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INVESTMENT-READINESS IN THE CIRCULAR ECONOMY: A STEP-BY-STEP GUIDE FOR PROJECT OWNERS

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Purpose of this Guide

This guide is intended to support founding and management teams of early-stage circular economy businesses that have ambitions to raise capital for scaling and development. It serves as a general stepped process applicable to all types of circular business, spanning different maturity stages, business model types, and funding experience.

The guide begins by framing the challenge of accessing funding for circular economy ventures, recognising the structural disadvantages they face in economies and financial systems largely designed to support linearity. Part I of the Guide introduces all of the key distinctions relevant to discussions of investment readiness in the circular economy - maturity levels, circular business models, types of financing and types of funders. If you are familiar with each of these distinctions, you can move directly to Section Two, which is the more practical section of this guide. Section Two, the Funding Guide for Early-stage Circular Economy Businesses, is elaborated over three broadly sequential stages necessary for raising capital. The stages move from preliminary business necessities that are not directly related to finance, to developing the key financial documents needed to approach investors, before detailing some considerations about investor identification and outreach. Within each of the three stages there are a number of steps to consider. Unlike the three stages, the steps within them are not expected to be chronological nor sequential, and they will be more or less relevant depending on the funding route taken.

Rather than identifying actual funders or investors with whom to engage, the central purpose of the guide is to advise on a logical funding route and to ensure adequate preparation to successfully navigate funder due diligence processes, to convince prospective funders that your business is sound and has strong potential. To do so, it positions a document checklist as the key point of reference. Each step in Section Two highlights the documentation that should be developed following its completion. Having determined the funder profile that you intend to target, the document checklist should be referenced to understand what you will be required to produce when engaging with this profile. This guide is designed to be used primarily by for-profit circular economy projects, startups, ventures and SMEs. It was developed through direct experience working with a multitude of such businesses, direct interviews with a range of investor profiles, and desk research.

What is CircularInvest

CircularInvest is an initiative designed to address the demand-side of the circular economy financing challenge, helping project developers and entrepreneurs build the capacity to secure the resources needed to scale and sustain impactful businesses. Through tailored support, CircularInvest has worked with projects across different sectors and maturity levels to strengthen business models, refine investment propositions, and connect with relevant financiers. This guide distils the knowledge and insights gathered during the delivery of the programme into a practical manual, offering circular economy project owners concrete tools and strategies to navigate the complex investment landscape and improve their readiness for funding.

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Part I

Investment Readiness in the Circular Economy Context

Framing the challenge

The European Union's Circular Economy Action Plan[1] (CEAP), positioned in 2020 under the European Green Deal, determined Europe's intentions in regard to the circular economy. The introduction of a package of policy initiatives represented a critical juncture in circular economy policymaking, as the first comprehensive attempt to shift Europe's economy towards products that are designed to last and systems that reuse resources by holding producers accountable for the full lifecycle of what they put on the market. More recently, the proposed EU Circular Economy Act[2], as part of the new Clean Industrial Deal, intends to foster more accommodating markets for circular products, with the core determined goal to unlock investment in the technologies and infrastructure that will power Europe's sustainable transition.

Recent research has shown that the CEAP was effective in scaling investment into the circular economy,[3] with investment volumes in the three years following its introduction 62% higher than in the three years prior, but this impact was not felt equally for all types of circular economy businesses. Globally, the circular economy suffers from a pronounced 'valley of death' in regard to scale up funding (Figure 1). Very early-stage funding is quite readily available for circular ventures, through grants, accelerator programmes and some angel investment, while debt financing becomes relevant for those businesses that are able to scale to a point of bankability. There is however a 'missing middle,' in that relatively little investment is made in the critical scaleup phase when businesses begin generating revenue but not at levels sufficient to fund growth. The existence of this phenomenon is a significant barrier to scaling the circular economy, as it means that critical innovations are unable to reach self-sustainability and maximise their impact potential as a result.

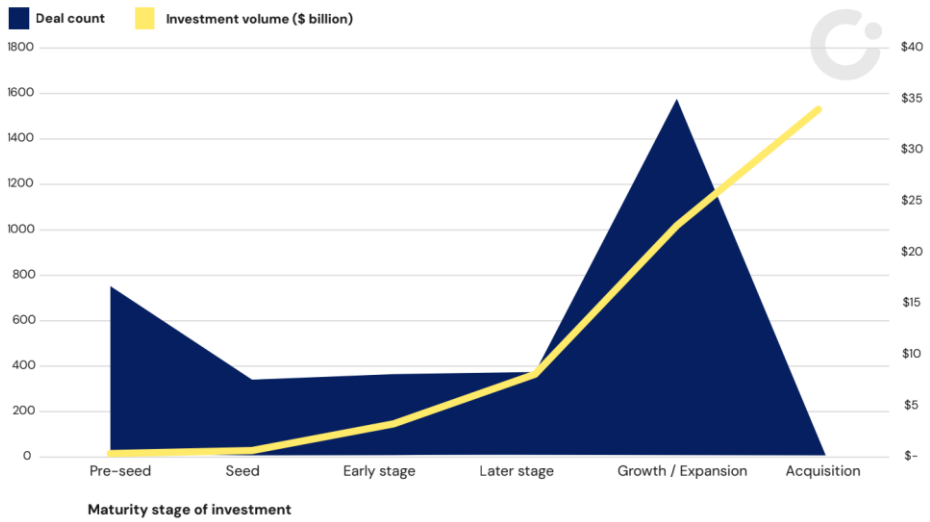

FIGURE 1: A CIRCULAR ECONOMY 'VALLEY OF DEATH' - GLOBAL INVESTMENT FIGURES IN THE CIRCULAR ECONOMY (2018-2023) - SOURCE: CGR FINANCE, 2025

Many of the major factors as to why this funding gap exists rest on the 'supply side' of the financing challenge. Available funding for European circular economy ventures is shaped by structural features of Europe's financial system and the investment culture that underpins it. Europe remains a bank-based economy, where venture capital is comparatively underdeveloped and constrained by regulatory limits on support from large institutional investors. Even where VC is available, liquidity has tightened in recent years and exits have become more sparse - investors typically prioritise highly scalable digital ventures with swifter payback prospects, otherwise looking to more mature growth-stage businesses.[4]

Against this backdrop, circular economy businesses are often perceived as unattractive - compared with digital technologies they typically deploy material innovation, which can take a long time to get to market, or business model innovation that doesn't often scale by double-digit orders of magnitude. The large upfront investment requirements and longer time horizons can put off risk capital, while widespread subsidies for linear industries further undermine the competitiveness of circular models. It is important to acknowledge that these dynamics leave circular startups at a structural disadvantage when it comes to raising capital at critical stages of growth.

However, 'demand side' factors also play a key role. On the other side of the equation, investors regularly point to a shortage of 'investment-ready' circular economy opportunities. Circular ventures frequently rely on novel revenue models, multi-stakeholder partnerships, and complex value-chain coordination, all of which can fall outside the considerations of standard financial assessment methodologies. Their business cases may involve recurring revenue models, longer payback periods, infrastructure dependence, or reliance on regulatory tailwinds, all of which heighten the perceptions of risk. In product as a service (PaaS) models the risk also shifts onto the producer, who retains the assets on the balance sheet. For circular entrepreneurs navigating the challenging world of finance, it is critical that they are able to tap into the motivations of investors, alleviate concerns about the associated risks of circular models, and acknowledge the unique challenges they face to develop funding strategies that maximise their chances of raising capital. It is these demand-side factors that this guide seeks to address.

Understanding investment readiness

Investment readiness typically refers to how prepared a business or project is to engage with investors and secure funding from external sources for development and scaling. There is no one definition of investment readiness, and as this guide will elaborate, it depends on specific variables such as the maturity stage of your business, the circular business model, the type of funder and the type of funding sought.

In most cases, it encompasses both the internal capabilities of the business and the ability to clearly communicate the opportunity externally to potential investors. Preparedness therefore relates to both the specific processes and requirements necessary to legally raise capital, but also to the many and varied details and documents needed to successfully navigate the competitive financing landscape and secure investment of some form. For a business, concept or project to be considered investment-ready, it should demonstrate a clear and credible plan for using investment to achieve its growth and (in the context of sustainability) its impact goals, while also offering an appropriate return or outcome for the investor. Most fundamentally, it means that the perceived risk-return ratio is palatable enough for a given investor to entrust your idea with their money.

On a more practical level, investment readiness relates to the ability of the leadership team to identify and meet the expectations and requirements of the specific profile of the investor most relevant to their proposal. There are different facets to this:

- Internally, it means having a robust business model, a capable team, transparent financial systems, and the relevant processes in place to receive and manage capital in service of determined objectives.
- Externally, it requires presenting a compelling investment proposition - one that clearly defines a purpose and ambitions, how much capital is needed to achieve them, what it will specifically be used for, what the investor can expect in return, why the team is the optimal one to make the vision a reality, and critically an honest awareness of the risks to which you're exposed and a clear plan on how to mitigate them.
- In the circular economy, however, investment readiness goes beyond commercial fundamentals. It includes the ability to articulate environmental or social value, demonstrate effective circular business strategies, and often an ability to align with the expectations of mission-driven or catalytic capital providers.

The CircularInvest programme was developed on the premise that investment readiness is uniquely challenging for circular economy ventures, and that this inhibits the scaling of necessary circular economy innovation.

Where myriad investment readiness guides exist generally, this is not the case for the circular economy, where the first of its kind was released only in early 2025.[5] While this guide will ensure coverage of all necessary considerations required in the capital raising process, its particular contribution will be in providing context-specific insights for circular economy projects looking to navigate the persistent barriers to investment they face.

Key factors in investment readiness and their relevance in the circular economy

i. Business maturity level

Circular economy ventures typically follow the same investment journey as conventional startups, but with distinct challenges shaped by technical complexity, ecosystem dependencies, and impact considerations. The stages below outline how CE startups mature, what investors expect, and how product-market fit (PMF) evolves along the way.

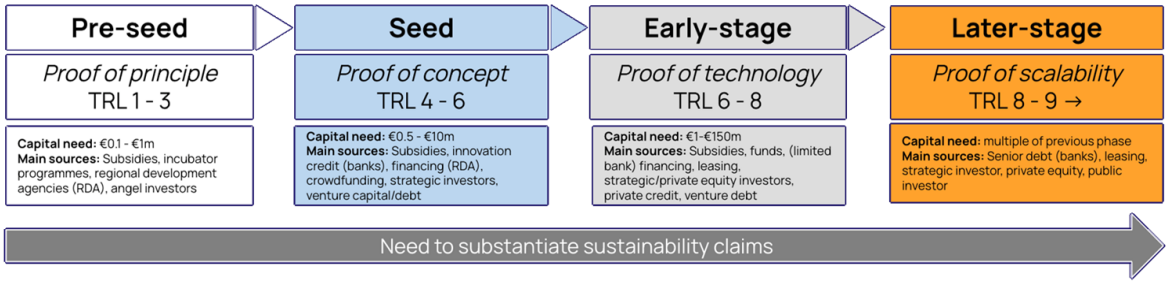

FIGURE 2: MATURITY STAGE OVERVIEW - THE MORE MATURE YOUR BUSINESS, THE HIGHER BURDEN OF DUE DILIGENCE TO SUBSTANTIATE SUSTAINABILITY CLAIMS

Pre-seed

At the pre-seed stage, ventures are working on a concept or early prototype, often with limited technical validation and no incoming revenue - the Technical Readiness Level (TRL) would typically be 1-3.[6] Activities here might include feasibility studies, material testing, and early stakeholder engagement with supply chains, municipalities, or industry partners. In the absence of demonstrable track record, founders are expected to show strong qualitative signals of demand through market research, stakeholder feedback, survey data, or expressions of early interest.

Investors make decisions largely on the perceived potential of the business model, the strength of the team, and the alignment with impact objectives such as waste prevention, resource substitution, or climate innovation. Funding is usually sourced from friends and family, public R&D grants, angel investors, or accelerator programmes, with average ticket sizes of USD 500,000 /EUR 423,00 (CGR Finance, 2025). Ensuring enough pre-seed capital to demonstrate proof of concept is often a good barometer for how much you need.

Seed

Seed-stage ventures typically have a functional prototype and are testing solutions in real-world contexts, spanning TRL 4-6. Early traction might include partnerships, pilot projects, signed letters of intent, or first revenues. At this stage, product-market fit must become significant and must be more tangible - investors look for consistent usage, early retention signals, and evidence that customers find value in the solution.

Metrics such as cohort retention, repeat purchases, or early sales growth begin to matter. The capital raised, typically from angels, early-stage VCs, blended grant-equity funds, or accelerators, averages around USD 2 million / EUR 1.7 million in the circular economy (CGR Finance, 2025). It is typically used to refine the commercial model, hire key staff, strengthen production or operations, and scale pilots into early commercial deployment.

Early Stage (TRL 6-8)

Early stage refers to businesses less than five years old, usually raising Series A or B rounds with a TRL anywhere from 6-8. By this point, ventures are expected to demonstrate reliable revenue streams, scalable operations, and a proven impact model. Product-market fit should be clearly established, with strong growth, retention, and meaningful usage all demonstrable, with retention curves flattening and customers consistently returning.

For CE ventures, this may translate into long-term contracts, recurring supply agreements, or robust material recovery flows. Institutional investors, mainly venture capital funds, become the primary source of capital, with average ticket sizes around USD 9 million / EUR 7.6 million (CGR Finance, 2025). Funds are used to scale operations, expand into new geographies or verticals, strengthen governance, and build infrastructure such as reverse logistics or material recovery systems. At this stage, investors scrutinise unit economics, governance, and regulatory readiness more closely, particularly given CE's dependence on policy and ecosystem coordination.

Later Stage (TRL 8+)

Later stage ventures are typically older than five years, with TRL 8+ and with established operations and presence across multiple markets or geographies. Funding rounds at this stage support major expansion, capital expenditure, or vertical integration, with the ability to sustain it under rapid growth and across new markets the major challenge. For CE businesses this often means proving that impact models scale effectively without margin dilution or mission drift. Investors will also look for resilience against regulatory shifts, supply chain volatility, or environmental externalities. Financing increasingly includes debt alongside equity, with average ticket sizes of around USD 21.5 million / EUR 18.2 million in the circular economy (CGR Finance, 2025).

ii. Types of circular business model

Circular economy startups not only differ by maturity stage, but also by the type of business model they employ. Though often overlooked in circular economy finance considerations, the business model distinction matters - different models imply quite different capital needs, risk-return profiles, and investor expectations. The value hill framework identifies three main circular business model (CBM) categories, depicted in Figure 2.

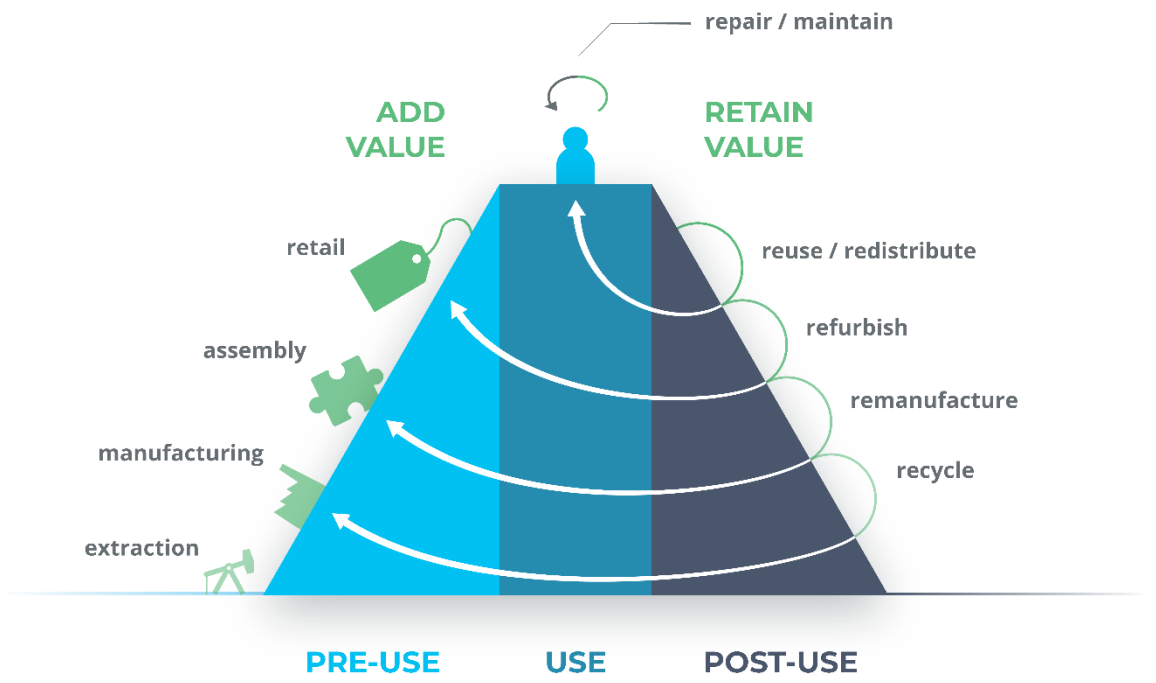

FIGURE 3: CIRCULAR BUSINESS MODELS MAPPED ON THE VALUE HILL - SOURCE: CGR FINANCE, 2025

Design & Production

Design & Production models refer to upstream interventions that embed circularity into products and processes, examples include modular and repairable product design, materials substitution (recycled or bio-based inputs), design for recycling and traceability, and regenerative production methods. These models typically have the most potential to reduce total virgin material demand and support systemic change. In practice, however, material innovation often depends on niche secondary feedstocks, long R&D cycles, and industrial scale-up steps that require coordination with manufacturers and buyers.

CGR Finance finds Design & Production receives the smallest share of commercial investment of the circular business models (≈8%), despite its impact potential. Because of long technical risk horizons, uncertain early revenues and complex supply-chain

coordination, Design & Production ventures are more likely to rely on public R&D grants, innovation programmes, and impact-focused early-stage investors. Early equity funding is available but concentrated among specific business models with substantial regulatory tailwinds, demonstrable climate impact, and large growth potential. Traditional banks and mainstream debt providers are typically not relevant until product yields, feedstock and offtake are proven.

Use models

Use models extend the utility and lifetime of assets via leasing, subscription or sharing platforms, repair/refurbishment and remanufacturing. From a CE perspective they are important because they keep value circulating longer, shift incentives from throughput to utilisation, and can materially reduce resource demand. Use models mix attractive recurring-revenue with significant upfront capital requirements - the company often retains ownership of the asset stock and therefore has significant need for both capital expenditures to procure assets and operating expenditure for repair services.

CGR Finance shows Use models receive comparatively substantial funding (≈42% of circular business model investment), with private equity and venture capital showing stronger interest in scalable digital or marketplace iterations (e.g. second-hand electronics marketplaces). More traditional service models (repair co-ops, local remanufacturing) are labour-intensive and often operate at smaller margins, making them less appealing to mainstream equity investors unless they can demonstrate high retention, unit economics and scalable channels. Significantly, research findings show that prominent transition instruments (green loans, sustainability-linked loans) fail to support Use models, where eligibility criteria do not yet adequately allow for the inclusion of service models. Proving retention, lifetime value, repeat contract rates and strong operational systems (reverse logistics, maintenance capability) is key to unlocking both equity and debt for Use models.

Recovery

Recovery models operate downstream to undertake collection, sorting, material recovery, recycling and other value-adding uses of waste or biomass. From a circularity standpoint these are essential for closing loops and recovering value from waste streams, reducing landfill, pollutants and some virgin extraction through secondary material use. Financially, Recovery tends to look more like infrastructure or industrial projects, with heavy capital expenditure, facilities, and long payback profiles, but often with stable cash flows when feedstock supply and offtake are contracted.

CGR Finance documents that Recovery receives the largest single share of circular business model investment (≈50%) and that banks and credit providers are the dominant backers here, with debt a natural fit to asset-backed, cashflow-predictable operations. However, Recovery models are impacted by price competitiveness with virgin materials and rely on both regulatory support and access to feedstock, all of

which shape the finance structure. Typical capital stacks combine project or asset finance, bank debt, and sometimes Development Finance Institutions (DFI) or concessional capital to bridge first-mover operational risk. Because margins can be thin, demonstrating secured feedstock, offtake (or integration into producers' supply chains) and scalable sorting/processing yields is decisive for lenders.

iii. Types of financing

It is not just characteristics of your business that impact investment readiness. Accessing diverse types of finance comes with significantly different requirements, expectations and implications for ownership and control of your company. It is critical to understand the distinctions between different financing strategies and how they align with your interests and ambitions as a founder.

Grants

Grants are non-dilutive funds typically provided by public bodies, philanthropic foundations, or challenge funds to support innovation, impact, or development. They are especially well suited to early-stage circular economy ventures because they allow founders to de-risk projects by funding technical validation, pilot projects, or business model testing before taking on other forms of investment. Grants often come with technical assistance, for instance through accelerators or incubators, and can also be layered with other forms of funding as part of a capital stack.

The key advantage of grants is that they do not dilute ownership and are often designed to support impact, making them particularly relevant to climate, circularity, and social initiatives. In Europe, programmes such as Horizon Europe, LIFE, and the European Innovation Council prioritise circularity to some extent, although they can require multi-actor consortia or other specific eligibility criteria. The main disadvantages of grants are their often slow and highly competitive nature, with extensive application processes and low success rates. Grants can also be tied to pre-approved activities and timelines and so limit valuable flexibility in the early stages of development. They also often require matched funding, or are reimbursed rather than paid upfront, putting pressure on short-term cash flow. Monitoring and reporting burdens are significant, which can strain small teams without dedicated administrative support.

Grants work best for technical R&D, pilot demonstrations, and critical risk mitigation; they should be used to create evidence that reduces unknowns and alleviates perceived concerns for later investors. It is important to build administrative capacity and plan for interim liquidity when pursuing grants.

Equity

Equity involves selling an ownership stake in your business in exchange for capital. For many ventures, this is the most flexible form of finance, as it imposes no debt burden or fixed repayments and allows funds to be used across a wide range of activities with minimal reporting requirements. For equity investors, scalability is the single most important characteristic, they want to see a team and model that is willing and able to scale fast and sell.

Equity investors often bring additional value through mentorship, networks, and credibility, which can accelerate growth. However, the trade-off is dilution - founders cede a portion of ownership and influence, and investors typically expect rapid scaling, high returns, and a clear exit pathway. The due diligence process can also be time-consuming and costly. For circular economy ventures, equity can be both an opportunity and a constraint. Public equity providers, such as the EIC Fund or the Circular Bioeconomy Fund, play a more prominent role in the EU, while private impact investors can be highly selective and often have much the same growth expectations as traditional VC investors. For CE models with long payback periods, shared-value structures, or significant infrastructure or regulatory requirements, conventional venture equity can be a poor fit, as these characteristics do not align well with the rapid growth and scalability typically sought by mainstream investors.

Equity is most suitable when the business model can generate asymmetric returns, such as through platform models and other rapidly scalable software solutions. When courting equity, it's important to translate circular impact into scalable KPIs investors value, but be cautious, as trying to force a CE model into standard VC growth expectations can be over ambitious or at odds with impact objectives.

Debt

Debt finance allows companies to borrow funds that must be repaid with interest, making it non-dilutive and enabling founders to retain ownership and control. It is generally more cost-effective for mature businesses with steady revenues, as repayment terms are predictable.

For circular economy businesses, debt can be an attractive option once operations stabilise and recurring cash flows are demonstrable. When stacked with equity, it has the added benefit of boosting the 'internal rate of return' (IRR) for the equity investors involved, increasing the attractiveness for them to invest. However, debt is typically inaccessible to pre-revenue startups, as lenders require proof of repayment capacity and often demand collateral, which many CE ventures lack. Banks are particularly risk-averse toward unproven or unconventional models, which describes many examples of circular economy business models in the Design & Production and the Use phases. Fixed repayment obligations also create cash flow risks for young companies.

EU mechanisms such as InvestEU, InnovFin, and DFI funding aim to address this gap by offering concessional loans and guarantees for high-impact or circular businesses, and convertible loans may sometimes be available at earlier stages. Even so, debt finance is usually better suited to later-stage companies, especially those where

infrastructure can act as collateral or long-term contracts and predictable cash flows de-risk repayment.

Within debt, it can be useful to consider leasing or asset finance to avoid upfront capital expenditure, and explore revenue-based debt where repayments flex with receipts. Project finance is another category of debt typically used for large circular infrastructure projects like production sites or recycling facilities, while venture debt funds can be willing to engage at earlier stages or lower ticket sizes than commercial banks. All of these options require strong offtake proof or other contractual arrangements such as public guarantees and feedstock contracts.

Revenue-led or corporate finance

Revenue-led growth is a non-financing route where ventures avoid raising external capital altogether and instead grow organically by gradually building partnerships, operating pilots, and embedding themselves into supply chains to scale through their own revenue. This pathway allows growth without dilution or debt, and revenue traction itself becomes a powerful signal of market validation, helping to attract potential investors later on if needed. It also avoids the need to reshape business models to fit investor or grant requirements.

Alongside pure revenue-led models, corporate funding can play an important role in supporting early circular ventures - particularly those aligned with a larger company's innovation, sustainability, or supply chain goals. This support may come in the form of accelerator programmes, strategic partnerships, or direct investment. Corporate funding is often less complex to secure than venture capital and can more readily provide operational or working capital support for later-stage ventures. Early-stage corporate partnerships may also offer technical validation, access to facilities, or market entry opportunities that would otherwise be difficult to secure. However, such arrangements can come with trade-offs: corporates may seek strategic influence, exclusivity, or eventual acquisition, and ventures can become closely tied to a single brand identity that shapes their future trajectory.

Revenue-led and corporate-supported growth both sit somewhat outside conventional "investment readiness" frameworks, but they can be highly strategic for circular economy startups - especially those that rely on steady partnerships and value chain integration rather than rapid, investor-driven scaling, and where access to conventional capital remains a persistent challenge.

Alternative forms of finance

Community finance involves raising capital directly from communities, customers, or small-scale local investors through mechanisms such as reward or equity crowdfunding, cooperative ownership, or local bonds. Its advantages include building local buy-in and demand-side validation, creating loyal customer bases, while offering patient capital and favourable terms. However, it also has limitations - it is typically limited in scale and can be resource-intensive to run due to campaign management and regulatory compliance. It typically wouldn't provide follow-on capital at the volumes required for industrial scaling, for example.

In the circular economy, community finance works particularly well for place-based initiatives such as repair cafés, local reuse hubs, and community recycling schemes, or for signalling market demand to future investors. Crowdfunding can be structured to capture customers as investors, improving retention, while cooperatives are useful when local control over material flows or labour is strategically important. For larger-scale projects, a hybrid approach combining community finance for engagement with institutional capital for scale is often most effective.

iv. Types of funders

Finding the right funder is perhaps the most daunting part of any fundraising journey. Often in fear of not accessing finance at all, founders may settle for a funder where the fit is in fact not a great match for the motivations of the venture, and problems can arise down the line. It is important to recognise your own value, and that investing is a mutually beneficial relationship. Just as a funder will undertake due diligence before releasing any money, it is important to adopt a similar approach when choosing your funder.

Both the previously cited PREVENT Waste Alliance and Circle Economy reports have outlined key differences between funder profiles and how they impact circular economy financing. The table below is a high-level overview of these two reports designed for ease of use, it details the different motivations, risk appetite, investment size, process and type of businesses funded. Throughout a startups life and funding journey it is highly probable that different funder types will be relevant and encountered at different stages.

Table 1 is intended to provide a practical means of determining suitability of different funder types to the type, stage and motivations of your business. It will become a particularly relevant point of reference during stage two of this guide, developing the funding strategy.

Funder type	Pre-seed	Seed	Early stage	Later stage	Beyond	Key motivations	Risk appetite	Average ticket size (€)	Funding process	Instruments	Circular business models
Crowdfunding						Often future customers or others with a vested interest in the business succeeding	**High:** Typically aggregates very small ticket sizes from individual investors	10k–600k	Platform-based investment from a pool of investors; small contributions from the network, with a platform fee	**Equity** or donations, depending on whether the approach is reward-based or equity-based	Variable but well suited for consumer-facing **Use and Design** models
Accelerators & incubators						Pipeline and ecosystem building; corporate scouting; impact objectives; provide market or pilot access	**Very high:** Typically involve technical assistance for high-impact projects	Primarily technical support with small additional grants in cases	Cohort-based selection: application, selection, programme delivery, and funding	**Grants**	All, though **Design** & **Production** models are less disadvantaged than with other funder types
Angel investors						Own funds so expect substantial financial return, but often more passion-led than VCs and typically engage in businesses of thematic interest	**High:** Tolerate pre-revenue or product risk	20k–100k+	Quick and relationship-driven: direct introductions, light due diligence, decisions in weeks to months	**Equity**, convertible notes, SAFEs	Early **Design & Production** prototypes and **Use** models with clear unit economics
Government programmes						Support innovation to meet policy aims such as economic development, job creation, and environmental targets. Can be regional, national or multi-national	**Medium**: Commercial risk appetite; grants tolerate high R&D or pilot risk	5k–5m+ depending on the programme	Competitive calls and proposal rounds requiring applications, KPIs, and compliance; long lead times (3–12+ months)	**Grants**, technical assistance and challenge funds	More willing to support **Design** & **Production** (R&D, pilots) and **Recovery** where public benefit is clear
Venture capital (VC)						Financial returns swiftly and at scale; may include impact objectives but these are secondary	**Medium–High** for early-stage; **Medium** for later-stage VCs	0.2m–20m (depending on round)	Structured diligence: pitch, screening through relationships, due diligence, term sheet, legal close (typically 3–6 months)	**Equity** (preferred shares), convertible notes, SAFEs	Strong focus on scalable **Use** models; some upstream **Design** & **Production** investment in disruptive material substitution

Table 1: Funder types - Overview table

Family offices	Preserve and grow wealth while creating long-term positive impact; often purpose-led or thematic	**Medium:** More flexible time horizon than VC; values mission alignment	0.5m–50m	Relationship-based; lighter diligence, patient capital, often co-investing alongside funds	Flexible **equity** or **debt;** sometimes direct project investment	Strong across **Design**, and **Recovery** models
Development Finance Institutions (DFIs)	Development impact, market creation, and catalytic capital; blend impact with financial sustainability	**Low:** Required to maintain credit rating but willing to sacrifice returns for impact	5m–100m+ for business lending, with smaller instruments in some cases	Formal concept note, rigorous due diligence, investment committee; long approval cycles (6–12+ months)	**Debt**, **equity**, guarantees, blended finance, and technical assistance (sometimes grants)	Heavy investment into **Recovery** infrastructure and some **Use** models
Non-bank credit providers	Seek yield and downside protection; typically have some thematic focus and charge higher interest to offset increased risk	**Low–Medium:** Focus on predictable cash flows and collateral	50k–100m+	Structured and negotiated processes; due diligence but slightly faster execution than banks	Project and venture **debt,** asset leasing	**Use** and **Recovery** models with stable revenues or asset backing
Commercial banks	Interest income, client relationships, and risk mitigation; some sustainability lending	**Low:** Prefer predictable cash flows and assets as collateral	50k–100m+	Formal loan application, credit underwriting, and approval; green loans require KPI reporting	**Debt:** term loans, working capital facilities, green and sustainability-linked loans, asset leasing	Strong tilt to **Recovery** where assets are leveraged, and **Use** where revenue is predictable
Private equity (PE)	Buy controlling stakes and scale through operational improvement, cost cutting, and consolidation; target strong financial returns from exits.	**Low:** Appetite for established ventures with proven cash flows.	10m–1bn	Rigorous due diligence and deal structuring; long processes (months), often using leverage	**Equity** (majority stakes), leveraged buyouts (debt + equity)	Mature **Use** and **Recovery** businesses

Table 1: Funder types - Overview table

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Part II

Funding Guide for Early-stage Circular Economy Businesses

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Using this Funding Guide

Setting up, developing, and acquiring funding for an early-stage venture is a varied and lengthy process with many variables - there is no set right or wrong way to do it, and in reality, the different aspects involved do not necessarily occur in a logical order. As such, the various elements of investment readiness are positioned here across three broad steps. These three steps will be sequential in most cases, but the different elements within each step may take place in parallel or in entirely different orders to how they are presented here, depending on the context in which you are operating.

All steps outlined involve the creation of various documents relevant to raising capital. This Funding Guide therefore centres around a document checklist, below. Readers are advised to familiarise themselves with each of the documents in this checklist prior to engaging with the guide itself, as the documents are mentioned throughout. At the end of each step, the relevant generated documents are detailed. The documents are as follows:

Executive summary (Step 1.1): A 1–2-page concise overview of your business to quickly communicate the opportunity, model, financials, and funding ask.

Incorporation and other legal documents (Step 1.2): Legal proof of company existence and governance that confirms shareholder rights and board structure. Intellectual property rights and patents if relevant

Cap table (Step 1.2): Current ownership, equity splits, and convertible instruments to clarify dilution, investor stakes, and future fundraising implications.

Term sheet (Step 3.1): Headline terms for a potential investment (valuation, ownership/control rights, liquidation preferences, etc.) to anchor negotiations and align expectations with investors.

Material supply and customer demand contracts (Step 1.3): Evidence of demand and supply through offtake/LOIs and feedstock agreements; pilot agreements and TCO comparisons can be included to demonstrate traction and competitiveness.

Impact framework (Step 1.4): A concise system for defining and tracking environmental/social impact (theory of change, material issues, KPIs, baselines, targets, reporting cadence)

Use of funds (Step 2.1): Breakdown of how funding will be spent by tranche and activity, tied to risk-reduction milestones and (where relevant) impact KPIs.

Financial model (Step 2.3): Forward-looking forecast (P&L, balance sheet, cash flow, unit economics, sensitivities) showing growth potential and capital needs, adapted for circular specifics.

Business plan (Step 3.1): A detailed report synthesising market sizing and strategy, team details, risks analysis, impact thesis, and the financial model into one coherent narrative for investors.

Historical financial statements (Step 3.1): Organised past results (income statement, balance sheet, cash flow) with notes, consistent with projections to support diligence; audits required at later stages.

Pitch deck (Step 3.1): A short visual presentation telling your company's story and detailing the problem, solution, market, traction, team, and financial snapshot, ending with a clear ask.

Figure 5, the document checklist, then lists the above documents in a matrix, denoting the different expectations of different funder types in regard to each document. This checklist highlights how 'investment-readiness' is not a one-size fits all approach, but rather one that is highly dependent on the funding route taken.

As Part I details, the logical funding route for circular economy businesses itself depends on both the maturity level of your business and the circular economy business model deployed, as well as the motivations of the founders. Useful tools for determining this funding route are detailed in Step 2.2: Determine the optimal funding strategy. Once you have completed this step, it will become clearer to you which funder profile you will likely be targeting, and therefore which further steps and which documentation you should be prioritising. The step in which the associated document is created is detailed in the table.

While not an exhaustive list and noting that other documents are mentioned in this guide, the document checklist covers the core expectation of most funder profiles.

Category	Document	Crowdfunding platforms	Accelerators & incubators	Angel investors	Government support instruments	VC	Family offices	Non-bank credit providers	Banks	PE	DFIs
Core Business	Pitch deck	Must	Must	Must	Expected	Must	Must	Expected	Expected	Must	Expected
	Executive summary	Must	Must	Must	Must	Must	Must	Must	Must	Must	Must
	Business plan	Optional	Expected	Expected	Must	Expected	Expected	Must	Must	Must	Must
Financial	Use-of-funds	Expected	Must	Must	Must	Must	Must	Must	Must	Must	Must
	Financial model	Sometimes	Must	Must	Must	Must	Must	Must	Must	Must	Must
	Historical financials	Optional	Optional	Expected	Expected	Must	Expected	Must (audited)	Must (audited)	Must (audited)	Must (audited)
	Cap table	Must (equity campaigns)	Must	Must	Expected	Must	Must	Expected	Expected	Must	Must
Legal & Governance	Incorporation and other legal documents	Must	Expected	Must	Must	Must	Must	Must	Must	Must	Must
Operational & Commercial	Supply and demand contracts	Optional	Optional	Optional	Sometimes	Expected	Expected	Expected	Expected	Must	Must
Impact & Circularity	Impact framework	Optional	Optional	Optional	Expected	Expected	Expected	Optional	Optional	Optional	Must

Figure 5: Document checklist - An overview of the expected level of documentation for each funding type

1 STEP 1. Preparing the business foundations and growth strategy

1.1. Elaborate your business strategy and clarify your value proposition

Write out your motivations

No entrepreneur sets out to start a business purely for the thrill of raising investment. Investment is a means to an end and in reality, there are a number of exciting development steps in the startup journey before raising investment becomes a concern. In many cases, the longer you can operate without needing to raise, the better.

Of course, most founders expect to raise at some point, and an often overlooked but important early step is to ask yourself why exactly you started the business in the first place. As you scale and seek financial support, this should be one of the determining factors in the type of funding path you take. Are you a serial entrepreneur that will want to try your hand at something new in 5 years time, or is it an ambition to spend your life growing and leading this business? Do you feel comfortable with rapid scaling and growth or ceding ownership to other people? Are you willing to meet the often-extensive requirements of a large public grant provider, that in some cases may differ from your strategic priorities?

Before considering any financial implications, it is important to be steadfast on your own ambitions and expectations, and how well they align with the different funding routes you could later take. Writing a short statement that captures your primary intentions for starting a business can be a useful point of reference as things develop.

Key considerations to consider and the funding route they concern:

- **Grants / public programmes:** Do you meet TRL requirements, are you willing to join a consortium, and are you comfortable with co-funding or long admin timelines?
- **Equity (angels, VC):** Can you plausibly grow 5–10x (or more) in 3–7 years, and are you comfortable surrendering control? VCs especially expect exit pathways.
- **Debt:** Are you willing and able to make regular repayments to a lender? Do you have reliable revenues, binding offtake, or collateral? If not, debt will be expensive or impossible.
- **Revenue-led / strategic partner routes:** Are you comfortable and able to build slowly through interpersonal relationships and partnerships? Do you have the financial resources to do so?

Problem–solution fit

A compelling business case begins then with a clear articulation of the problem it seeks to address. This should be reasoned first and foremost from your intended target customer's perspective. The problem does not necessarily need to be framed solely in environmental terms, it could be inefficiency, inconvenience, cost, or a pressing market failure that gives your solution relevance and urgency. The key is to identify your customer or client's specific 'pain' - in terms of the challenge or constraint they face - to then show clearly what they stand to 'gain' from your solution. Later down the line, funders will look for evidence that the challenge you describe is both significant and timely, and that your solution is capable of meeting real and growing demand. The stronger your argument that the problem is unavoidable and increasingly material to your customer base, the more weight your solution will carry.

For circular economy ventures, defining the solution in relation to established circular principles such as reuse, resource recovery, durability, or design for disassembly helps classify the business within recognised frameworks. Prominent frameworks here include the IFC Harmonised Circular Economy Finance Guidelines[7] or the EU Categorisation System for the Circular Economy.[8] Positioning yourself within these categories provides funders with a familiar point of reference and makes it easier for them to qualify the investment as 'circular' and give it the green light - they are regularly use in the application processes for grants and accelerator programmes too.

Determine your business and growth strategy

Once the problem–solution fit is clear, the next step is to determine how the business will grow to deliver that solution at scale. This is where you translate your concept into a coherent business and market strategy, outlining what must happen in the next months and years for the venture to become financially sustainable and investment ready.

Start by defining your core business model: how you create value, how you deliver it, and how you capture it as revenue. In the circular economy, this means identifying whether you will sell products, provide access through a service model, or monetise recovered materials. Your chosen model determines the cost structure, financing needs, and rate of growth that are realistic. A subscription or leasing model, for instance, grows differently from a recycling facility or materials-innovation startup.

From here you can articulate your growth pathway. Later down the line this will help you develop your funding ask, but investors will also want to see that you have a clear vision of how the business should develop.

A clear pathway includes:

Short-term priorities (next 12 months): key milestones that prove viability such as completing pilots, finalising a first customer contract, or securing product certification.

- **Medium-term goals (2–3 years):** scaling activities that build revenue and capacity - expanding production, entering a second market, or automating processes.

- **Long-term vision (3–5 years):** the point at which the business achieves operational stability and can attract larger institutional investors or commercial debt. This is less important to map out in detail.

When planning this trajectory, recognise that growth is not only about size but about strategic fit. Circular economy ventures often grow through partnerships, licensing, or local replication rather than linear scale-up. Clarify whether your ambition is to grow organically or integrate vertically within a value chain. Each option implies different financing needs, governance structures, and risk profiles.

You should also identify key enablers and constraints. What resources, skills, or partnerships will be essential for the next stage of growth? Which regulatory, technical, or market barriers could slow you down, and how will you address them? These are the risk factors that investors will be expecting you to 'peel' away as you grow. Mapping these factors early strengthens credibility with investors, who will be looking for evidence that you understand both your internal capacity and the external conditions shaping your market.

Finally, link your growth strategy back to your mission and ownership ambitions. Rapid scaling via a digital solution might bring faster growth but may erode your impact. Slower, revenue-based growth might better preserve your founding vision more effectively and nurture valuable relationships with value chain partners. There is no single "correct" growth model, what matters is that your strategy aligns with your purpose, your capacity, and the specific circular challenge you aim to solve.

Look beyond circular value

Despite the growing prominence of circular economy discourse, the majority of funders do not evaluate opportunities primarily through a CE lens, nor do they apply circular-specific criteria to their assessment processes. For this reason, it is almost always necessary to develop a value proposition that extends beyond circularity and demonstrates the business can compete directly with linear alternatives on financial, operational, or broader environmental grounds. In practice, this means showing that your solution can match or outperform conventional linear models in terms of cost, quality, or convenience - whether through repeated use, increased durability, or higher resource efficiency. Where possible, this should be demonstrated through an illustrative case study, showing for example, the cost and climate impact of re-using your product 20 times compared with 20 single-use cases (quantification of impact is best operated through a lifecycle assessment, which is discussed in Step 1.4).

Design-stage material innovation is often where this challenge is most acute, since new processes and products require long development pathways and challenges in accessing secondary or bio-based materials from nascent supply chains. If the price point is not competitive with linear incumbents, a stronger case must be made around long-term savings, regulatory tailwinds, climate impact or access to niche but rapidly growing markets to convince very early-stage investors. Demonstrating wider benefits such as significant emissions reductions or measurable social outcomes will lead to more interest from investors as this is simply a higher priority currently. It will also open more pathways to concessional or philanthropic funds, as well as other forms of investment willing to underwrite early-stage risk.

It is important to recognise that many mainstream funders struggle to appreciate the disruptive or systemic potential of circular models, particularly those in the Use phase where business model innovation challenges entranced linear norms and behaviours. Where your model involves novel revenue streams or reconfigured consumption patterns, extra effort will be needed to evidence scalability, customer demand, and problem–solution fit.

Create an executive summary

One practical tool for refining the value proposition is the creation of a concise one- or two-page executive summary. This document should distil the essential elements of your business case: the problem, why it matters, how your solution addresses it, why the opportunity is marketable, why your team is equipped to deliver it, and what exactly you are raising funds for. A well-crafted overview document forces clarity, disciplines your messaging, and provides a handy resource for early investor outreach.

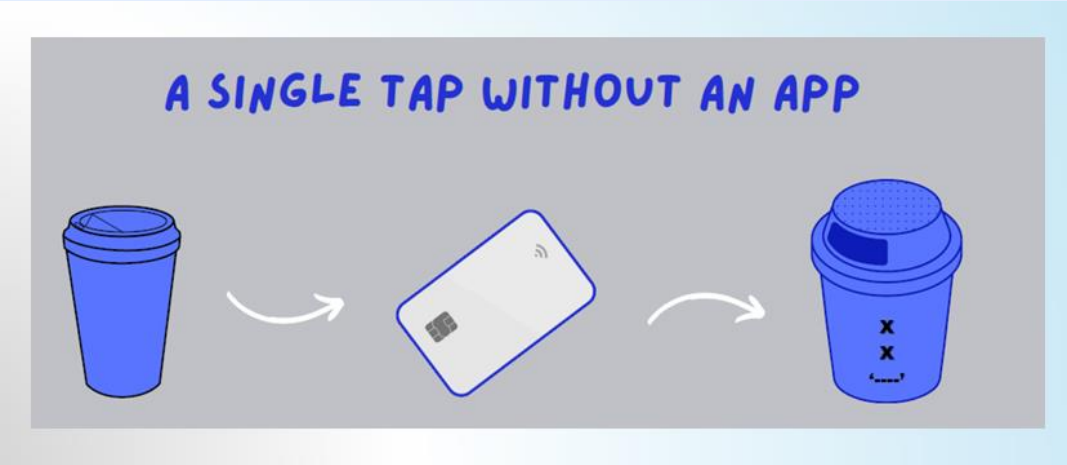
Documentation developed:

Executive summary, including product-solution fit and the value proposition (circular and otherwise)

CircularInvest case study: Recirculate Systems

Recirculate Systems, a participant of the CircularInvest programme, develops digital infrastructure for reusable packaging systems, enabling automated deposit, tracking, and refund processes across multiple reuse networks. Although the business was initiated and exists as an impactful sustainability solution, the company's early fundraising success was further supported by its strategic positioning primarily as a financial technology solution. This approach clarified its commercial model and revenue logic for early investors, primarily angels, who evaluated the business on metrics familiar to digital platforms - recurring transactions, scalability, and network effects - rather than on circularity metrics specifically.

By defining its core value proposition in terms of efficiency and scalability, Recirculate Systems demonstrated the importance of translating circular benefits into the language that investors understand best. This allowed the company to attract early-stage angel investors on the basis of strong growth potential and a defensible technological position, while its environmental contribution remained a complementary advantage rather than the central investment rationale.



1.2 Build the legal and governance foundations

Establishing a robust legal structure and governance framework is not only a requirement for receiving external investment in many cases, but also a way of ensuring that the internal organisation of your venture remains orderly and resilient as it grows. While this is one of the more conventional elements of investment readiness, and not especially unique to circular economy businesses, the absence of solid legal and governance arrangements is one of the most common reasons for delays or even breakdowns during due diligence processes. It should be prioritised early on rather than left until the fundraising process has already begun.

Set up a data room

A well-prepared data room is effectively the curated library of all key documents and information that an investor will expect to see once discussions move into due diligence. Having this available in advance not only expedites the process but signals to potential investors that you are organised and transparent. The data room is typically just an online folder that contains all the relevant documentation for due diligence, ready to be shared directly with investors when necessary.

Establish a corporate structure

Registering as a legal entity is an essential step, and the jurisdiction in which you incorporate can have consequences for tax treatment, investor access, and eligibility for public programmes. The default pathway for most startups remains a private limited company structure, with Articles of Association, shareholder agreements, and a clear capitalisation (cap) table outlining ownership stakes and future options.

However, for certain circular models alternative structures may be worth considering, such as incorporation as a non-profit or foundation in order to ease access grant funding streams, or cooperative ownership models where stakeholder involvement and distributed decision-making are central to the mission. Both alternatives can unlock preferential tax treatment, philanthropic funding, and support prioritisation of impact in strategic decision making, but come with some consideration when there are ambitions to raise other forms of capital. Debt finance is typically difficult to access for non-profits without revenue-generating arms, while cooperatives often encounter complications around equity investment given the need to maintain shared ownership principles. These trade-offs should be thought through carefully in advance, ideally with legal advice, so that you do not find yourself locked into a structure that inhibits growth or excludes relevant forms of finance.

Ensure legal preparedness

In parallel with establishing a company structure, ventures should look to understand the basic legal protections and agreements that can protect any developed technologies or products or provide relevant certifications. Intellectual property (IP) rights should be formally registered in the relevant domains, especially patents, as relying solely on informal claims or pending applications can undermine both valuation and bargaining power.

Eligibility criteria for relevant grant programmes should be reviewed at the outset to avoid wasted effort applying for funding streams that the company cannot legally access due to jurisdiction or organisational form. It is also valuable to begin developing equity term-sheet templates, even if fundraising is not imminent, as drafting clauses that reflect preferences on control, exit, or liquidation priorities in advance will prevent reactive decision-making under pressure. Finally, clarity in governance arrangements if often expected to be put in writing by any incoming equity partner. Roles and responsibilities between co-founders, board members, and advisors should be specified, succession planning and decision-making procedures articulated, and mechanisms for dispute resolution agreed. These steps reduce the likelihood of conflict later and demonstrate to external funders that the venture is professionally managed and equipped to handle growth.

Documentation developed:

Incorporation documents and other legal documents, including proof of intellectual property rights (when relevant)

Cap table

1.3 Map your ecosystem, prove supply and demand, and determine the market fit

One of the key distinctions between circular and linear businesses in the extent to which they interact with their value chain partners and wider ecosystem. Unlike linear ventures, where inputs and outputs are more straightforward, many circular models rely on collaboration across value chains to extend product lifecycles, recover materials, and close resource loops. In many cases, the strength of this ecosystem will be the determining factor in whether the business succeeds or fails. If feedstock cannot be secured, if reverse logistics are too challenging, or if offtake markets for developed products and materials are hard to access, even a sound business model can struggle to scale. It is essential to show investors that your ecosystem is a driver of value in your case and not a source of risk.

Understand and map your ecosystem

It is important to first understand your ecosystem by positioning yourself within your value chain.[9] This means mapping both upstream and downstream relationships - how your product is designed, where your material inputs come from, how they are processed, how products are marketed, who your eventual customers or 'offtakers' are, and how your products are handled after use. Highlight interdependencies and identify any single points of failure that could represent a substantial risk to your operations. Having a sole supplier or single large customer is okay in the early stages of commercial deployment but represents a challenge when scaling, with a constant risk of operational shut-down. It can be valuable to show participation in wider clusters, platforms, or networks that can de-risk your model and amplify its benefits, such as municipal take-back schemes or industrial symbiosis initiative, where coordination is supported by large players in the value chain or the public sector.

Demonstrate suitability and demand through pilots

From the seed stage onwards, most equity investors and certainly all banks will expect to see some level of market traction before committing funds. For circular businesses, this often means building early relationships with anchor customers who are willing to pilot your product or circular commodity. Where possible, secure letters of intent (LOIs) or pilot-test agreements to show interest in your solution. The most influential proof of demand is conditional offtake contracts that confirm pre-determined purchases before large-scale rollout begins. For investors, offtake contracts are clear signals of future prospects and are especially valuable when there is minimal historical traction in early stages, or when the commodity produced is priced higher than the linear competition.

If pilots are prohibitively expensive, look to structure agreements where customers share upfront costs or commit to staged purchases. Depending on your model, it can be hugely beneficial to leverage your pilots as a means to demonstrate how your

solution compares against linear alternatives, and tracking key performance metrics is vital. Producing a Total Cost of Ownership (TCO) assessment, which factors in the range of benefits of your circular solution from material savings to avoided landfill fees, helps to prove your business case to investors in practical settings. This can help show parity or superiority of the circular model in financial as well as environmental terms.

Prove access to material supply with feedstock contracts

Circular businesses regularly rely on access to various secondary inputs to develop new materials and products, or to use parts for remanufacture. They also develop products and materials that might be relatively novel. Though this is a core tenet of circularity, in many cases these secondary material markets are underdeveloped, with niche materials often having only a small number of suppliers, while coordination and transaction barriers are also pertinent. Even in more mature secondary material markets like plastics there are persistent challenges with supply volume and quality. For circular businesses, quantifying the volume, quality, and reliability of available feedstock, noting whether you rely on contracts, spot markets, or partnerships with public authorities, is as critical as confirming demand. Feedstock contracts are written proof from suppliers that they are able to meet a determined level of supply for a set period of time. They can be crucial in proving to investors that your model is not at risk to price and supply volatility, and along with offtake agreements will help to underpin your financial assumptions, projections and valuations (Step 2.3).

Size and segment your market

Having proven that you have sufficient supply and demand to navigate early commercial viability, it is necessary to then look ahead at the size of the market you are addressing, and the segment that you can reasonably capture. This is a useful first step to developing the assumptions for your financial model and growth projections further down the line (See Step 2.3).

One of the most prominent market sizing tools is the TAM, SAM, SOM method, but there are some inadequacies for use in the circular economy context as it focuses on market volume, which many circular businesses actually seek to reduce by design. The version outlined is adapted for the circular economy context and includes insights from multi-national VC firm Antler, which advocates for building up a bottom-up approach based on your own pilots, partner interactions and early yield indications.[10]

Figure 6 shows a real case study from sustainable packaging business Return2Sender, which develops a reusable solution to replace single-use pallet wrap use in logistics.

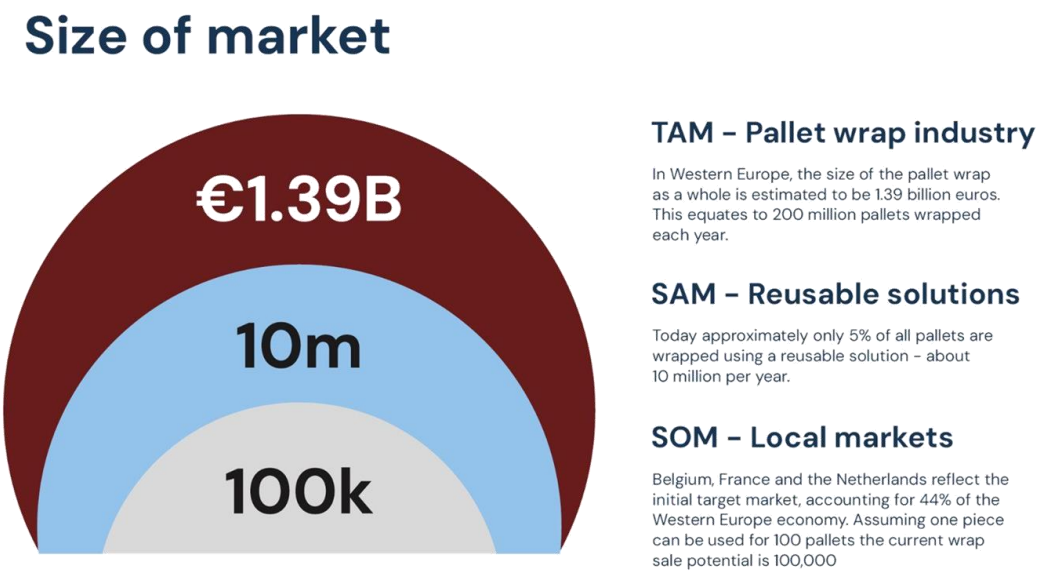


Figure 6: TAM, SAM, SOM for a sustainable pallet wrap company

Total Addressable Market (TAM): TAM estimates the total value of the market in which the solution exists and is typically communicated in terms of financial value. For a sustainable packaging business this would be the entire packaging market, and in Return2Sender's case, the pallet wrap industry.

- Using the bottom-up approach, this would be determined with the formula: *(number of potential customers × average revenue/usage per customer/unit)* from which you can estimate a value-based TAM and a volume-based TAM. The volume TAM captures the physical scale the market represents today e.g. total pallets wrapped. The value TAM translates that volume into revenue terms using incumbent price points or service fees.
- For circular business models that intentionally restrict unit sales, using a volume-based TAM convert units sold to 'units' or 'service events' that in turn helps to contextualise market size for reuse and remanufacturing models.

Serviceable Available Market (SAM): SAM defines the segment of the TAM that is reasonably accessible under current conditions, such as geography, infrastructure, policy and business norms.

- These conditions will be entirely shaped by the region of operation and the circular business model deployed. Some regions will have deposit-return systems that would increase the SAM, others will be engaging in markets where brands have set explicit recycled-content targets. For material recovery ventures, estimates would be related to the recoverable volume inside your SAM (e.g. of X tonnes generated, Y% is collectable and Z% is suitable feedstock at required quality).
- For Return2Sender, the European sustainable pallet wrap market was determined as a logical SAM, which equated to 5% of the entire market, or 10

million uses per year. Though not yet fully implemented, it was noted that the coming EU Packaging and Packaging Waste Regulation (PPWR) would be a significant driver for Return2Sender's SAM, and this was captured in the projections in the financial model.

Serviceable Obtainable Market (SOM): SOM represents the actual amount of the market that can be served in the next 2–3 years.

- This can be based on proxy estimates, but ideally it is developed based on inputs from pilots, known production and logistics capacity, and any LOIs/offtake contracts that have been secured. A simple approach of SOM = (number of pilot partners × expected annual purchase/use per partner × price per unit) can provide an investor with a grounded lower-end estimate of actual revenue expectation in the short term. If still at an early stage where such information is not yet available, like Return2Sender were, using a reasonable proxy is an alternative approach.

Documentation developed:

Business plan - Value chain map

Material supply and customer demand contracts (feedstock and offtake)

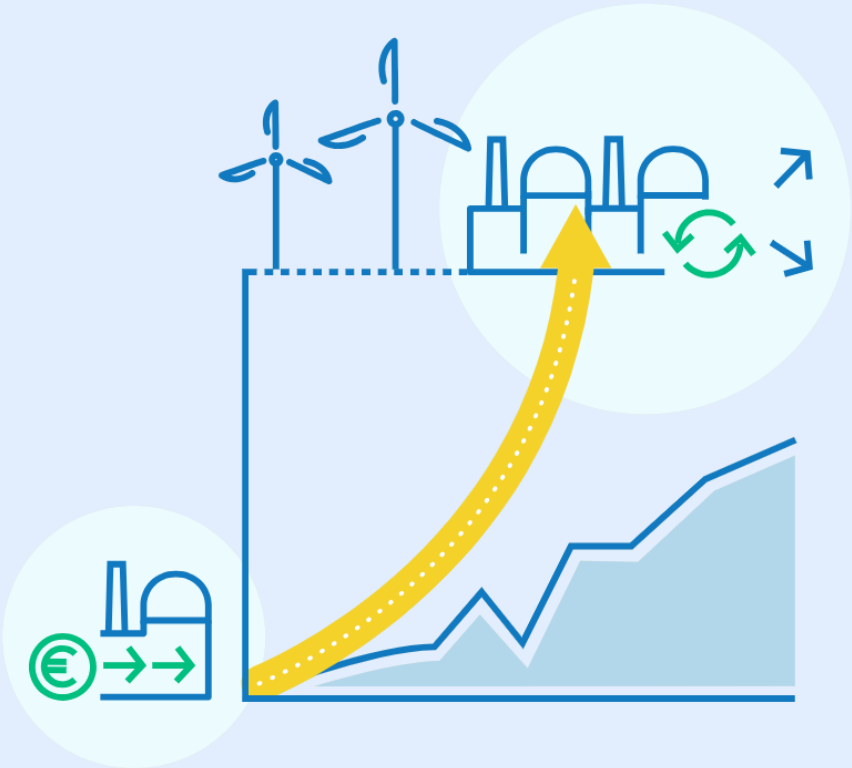
Business plan - Pilot reports (yield, cycle time, service uptime, satisfaction, retention intent)

Business plan - Market sizing model (TAM/SAM/SOM with volume and value metrics)

Case study: Polestar Capital Circular Debt

The Polestar Capital Circular Debt Fund provides debt financing for circular economy production site projects for businesses that have reached demonstration or early commercial success, typically engaging earlier than banks would be comfortable. Because repayment capacity depends on predictable future cash flows and the projects that they fund typically involve the processing of secondary material streams for up-/re-cycled purposes, the fund not only requires proof of market demand for the product or material produced, but also of the supply of materials necessary to produce them.

This requirement is particularly relevant for recycling and bio-based material ventures that depend on secondary or residual inputs, such as mixed-plastic waste streams or biogenic residues. For these businesses, feedstock availability and quality are often uncertain, and spot-market prices can be volatile. Polestar therefore expects applicants to provide signed feedstock contracts in most cases. These are agreements that specify the source, volume, and quality of input materials over a defined period. Offtake contracts, on the other hand, represent confirmed sales of the processed output.



1.4 Define and embed your impact strategy

Financial health, viability and future commercial prospects are fundamental to receiving investment in almost all cases. Even the most ardent impact investor will expect some financial return on their investment, while public funding requires financial prudence despite its intention to deliver non-financial objectives. That being said, circular businesses are expected to contribute measurable environmental and/or social benefits, and for certain types of investment the ability to articulate the type and extent of non-financial impact can improve the appeal of business as an investment markedly. It is possible that future regulation will even require some investors to start investing in dedicated impact areas and so making a headstart in how you communicate impact can help differentiate down the line.

Develop your impact thesis and identify what is material

Begin by defining why impact matters to your business and which impacts are most relevant. A short theory of change or impact thesis can map the pathway from inputs to activities, to outputs, to outcomes, to impact. For example, recovering post-consumer textiles (input), to scaling take-back schemes (activity), to tonnes collected (output), to tonnes recycled (outcome), to reduced virgin fibre demand (impact). Developing a theory of change in this way is incredibly simple but shows sequentially how your operations deliver impact.

Having done so, it becomes easier to carry out a simple materiality assessment to identify the key impact areas that your business best serves. Impact materiality refers to the environmental, social, or economic issues where your company's activities have the most significant effect. It focuses on identifying the aspects of the business that generate the largest positive or negative outcomes, such as the sourcing and use of secondary materials, energy consumption, waste generation, or emissions avoided through product reuse or remanufacturing. Assessing impact materiality allows you to prioritise actions and investments that reduce negative impacts or amplify positive ones, while providing clear evidence to investors and stakeholders about where the company contributes most meaningfully to sustainability goals and systemic change. Its determination can support the milestone-based investment approach outlined in Step 2 of this guide on the funding strategy, as well as early identification of core impact KPIs, such as tonnes diverted, CO2e avoided, % virgin material reduced, or jobs created.

Select KPIs, baselines and practical proxies

Translate your impact thesis into a small, manageable set of key performance indicators (KPIs). Each should have a baseline, a year-1 and year-2 target, and a source for how data will be collected. The SMART framework is a useful tool for developing targets based on these KPIs, ensuring they are specific, measurable, achievable, relevant, and time bound. Where full data is expensive or inaccessible, use credible proxies. For instance, apply published emission factors to your collected material volumes, or use municipal waste statistics as an interim baseline. Always note your assumptions and be conservative.

Although it is not required of early-stage ventures, it can be useful to anchor KPIs to recognised frameworks, even if you do not fully report against them. This signals an awareness of the landscape and embeds preparedness as investor expectations grow:

- **IRIS+ (GIIN):** Standard codes for common impact metrics, such as *WASTE-1: Tonnes of waste avoided*.
- **EU Taxonomy:** Classification of sustainable activities, though relevance depends on the sector.
- **CSRD / ESRS indicators:** Increasingly important if your customers or investors are EU corporates under mandatory reporting.
- **SDGs:** Broad alignment is useful for grants and development finance.

Selection of a handful of KPIs from these frameworks that are material, practical to collect, and aligned with investor expectations will almost certainly be sufficient for an early-stage business but tailoring them to a targeted investor can be useful.

Build data tracking capacity and sequence technical measurement

Some KPIs are easier to track than others, and once the KPIs are in place you should turn your attention to setting up the systems that will capture them reliably. In the early stages of maturity (pre-seed, seed, early stage) then static data gathering is sufficient in generating impact indicators. As mentioned previously, undertaking such analysis as part of the pilots is logical, but if resources allow it, a life cycle assessment (LCA) is typically the gold standard in impact measurement. LCAs a comprehensive yet expensive comparative analysis of a solution that provides empirical evidence of impact performance against linear equivalents.

For service or reuse models this could mean usage logs or customer app data; for recovery ventures, material weights and yield tracking. Pilot results should be translated into KPI form to demonstrate traction. Treat it as a staged investment, commissioning an LCA once you have stable pilots, evidence that your target investor or customer requires it, or a case where your competitive edge rests on footprint reduction. Prior to that, it is cost-effective to use proxy factors and pilot data.

Establish reporting and governance

For businesses at later stages of maturity, perhaps those vying for DFI investment or concessional green instruments, deciding how you will report and govern impact information will become increasingly important. At minimum, prepare a theory of change with your impact thesis, core KPIs, baselines and progress against targets. Set a reporting cadence and assign ownership of impact data within the team to ensure consistency. Finally, check whether your target funder required third-party assurance of your impact assessment, as some DFIs and impact funds require this.

You should also decide early on the level of assurance you aim for: none (sufficient for VC seed rounds), internal validation (often adequate for banks), or third-party assurance (expected by DFIs and some impact funds).

Documentation developed:

Impact framework (including KPIs, targets, and monitoring plan)

1.5 Understand your risks and the policy environment

Circular businesses operate in emerging policy contexts, operate novel business models and rely on emergent technologies. As a result, they are typically viewed as riskier than linear businesses. Risk mapping is an important step to adequately prepare for investor due diligence, but it's also a valuable strategy to highlight risk mitigation opportunities, especially when compared to resource-intensive linear models that are exposed to supply-side shocks.

Undertake an initial risk assessment

Start by identifying the operational, market, financial, and regulatory risks that are material to your business. In most cases, a simple risk register or SWOT framework is sufficient at early stages in identifying potential risks. Once listed, score each risk on two dimensions in a matrix: severity and likelihood - those that appear in the upper-right quadrant of the matrix indicate your most material risks. For each key risk, set out a specific mitigation action, for example, diversifying feedstock sources, securing a patent, or insuring against equipment failure. The outcome should be summarised in a concise risk analysis that can be included in your data room, showing category, severity, likelihood, mitigation, and current status (open, in-progress, closed). Any cost-bearing risk mitigation activity should be integrated within your funding strategy (Step 2.2) for future rounds, with the key actions and de-risking outcomes detailed in your funding tranches.

Determine policy and regulatory tailwinds

In Europe, new legislation is creating a policy environment that is increasingly favourable to circular models, but understanding both compliance requirements and the potential market opportunities is key. Begin by identifying and listing the current directives and regulations that directly strengthen your case.

Next, scan coming changes to consider the impact they might have on market size, demand, or costs. The EU Ecodesign for Sustainable Products Regulation and Packaging and Packaging Waste Regulation will support a number of circular economy startups and represent a good starting point, but it's also important to remain aware of national and regional initiatives in your areas of operation and value chain. From here, you can translate policy changes into commercial upside, detailing how new markets, lower costs or reduced competition from non-compliant peers reduces risks and increases the growth prospects of your business. This will come in handy when developing your financial model in Step 8.

Track circular risk-mitigation benefits

Unlike linear peers, many circular businesses can show insulation from physical supply and transition risks if they articulate it clearly. Holding an awareness of the risks your model avoids as a result of reduced resource reliance will help demonstrate resilience, and perhaps even help prospective investors better understand the value of the circular economy.

Documents developed:

Business plan - Risk analysis and mitigation plan

circular invest

2 STEP 2. Develop a funding strategy

2.1 Determine the funding ask

Before considering which type of funder or finance you think is the best fit, it's important to have clarity on what you need, why, and when. This ensures you only seek and negotiate against realistic targets and milestones and is significant in tangibly showing investors exactly what their investment is achieving, in terms of mitigating risks, generating revenue, or creating impact. It is necessary pre-requisite whichever stage your venture is at and whichever type of finance you're seeking.

Quantify the total capital need

Start by unpicking the different elements of your business strategy (See step 1.1) to determine all future expenditures over a given time period. Ideally this would be at least 18-24 months, as fundraising (and release of funds) can take some time. Define your ask as a range (e.g. '€300 K–€500 K') with lower and upper bounds to allow some flexibility in negotiation. It is advised to seek more than you need, so you are not caught short at a critical moment. It can help to operationalise this by mapping out your full expectations for the 18–24-month time horizon and listing all of the operational (OpEx) and capital expenditures (CapEx) you expect to incur.

Map these amounts to different tranches and activities

By breaking the funding ask down into tranches, it becomes easier to signal to investors why you are asking for what you are, and that you have a clear idea as to what you will do with the 'use-of-proceeds', or the money you hope to be given. Depending on the type of finance you will seek, the timing of when you receive the investment can be hugely significant. Taking on more than you need from an equity investor in the early stages may result in losing a larger share of equity than you would like and putting yourselves under too much pressure to scale quickly. In the circular economy, where regulatory support can be key to success, overwhelming growth expectations can be detrimental. Further, tranches can help when it comes to structuring deals, releasing funds when certain milestones are met, which is especially useful in deep tech.

An example tranche structure might look like:

- **Tranche 1:** €200 K for proof of concept and demonstration (Month 0–6)
- **Tranche 2:** €400 K for patenting and development of productive capacity (month 6-12)
- **Tranche 3:** €400 K for deployment of reverse-logistics network (Month 12–24)

Map use-of-proceeds to specific activities

Within each of these tranches you should then be able to categorise all of the expenditures under different types: namely CapEx and OpEx but within that also R&D, marketing, product development etc. The ask can then be presented in these different proportions when pitching, to inform the investor exactly what it is they're funding.

It is especially valuable here to consider what the major risks are to the venture at each stage of development and build the funding ask around the sequential removal of all of these risks, as you will have done when developing the business strategy (step 1.1). Showing investors that you are not only aware of all of your core risks, but that you have a determined strategy to address and mitigate them as you scale is a valuable trait in a founding team. For investors that are less familiar with circular economy business models, these perceived risks might include some core facets of the business. Setting aside capital to address circular-specific line items, for example accreditation for use of a particular secondary material as an input, can help to alleviate uncertainty.

Tie tranches to de-risking & impact KPIs

As your business develops and you are able to track current and future impact metrics (see Step 1.4), it becomes possible to tie investment needs with specific impact outcomes. Beyond acknowledging how each funding tranche mitigates a core risk to the business, you can show how entry to a new market or productive improvements can lead directly to sustainability improvements or addressed social objectives. When seeking concessional, green, impact, or public finance this can improve your case substantially. For example, showing that the expansion of close-loop system will lead to an 80 % material recovery rate, 50 t of plastic avoided landfill etc. creates clear go/no-go decision gates for investors, and helps them to monitor their own impact as an investor.

Documentation developed:

Use of funds breakdown

2.2 Determine the optimal funding strategy

As a startup scales, it is likely to engage with a range of different funders and funding types, often even leveraging various types in one round. As discussed in Section One, the choice of funding and funder type have huge implications on your trajectory, and so they should align with your motivations as a founder, the maturity stage of your business, and the specifics of your circular business model.

Align funding route aligns with your motivations

As mentioned in Step 1,1, your motivations as a founder should serve as a compass for your funding strategy, as each funding route carries distinct implications for control, growth trajectory, and long-term purpose. Venture capital, for example, demands rapid scaling and high returns within a short time horizon, often steering a company toward aggressive market capture and eventual exit, while debt financing preserves ownership but constrains flexibility through repayment obligations. Public or philanthropic grants may better align with impact-driven missions but can impose administrative burdens or strategic compromises. By clearly articulating your intentions - whether to build for longevity, pursue steady community impact, or test and exit - you can identify the forms of capital that reinforce, rather than distort, your vision.

Understand how maturity stage maps to funding types

As discussed in Part I, understanding which stage your business is currently positioned is crucial to identifying the most fitting type of finance. It is therefore important to work out honestly where you sit on the maturity ladder. In the eyes of investors, especially as equity investment becomes more relevant, this determination is based on how clear the product-market fit is. From a minimum viable product (MVP) with some market estimations in the pre-seed stage, demonstration and proof of concept in time for a seed round, to track record in market and a pathway to profit in later stages.

In regard to maturity, the circular economy context does not differ from the typical patterns of investment. For example, findings from CGR Finance show how the prominence of different financing types changes as projects become more mature. Grant financing is concentrated entirely in the very early stage projects, while equity remains the primary source of financing for circular economy startups. As they mature debt becomes more prominent. After traditional 'funding round' stages of maturity, business debt becomes the primary source of finance, with 92% of total volumes accessed as credit.

Maturity stage	Debt	Equity	Grant
Pre-seed	3%	38%	58%
Seed	7%	93%	0%
Early stage	9%	91%	0%
Later stage	18%	82%	0%
Total	**15%**	**83%**	**2%**

Figures 7: Funding type by maturity stage - Source: CGR Finance, 2025

The 'decision tree' below is adapted from the PREVENT Waste Alliance Guidance Document and provides a quick determination of the maturity stage of your venture.

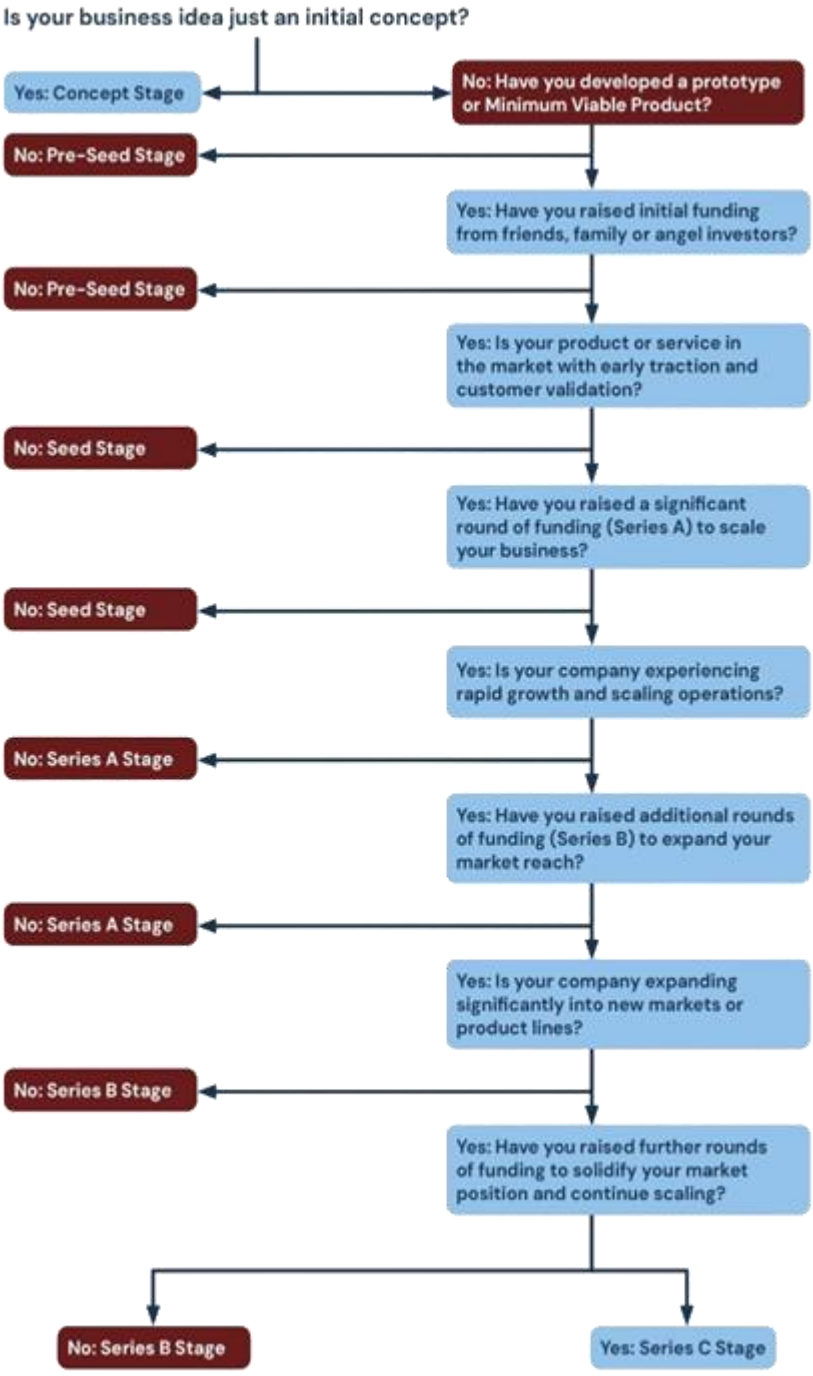


Figure 8: Maturity stage determination process

Depending on where you determine yourself to be, some funding routes become more logical than others.

- **Pre-seed / pre-MVP**: Best served by bootstrapping and working your network of family and friends, alongside your own investment. Grants are relevant here especially when R&D is required or you can already align with social or economic objectives. Public vehicles such as the EIC Pathfinder would be relevant in Europe, while crowdfunding could be a good strategy. Many angel investors engage in the pre-seed stage, typically those that have experience in either the circular economy or the sector you are in. Accelerator programmes may be willing to accept participation if they support very early-stage ventures. As a rule of thumb, it is important to gather enough pre-seed funding to demonstrate proof of concept and some initial product-market fit, as this is often a pre-requisite for a Seed round.
- **Seed**: Once some proof of concept is established (typically through pilots and testing) and some prospective client demand exists through LOIs or similar, angel investment becomes more viable and perhaps even some VC. If you require specific technical support, accelerator programmes or angles that can act as mentors might be an optimal route. VC firms can help provide a network and get to market as soon as possible. It is highly likely your seed round would come from a range of funding sources.
- **Series A-C / Scale-up:** Larger pools of debt become available as product fit is demonstrated in market settings, revenue is growing and customers are retained. Asset-backed, revenue-generating businesses become bankable. Venture debt is also an option that exists between VC and banks, typically engaging at smaller ticket sizes than banks, with a focus on funding specific infrastructure or activities, such as production facilities.

Understand how your circular business model maps to funding types:

In other examples, the circular economy context has a significant impact on the determination of the logical funding strategy. The circular business model impacts the type of investor that is most likely to engage quite considerably, and therefore also the more relevant types of finance to each. As the graph below shows, traditional debt providers, such as banks, focus far more heavily on recovery models, where large infrastructure assets can serve as collateral, businesses have established track records, and regulatory tailwinds mitigate risk. In contrast, for Design & Production models, where material innovation is more common and business models are often more novel or high-risk, only the investor archetypes more comfortable taking on risk tend to engage. Mapping out the key facets of your business strategy, in terms of time horizons, assets, recurring revenue models, and novelty of the business model, to then consider how well they map to the motivations of different funders can help narrow down the list of potential funding partners. It should be noted that Figure 9 does not include corporate funding or funding from supply chain partners, as the research was only performed on financial sector actors.

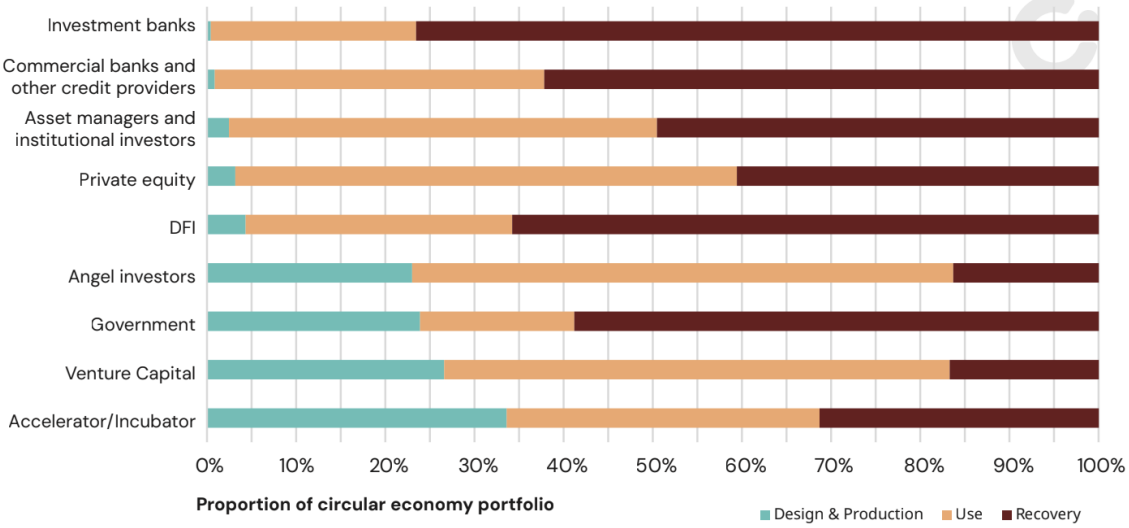


Figure 9: Circular economy portfolios of different funder types – Source: CGR Finance, 2025

Determine your optimal funding approach

Having understood your motivations, maturity, and business model, the final step is to build an actual funding strategy. This is not just a list of who you might ask for money, but a deliberate sequencing of the right capital, at the right time, with the right expectations. In practice, this means aligning each tranche of capital to a clear risk-reduction milestone, while also planning how different investor types can be layered to complement each other.

A useful way to think about this is to design a roadmap of 'who funds what, when.' Early on, you might combine a grant to de-risk technology, an angel ticket for operational runway, and an accelerator that offers both credibility and investor introductions. Different individuals and organisations within each investor type might have radically different backgrounds, networks and technical experience. Equity investors especially are keen to be involved in strategic or technological development of your business or product and so prioritising the expertise you need at each stage can be a good strategy to identify potential investors. Later, as product-market fit becomes more evident and revenues more predictable, venture capital or venture debt can accelerate growth, before banks step in once profitability is demonstrable, track record is developed and potential collateral builds up.

In practice, fundraising rarely maps out exactly as planned, but creating a simple visual map to timeline a set period, with tranches, amounts, funding type, and de-risking milestones clearly marked serves as a strategic north star. This becomes your reference point when approaching investors. It demonstrates that you are not just raising money but building a coherent path to scale, one that aligns your business objectives, while signalling to investors that you understand the perceived risk in your model and realities of scaling in the circular economy.

Documentation developed:

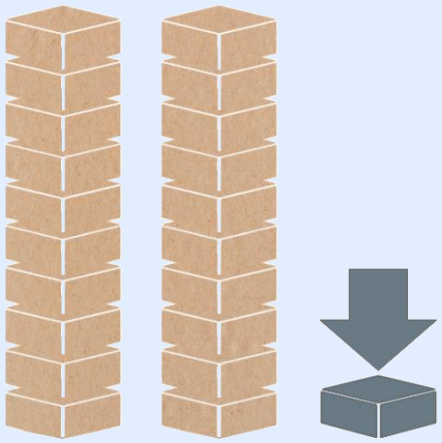
Layered funding roadmap (Internal document)

CircularInvest case study: Ocean Package

The Ocean Package is a circular packaging company and former CircularInvest beneficiary based in Europe. The founders adopted a phased and revenue-led approach to financing. Early operations were funded primarily through initial commercial revenues while pilots were operated; the production company supporting the pilots ended up investing itself, following successful validation of its packaging solution. This was followed by an angel investment, which was sought not only for capital but also for mentorship and strategic guidance.

To further expand production and strengthen its market presence without significant dilution, the company conducted a crowdfunding round, enabling access to a wider investor base while maintaining ownership control. As a result, The Ocean Package entered its seed round retaining a large majority of equity. By this stage, the company had developed productive capacity, secured several large contracts, diversified its revenue streams, and demonstrated proof of concept in commercial settings.

This case illustrates how a staged, revenue-led funding strategy, combining operational income, strategic partnership, and limited external investment, can enable circular startups to reach seed stage with strong traction and a high level of founder ownership and control.



2.3. Develop the financial model and finalise the business plan

A defensible financial model is the single most scrutinised item in an investment process from the seed round onwards. In all cases, investors will expect to see a conventional financial model with all the core tenets - a clear set of assumptions, three-statement forecasts (profit and loss, balance sheet, and cashflow), unit economics and the ability to run sensitivity analyses to various scenarios. These basics provide a common language for assessing profitability, capital needs, and investor returns, but for this standard template not to disadvantage a circular revenue model, some alterations are required.

In most cases, conventional financial models assume linear transactions - selling units, realising revenue, recording costs and depreciating assets to zero. In circular models, especially those extending lifecycles of products through in the Use phase, revenues are recurring and delayed, assets stay on the balance sheet, costs repeat in cycles, and residual value persists beyond conventional accounting timespans - all of which standard models can misrepresent.[11] The purpose of your model stays the same: (i) to translate operations into cash, (ii) to show how staged investment de-risks the business, and (iii) to communicate value to investors in metrics they recognise, but how this is achieved is critical to ensuring conventional approaches don't undermine the circular value of your business.

There are many available tools to support the development of a robust financial model, but unless you have financial accounting expertise within your team, it is likely that you will need to consult external help at some stage of development. The PREVENT Waste Alliance Guidance Document[12] provides practical insight into the development of financial models in some technical detail, while the DEFINITE-CCRI Deal Engine tool[13] has a video specifically on financial modelling. The following section intends to compliment these sources with additional circular economy nuance, ensuring that you are able to communicate your path to profitability in clear financial terms.

Define the business model, core drivers and unit economics

The first step in any model is to convert operations into the small number of assumptions that feed every financial tab. In conventional terms, this means identifying sales volumes, pricing, customer churn or growth, and gross margin. For circular models, it benefits to also capture how product cycles, yields, and reuse events affect these drivers. State clearly your ownership and revenue architecture - whether you sell, lease, provide products-as-a-service (PaaS) or operate a marketplace. This determines where and when revenue is realised. Solvency ratios are an important indicator for investors. Assessing and whether assets remain on your balance sheet affects this because. PaaS models in particular create a "balance sheet extension" by maintaining assets on the balance sheet, which affects solvency ratios and investor interpretation.

From here, list 4–8 core drivers, such as assets deployed, utilisation rates, yield rates, churn/retention, and refurbishment or reverse logistics costs. Work these into unit economics by calculating contribution per use, per asset, or per tonne. For retained-ownership models, compute the lifetime value of an asset in service rather than units sold. Document sources for each assumption based on previously developed materials - pilots, LOIs, benchmarks - and note where you have been conservative. This should provide you with a concise unit economics table plus an assumptions sheet with sources and confidence levels. Depending on your business model, focus area and units will differ, but for Use phase models lifetime asset value, service cycles, repair costs, non-linear depreciation rates will all be relevant.

Build the three-statement model and embed circular line items

The financial model is an abstraction to estimate future cash flows - it should balance conservatism and aspiration, bringing together all the context around market access, market conditions, regulatory drivers and how they impact critical financial metrics now and in the future. Critically, it should also present the impact that future developments, investments, and deployments will have on revenue growth, costs and ultimately profit margins. The focal point of a financial model is the three-statement backbone. Together these statements provide comparability across ventures, form the basis for valuation, and give investors confidence that you can link operations to financial outcomes. A conventional model will project them over 3–5 years, with monthly or quarterly granularity in the early years and annual thereafter.

- **Profit and loss (P&L):** Shows profitability over time by subtracting costs from revenues.
- **Balance sheet:** Shows a snapshot of assets and liabilities, to determine financial health at a point in time.
- **Cashflow statement:** Shows how money moves in and out of the business, and whether you can stay liquid.

Again, when developing these statements, circular businesses can make adaptations to ensure the mechanics of their model are explicit.

i) Profit and loss:

The P&L is the core statement for showing profitability over time, and investors will expect to see it built out for 3–5 years with realistic growth assumptions. At its simplest, it adds up all revenues and subtracts 'cost of goods sold' (COGS) and operating expenses to show gross margin, earnings (before interest, taxes, depreciation, and amortisation; EBITDA), and net income. Circular businesses should model each revenue line separately - product sales, service fees, pay-per-use charges, or resale of recovered materials - so that the balance between one-off and recurring revenues is clear. COGS (better considered here as 'costs of service provided') and OpEx should be broken down to include all service costs, such as repair cycles, reverse logistics, refurbishment etc. By doing so, the model demonstrates a grounded understanding of what it takes to keep assets in circulation. Critically, the P&L should reflect both current market access and the impact of future developments - new

regulation, ecosystem partnerships, or improvements to productive capacity - that will drive revenue growth, efficiency gains, or improved margins. From here, it becomes easy to show financial sensitivity to different scenarios and assumptions, e.g. what happens if refurbishment cycles cost 20% more than expected or if the implementation of a certain regulation is delayed. It also allows you to highlight unit economics explicitly, such as costs and margin per use, per tonne or per asset cycle.

ii) Balance sheet:

The balance sheet provides a snapshot of your company's assets, liabilities, and equity. For circular businesses, this is often where investor misunderstanding arises, because retained ownership of products (e.g. in PaaS) expands the balance sheet

and makes solvency ratios look weaker than in linear businesses. The key is to present a conventional balance sheet but supplement it with circular-specific disclosures that explain asset value more accurately:

- Durable assets should be capitalised where retained but paired with harvest/residual-value schedules that show how maintenance and refurbishment slow depreciation and preserve value.
- Working capital cycles should be modelled realistically, reflecting spare-parts pools, inventory of recoverable materials, and receivables from long-term service contracts.
- Where residual value cannot yet be monetised (because secondary markets are immature), note it as a contingent asset and explain triggers for recognition.
- Finally, and perhaps most critically, balance sheets should be complemented by highlighting the value of intangible assets, through the use of contract-based metrics such as Total Contract Value (TCV) or Net Present Value (NPV) of subscription agreements to show that revenues, not just asset pools, underpin creditworthiness.

In short, the solution is not to hide asset intensity but to reframe it as long-term resilience, backed by contracts, recoverable value, and extended asset performance.

iii) Cashflow statements:

The cashflow forecast ties the P&L and balance sheet together, showing how revenues, costs, investments, and financing flows translate into actual cash available to the business. Investors will expect to see this broken into operating cash (day-to-day inflows and outflows), investing cash (asset purchases, refurbishment cycles, infrastructure), and financing cash (equity, loans, grants). It is the optimal method to determine the capital needed to fund future investments and operations. Circular businesses should provide monthly or quarterly detail in the early years to highlight timing mismatches, such as high upfront CapEx need against delayed, recurring revenues from long usage cycles or lengthy R&D timelines. Cashflows should also make explicit the cyclical nature of outflows, where repairs, refurbishments, and reverse logistics often come in batches rather than smooth monthly costs. Importantly, the cashflow statement should be tied directly to the funding ask (Step 2.1), showing how each tranche of capital bridges the identified gaps in accessible capital.

The PREVENT Waste Alliance Guidance Document provides practical workthroughs for financial modelling using a set of circular economy business case examples, while the DEFINITE-CCRI Deal Engine tool provides support both in written and video formats. It is hoped that the advice provided across these sources will help you to develop a basic financial model fit for your business model, but as described, this is a step in which review from an experienced financial professional would be advised.

Documentation developed:

Financial model

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3 STEP 3. Engaging with investors

3.1 Prepare your all materials for investor pitching and due diligence

Finalise the business plan

Development of the financial model is a key milestone in the financial preparedness of your business, providing clarity on future expectations, assumptions, priority actions and funding gaps. From here, it should be simple to synthesise all of the various documents developed into a clear narrative that connects your solution with the market opportunity, growth trajectory, impact milestones and the sequential financial need to deliver each of these. The business plan would include an overview of:

- Team overview and bios
- Problem-solution fit and value proposition (step 1.1)
- Market size, positioning, and proof of concept (step 1.3)
- The impact thesis (step 1.4)
- Risk analysis and mitigation plan (step 1.5)

Consolidate historical financial statements

With your business plan and financial model in place, start by consolidating your historical financial statements. Investors will want to see evidence of past performance, even for early-stage businesses. At early stages, audited statements are typically not required, but presenting well-organised, verifiable records demonstrates transparency, builds credibility, and supports audits down the line.

Ensure your balance sheet, income statement, and cashflow statements are accurate, complete, and consistent with your projections. Include notes that explain anomalies or unusual transactions, and document assumptions clearly. These documents, alongside your market strategy, cap table and term sheet form your full investment memorandum that you can share with investors to undertake due diligence.

Develop your pitch deck

The pitch deck is your primary tool for presenting your business to investors. It should be visual, minimal, and designed to support your verbal narrative rather than replace it. Each slide should reinforce your story, first framing the problem, its significance and urgency, then presenting your solution clearly, before highlighting the opportunity in a way that is easy to understand. Include evidence of traction, market size, team credibility, business model, growth plan, and a finish with a clear funding ask and your

rationale for pitching to that specific investor. It is important to practice your pitch with friends, family or at startup events. The confidence you exude in your pitch will have a huge impact on the investors perception of you as a founder, and it's something you will need to get comfortable doing.

Prepare valuation rationale

Valuation is one of the most important and often most challenging elements of fundraising, it is essentially the price you put on your business at moments of equity dilution. Higher valuations are appealing in that they lead to less dilution, but if they are overly inflated it can lead to pressure in future rounds if you have to raise a lower price. Even early-stage ventures need to be able to explain how they arrive at a number, or why a formal valuation is deferred, in order to build credibility and protect equity. In the circular economy, where conventional metrics may not capture asset life-extension, material recovery, or long-term service streams, a clear rationale becomes even more critical. Valuation methods depend on the maturity level:

- **Pre-seed or seed stage**: Before reliable revenue or repeatable unit economics exist, valuation is negotiated rather than strictly calculated. Founders should justify terms by referencing comparable transactions, accelerator benchmarks, and the amount of dilution they can tolerate. Many European circular startups use convertible instruments, like Simple Agreements for Future Equity (SAFE) to postpone a fixed valuation until traction is demonstrable. When using convertibles, it is important to state the maximum valuation amount and provide a discount to incentivise early investors.
- **Early growth or post-revenue stages (Series A):** Investors usually expect a ballpark valuation beyond the seed round. In the circular economy, methods might include revenue multiples, discounted cash flow, or net book value of contracts for PaaS and other service models. Circular businesses may need to explicitly quantify why standard book value understates value, for example by accounting for retained assets (product pools) or recoverable material streams. Linking those adjustments to revenue and cost forecasts shows how they improve margins or reduce future expenditure, supporting valuations.
- **Later stages (Series B and beyond)**: Once a certain level of maturity is reached, valuation becomes unavoidable and investors expect substantiated numbers supported by financial statements, contracts, and retention data. Standard methods carry weight in all scenarios, while circular-specific adjustments, such as residual asset value or regulatory tailwinds can help demonstrate long-term economic potential and justify higher valuations, which are more appealing at this stage.

It's also useful to know when not to set a valuation. Grants, participation in accelerator programmes and convertible instruments often allow you to postpone it. Forcing a valuation too early can anchor expectations too low and hinder later rounds. Clear rationale, backed by comparables and demonstrable metrics, builds credibility, protects equity, and positions your business for a successful raise when the time is right.

Draft a term sheet

Once your valuation rationale is in place, the next step is to draft a preliminary term sheet - a concise, non-binding document that outlines the key commercial and legal terms of the potential investment. It acts as a shared understanding between you and potential investors before moving into due diligence and final legal documentation. Typical components include valuation, investment amount, ownership percentage, governance rights, liquidation preferences, and any performance milestones or covenants.

Having a clear, well-structured draft term sheet signals professionalism and preparedness, and can significantly streamline negotiations. Even if investors propose their own version later, starting from a founder-prepared draft helps ensure alignment with your strategic goals and protects against unfavourable terms. It can also inform your investment memorandum and guide how you organise documents in your data room, since the term sheet defines the structure of the deal you are offering.

Finalise your investor materials in the data room

The data room houses all supporting documents for due diligence, including legal agreements, contracts, operational metrics, and investment memorandum. Building from the executive summary to business plan, pitch deck, and full investment memorandum helps bring investors along from initial curiosity to conviction and will help you navigate the investment process with ease.

Documentation developed:


Business plan


Historical financials


Pitch deck


Term sheet

3.2 Investor engagement and deal structuring

Network and build relationships

At pre-seed and some seed rounds, investors are often backing the people as much as they are the business. Equity investors in particular want to trust the founder's credibility, commitment, and capacity to deliver, and so building strong interpersonal relationships is key. Attending as many startup fairs, pitching events and conferences as possible exposes you to a wide network and builds confidence in hard- and soft-pitching your investment case; involvement in accelerators can also help you expand your potential pool of investors, develop new competencies and access mentorship without ceding equity.

As a business, especially in the circular economy, your network is every bit as important as your formal pitch materials in the early stages. It is important to remember that these meetings with investors or partners are as much about you assessing whether they are the right fit for you, in terms of values, timelines, and expectations, as you are to them. An investment is mutually beneficial, not a favour.

Identify and prioritise relevant investors

Having developed a funding strategy and determined which type of investor and investment you want to target (Step 2.2), you can start to identify and prioritise specific investors. Warm introductions remain the most effective route, but investor databases and public deal trackers can help to broaden the list. Prioritise investors into waves, beginning with those that offer you the most non-financial benefit in terms of network and mentorship while also likely to engage; save larger or more strategic funds until you have early momentum. This allows you to test and refine your pitch while building traction.

Your funding ask and funding strategy will provide you with a reference point when engaging in negotiations - you will be clear on what kind of equity you are willing to dilute, or how much debt you can reasonably take on. Having developed all of the necessary documentation for you target funder expectations, you can be confident that you have sufficient preparation to confidently move through the funder's due diligence process.

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Conclusion

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Concluding remarks

Access to finance remains one of the most persistent barriers to scaling circular economy innovation. Despite growing recognition of the importance of the circular economy, the financial system still favours linear models - those that deliver quick, scalable returns on familiar terms. Circular ventures, by contrast, are often capital-intensive, slower to monetise, and more dependent on partnerships, regulation, and infrastructure. These features make them appear less attractive within existing investment logics, leaving many otherwise viable businesses struggling to move beyond pilot stage.

This guide was written with that reality in mind. While the constraints are systemic, entrepreneurs still have agency to strengthen their position and make their models more legible to investors. The steps outlined here - building a robust business foundation, demonstrating market and material fit, embedding impact and risk frameworks, and developing a clear, staged funding strategy - are all designed to help founders navigate that asymmetry. They are not a checklist for guaranteed funding, but rather a way to make circular propositions more credible within the system as it currently operates.

Ultimately, investment readiness in the circular economy is about alignment. It requires founders to bridge the gap between circular logic and financial logic - to show that the business can meet market needs, manage risk, and generate value without compromising impact. Those ventures that can do this clearly, transparently, and on their own terms will be best placed to access capital as it becomes available, and to shape the emerging market for a genuinely circular economy.

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