Yes. Rescue is 2020 budget and thus everything is fine with amplifier or any other call starting in 2021 for BP2021 even if last payment for rescue is on January 2021 it is still 2020 budget.

Example: Bridgehead participation vs. Rescue. Start-up will be offered to put SGA on hold until final rescue instrument selection is done. If selected, would have to renounce Bridgehead grant. This scenario plays out similar with other EIT Health programs such as but not limited to European Health Catapult and Headstart.

Example: start-up currently within an Innovation project, they want to decline the budget of this year to be eligible for the Rescue Instrument – eligible? No. Innovation projects from our innovation pillar are not eligible because they are partners and then we would be committing "double funding" which is not compliant (EPP in a funded project, innovation or campus, LTP in a innovation project not eligible for Rescue agreement)

Is a startup is applying for the BP2021 with the startup Amplifier instrument eligible with the Rescue instrument?

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.

EAF - European angel fund 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.

Compatibility with tax relief schemes for investors such as UK: EIS (Enterprise Investment Scheme) and Ireland: EII (Employment Investment Incentive)?

Per the Rescue Instrument Call document, the Start-up Rescue Instrument can accept a UK EIS investment as the investment equity is private. The investor's tax relief under EIS is not critical, and the investment will still be treated as a private investment. 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.

3. FUNDING AND INVESTMENT TERMS

If no one investor is bringing 250k to the round can the applicant submit multiple investor letters?

Investors that will co-invest alongside EIT Health should be in the investor letter (a single letter or more than one letter among co-investors is allowed as long as there is a single file upload in application).

Should private co-investors be prepared to have transferred funds by July 1, 2020 to align with project timeline to trigger EIT Health grants?

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. The totality of the co-investment does not need to be transferred in July but plays an important role in triggering first and last EIT Health installments.

A startup wants to apply to both Rescue Instrument of EIT Health and the analogous EIT Crisis Response instrument of EIT Digital. can they?

One start-up cannot receive funding in more than one EIT Health Project, but there are no explicit restrictions as to benefitting from other EIT. We cannot have public bodies on the start-ups cap table (compatibility section 7.2 in call), so as long as they don't have a public body as co-investor matching EIT Health grant still eligible.

Instrument compatible with other national/public start-up funding programs so long as "the public body/shareholder does not act as a co-investor for the Rescue Instrument matching." Public actors cannot qualify as private investors in accordance with the co-investment required for this instrument

Are Rescue term sheet and new investors the same or are there two different agreements?

"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 condition of the private investor's 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." Meaning two term sheets.

Is the signed term sheet needed as part of Investor Letter / confirmation during application stage or is a fully signed investment contract required?

For your application, the co-investor must provide you with a confirmation letter demonstrating willingness to co-invest at least 50% of value of EIT Health grant requested (please see [template](#)). This letter would be submitted by the start-up as part of the application. At the application stage, signed term sheet or fully signed investment contract is not needed. However, keep in mind that the co-investor's payment will trigger the EIT Health grant - "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 instalment of EIT Health's grant-for-options pay-out."

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).

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 ($€10,000,000.00 / €50,000.00 = €200.00$)

- 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.

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.

4. OTHER

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. 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.

Evaluation Process: Against which criteria will start-ups be evaluated? For more information beyond the scorecard below, please refer to Section 5 of [call document](#)

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