

Annex 14 – Due Diligence

Should a project be invited to the Support Programme (for start-up driven projects) or Pitch Day (for Fast Track start-up driven projects) and select grant for optoin model, the start-up at core of the project will go through due diligence.

Due diligence is put in place to make sure that:

- The start-up is a solid partner that can contribute to the partnership and commercialise the product/service.
- The numbers provided are valid, claims are real and there are no legal issues.
- The start-up team has the required core competencies for performing the planned work.
- The start-up is a suitable investment for EIT Health.
- EIT Health looks to invest in start-ups that have:
 - clear unmet patient and institutional need which has been validated through stakeholders' interviews and sizable market (not only a problem exists, but also the people ready to pay for having this problem solved);
 - fully spun out of the university, with the IP agreements in place/about to be concluded;
 - reached certain level of maturity – minimum IML 5 for start-up driven projects and IML7 for Fast Track Start-up driven projects
 - have a strong team already working at the core of a start-up, receiving salaries;
 - have a strong businessperson in the core team;
 - have balanced cap table, with founders and key employees being sufficiently incentivised.

At the heart of due diligence assessment approach lies a systematic and standardized assessment of key elements of successful start-ups:

- Team (team complementarity, education/skills, working experience, team commitment, advisory board, prior start-up experience);
- Product (technology and IP, customer need, competitive advantage, development stage, development/production costs, scalability);
- Market (market size/potential, level of competition, entry barriers, market growth and trends, competition, exit potential);
- Business model (revenue model/unit economics, milestones/roadmap, customer acquisition, go-to-market strategy, business plan logic, partnerships);

The criteria are weighted equally within a dimension. As a results of the assessment of these four dimensions, rating on a scale of 1% to 100% is produced. Start-up cases with the score of at least 70% or above are recommended. Additionally, legal and financial aspects are reviewed

highlighting additional risks and red flags. Finally, the overall recommendation to invest or not is provided.

The start-up needs to provide additional information and documentation in English (except for the registration certificate) during the Short Proposal and Due Diligence phase, to enable due diligence and (if further needed) valuation analysis. Documentation includes:

At the Short Proposal phase:

- Registration certificate
- Start-up website
- Pitch deck

At the Due Diligence phase:

- Business plan
- Historic financials
- Financial projections in excel, with the financial summary using a specific template (to be provided)
- List of shareholders
- Legal Self-Assessment Certificate
- Other relevant documents

Submitted documents will be treated as confidential. An Independent third party performing due diligence and valuation analysis will have calls with start-ups in the framework of this process. EIT Health or an independent third party performing due diligence and valuation analysis may reach out to the Start-up in case more information is required to finalise the due diligence and/or valuation analysis.

As a result of due diligence, one of the following scenarios will be possible:

1. Start-up passes the due diligence (none or minor issues identified during due diligence) and will be considered for EIT funding as a part of an Innovation proposal.
2. Start-up does not pass the due diligence (major issues identified during due diligence) and Innovation proposal will not be considered for EIT funding.

The start-up will be **excluded** from Due Diligence process in the following cases:

- The start-up has already passed through one or several of the following EIT Health programmes:
 - Wild Card (funded venture)
 - Start-up Amplifier (funded venture or having passed Due Diligence previously)
 - DiGinnovation (funded venture or having passed Due Diligence previously)
 - EIT Health Catapult (finalist)



- Bridgehead (funded venture)
- Rescue Instrument (funded venture)
- Gold Track (successfully vetted by the Gold Track programme)

Please note that the proofs of the relevance of the exclusion criteria will be requested at the application stage.