15 QUESTIONS EVERY FOREST AND BIO-BASED INNOVATOR SHOULD CONSIDER BEFORE SEEKING INVESTMENT

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Understanding Investment Readiness

Many innovators approach investment before they are truly ready. They build a promising product or service, or business or initiative, **reach a point where investment seems like a necessary next step**, and begin approaching investors, only to find that the conversation does not go as expected. Sometimes the issue lies in the innovation or business idea itself, but more often it reflects **a mismatch in expectations, gaps in preparation, or a limited understanding of how the investment world works**.

This guide is structured in four parts: understanding the investment world, defining your position and intent, articulating your value proposition, and preparing for the investment process. Together, they provide a structured framework for engaging with investors.

These questions do not have simple right or wrong answers. Their purpose is to prompt reflection and support the clarity and confidence required when engaging in an investment process.

Market signal: increasing investment in forest and bio-based ventures

The **forest and bio-based sector is investable**. In recent years, European ventures in this space have attracted serious capital: a wildfire detection start-up raised €10 million led by ECapital, a mycelium-based materials company raised €11 million with backing from CDP Venture Capital and the European Circular Bioeconomy Fund, and an advanced wood materials company raised €31 million led by Lowercarbon Capital. These are not isolated cases. Forestry and bio-based innovations sit squarely within the **impact, resilience and decarbonisation mandates** many investors are actively pursuing. The capital is there, the question is whether **you are positioned to access it**.

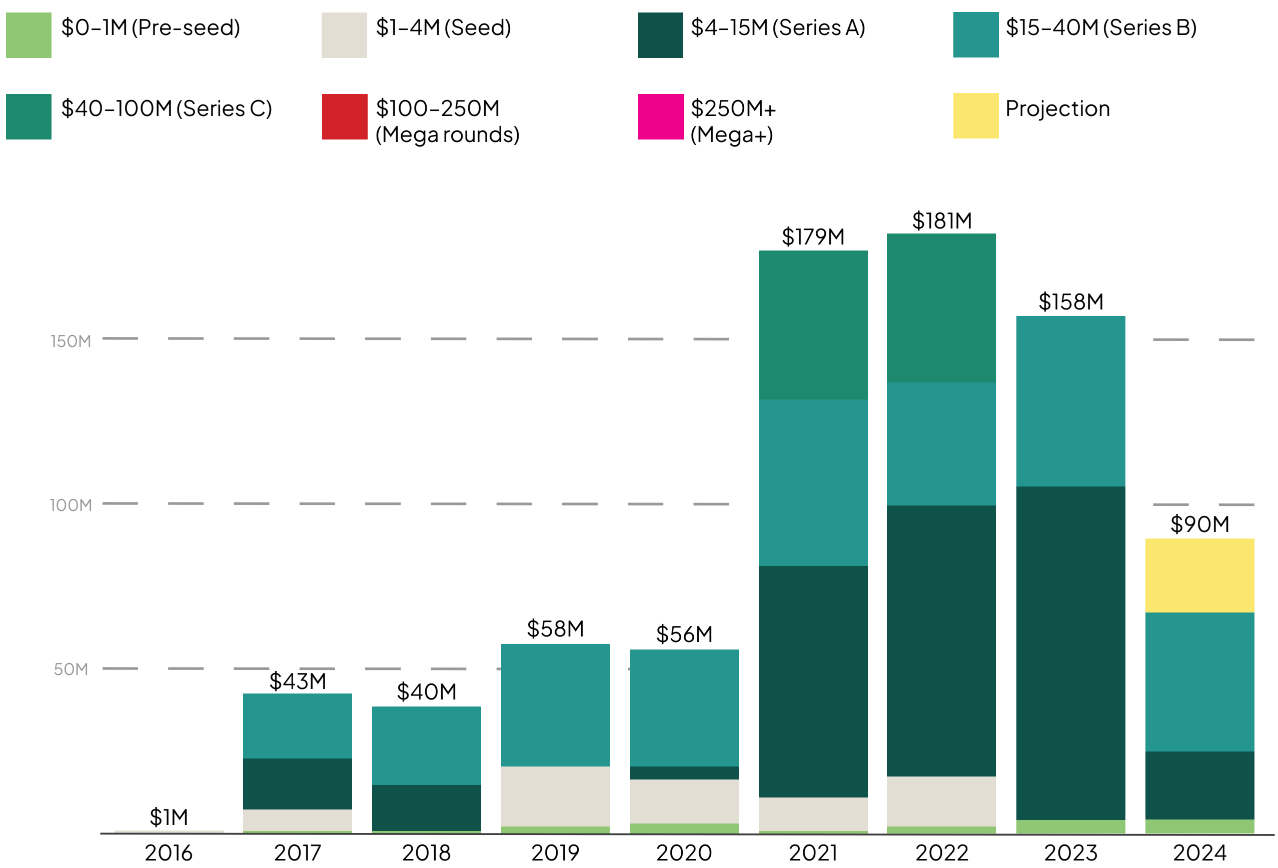
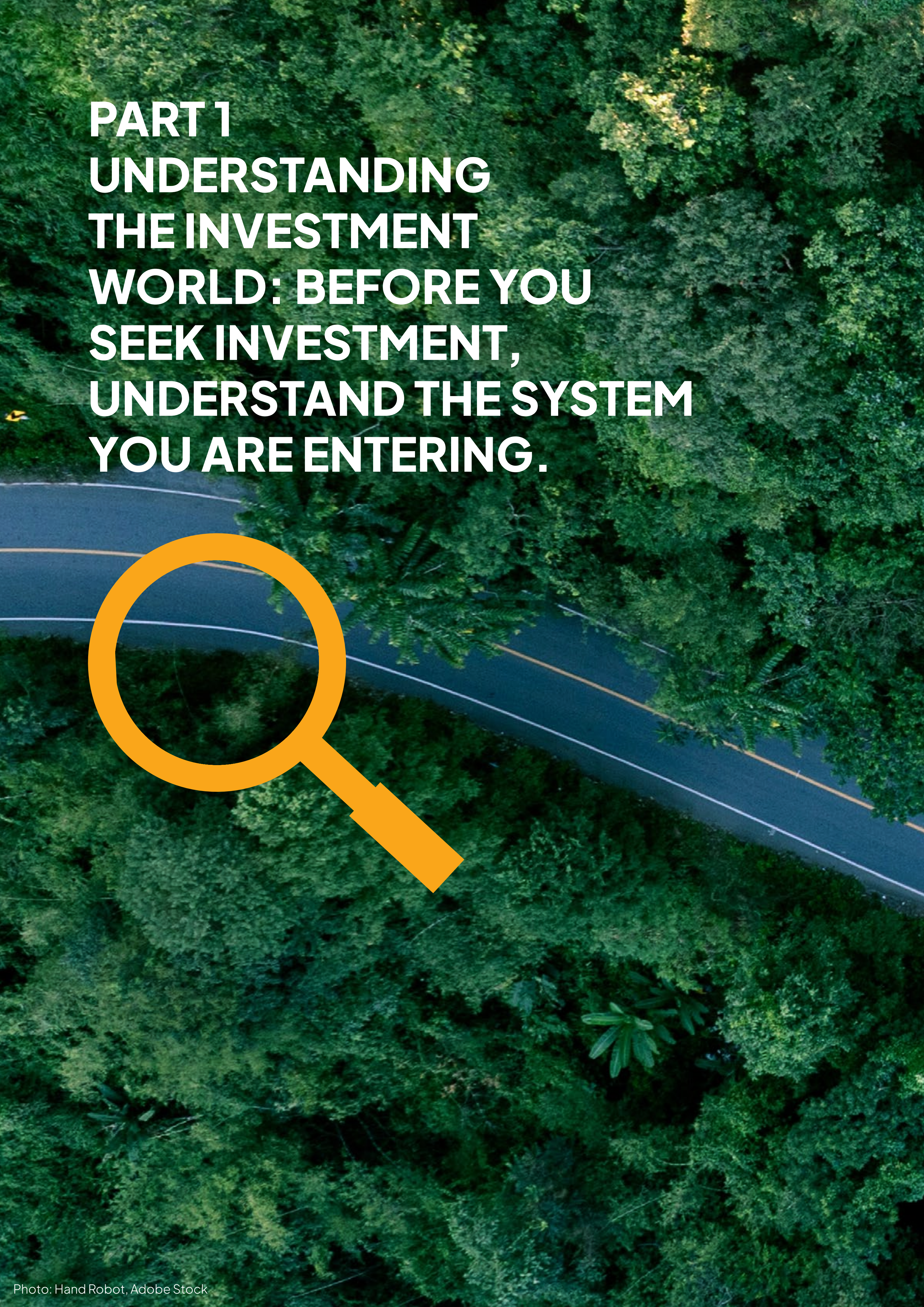


Figure 1. Venture capital funding in wildfire start-ups (2016–2024), illustrating growing investor activity in forest-related innovation.

Source: Adapted from Dealroom. Data as August 2024.

PART 1
UNDERSTANDING THE INVESTMENT WORLD: BEFORE YOU SEEK INVESTMENT, UNDERSTAND THE SYSTEM YOU ARE ENTERING.



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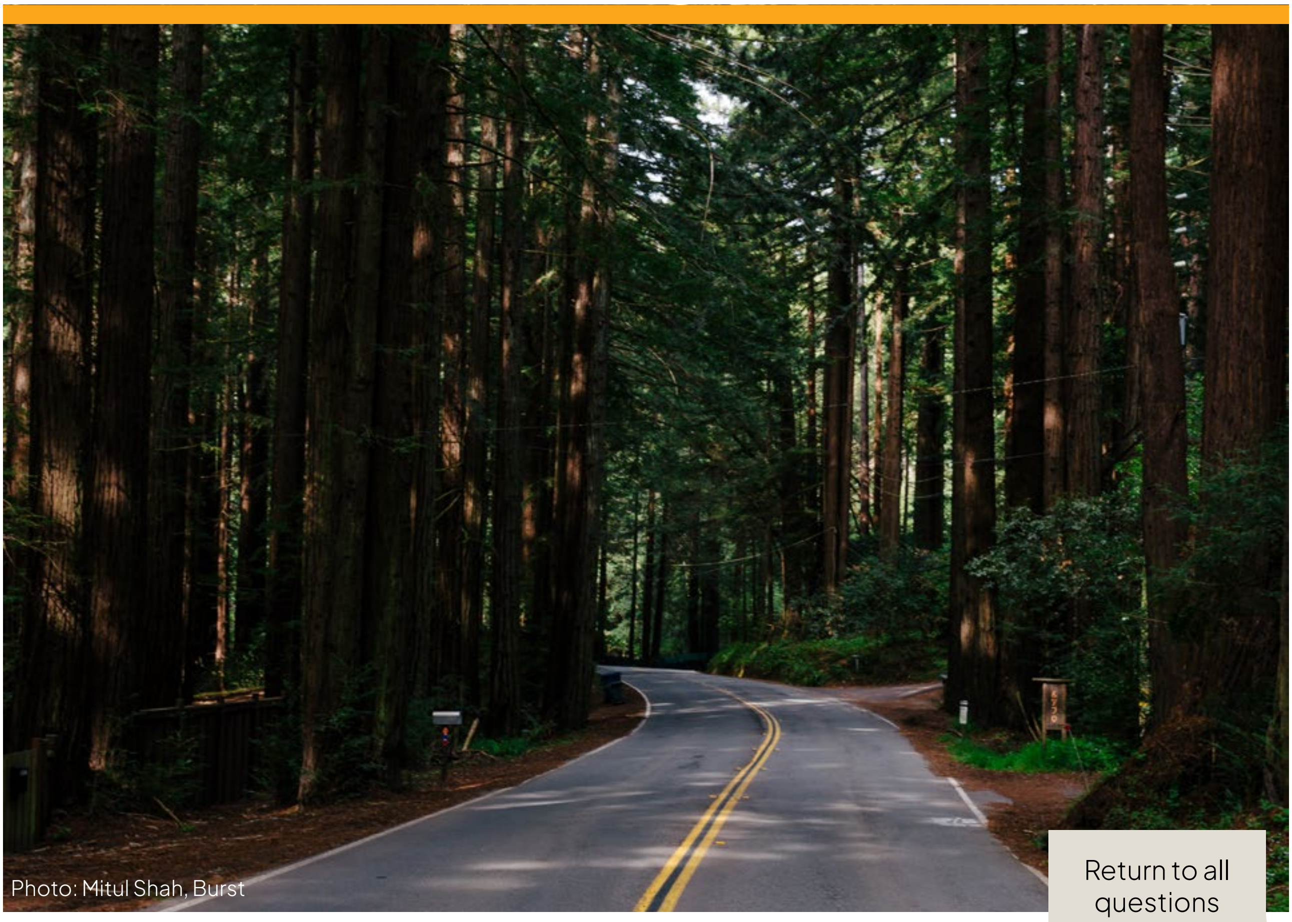
1. Do you understand what investors are ultimately trying to achieve?

Investment is often discussed in terms of building companies and supporting innovation. Those outcomes matter, but for most investors, they are secondary. The primary objective is to achieve a **profitable exit**: selling their stake in your company at a profit and returning capital to those who funded them. Importantly, investors are under high pressure to deliver an exit that is competitive with other asset classes (i.e. tradable securities like stocks and bonds).

This objective drives **how investors think, what questions they ask, and what risks they are willing to take**.

When investors look at your company, they are evaluating whether its growth could plausibly result in a profitable exit within the lifespan of their fund, typically around 10 years.

If your plans, timelines or ambitions do not align with their objectives and circumstances, conversations are likely to fail. Understanding this simple but often overlooked point can fundamentally change **how you frame your venture** and engage with investors.



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Return to all questions

2. Do you know what type of investor is relevant for your stage and sector, and what drives their decisions?

The investment landscape includes several **distinct types of investors**, each with different motivations, timelines, and criteria. Knowing the differences before you approach anyone is essential. These types include, amongst others:

- **Business angels**: invest their own money and often engage at very early stages. They tend to be more flexible, may take a longer view, and often value founder potential, commitment, and the opportunity to mentor teams.
- **Venture capital funds**: invest pooled capital on behalf of third parties and are under pressure to generate strong returns within a defined timeframe. They typically focus on opportunities with clear scalability and a credible path to exit.
- **Corporate investors**: invest on behalf of a parent company and are motivated not only by financial returns but also by strategic interests, such as access to new technologies, markets, or capabilities relevant to their core business.
- **Impact investors**: prioritise ventures that generate measurable environmental or social outcomes, while still requiring commercially viable and scalable business models.

Identifying which type fits your venture, based on your stage and sector, is the right starting point. Approaching the wrong type is one of the most common reasons promising innovators get rejected.

Photo: Generated with AI

3. Do you understand how investment stages work, and which stage you are currently at?

Start-up funding moves through broadly recognised stages (called consecutively Pre-seed, Seed, Series A, Series B, Series C, etc.), with different investor expectations and typical funding amounts (Table 1).

Approaching an investor who is mandated to exclusively invest in a different stage than where you currently are will almost always result in rejection, not because your idea lacks merit, but because you do not fit the investment criteria of the fund.

Being clear-eyed about **which stage you are at** and targeting accordingly is one of the most consequential decisions in the fundraising process.

Sector characteristic: longer development timelines

Ventures in this sector often spend longer at early technology readiness levels than software or digital companies, due to the time required to validate biological processes, run field trials, or obtain regulatory approvals. This is entirely normal, but it means being realistic about your current stage. It also means that **public grant instruments** are well suited to test the viability of your solution before equity investment becomes appropriate.

Table 1. Types of stages, funding ranges, investor expectations, and typical equity investors.

State	Funding range	What investors expect	Typical equity investors
Pre-seed	€50k–€500k	Credible problem-solution fit, viable concept	Business angels, grants, incubators
Seed	€500k–€2m	Technology that works and evidence of real market demand	Business angels, early-stage venture capital funds, accelerators
Series A	€2m–€10m	Clear commercial progress, such as recurring revenue or signed customers	Venture capital
Series B+	€10m+	Proven growth and a realistic path to profitability	Growth equity, later-stage venture capital

PART 2
HONEST SELF-ASSESSMENT BEFORE PITCHING TO INVESTORS: IS EQUITY THE RIGHT PATH FOR YOU?

4. Does your idea address a market large enough to interest investors?

Venture capital investors' decisions are shaped by what is known as the **power law**: the expectation that only a small number of investments will generate the majority of returns, and that a single exceptional outcome can outweigh all others. As a result, investors look for companies that could, in principle, become very large.

This has a direct implication for innovators. It is not enough to build a solid or interesting business; your idea needs to operate in a market large enough to support **venture-scale growth**.

In practice, this often means a potential market in the range of hundreds of millions to billions of euros.

Just as important as the headline number is how you explain it. Investors place little weight on broad, top down claims such as "*the global forestry market is €200 billion*."

What they expect is a **bottom-up explanation**: how many customers you can realistically reach, how often they would buy, and at what price.

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5. Does your current stage of development actually require equity investment?

Equity investment means giving up a share of ownership in your company in exchange for capital (cash). Once given, it cannot easily be taken back, and every future round of investment **dilutes your ownership further**.

Therefore, before entering an equity fundraising process, it is worth asking honestly whether your next milestone could be funded through a grant, a loan, or early customer revenue (Table 2).

Each funding option is suited to different types of needs and stages of development. The key is to choose the option based on what you are trying to achieve and what you are willing to trade in return.

Table 2. Types of investment funding.

Funding type	What it means in practice
Grants	Provide capital without requiring equity, but typically involve application lead times and reporting obligations.
Loans (debts)	Cheaper than equity, but at early stages often require personal or asset/IP linked guarantees from founders.
Equity	Enables access to larger amounts of capital and supports faster growth, but involves giving up ownership and some control over the company.

6. Do you genuinely want to pursue an equity-funded path for building your company?

Equity investment not only provides capital, it also shapes the long-term direction and governance of a company. It involves giving up a degree of ownership and control, and aligning the company with external expectations.

Pursuing equity investment usually means committing to building a company designed for **scale, external ownership, and an eventual exit**, often over a timeline of 10 years or more.

An equity funded path brings expectations that shape how a company is run. It involves accepting external shareholders with views on strategy and key decisions, operating at a pace set partly by investor timelines, and optimising for growth.

This can be energising for some founders and uncomfortable for others. That is why it is important to reflect early on questions of **motivation and alignment**.

- Do you prefer building a company to continuing a research career?
- Do you want to own a small percentage of a large-scale endeavour, or a larger share of a more localised business?
- Are you and your co-founders aligned on the answer?


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7. Is your team ready, and does it look ready to investors?

At early stages, investors often emphasise that they **invest in people as much as in ideas**. This is because young companies rarely follow a straight path. Setbacks, pivots and uncertainty are almost inevitable, and how a team responds to them matters as much as the initial concept. What investors look for:

- a founding team of ideally two or three people with a visible mix of technical and commercial capability;
- clear roles and responsibilities;
- evidence of working well together; and
- personal motivation that goes beyond academic interest.

If your team is strong on the technical side but weaker commercially, acknowledge this honestly and show how you are addressing the gap.

Common pitfall: attachment to a fixed solution

Early-stage companies rarely follow a linear path. New technical, regulatory or market insights often require teams to revisit earlier assumptions and adjust their approach.

Teams that become **too attached to a specific solution or initial hypothesis** may struggle to respond to these changes. Investors will therefore assess not only the strength of your idea, but also your ability to challenge your own assumptions, adapt direction, and **operate effectively under uncertainty**.


Photo: Rodrigo Mendes

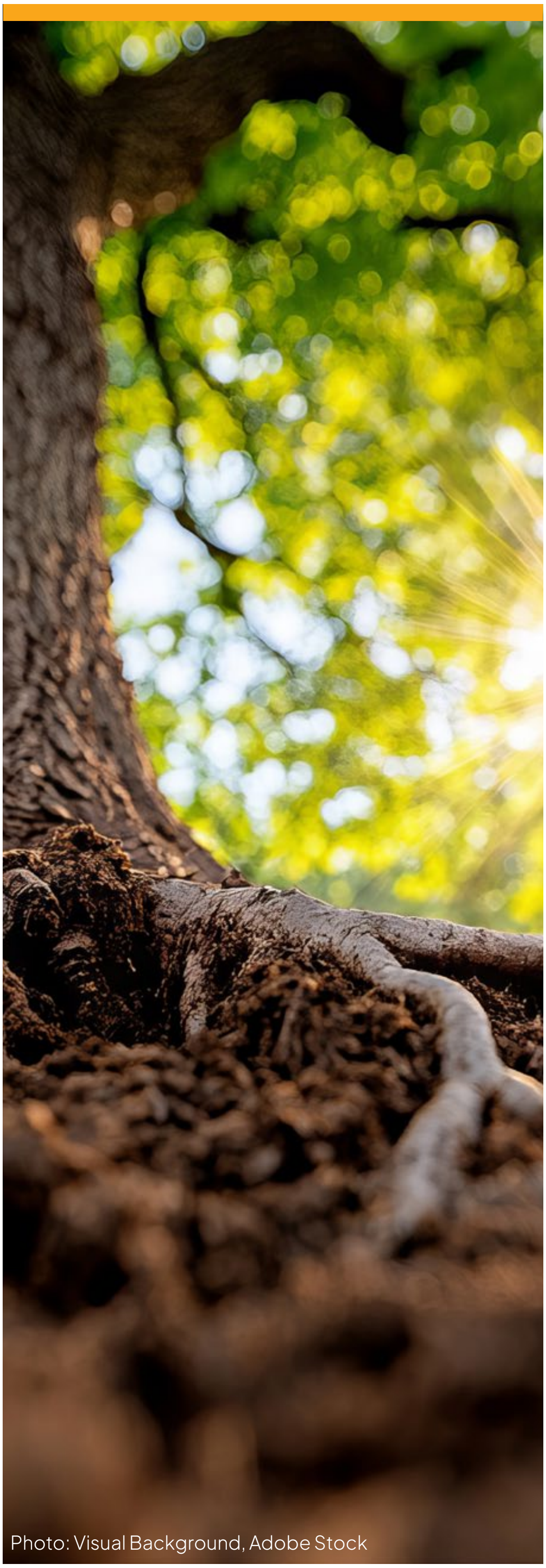
PART 3
YOUR VALUE PROPOSITION: BEFORE YOU SEEK FUNDING, MAKE SURE YOU CAN ARTICULATE WHY YOU DESERVE IT.

8. Can you clearly articulate a problem that is significant enough to justify investment in your solution?

Before investors will engage with a solution, they need to clearly understand the problem it is meant to solve. One of the most common pitfalls for technically oriented innovators is starting with how something works, rather than why it is needed. In an investment conversation, **the problem should come first**. A convincing problem statement highlights a **concrete constraint or bottleneck** in the current system:

- something that creates friction,
- inefficiency,
- risk, or
- missed opportunity for a clearly defined group of users.

It makes clear who is affected, how they are affected, and why existing approaches fall short. When a problem is framed in a specific and tangible way, investors can quickly understand its significance and assess whether solving it could justify the effort and risk of investment. A strong solution almost always rests on a problem that feels **real, costly, and hard to ignore**. In other words, will customers be willing to pay?



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9. Is your solution meaningfully better than existing alternatives, and can you prove it?

An incremental improvement over existing approaches may be commercially valuable, but it is not typically what investors are looking for. The threshold that tends to generate serious interest is a solution that is an order of magnitude more effective, cheaper, or faster than what currently exists: **not 10 percent better, but 10 times better**.

Beyond the headline claim, investors will also want to understand how this advantage is **sustained over time**. This includes demonstrating performance under relevant conditions, showing that the benefit is recognised by users, and explaining why it can realistically translate into adoption at scale.

Key consideration: intellectual property and freedom to operate

For science- and engineering-based ventures in the forest and bio-based sector, it is particularly important that **freedom to operate has been ascertained and intellectual property is clearly assigned to the company** rather than remaining with the institution, as ambiguity here is one of the most common issues to arise in investor due diligence.

Photo: Billy Freeman, Unsplash

10. Do you understand your competitive landscape, including what your potential customers currently do instead?

Claiming to have no competitors is rarely accurate and may be read by investors as a lack of market understanding. Every customer who might use your solution currently does something else instead: a competing technology, an older method, or simply not solving the problem at all. Mapping this landscape clearly is an important part of demonstrating that you understand the market and the buyer profile of your solution.

A thorough competitive analysis includes both current **technology-based competitors** and the **established approaches** that have served the market for decades. It also explains why your approach offers an advantage that well-resourced incumbents cannot easily replicate, and why they have not already done what you are doing.

Photo: Hans, Pixabay

PART 4
PREPARING FOR THE INVESTMENT PROCESS: BEFORE YOUR FIRST INVESTOR MEETING, BE READY FOR WHAT COMES AFTER.

11. Do you have a clear, well-reasoned funding ask?

When you approach investors, you need to be able to state clearly how much money you are raising, what you will use it for, and what it will enable you to achieve. Investors expect a specific, well-reasoned figure.

Equally important is the concept of **runway**: the number of months your company can operate on the funding raised before needing to raise again, typically planned at 18 to 24 months. Alongside this, you should be able to articulate the **specific milestones** this funding will allow you to reach and how many further rounds you anticipate before becoming self-sustaining.

Common pitfall: early dilution

Giving away too large a share of ownership in early rounds can make it significantly harder to raise subsequent rounds. Later-stage investors will look at your cap(italisation) table, a record of who owns what share of the company, and may be concerned if the founding team no longer owns enough of the company to incentivise them to keep performing at the level required.

Photo: Rodrigo Mendes

12. Have you researched the specific investors you are approaching?

Every investor operates within a **defined investment mandate**: certain sectors, stages, geographies and typical ticket sizes. Approaching an investor whose profile does not fit your objectives is a poor use of time for both parties.

Before making contact, verify that they invest in your sector, at your stage, in your region, and with a ticket size that matches your needs.

Practical consideration: investor capacity and support

During initial conversations, it is also worth **asking investors questions themselves**, as this signals professionalism and a clear understanding of the process.

This should include asking how far along they are in their current fund cycle, since a fund nearing the end of its investment period may have limited capital available, as well as what kind of practical support they can provide beyond capital. It can also be useful to ask them about their existing portfolio of companies and request reference calls with those founders they have already invested in.


Photo: scottnguyen, Adobe Stock

13. Is your documentation ready before you start, including a data room?

The investment process moves faster and more smoothly when founders come prepared. Before making first contact with investors, you should have at least three things in place:

- a **pitch presentation** of roughly 10 to 13 slides covering the essentials of the business (on top of this, the presentation may contain additional information slides to answer questions),
- a concise **supporting document** with key figures and projections (financials, input/output, customer/client potentials and prognostics, etc.),
- and a **data room**: a secure, organised repository (for instance in a cloud server) containing legal documents, contracts, team information, financial models and evidence of intellectual property ownership, etc.

The data room serves two purposes. First, it signals **professionalism**. Second, it is the location where every claim you make to investors will eventually need to be substantiated. Keeping it updated monthly (even when you are not fundraising) will save significant time when formal due diligence begins.

Practical consideration: sharing sensitive information

Some innovators worry about sharing sensitive business, technical, and financial information with investors. While investors need enough information to evaluate an opportunity, openness does not require disclosing every detail from the outset.

Founders should carefully consider **what information to share, when to share it, and with whom**, reserving more sensitive material for later stages of the process.

Many investors are reluctant to sign **non-disclosure agreements (NDAs)**. While having a simple NDA available can be useful, founders should not assume it will be signed and should avoid relying on legal protections alone. Careful management of how information is organised and shared remains essential.

14. Do you understand what due diligence involves, and are you ready for it?

Due diligence is the phase in which an investor systematically verifies everything you have told them. For investors, due diligence is an important part of their mandate; it protects them legally from litigation from the investors in their fund if an investment fails. It typically begins after a preliminary agreement has been reached and can last from several weeks to several months.

During this period, the investor will scrutinise your team, your technology, your financials, and your legal position. They may bring in external experts to assess technical claims and will review contracts, intellectual property assignments, and shareholder ownership records.

It is also the point in the process where **leverage shifts decisively from founders to investors**. Decisions, assumptions and claims made earlier, often during initial conversations or in the pitch, directly shape the terms you will later be asked to accept.

For this reason, the most important preparation for due diligence is **consistency**. The information you share in early conversations should match exactly what emerges during detailed scrutiny. Any discrepancy, whether an overstated milestone or an unsigned contract described as confirmed, can be used to push for a lower valuation or cause the investor to walk away entirely. Being **upfront and accurate from the beginning** is both ethically right and practically smart.

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15. Do you understand that the negotiation extends well beyond the valuation?

Valuation, meaning how much your company is worth and therefore how much the share of ownership that you give up for a given amount of investment is worth (conversely, from the perspective of the innovator: how much you need to give up to raise the amount of money you are aiming for), tends to dominate conversations about investment terms. But it is only one element of an agreement that contains many others, all of which affect your position as a founder. In other words, valuation is intimately connected to other terms.

Understanding the full range of terms before signing is essential. These comprise amongst others the following important terms:

Liquidation preference: determines the order and amount in which shareholders are paid if the company is sold. An investor with a 1× liquidation preference receives their original investment back before other shareholders receive anything. A “participating” preference means they receive their preference and then also share in the remaining proceeds, which can significantly reduce what founders receive in a moderate exit. These “preferred shares” are especially dangerous for founder exit proceeds if they are “stacked” through different investment rounds.

Anti-dilution protection: if a future funding round takes place at a lower valuation than the current one (a “down round”), anti-dilution clauses adjust the investor’s earlier share price downward to compensate, typically at the cost of additional founder dilution.

Reserved matters: a list of decisions the founders cannot make without investor approval, such as issuing new shares, taking on significant debt, transferring intellectual property, or hiring and firing senior management. These give investors governance influence even as minority shareholders and non-board members.

Drag-along rights: allow a majority investor to require other shareholders, including founders, to agree to a sale of the company at a defined price, even if those shareholders would prefer not to sell.

Seek independent legal advice, study comparable term sheets in your sector, and remember that a **higher valuation paired with more stringent protective provisions may leave you in a worse position** than a slightly lower valuation with less protective terms.

Key reminder: when funding is truly secured

An investment agreement is only final once the **funds have been received in your account**. Term sheets are typically not binding commitments, and deals can fall through at any stage of the process. While investors may request a degree of exclusivity during due diligence, **this does not guarantee that the transaction will close**. Therefore, it is important to continue operating your business and avoid relying on the deal until it has been formally completed.

Photo: Rodrigo Mendes

Looking ahead

These 15 questions are intended to help you clarify investor expectations, understand your current position, and identify gaps in areas that may still need strengthening before engaging in the investment process.

At early stages, investors assess more than ideas and technology; they also assess founders' judgment, decision making, and ability to communicate complexity with clarity. In a system where investors evaluate far more opportunities than they can fund, rejection should be understood as a common occurrence rather than an exception.

With this perspective, **each conversation becomes an opportunity to sharpen your positioning** and engage with investors more confidently and realistically.

Approached with a knowledge-building mindset, the process of preparation, reflection, and engagement prompted by these 15 questions are a key part of how investment readiness is built.

Resource: where to find investors active in the forest and bio-based sector

Dealroom, Tracxn and PitchBook are examples of a platforms that let you search start-ups, companies, and investors and filter by factors such as sector, stage, and geography. Searching terms such as "forestry", "bio-based", or "circular bioeconomy" can help surface funds that have already backed comparable companies, giving you a relevant and targeted list to work from. Studying which investors backed the companies you admire in your sector is **a practical way to build a focused target list**.

About this publication

The guide "15 questions every forest and bio-based innovator should consider before seeking investment" is drawn from the webinar series "Preparing early-stage innovations for investment readiness" delivered by EFI Bioregions in **collaboration with Jan Debets of META Group**, designed for researchers and early-stage innovators in the **forest and bio-based sectors**, with principles that apply broadly to **science based and impact oriented ventures**.

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EFI Bioregions

EFI Bioregions is a knowledge-led platform dedicated to accelerating the development of a sustainable forest bioeconomy in European regions. It is governed by a Multi-Donor Trust Fund, which provides joint funding for the network's activities. Member regions are represented equally in the steering committee, where they supervise, agree on, and evaluate the implementation of the work programme while ensuring alignment with regional priorities. The European Forest Institute (EFI) coordinates the Bioregions.

EFI Bioregions members

The Bioregions work would not be possible without the kind support and contribution of its member regions. Bioregions members include the Basque Country, North Rhine-Westphalia, Catalonia, the Austrian regions, and Castile and León. The observers include Flanders and the Committee of the Regions - NAT Commission (COR).

Meta Group

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