

Category

Best Incubator, Accelerator, Equity

Program/Fund Name

Venture Centre of Excellence (VCoE)

Corporate Name

EIT Health

Date Of Creation

2015-01-01

Indications (if applicable)

All Life Sciences indications, verticals, and maturity stages

Therapeutic Categories (if applicable)

All Life Sciences indications, verticals, and maturity stages

History of the development of the fund / Incubators

The Venture Centre of Excellence (VCoE) programme was jointly created by EIT Health and the European Investment Fund (EIF), following an initial call to action from DG Santé in 2017 during a seminar entitled "Strategic Investments for the Future of Healthcare", and was launched in October 2020.

Founded in 2015, EIT Health is a public-private EU body – one of eight European Institute of Technology (EIT) Knowledge and Innovation Communities (KICs) – representing the largest Life Science consortium in the world, dedicated to supporting the translation to market and patients of innovation. Since 2015, EIT Health has supported over 1200 start-ups thanks to its ecosystem of 150+ partners -- European and global Corporate/industrial actors, academic & research entities incl. tech transfer offices, health insurers, hospital networks, patient associations, etc. -- active across the research-education-business value chain triangle in supporting the delivery to market and patients of innovation. Headquartered in Munich, EIT Health is physically present in 8 hubs across Europe -- creating tangible connections between local ecosystems and key strategic European initiatives – as well as in Brussels and beyond.

In parallel, the Luxembourg-based European Investment Fund (EIF) – a part of the European Investment Bank (EIB) Group – is mandated by the European Investment Bank (EIB), the European Commission to financially support European VC funds investing in areas of strategic importance for Europe. Operational for close to 30 years, EIF's investment activities in Life Sciences are one of their largest sectors, typically supported by fund-of-fund type financial vehicles organised around specific mandates. This focus and experience means that EIF has 99% visibility over the European Life Sciences VC Fund landscape, actively supporting a consequential portion of the fund managers, and typically invests EUR300m+ per year into the sector.

The VCoE was designed from the start to address multiple strategic challenges facing the delivery to market – and therefore citizens and patients, at scale – of Life Science innovation across Europe. These challenges include the comparatively smaller size of European Life Science VC funds (=less money available), the fractured market landscape (=more barriers to entry), and the challenge of building cross-border, pan-stakeholder syndicates to support start-ups/SMEs in their development, particularly at later maturity stages. These challenges have only been confirmed in recent years due to the COVID-19 crisis, and the ensuing challenging macro-economic context increasing the barriers to success for start-ups.

As the VCoE initiative grew, EIT Health pulled from its vast partner network to concretely devise an operational mechanism that would meet real-world needs in concrete and tangible ways. To this knowledge base, EIT Health further relied on its track record of over 1200 start-ups supported via its extensive education, innovation, and acceleration programmes to understand start-up needs in the areas of access to finance (both dilutive and non-dilutive), access to knowledge (KOLs, experts, etc.) and access to market. In parallel, EIF jointly did the same investigative consultations with its vast network of VC funds to understand their key challenges, especially as it pertained to building investment syndicates with Corporate/industrial entities, and supporting portfolio start-ups with strategic connections facilitating the market-delivery of innovation to citizens and patients..

This process allowed the identification of the barriers that exist to supporting these collaborative co-investments, strategic collaborations, and acquisition opportunities between Corporate/industrial type entities and Life Science VC funds, and to devise a programme that would deliver impact for all parties including, perhaps most importantly, start-ups/SMEs.

One key development component was the VCoE's dedicated financial vehicle, the Sustainable Development Umbrella Fund Health Compartment (SDUF HC), which underpins the initiative by formally linking via a fund-of-fund structure both the Corporate/industrial members having invested into it, with the beneficiary VC funds having been selected following their specific application. This transforms the VCoE from being a mere "investor club" meeting at events, into a true collaborative, mutually incentivised, trust-based community of actors seeking opportunities to identify, build, and ensure mutual returns.

It is into this SDUF HC financial vehicle that the European Commission invested its EUR 150m anchor investment – as announced by EU Commissioner for the Internal Market, Thierry Breton in October 2020 – thereby demonstrating its strong support for the initiative and concretely calling on the market to join forces and support it through their own investments.

As of today, the VCoE has 20 member entities, Corporates and VC funds alike, as well as a broad network of dozens of further VC funds and Corporates accessible on an ad hoc basis via the joint EIT Health and EIF network.

Given the success of the initiative – see the subsequent Impact section for further details – EIT Health and EIF are committed to building a "VCoE 2" initiative underpinned by a new financial vehicle (SDUF HC 2) to scale the impact and leverage the lessons learned as well as positive testimonials of members, start-ups, and the satisfaction of the European Commission, in the form of several Directorate-Generals (DGs) including DG Santé, DG Grow, DG EAC, and others. Work is ongoing to secure the required

strategic and financial support to allow the VCoE 2 to launch.

Focus

The Venture Centre of Excellence (VCoE) programme's focus is the support of privately held, European (EU and beyond) Life Science start-ups and SMEs innovating across all subsectors and therapeutic areas. Supported companies range from rapid-growth, high-potential seed-stage start-ups up through Series D start-ups and SMEs and beyond, including those seeking facilitated access to venture debt and guaranteed loans from EIB.

This breadth of focus and maturity stage is intentional, as the community of investors and stakeholders gathered in the programme – Corporates and VC funds alike – seek innovative, cross-pollination effects between subsectors (E.g. digital medical devices, or AI drug discovery) and an ability to successively support a given company from relatively early maturity stages up through later stages.

The programme is therefore not a one-time value proposition for beneficiary start-ups and SMEs, but rather an ongoing resource, able for example to support a start-up in their first international fundraising round, followed by connections to relevant industry players in the form of R&D partnerships and strategic collaborations, business development and commercial opportunities, later-stage funding rounds, and finally connections to payors and hospital networks.

This tip-to-tail approach is a key differentiator, and demonstrates the VCoE's unique value proposition for start-ups/SMEs – concretely supporting delivery to market of innovation through both financial and commercial support – and in turn for their investors by supporting value creation and inflection in portfolio start-ups, and therefore ROI.

How do you address your portfolio needs

For programme members, e.g. Corporate/Industrial entities & VC Funds:

At its core, the VCoE supports access to high-quality, de-risked, investment thesis-relevant deal flow for members on a pan-European level. This includes, therefore, the ability to source opportunities from lesser-scouted regions of Europe, including the Regional Innovation Scheme (RIS) countries, central and Eastern Europe, Israel, non-EU member states, and beyond.

Doing so effectively requires long-term trust building between members, and a “quality and pertinence not quantity” approach.

Supporting this, as stated previously, the VCoE programme formally joints its members via the SDUF HC financial vehicle, thereby providing returns to Corporate/Industrial investors via the performance of this vehicle.

This vehicle further binds members together in the trust-based community for 8+ years, thereby ensuring that long-term relationships can be built, including for the benefit of diverse teams internal to the Corporate/Industrial members: Corporate Venture Capital (CVC), R&D, open innovations, strategic collaborations, etc.

In turn, the SDUF HC financial bolsters the selected VC funds through its investment as a Limited Partner (LP) into their funds, allowing them to invest in more start-ups/SMEs and/or in higher volumes,

thereby helping to increase the size of European Life Science VC funds.

Members then further benefit from bi-annual “all hands” members’ meetings gathering them in person to build one-to-one relationships, share market and sub-sector insights, develop effective collaborations and co-investments between them, and benefit from market trend insights from EIT Health, EIF, and external sources.

In parallel, members benefit from an AI-based scouting, sourcing, and syndication-building tool that enables them to identify, compare, track, and “tag” start-ups of interest to one another within the community. The syndication-building tool – custom-built for the VCoE programme, and whose IP is owned by EIT Health – further allows members to build syndication scenarios between one another based on information shared with one another as well as confidentially with the AI tool. This, in turn, helps members to identify opportunities for collaboration across the community throughout the year, based on expressed interests and targets, and to “nudge” the community to interact concretely around potential investments and collaborations.

For start-ups and SMEs:

EIT Health’s VCoE team scouts and sources start-ups from across its own network of 8 hubs across Europe – and their colleagues present therein within their respective ecosystems -- as well as from its members and broader network of experts.

This scouting and sourcing activity is based on the direct requests made by members, expressed via their investment thesis, in one-to-one and one-to-many interactions, as well as EIT Health’s activities as an implementing partner of strategic European Life Science initiatives, including the Important Project of Common European Interest (IPCEI) in bioproduction (“Med4Cure”), the European Partnership for Personalised Medicine (EP PERMED), the multiple initiatives supporting fast-track access for digital medical devices, public procurement needs, etc. Members and relevant start-ups/SMEs therefore benefit concretely from EIT Health’s ability to ensure that the significant financial, strategic, and market-access opportunities represented by these EU initiatives are clearly communicated to relevant parties, and access to their benefits are facilitated for all parties.

All start-ups requesting fundraising support from EIT Health in the VCoE programme are vetted and evaluated by external experts, having been custom selected by EIT Health based on the specific start-up and its area of innovation and maturity stage. This network of experts comes from EIT Health’s broad range of partners, KOLs, and beyond, and currently includes an ever-expanding group of close to 100 individuals selected for by reputation and relevance.

Following this, start-ups receive concrete support in addressing the identified challenges, such as product-market fit, competitive landscaping, pricing strategy, equity story, leadership and team recruitment, regulatory and market access hurdles, etc. The core objective of this support is to strengthen and highlight the start-up’s value proposition to increase the chance of successful fundraising.

Finally, EIT Health promotes supported start-ups to relevant investors in a fully tailored manner, based on their granular understanding of the investment theses in question. In parallel, the start-ups are fast-tracked into any relevant EIT Health incubation and acceleration programmes, as well as in accessing

non-dilutive funding (grants, convertible loans, venture debt, etc.) from EIT Health itself as a public body, as well as its European counterparts.

For members and start-ups/SMEs alike:

As stated above, the VCoE provides start-ups and SMEs alike, as well as its Corporate/Industrial and VC fund members, with fully customised, bespoke support based on the specific needs and stated ambitions of each.

The approach adopted is one of quality over quantity, thereby serving as a matching tool between interested parties.

The value of this model for beneficiary start-ups and SMEs and members alike has only been confirmed by the current macroeconomic environment where start-up competition for funds – both public and private – has only increased.

This win-win approach, in turn, has demonstrated the essential need for a comprehensive partnership approach between transformative innovation and programmes like the VCoE to be able to adequately support European innovation and its capacity to deliver impact to citizens and patients at home and abroad.

For European stakeholders:

EIT Health deploys the VCoE programme as a key tool in service of its status as an implementing partner of strategic EU initiatives.

As such, European stakeholders – be they Commission DGs, national ministries, and others – can readily identify relevant start-ups and SMEs having received the affirmation of the market – in the form of investments, strategic collaborations, and beyond – to use as real-world pilot use cases in the roll-out of large initiatives. This allows for the fast-tracking of relevant innovations to patients, the assurance of the validity of assumed needs, and relationship building between different members of the value chain.

Impact / metrics to measure success

To date, in approximately two and a half years of being fully operational and on a rolling basis, the VCoE has:

- Onboarded 21 members, both Corporate and VC funds alike, with a further 60+ VC funds in its extended network, and 100+ Corporate/industrial, health insurer, hospital network, patient association network
- Allowed 79 start-ups from across Europe to raise over EUR 3bn in total fundraising from all sources combined, thanks to the investment activities of SDUF HC financial vehicle-recipient member VC funds.
- Reviewed 250+ start-ups for support by EIT Health, finally selecting 31 to date to receive comprehensive evaluation, strategic support, and investor promotion services.

- o This ratio of 250/31 demonstrates the VCoE's highly selective approach to identifying start-ups and SMEs that conform to member expectations in order to ensure that true impact is generated and not merely "light-touch" volume.

- Organised 6+ members' meetings gathering all members together, and dozens of one-to-one and one-to-many meetings between members, start-ups, and key stakeholders.

- Generated press attention to its various member accessions and support for start-ups.

Why your model is innovative, and/or how it will improve the human condition?

At its core, the VCoE is unique as an initiative due to the way in which it leverages public body support for privately developed innovation in full and comprehensive partnership with the private sector of VC funds and Corporate/Industrial entities.

The pan-European scale of the VCoE unlocks access to the best European Life Science innovation – across sub-sectors and maturity stages – in areas of critical unmet scientific and market need. In turn, this creates a single entry point to the European ecosystem for global and European players, fostering collaboration and syndicate building with other geographies, including in North America and Asia.

This trust-based, facilitated collaboration in turn allows the faster delivery to market of essential Life Science innovation, thereby benefiting the human condition in Europe and around the world.

More specifically:

- The scale of the VCoE's ambition to not act as a mere fundraising support service for start-ups, but rather to leverage the respective networks, credibility, and impact potential of two European bodies to address a systemic European challenge, and to use the VCoE as a key demonstrator of the need to systemically address these challenges with concrete, tangible solutions.

- o Moving forward, beyond Life Science, EIT and European DGs have expressed interested in other EIT KICs developing similar VCoE-type programmes of their own to address similar systemic needs for innovation support across other areas of strategic importance to Europe including food, climate, manufacturing, etc. EIT Health is fully supportive of these, and stands ready to support its KIC sister entities to do so through the sharing of lessons learned, the licensing out of its AI-based syndication tool, etc.

- The SDUF HC financial vehicle that underpins the programme, ensuring that it far exceeds the potential impact of a more typical "investor club", thanks to the long-term relationships that are built, and roles and responsibilities of all parties, as well as the financial return model.

- o The deployment of this vehicle into the selected VC funds has also ensured that, to date, over EUR 200m has been funneled directly into these funds thereby increasing their investment firepower.

- The access that EIT Health has a body – and makes available via the VCoE – to the sources of the best European innovation, including numerous academic, tech transfer, and research institutions thereby creating a steady stream of high-quality, transformative innovation from across Europe.

- o This pan-European focus is at the core of the initiative, ensuring that innovation from lesser-known/accessible regions are highlighted, supported, and de-risked for the benefit of member investors and collaborators.

- The commitment – and demonstrated track record – of EIT Health to not just address equity fundraising needs for start-ups and SMEs via the VCoE, but rather to truly surround the start-up with the support that it requires writ large to face the numerous hurdles and challenges that exist to deliver innovation to market.
- The capacity for the VCoE to serve not just European needs, but thereby to also provide a single, de-risked point of access to the entire European Life Science ecosystem for global players seeking to invest in and support European innovation.
- Finally, and most importantly, the direct line that can be drawn from the VCoE's impact to supporting citizen and patient outcomes through the faster delivery to market of innovation, including thanks to the direct involvement of health insurers, hospital networks, and patient associations alongside investors and Corporate/industrial players. This ensures that the critical perspectives of public/private payors, healthcare providers, and patients themselves are leveraged to refine the real-world value proposition represented by our supported start-ups/SMEs.

N.b.: No slides submitted in this section, but see content submitted in other sections for an overview of the above.

Please provide appropriate references (Examples / Case Study)

Please see the case study slides submitted in the slide deck in the "Value Proposition and Impact" section for examples of the VCoE's impact across different sectors, therapeutic indications, and needs including:

- DMD
- Oncology
- Robotics
- Digital Health

Scouting and sourcing such technologies from across Europe, and supporting the companies with access to finance services alongside connections to incubation/acceleration programmes operated by EIT Health and its network, as well as services and relevant industry players. In short, the VCoE provides 360 degree support for these start-ups as a single-entry point to European innovation.