

EIT Health Start-up Rescue Instrument Investor Guide

Investors can now recommend start-ups to receive up to €500,000 in co-investment from EIT Health in return for options. Through the new Start-up Rescue Instrument, EIT Health aims to bridge the fundraising gap of start-ups in Series A, Series B and bridge-financing rounds.

The COVID-19 crisis has put pressure on investors to keep their portfolios afloat. As part of the EIT Crisis Response Initiative*, the EIT Health Start-up Rescue Instrument aims to alleviate the economic shock posed by the pandemic. The new instrument increases investor firepower and contributes to bridging the fundraising gap of start-ups in life sciences innovation.

How it works

EIT Health will leverage the value of an investor's commitment and co-invest up to €500,000 in grants for options. The investor will need to provide start-up with evidence of ability and willingness to co-invest at least 50% of EIT Health grant-for-equity requested under current terms to be submitted with application. For example, if a private investor invests at least €250,000, EIT Health will match this with a €500,000 grant, giving the start-up a total cash injection of €750,000. The higher the private co-investment the more competitive the application.

EIT Health will grant the start-up up to €500,000 for a project running over 8 months and will ask for options in return. The grant-for-options scheme will be based on the pre-money valuation of the current round or the post-money valuation of the start-up's last round, as well as the financial commitment of EIT Health.

Eligibility Requirements

Investors

- Private investors already present or new to capitalization table engaged in investment negotiations with start-ups whose fundraising rounds have been affected by the COVID-19 crisis. Private investors including but not limited to: Business Angels, Super Angels, CVCs, VCs, family offices and other equity investment partners who could support current or target portfolio start-ups.
- Willingness to support start-ups growth by covering all other cost categories, in order to enable EIT Health funding to cover innovation / project expenses.

Start-ups

- Seeking Series A or Series B financing round or was in promising preparation of a bridge financing round \geq €1M before COVID-19 crisis
- Investment rounds affected/postponed by the COVID-19 crisis
- Pre-money (of current round) or Post-money valuation (of previous round) \geq €5M
- Valuation determined after 1 January 2019
- Private investor willing & able to co-invest 50% of value of EIT Health grant
- TRL \geq 4 (Biotech); TRL \geq 6 Medtech/Digital Health
- Incorporated on or later than 1 January 2013
- Active in Medtech, Biotech and Digital Health areas
- Drug development projects are not eligible
- Be an SME According to [EU definition](#) registered in EU Member State or [Horizon2020 countries](#)

For more details on the eligibility requirements, please see the supporting [call document](#).

Investment Terms

- By using an Options model, 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
- The co-investor's payment triggers EIT Health grant-for-options
- 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 1st to align with this timeline. Start-ups must verify they have received at least €125.000 prior to EIT Health's pay-out
- 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
- The number of Options EIT Health shall subscribe depends on the start-up valuation. The valuation will be part of the term sheet and the definite agreements with a start-up. Please see [Term Sheet](#) draft template for more details
- 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

EIT Crisis Response Initiative

*As part of the [EIT Crisis Response Initiative](#), this activity directly contributes to the European Union's response to the COVID-19 pandemic. The EIT Health Startup 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 before June 2020. All applicants will be informed as soon as the approval is granted.

Contact us

If you have questions or would like to recommend a startup for the programme, please contact:

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Find out more

- EIT Health [website](#)
- Start-up Rescue Instrument supporting [call document](#)