

# Financial Sustainability

## Contribution BP 2022

### Innovation Projects: Potential Models

As described in the Business Plan 2022 Call document, EIT Health requires a financial sustainability contribution (FC) to support its ecosystem in the long run. Received contributions will be re-invested in future EIT Health activities and programmes to transform healthcare in Europe; these are currently organised as Innovation, Education and Business Creation activities.

This document serves as a guideline for consortia to develop “their” model for FC to the EIT Health ecosystem. Providing such a model in the BP 2022 proposal is an essential part of the evaluation and selection process of the BP 2022 Call (see [Call document BP 2022](#) for further information). Consortia are free to choose any of the proposed models below or suggest their own model for contributing financially to the EIT Health ecosystem.

In any case, the following objectives must be clearly defined:

- **Contracting party to EIT Health on financial sustainability contribution** – a separate contract required in addition to the project grant agreement (PGA).
- **FC mechanism** – who will contribute, by when and how the contribution to EIT Health is planned. This includes the due date of the payment(s) and – if applicable – the amount of money foreseen.
- **Triggering event** – for example completion of programme, CE certification, product launch, revenue generation, or in case of Model 1: pre-defined financial event of the Start-up. A contribution will only be due in case of achievement of the defined event. Partners are invited to suggest an additional triggering event, or to replace the suggestions made herein, with the exception of Model 1.

**Independent evaluators will assess the proposed potential financial sustainability contributions to EIT Health in terms of proposed value and in terms of feasibility. The relative strength of the proposed contribution as assessed by these experts will influence – together with impact and co-funding – the ranking of the proposal within the *Impact and Financial Sustainability check* (see [Annex 3 of BP 2022 Call](#)).**

With the exception of “Model 1 – Options”, consortia are given flexibility to determine the **triggering event** according to the project’s conditions and specific preferences. Contributing at an earlier stage (such as the completion of the project) might be more easily applicable for some consortia. Providing a higher value contribution at a later stage of the commercialisation (such as a product launch or revenue generation) might be easier to apply for other consortia. For other consortia, the best option might be having an asset in the books, in the form of a start-up with share value distributed amongst the consortium members when created, might be the best option. It is also possible to combine some events for FC.

Any partner or any group of partners can be financial contributors – again with the by exception of “Model 1 - Options”. In case of a group of partners contributing, an individual agreement could be signed with each contributing partner, in order to avoid assumption of joint liability.

The following models are proposed by EIT Health: Options in Start-up, Success Fee, Royalties. Based on discussions with RTO/industry representatives from all regional Innovations Hubs / InnoStars during the period of May - October 2020. EIT Health believes all consortia will be able to find at least one model that works for their unique situation and project from amongst these options, in order to satisfy the criteria set by the EIT that all innovation projects and activities receiving funding must contribute to EIT Health's future financial sustainability.

### Proposed Model 1 – Options

This model directly relates to “Start-up-driven” activities as outlined in the Call document.

- **Contracting party:** start-up, along with its shareholders
- **FC mechanism:** options of start-up for EIT Health
- **Triggering event:** defined financial event of start-up (not changeable)

This model has been defined comprehensively in the [BP 2022 Call document](#), please see [Annex 3](#) therein for further information. In principle this model functions as follows:

- The project consortium signs the project grant agreement (PGA) with EIT Health e.V., as well as a consortium agreement (CA) amongst consortium members, without participation of EIT Health e.V.. Only the start-up and its shareholders sign the “Options” agreement with EIT Health SI GmbH at the beginning of the project.
- All partners participate in the project as per plan, and report annually on eligible cost (all partners) and project progress (only the activity leader). Grant payments to partners occur directly to each partner in the consortium.
- FC to the EIT Health ecosystem is due upon occurrence of a financial event (share deal or asset deal exit, IPO, liquidation) as a one-off payment from the start-up directly to EIT Health SI GmbH (as representative of the EIT Health ecosystem). Instead of making a payment to EIT Health, a start-up can decide to grant to EIT Health the right to assume shares in the start-up.
- Financial contribution to the EIT Health ecosystem is not capped.
- This model is also offered to consortia wishing to found a new start-up in which all project IP will be placed and which will commercialise the product/service. Important: the start-up must be founded prior to project start, at the latest by 1 October 2021.
- This model does not work in conjunction with any other FC mechanism.

### Proposed Model 2 – Success Fee

This Model can be applied for “Partner-driven” and “HVC” activities. It can be combined with the “Royalties Model” or with other success fee agreements in cases where a group of partners wishes to share the “load” amongst the consortium members.

- **Contracting Party:** commercialising entity or (part of) project consortium.
- **FC mechanism:** success fee based on defined event related to project progress.
- **Triggering event:** defined event in project progress (defined by partners), ideally related to market impact, e.g. CE certification of product or achievement of cost-reductions or generation of revenue.

In principle this model functions as follows:

- The project consortium signs the project grant agreement (PGA) with EIT Health e.V., and a consortium agreement (CA) amongst consortium members, without participation of EIT Health e.V. Responsible partners agreed upon by the consortium sign the “Success Fee” agreement with EIT SI GmbH at the beginning of the project (committing to a specific euro amount).
- All partners participate in the project as per plan, and report annually on eligible cost (all partners) and project progress (only the activity leader). Grant payments to partners occur directly to each partner in the consortium.
- FC to the EIT Health ecosystem (represented by EIT Health SI GmbH) is due upon occurrence of the defined “triggering event”. This event could be the completion of the project, which will be defined in the “Success Fee” agreement. (In that case some partners prefer to speak of a “completion fee”, as the process of payment can be simplified technically by a deduction of the success fee from the final grant payment).
- FC is capped (at a euro amount) in the “Success Fee” agreement. The due date for payment is directly related to the defined “triggering event”. It will be clearly defined in the “Success Fee” agreement with EIT Health. If the triggering event is chosen to be the completion of the project, the timeline for FC will be also clearly defined.
- Consortia are invited to respond to any institutional or legal constraints of their members by setting up internal agreements for potentially balancing out the FC to EIT Health.
- Generally, the date of payment can be defined as being after a certain period of the “triggering event”, e.g. x years after completion of the EIT Health-funded project. Please be aware that future payments will be discounted for evaluation purposes.

### Proposed Model 3 – Royalties

This model can be applied for “Partner-driven” and “HVC” activities. It can be combined with the “Success Fee Model”.

- **Contracting Party:** commercialising entity.
- **FC mechanism:** royalty agreement based on percentage of revenues.
- **Triggering event:** successful commercialization in form of generation of revenues.

In principle this model functions as follows:

- The project consortium signs the project grant agreement (PGA) with EIT Health e.V., and a consortium agreement (CA) amongst consortium members, without participation of EIT Health e.V. Only the commercialising partner signs the “Royalties” agreement with EIT Health SI GmbH, committing to a percentage of future revenue.
- All partners participate in the project as per plan and reporting annually on eligible cost (all partners) and project progress (only the activity leader). Grant payments to partners occur directly to each partner in the consortium.
- FC to the EIT Health ecosystem (represented by EIT Health SI GmbH) is due once the product/service is in the market and generating revenues (annual payment from the commercialising partner directly to EIT Health SI GmbH).
- FC is due annually at the agreed percentage but can be capped in relation to the grant amount received (to be agreed upon at the point of signing the “Royalties” agreement). Generally, there no time limit as to when EIT Health’s right to participate financially expires (unless the cap is reached).
- Consortia are invited to respond to any institutional or legal constraints of their members by setting up internal agreements for potentially balancing out the FC to EIT Health.