METAVERSE ACADEMY

Module 6: Funding and Financial Planning for Deep Tech Startups

Navigating grants, equity, and strategic growth for XR and deep tech ventures.

Institute of Entrepreneurship Development
iED

Co-funded by the European Union

Learning Objectives

Understand Funding Landscape

Explore the various funding mechanisms available specifically for XR and deep tech startups, including their requirements and strategic applications.

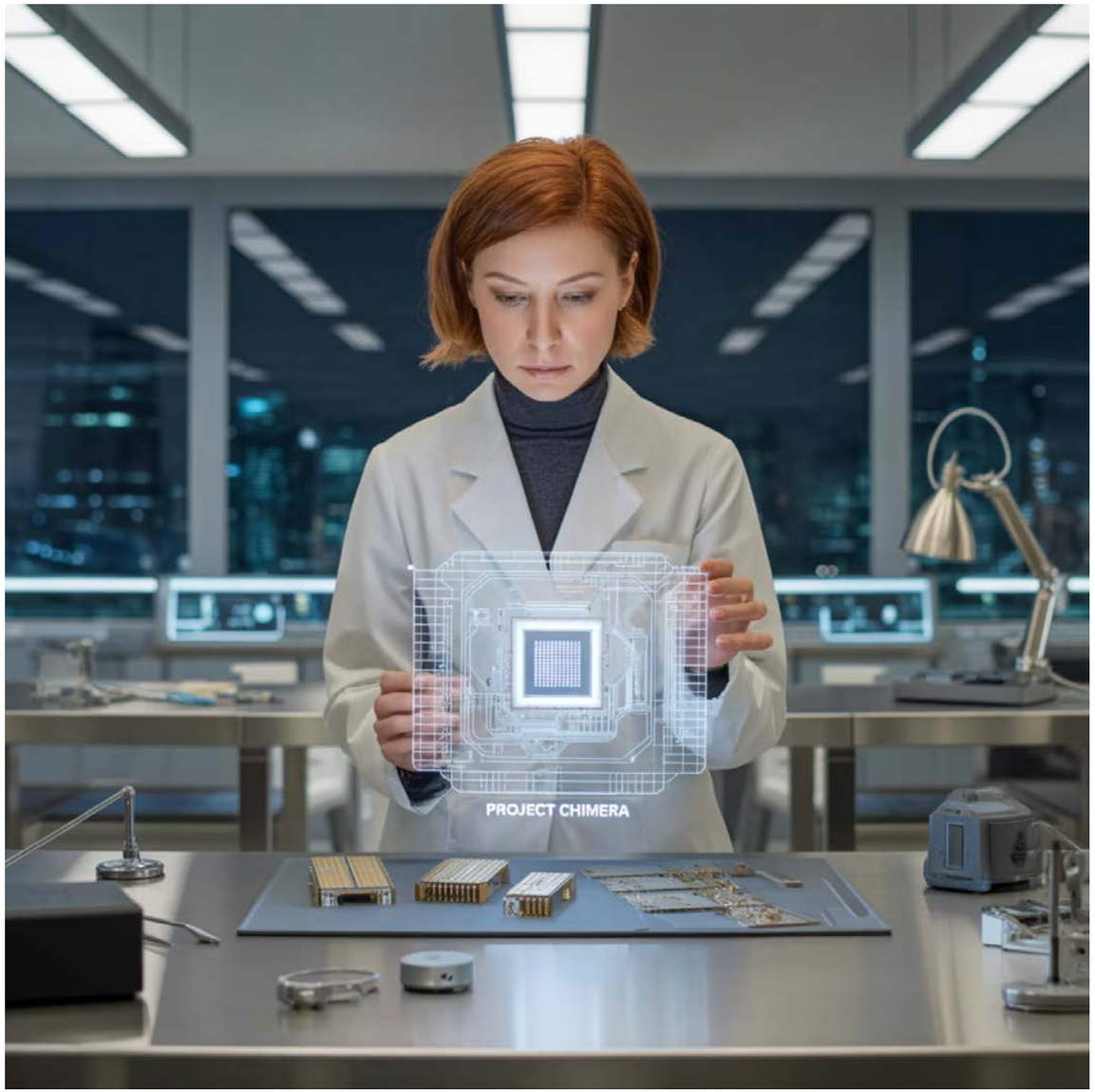
Master Financial Planning

Learn essential components of early-stage financial planning tailored to the unique challenges of hardware-software integration and extended development cycles.

Develop Investor Readiness

Acquire skills to effectively support startups in preparing compelling investor pitches and grant applications that address the specific concerns of deep tech funders.

Deep-Tech Funding Challenges



Capital Intensity

Research equipment, specialized talent, and extended development cycles require significant upfront investment before market validation.

Risk Profile

Technical feasibility uncertainties combined with market adoption questions create compound risk factors difficult for investors to quantify.

Investor Education Gap

Many VCs lack deep technical expertise in emerging fields like XR, quantum computing, or advanced materials, leading to hesitation.

Deep tech startups face unique obstacles that traditional investors often struggle to evaluate properly.

Types of Funding

Equity Funding

- Angel investors specializing in deep tech
- Venture capital with hardware/frontier tech focus
- Corporate strategic investors seeking innovation
- Typical range: €250K-€5M+ depending on stage

Grant Funding

- European Union innovation programs
- National research and development initiatives
- Regional economic development grants
- Typical range: €50K-€2.5M with no equity dilution

Hybrid Instruments

- Convertible notes with R&D-friendly terms
- Public-private partnership funding
- Venture debt with IP-based collateral
- Research contracts with commercialization paths

Bootstrapping

- Founder capital and sweat equity
- Early revenue from B2B pilots or consulting
- Academic partnerships with shared resources
- Limited scope but maintains maximum control

Public Funding Sources for XR/Deep Tech

European Innovation Council (EIC)

Pathfinder, Transition, and Accelerator programs specifically designed for deep tech with combined grant and equity funding options up to €17.5M.

European Institute of Innovation & Technology

EIT Digital and EIT Manufacturing provide sector-specific funding, mentorship, and market access for XR startups with industrial applications.

Horizon Europe & Digital Europe

Research and innovation framework programs with thematic clusters for digital transformation, including XR technologies and applications.

National Innovation Agencies

Country-specific programs like Bpifrance, CDTI (Spain), FFG (Austria), and Enterprise Ireland offer localized funding with fewer administrative hurdles.

Overview: EIC Funding Structure

Pathfinder

Designed for radical early-stage ideas with high-risk/high-gain research. Typical funding: €3-4M per project for consortia or €500K-€4M for individual teams.

TRL focus: 1-3 (basic principles to experimental proof of concept)

Transition

Supports validation of technology and market exploration to establish commercial viability. Funding: typically €500K-€2.5M per project.

TRL focus: 4-5 (lab validation to technology demonstration)

Accelerator

Blended financing with grants up to €2.5M and equity investments up to €15M to scale breakthrough innovations.

TRL focus: 6-9 (technology demonstration to system proven in operational environment)

Full details and application guidelines available at: https://eic.ec.europa.eu

Equity Funding: What Investors Look For

Team Capability

Technical founders with domain expertise paired with business acumen. Deep tech investors value PhDs and research experience alongside entrepreneurial track records.

Market Opportunity

Clear identification of the specific industry problem being solved, market size validation, and defensible competitive advantage through IP or technical moats.

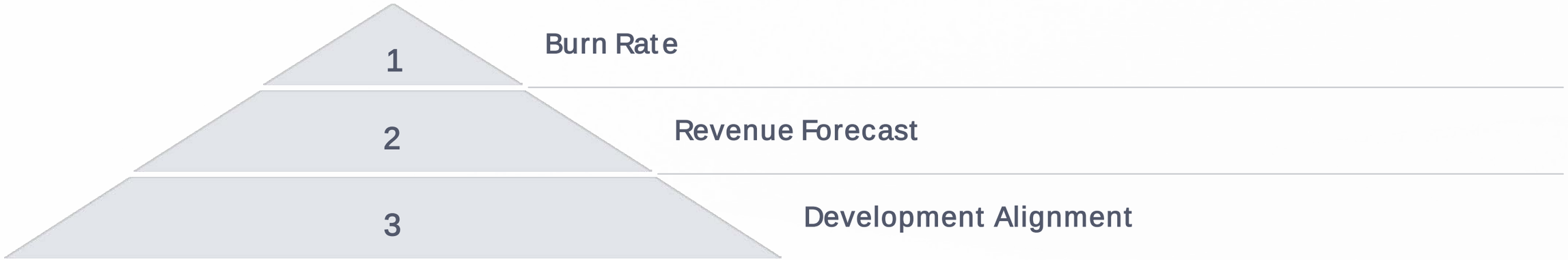
Validation Evidence

Early pilot results, letters of intent from potential customers, or research partnerships demonstrating real-world application potential.

Revenue Model

Realistic go-to-market strategy with clear unit economics, pricing strategy, and scalable distribution channels appropriate for B2B or B2C XR applications.

Financial Planning Basics



Calculate Burn Rate & Runway

- Track monthly cash outflow by category (R&D, salaries, marketing)
- Calculate cash runway: Available funds ÷ Monthly burn rate
- Build 18-24 month financial projections with funding milestones
- Maintain 20-30% buffer for unexpected development challenges

Create Realistic Revenue Forecasts

- Develop bottom-up projections based on customer acquisition costs
- Include sales cycle length specific to enterprise XR adoption
- Factor in hardware/software integration timelines
- Create multiple scenarios (conservative, expected, optimistic)

Align Costs with Development Phases

- Match spending to technical readiness levels (TRLs)
- Create phase-gated budget releases tied to milestones
- Plan for increasing costs during user testing phases
- Budget for certification and compliance requirements

Tool: LivePlan

Key Features for Deep Tech Startups

- Customizable financial forecasts with R&D-heavy models
- Milestone tracking aligned with technology development stages
- Scenario planning for different funding outcomes
- Investor-ready pitch deck templates
- Performance tracking against projections

Most useful during seed and Series A preparation stages when detailed financial models become critical for investor conversations.

Resource: https://www.liveplan.com

LivePlan offers comprehensive templates and financial forecasting tools designed for investor presentations.

Tool: ProfitWell

Optimizing XR Subscription Models

- Subscription analytics tailored for SaaS and recurring revenue
- Customer retention metrics and churn prediction
- Price optimization for different customer segments
- Revenue recognition compliance tools

> Particularly valuable for XR platforms offering enterprise subscriptions, content libraries, or development tools with recurring billing models.

Resource: https://www.profitwell.com

ProfitWell's analytics dashboard provides deep insights into subscription performance and customer behavior patterns.

Tool: Pitch.com

Collaborative Pitch Creation

Cloud-based platform allowing distributed teams to simultaneously work on investor presentations with version control and commenting features.

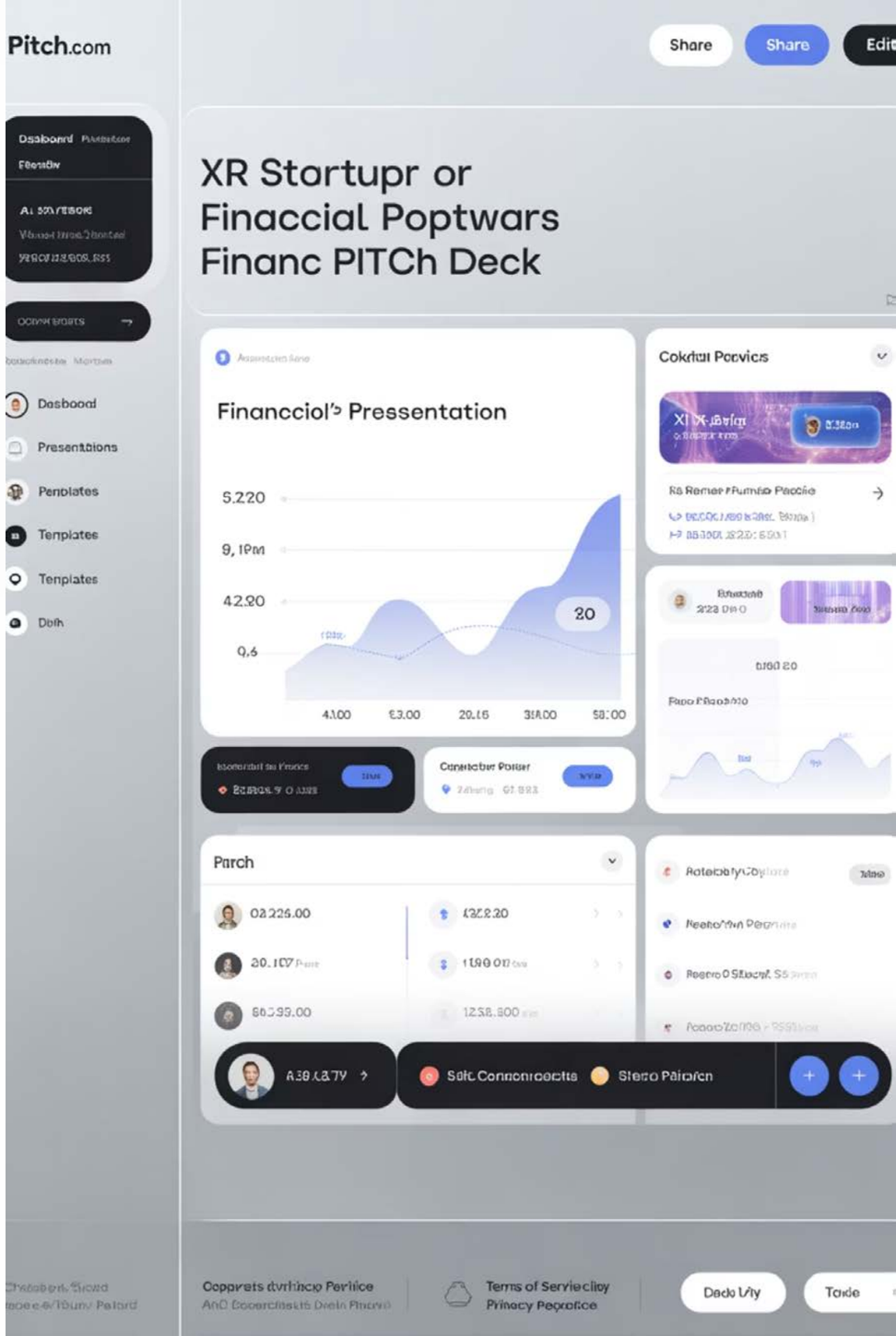
Deep Tech Templates

Specialized templates designed for technical presentations that balance complex innovation explanations with clear business value propositions.

Investor Sharing Features

Secure sharing with tracking analytics to understand which slides investors spend the most time reviewing, enabling targeted follow-up discussions.

Resource: https://pitch.com



Building a Compelling Funding Strategy

Blended Funding Approach

Combine non-dilutive grants for early R&D with strategic equity investments for scale-up phases to optimize capital efficiency and ownership retention.

Technology Readiness Mapping

Clearly articulate progress through Technology Readiness Levels (TRLs) with evidence-based assessments that demonstrate systematic risk reduction.

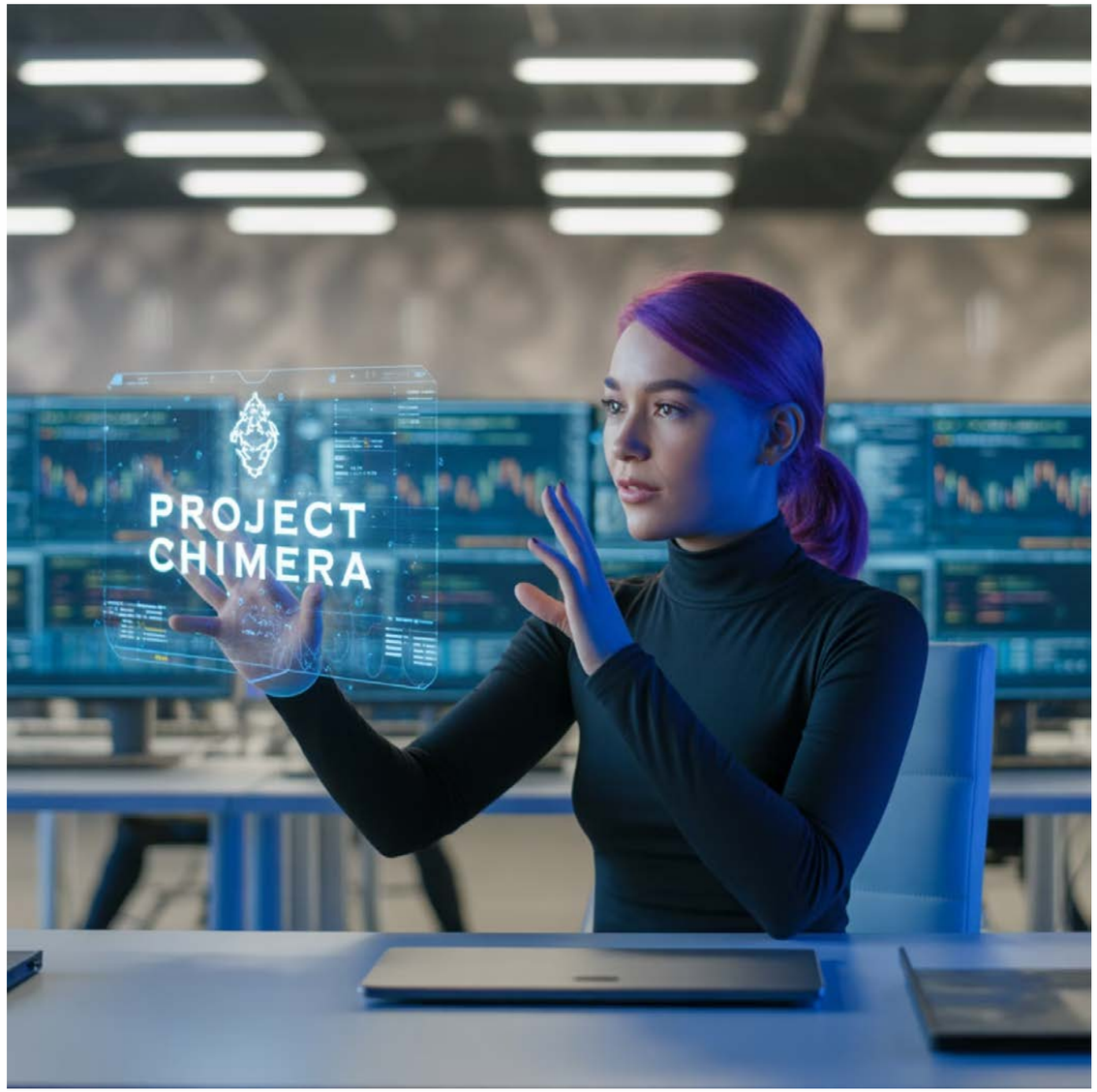
Milestone-Based De-Risking

Structure clear technical and commercial milestones that systematically address investor concerns about feasibility, market fit, and scalability.

User Traction Evidence

Prioritize early pilot programs with potential customers to generate quantifiable feedback and usage data that validates market demand assumptions.

Budgeting for XR Startups



Hardware & Equipment

- Development hardware (€2K-10K per engineer)
- Prototyping equipment and components
- Testing devices across multiple platforms
- Infrastructure for multiplayer/cloud testing

Content Creation

- 3D modeling and animation tools (€5K-15K annually)
- Specialized XR development licenses
- Asset libraries and middleware
- Content partnerships and licensing

Regulatory & Compliance

- Safety certifications for hardware
- Data privacy compliance implementation
- Industry-specific standards (medical, industrial)
- Patent applications (€30K-50K per patent)

EU Case Study: EIC-Funded XR Startup

Viewpointsystem (Austria)

Vienna-based developer of smart glasses with eye tracking technology for industrial and professional applications.

Funding Journey

- Initial research supported by Austrian Research Promotion Agency (FFG)
- €2.5M grant from EIC Accelerator in 2019
- Followed by €5M equity investment from EIC Fund
- Additional private investment secured after EIC validation

Key Success Factors

- Clear industrial use cases with quantifiable ROI
- Strong IP portfolio with multiple patents
- Staged funding approach matching development phases

Viewpointsystem's smart glasses enable hands-free operations and remote expertise support for industrial maintenance and complex procedures.

Investor vs. Grant Mindset

Investor Perspective

- Primarily focused on financial return on investment
- Expects rapid growth and clear exit strategy
- Typically seeks 10x+ return within 5-7 years
- Values market traction over technological novelty
- Prefers exclusive technology with competitive moats
- Decisions often made within 3-6 months
- Ongoing involvement through board seats

Grant Provider Perspective

- Prioritizes societal impact and innovation advancement
- Focused on research excellence and breakthrough potential
- Structured around predetermined milestones and deliverables
- Values cross-border collaboration and knowledge sharing
- Often encourages open innovation approaches
- Application to funding cycles can take 6-12 months
- Requires detailed reporting and compliance documentation

Incubator Role in Financial Readiness

01

Strategy Development

Help startups identify the optimal funding mix based on their specific technology development timeline, capital intensity, and market approach.

02

Financial Preparation

Review and strengthen financial models, ensuring realistic projections that account for the unique aspects of XR product development and go-to-market.

03

Pitch Refinement

Provide critical feedback on investor presentations, helping technical founders translate complex innovations into clear value propositions.

04

Network Access

Connect startups to appropriate funding sources including specialized VCs, angels with deep tech experience, and grant program officers.

Common Mistakes by Deep Tech Startups

Unrealistic Revenue Timelines

Projecting significant revenue too early without accounting for extended pilot phases and enterprise procurement cycles in XR adoption.

Cost Underestimation

Failing to budget for iterative hardware prototyping, specialized talent acquisition, and compliance/certification requirements.

Neglecting Non-Dilutive Options

Focusing exclusively on equity funding when grants and strategic partnerships could provide substantial capital without ownership dilution.

Technical founders often underestimate the time required for investor education in emerging fields like XR, leading to misaligned expectations and unsuccessful fundraising.

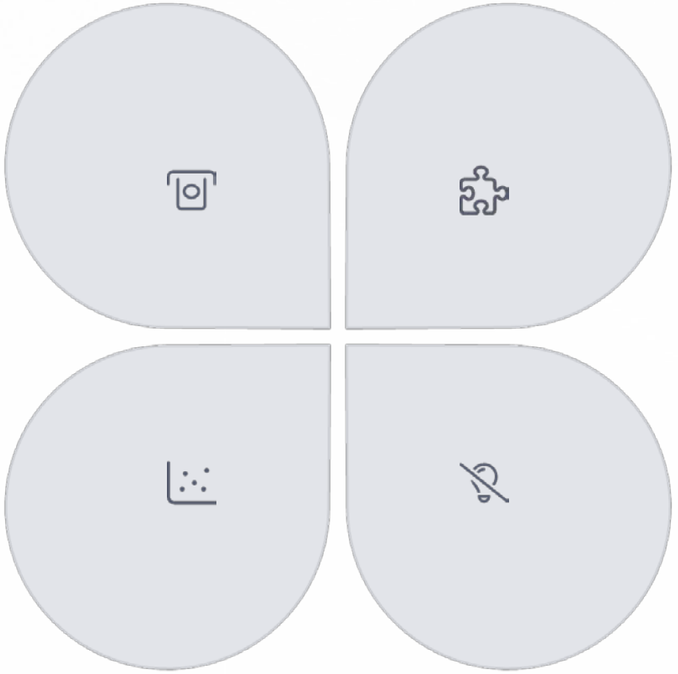
Key Takeaways

Strategic Financial Planning

Financial planning must align with technical development timelines and account for the unique capital requirements of XR/deep tech development cycles.

Realistic Projections

Conservative financial forecasts that account for extended development cycles and adoption barriers build credibility with sophisticated investors familiar with deep tech.



Blended Funding Approach

The most successful deep tech startups strategically combine grants, equity, and strategic partnerships to optimize capital efficiency and milestone achievement.

Incubator Value

Incubators play a crucial role in translating complex technical innovations into compelling value propositions that resonate with both investors and grant evaluators.

Reflection Prompt

"How confident is your team in supporting startups to build a funding strategy?"

Assess Your Team's Knowledge

- Familiarity with deep tech funding landscape
- Experience with grant application processes
- Connections to relevant investors and funding networks

Consider Your Resources

- Available templates and financial planning tools
- Access to successful case studies and benchmarks
- Relationships with funding advisors and mentors

What's Next

Module 7: Intellectual Property, Ethics, and Regulatory Pathways

Our next session will explore the critical legal and ethical considerations for deep tech startups, including:

- IP protection strategies for XR innovations
- Ethical considerations in immersive technology
- Navigating regulatory requirements across markets
- Data privacy and security frameworks

Preparation: Think about the unique IP challenges faced by your startups and bring examples for discussion.