EDIH AICS.

EUROPEAN DIGITAL INNOVATION HUB
Artificial Intelligence & CyberSecurity

Investment guidelines: Funding paths for AI and cybersecurity solutions

www.edih-aics.eu
edih@fzi.de
 Digital Hub Karlsruhe | EDIH-AICS

Deliverable 4.2

The EDIH-AICS is co-funded by the European Union's Digital Europe Programme (grant agreement number 101083994), with additional financial support from the Ministry of Economic Affairs, Labour and Tourism together with the Ministry of the Interior, Digitalisation and Local Government of the federal state of Baden-Württemberg for specific activities, as well as other German national co-funding.
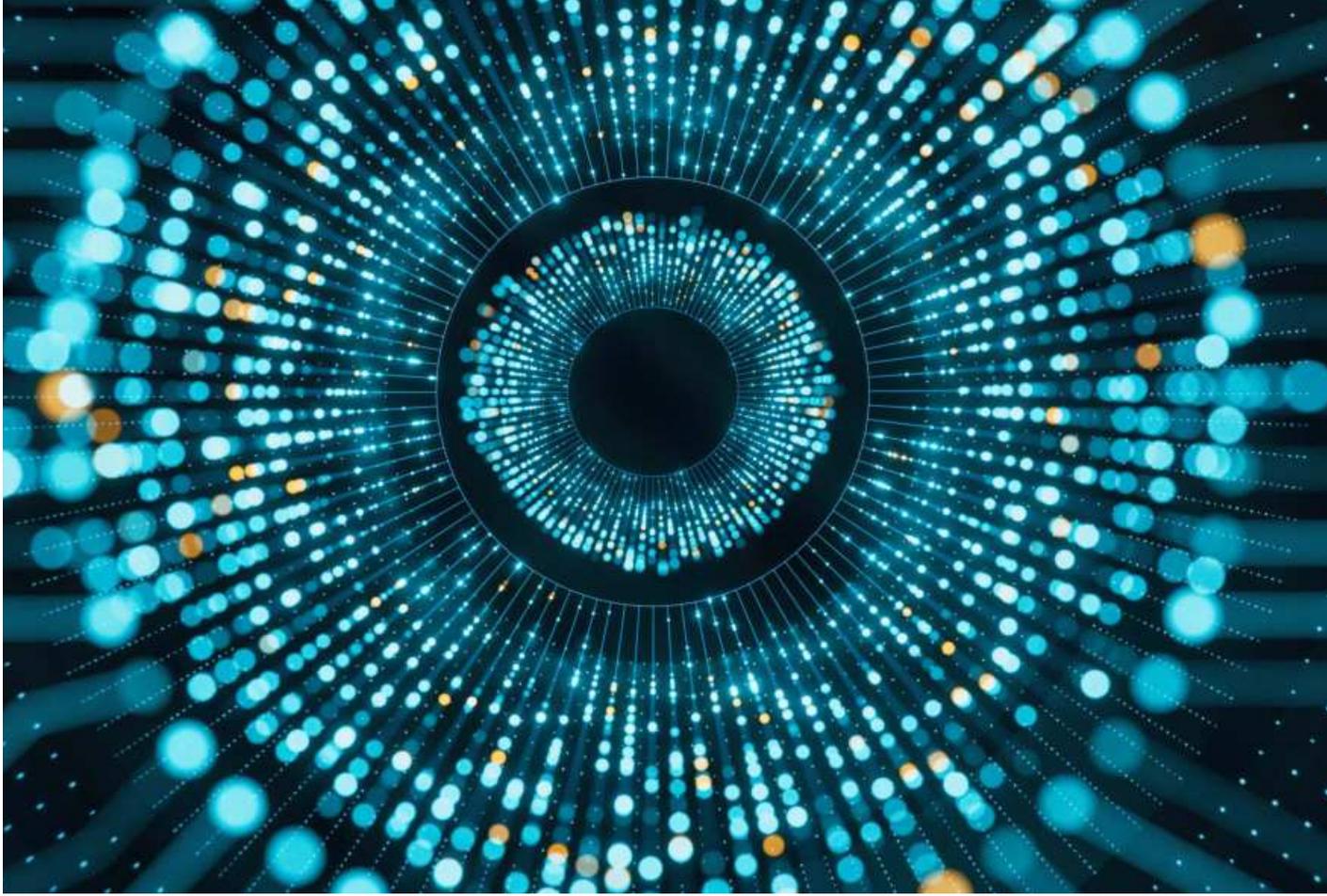
Baden-Württemberg
Ministerium für Wirtschaft,
Arbeit und Tourismus

Baden-Württemberg
Ministerium des Inneren,
für Digitalisierung und Kommunen

digitalLÄND

Wirtschaft digital
Baden-Württemberg

The project is funded by the Digital Europe Programme (DIGITAL) of the European Union under grant agreement number 101083994.

2

Table of Contents

Preface

"Startups are the engine of innovation, but even the best ideas need fuel to take off. Especially in areas like AI and cybersecurity, where tech evolves fast and the global race is on, early funding can make or break a venture. At CyberLab, we see this every day: founders with vision, courage, and great products, but unsure how to navigate the funding process. That's where strong networks, solid guidance, and smart strategies come in.
This guideline is a step in that direction — practical, focused, and designed to help startups get investor-ready and move forward with confidence."

Daniel Karszt
Head of CyberLab Startup Accelerator Karlsruhe

1 Introduction

Access to private investment is a key growth driver for startups and SMEs — especially those developing innovative digital, AI, and cyber-security solutions. These sectors are fast-paced, capital-intensive, and highly competitive, making early and strategic investment crucial for scaling ideas into impactful products. Private investment can provide the necessary resources to scale fast, attract talent, and bring cutting-edge solutions to the market. However, navigating the investment landscape is often a challenge for companies. Limited networks, lack of experience, and the complexity of investor expectations can make it hard to secure funding at the right time.

This guideline was developed by the EDIH-AICS (European Digital Innovation Hub for AI and Cybersecurity), based in Karlsruhe, Germany. The hub supports startups, SMEs and public-sector organizations on their digital journey through a one-stop shop that bundles a range of tailored services in the fields of production, mobility, energy, commerce, and in the public sector. Beyond AI implementation and cybersecurity testing, it delivers skills development, training and guidance on securing funding – often the decisive factor between an innovative idea and a successful market launch.

The guideline aims to give an overview of the investment landscape and outlines how EDIH-AICS and its network can support founders step by step, through tailored guidance, hands-on support, and connections to private investors. It is intended for early-stage to seed startups, SMEs and growing companies working on tech-driven innovations in digitalization, artificial intelligence, and cybersecurity. It also showcases support offers from partners like the CyberLab Startup Accelerator Karlsruhe, and other members of the EDIH-AICS network, all working to boost access to funding and accelerate innovation across Europe.

STARTUP FUNDING STAGES EXPLAINED

Understanding the typical stages of startup development helps align investment expectations and support services. The following phases reflect a common financing journey — from early idea to scaling and expansion:

Pre-seed
- Focus: Problem-solution fit, team formation, early validation
- Funding sources: Founders, family and friends, public grants, pre-accelerators
- Goal: Develop Minimum Viable Product (MVP) or prototype, confirm market interest
- Stage: Early stage

Seed
- Focus: Product-market fit, first customers, business model testing
- Funding sources: Business angels, seed funds, accelerators, grants
- Goal: Launch MVP, gather user feedback, refine monetization
- Stage: Early stage

Series A
- Focus: Scaling operations, acquiring users, establishing Key Performance Indicators (KPIs)
- Funding sources: Venture capital (VC)
- Goal: Optimize business model, expand team, build repeatable growth
- Stage: Growth stage

Series B
- Focus: Market expansion, product refinement, growing revenue
- Funding sources: Larger VC firms, corporate VC
- Goal: Enter new markets, strengthen competitive position
- Stage: Growth stage

Series C (and beyond)
- Focus: Internationalization, acquisitions, initial public offering preparation
- Funding sources: Late stage VCs, private equity, strategic investors
- Goal: Become market leader, prepare for exit
- Stage: Late stage / Exit

2   Overview of private funding sources

Understanding the landscape of private funding is essential for any company aiming to grow and scale. From venture capital to angel investors and crowdfunding, each funding source comes with distinct advantages, expectations, and strategic implications. This chapter provides a structured overview of key financing options, helping founders assess which types of investors best align with their stage, industry, and long-term goals. It also highlights special considerations for companies operating in digital innovation, AI, and cybersecurity.

2.1   VENTURE CAPITAL (VC)

Venture capital firms are professional investors that provide larger funding rounds to ventures with high growth potential. VC investment usually comes in stages (seed, Series A, Series B, etc.) and is often tied to performance milestones.

Upside: The key benefit of VC funding is scale. Startups can access significant financial resources, gain exposure, and benefit from the firm's experience and network. VCs can also boost a startup's credibility, making it easier to attract customers and talent.

Downside: On the flip side, VC funding comes with high expectations. Startups must go through a thorough due diligence process, show traction (e.g., user growth, revenue), and demonstrate strong potential for market impact.

The negotiation phase can be long, and companies must be prepared to give up a portion of equity and sometimes strategic control.

Tip: VCs in digital, AI, and cybersecurity are particularly interested in solutions that are scalable, defensible (e.g., with Intellectual Property (IP)), and have a clear market fit.

2.2 CORPORATE VENTURE CAPITAL (CVC)

Corporate venture capital is when established companies invest in startups, often to gain access to innovation, new technologies, or emerging markets. These investments are usually strategic and may complement the company's core business.

Upside: The advantages of CVC include not just funding, but also access to industry knowledge, infrastructure, and potential commercial partnerships. It can be a strong signal of market relevance and open doors for collaboration or co-development.

Downside: However, CVC comes with its own challenges. The strategic goals of the corporate investor might not always align with the startup's long-term vision. Decision-making can be slower due to internal processes, and CVC units may prioritize synergy over return on investment.

Tip: In AI and cybersecurity, many large companies look for ventures to co-innovate with, especially in areas like threat detection, data security, or automation.

2.3 BUSINESS ANGEL NETWORKS

Business angels are private individuals who invest their own money into early-stage ventures, usually in exchange for equity. They often bring not only capital but also industry experience, strategic advice, and access to their personal networks. This makes them particularly valuable for first-time founders or startups in the very early stages.

Upside: The main advantage of business angels is their flexibility and speed in decision-making. Unlike institutional investors, they may be more willing to take risks and invest based on personal interest or belief in the founder and management team. They are often more approachable and willing to provide mentorship.

Downside: However, finding the right angel investor can be challenging. Not all angels are active in public networks, and expectations can vary widely. Some may want more control or quick returns, which might not align with the startup's strategy. Also, investment amounts are typically smaller compared to venture capital.

Tip: For companies in digital innovation, AI, or cybersecurity, business angels with a technical or entrepreneurial background can be a strong match – especially those who understand the challenges and potential of complex, future-oriented technologies.

2.4 ACCELERATORS AND INCUBATORS (EQUITY-BASED MODELS AND FREE SUPPORT MODELS)

Some accelerators and incubators offer funding in exchange for equity, alongside intense support programs that last several weeks or months. These programs often include mentorship, business development support, and access to investors and potential partners.

However, not all accelerators follow an equity-based model. Some, especially those funded by public institutions or regional initiatives, provide similar support for free—without taking equity or charging fees.

Upside: Beyond seed funding, these programs (whether equity-based or free) provide invaluable mentorship, visibility, networking opportunities with industry experts and potential clients, and a structured environment that can significantly accelerate product development and market validation for AI and IT-Security startups. They are ideal for early-stage startups looking to validate their business model, sharpen their pitch, and accelerate growth.

Downside: In equity-based programs, the equity taken can sometimes be significant for the relatively small amount of capital provided. Additionally, the program's intensity and standardized approach might not suit every AI or IT-Security startup's unique needs or pace. Entry can be competitive, with strict timelines and limited flexibility. Free programs may have fewer resources, depending on the provider, but they eliminate the pressure of giving away equity.

Tip: Relevant for early-stage startup funding in AI and IT-Security. Equity-based programs can be a great launchpad, especially if the support received helps increase the overall value of the startup. The key is understanding what you are giving and what you are getting in return.

2.5 CROWDFUNDING

Crowdfunding allows startups to raise small amounts of money from a large number of people, usually via online platforms. There are different types: reward-based, donation-based, and equity-based crowdfunding.

Upside: The main benefit is community engagement – it not only brings in funds but also builds a user base and validates demand early. It's especially useful for business-to-consumer (B2C) products with a strong story or social impact angle.

Downside: However, running a successful crowdfunding campaign takes significant effort in marketing and communication. Also, equity crowdfunding involves legal and regulatory complexity, and the average ticket size per investor is usually low.

Tip: In digital innovation and cybersecurity, reward-based or equity-based crowdfunding can work well for certain niches, especially if the product resonates with a wide audience. Besides traditional private investors, startups can explore other creative ways to finance growth.

2.6 DEBT AND HYBRID INSTRUMENTS FOR SMES

Debt and hybrid financing tools offer startups and SMEs growth capital without, or with limited ownership dilution. Debt and hybrid financing tools offer startups and SMEs growth capital without, or with limited ownership dilution. These include loans, convertible notes, and mezzanine financing, which can combine debt and equity features. They let founders keep control while providing flexible terms like repayment schedules and interest.

Upside: Debt and hybrid instruments offer capital without giving up equity. They often have long terms and grace periods, help strengthen financial stability, and let founders keep control of their company.

Downside: They usually require good credit or collateral and aren't ideal for very early-stage startups. Some options come with interest or fixed returns, and the application process can be formal and bank dependent.

Tip: In digital innovation and cybersecurity, public instruments are often tailored to support high-risk RandD—check if your project qualifies for special programmes or guarantees. Common instruments in Baden-Württemberg include public innovation loans (e.g. KfW #380), subordinated loans via L-Bank, loan guarantees by Bürgschaftsbank BW, and silent partnerships from MBG BW. These are typically used for RandD, digitalisation, scaling, or equipment investments.

2.7 OTHER PRIVATE FUNDING SOURCES

Private Equity (PE)

This is a broader category that includes Venture Capital but also encompasses other forms like buyout financing (acquiring established companies) or growth capital for more mature firms. Private equity firms invest directly in private companies or take publicly traded companies private. This is however mainly not relevant for startup stage financing.

Upside: PE investors bring strategic expertise, large ticket sizes, and strong networks to help companies scale or restructure.

Downside: Not relevant for early-stage startups. Involves significant ownership transfer, strict reporting, and long holding periods.

Tip: If you're a later-stage scale-up with strong revenues, PE can be an option—but for most startups, VC or public support is the more realistic route.

Family Offices

These are private wealth management advisory firms that serve ultra-high-net-worth families. They often act similarly to private equity or venture capital investors but may have more flexible and longer-term investment horizons.

Upside: Family offices can offer more patient capital, and a longer-term investment horizon compared to traditional VCs, which can be beneficial for AI and IT-Security companies with complex RandD cycles and potentially longer paths to market penetration.

Downside: Their investment decision processes can be less standardized and more relationship-driven, and they might lack the deep operational or sector-specific scaling expertise that a specialized VC in AI or IT-Security could provide.

Friends, Family and Fools (FFF)

Capital provided by friends, family and acquaintances. This is often one of the first sources of funding for very early-stage companies but also carries risks for personal relationships.

Upside: FFF funding often comes with more flexible terms and a high degree of trust, allowing AI and IT-Security founders to retain more control and get crucial early capital with less stringent due diligence.

Downside: The amounts are usually limited, potentially insufficient for capital-intensive AI development or sophisticated IT-Security product creation and mixing business with personal relationships can lead to strain if the venture struggles.

Tip: Used by most startups to get from pre-seed to seed stage. Relevant for early-stage startup Funding in AI and IT-Security.

Factoring and Asset-Based Lending

In factoring, a company sells its accounts receivable (outstanding invoices) to a factoring company to obtain immediate liquidity.
Asset-based lending refers to loans secured by a company's assets (e.g., inventory, equipment).

Upside: For a later-stage AI or IT-Security startup with recurring revenue or tangible assets, this can provide non-dilutive working capital, improving cash flow without giving up equity, which is useful for managing growth or financing larger contracts.

Downside: This type of financing is not suitable for early-stage AI or IT-Security ventures that often can't secure loans due to limited physical assets or incoming payments, and the costs can be higher than traditional debt if available.

Tip: It can only be used in later stages with substantial turnover.

3 Laying the groundwork for investment success

This chapter provides a suggested framework that can help startups and scale-ups prepare for engaging with investors. Not every element may be necessary for every type of investment—needs vary depending on the funding source, stage, and strategy. The investment process is iterative and often repeated several times, with startups refining their materials and approach along the way.

Chapter 4 then translates this framework into concrete, hands-on services delivered by EDIH-AICS and its network, giving founders practical support, tools, and advisory expertise to put the theory into action.

3.1 BUILD A ROBUST BUSINESS AND FINANCIAL BLUEPRINT

A robust business and financial blueprint prove that the idea can become a durable, scalable company. It melds a validated business model with a credible financial plan and a risk-aware roadmap, making transparent how the venture will create, deliver and capture value. This clarity builds confidence, shortens decision cycles and positions the startup for decisive execution.

Market and Problem Validation

Key Activities: Quantify customer pain, urgency, and willingness to pay; map total, serviceable, and obtainable markets (TAM, SAM, SOM) and rank segments.

Why They Matter: Investors back only markets big enough for a meaningful exit; hard numbers turn optimism into evidence.

Core Deliverables: A data-backed problem statement and a market-sizing model that pinpoint where early traction and long-term growth lie.

Differentiated Solution and Moat

Key Activities: Define your unique selling point, Intellectual Property (IP) position, and switching costs; highlight any AI or cybersecurity edge and show compliance readiness.

Why They Matter: A strong competitive advantage protects margins and makes it harder for competitors to catch up.

Core Deliverables: A value-proposition canvas and a feature matrix that prove why your product wins today and stays ahead tomorrow.

Revenue Architecture

Key Activities: Select a pricing logic (subscription, usage-based, tiered licence, etc.) and model unit economics – Customer Acquisition Costs (CAC), Lifetime Value (LTV), gross margin.

Why They Matter: Healthy unit economics are the engine of scalable, capital-efficient growth.

Core Deliverables: A monetisation framework plus a live dashboard of unit metrics investors scrutinises first.

Financial Model and Scenarios

Key Activities: Build an integrated 3-5-year Profit and Loss, cash-flow and balance-sheet model with driver-based sensitivities; spell out funding need, runway, break-even and dilution.

Why They Matter: Converting vision into numbers reveals cash gaps early and shows how the plan holds up in base, downside and upside cases.

Core Deliverables: A fully linked financial model (.xlsx) and a concise scenario summary.

Risk and Feasibility Assessment

Key Activities: Compile a technical, economic, legal and Environmental, Social, and Governance (ESG) risk matrix; run a proof-of-concept (PoC) to test your riskiest assumptions.

Why They Matter: Systematic de-risking shortens due diligence and boosts credibility.

Core Deliverables: A risk register with mitigation actions and a PoC report complete with Key Performance Indicators (KPIs).

Team

Key Activities: Showcase domain expertise, execution track record and complementary skills; provide a clean cap table and smart equity incentives.

Why They Matter: At an early-stage investors bet on people; demonstrating depth, alignment and clarity builds trust.

Core Deliverables: Concise team bios plus a transparent cap table and incentive plan.

Together, these six blocks create a business and financial blueprint that tells a startup's value-creation story end to end—clear enough for founders to execute and robust enough for investors to fund.

Investor lens: A solid blue-print proves that management understands both upside and downside, can allocate capital rationally, and can defend margins at scale.

3.2 BECOMING INVESTOR-READY

A clear capital roadmap, compelling investment story, and well-crafted collateral prove that the company is truly "deal ready".
Together, they align strategic growth with funding milestones, articulate a vision backed by data, and equip founders to engage investors with precision and confidence. This level of preparation demonstrates execution readiness, accelerates investor trust, and positions the venture for efficient, high-impact fundraising.

Capital Roadmap

Key Activities: Map milestones to value inflection points (Minimum Viable Product (MVP), first €100k Monthly Recurring Revenue (MRR), certifications, etc.); stage funding rounds accordingly (Pre-Seed > Seed > Series A…).
Why They Matter: Aligns amount, timing, and type of capital with growth plan.
Core Deliverables: Funding milestone chart; Use-of-funds waterfall.

Valuation and Deal Strategy

Key Activities: Select valuation method (VC method, scorecard, simplified Discounted Cash Flow); Decide on instrument mix (equity, Simple Agreement for Future Equity, convertible, venture debt, grants).
Why They Matter: Sets realistic expectations and reduces negotiation friction.
Core Deliverables: Target valuation range; Term-sheet wishlist.

Investment Narrative

Key Activities: Translate blueprint into a compelling equity story: problem, solution, traction, team, market, financials, ask, vision; Embed ESG and impact angle where relevant.
Why They Matter: Storytelling triggers investor emotion and recall; data underpins trust.
Core Deliverables: 12-15 slide Pitch Deck; 1-page Teaser / Executive Summary.

Data-Room Preparation

Key Activities: Curate documents: cap table, IP assignments, customer contracts, data-processing agreements, financials, HR records; Use secure virtual data-room structure.
Why They Matter: Accelerates due-diligence and signals professionalism.
Core Deliverables: Data-room index; Due-diligence QandA log.

Outreach Collateral and Training

Key Activities: Draft personalised intro mails, cold-reach templates, investor one-pager; Train founders on 30-sec elevator pitch, 5-min deck, 30-min deep-dive.
Why They Matter: Ensures consistent messaging across all investor touch-points.
Core Deliverables: Outreach kit (.zip); Recorded pitch rehearsal.

Investor lens: These points are crucial because they demonstrate a startup's preparedness, clarity, and strategic alignment — reducing risk and friction while accelerating conviction, due diligence, and funding decisions.

3.3 ENGAGE, NEGOTIATE AND CLOSE

Capital secured on terms that enable sustainable growth and long-term partnerships signals more than just funding—it reflects strategic alignment between investor and management team. When deal terms support scalability, resilience, and shared vision, they lay the foundation for enduring relationships and value creation. This thoughtful structuring fosters trust, reduces future friction, and empowers the company to grow with stability and purpose.

Investor Mapping and Prioritisation

Key Activities: Segment by cheque size, industry thesis, stage focus, geography, and track record; Use warm introductions where possible.
Why They Matter: Increases hit-rate and preserves founder/ management team bandwidth.
Core Deliverables: Target-investor long-list; Tier-1 short-lists with contact strategy.

Outreach and Relationship Building

Key Activities: Sync with events, demo days, and warm intro cycles; Maintain Customer Relationship Management (CRM) for interactions, feedback, next steps.
Why They Matter: Fundraising is relationship selling; trust is built over time.
Core Deliverables: Investor CRM dashboard.

Term-Sheet Negotiation

Key Activities: Key levers: valuation, option pool refresh, liquidation preference, board seats, veto rights, Employee Stock Option Plans treatment; Aim for balance between protection and flexibility.
Why They Matter: Terms can be more important than headline valuation.

Core Deliverables: Negotiation matrix; Redline comparison of offers.

Due-Diligence Management

Key Activities: Provide responsive data room, schedule expert sessions, handle red flags proactively; Align legal, financial, technical workstreams.
Why They Matter: Smooth due diligence preserves momentum and prevents deal fatique.
Core Deliverables: Due diligence tracker with owner and status.

Closing and Post-Investment Governance

Key Activities: Finalise Shareholders' Agreement, Investor Rights Agreement, IP assignments, closing conditions; Set up reporting frequency, KPI dashboards, and board packs.
Why They Matter: Enables transparent collaboration and lays ground for future rounds.
Core Deliverables: Signed investment docs; First 100-day integration plan.

Investor Relations and Reporting

Key Activities: Provide monthly updates (KPIs, wins, blockers); Hold quarterly board meetings; circulate budgets and runway chart.
Why They Matter: Ongoing trust reduces cost of capital and unlocks follow-on support.
Core Deliverables: Investor relation communications calendar; Standard board slide-deck.

Investor lens: Professional execution signals operational excellence, de-risks deployment of capital, and fosters long-term alignment.

3.4   PRACTICAL TIPS FOR FOUNDERS OR MANAGEMENT TEAMS

1. Start early: Relationship-building will take 6–12 months before a round formally opens.

2. Data beats adjectives: Replace "huge market" with "€4.2 billion total addressable market, growing 18% per year".

3. Run a tight process: Create competitive tension by lining up first meetings within a two-week window and aiming for term-sheets in 30–45 days.

4. Negotiate people, not just terms: Check past founder/ management team references on investors.

5. Build for the next round: Each financing should unlock milestones that justify the valuation of the following round.

4 Support offers of EDIH-AICS and its network

EDIH-AICS, together with partners like CyberLab and the KI-Allianz Baden-Württemberg, provide a comprehensive support system for AI and cybersecurity companies on their journey toward private investment. The following structured offers are tailored to different stages of startup maturity:

4.1 SUPPORT FOR BUILDING A ROBUST BUSINESS PLAN AND FINANCIAL BLUEPRINT

EARLY STAGE: IDEATION AND BUSINESS PLAN DEVELOPMENT

EXI-Gründungsberatung

What it is: EXI Gründungsberatung is a government-funded consulting program from the state of Baden-Württemberg, designed to support individuals and teams who are in the early stages of founding a startup. It's tailored to help founders build a strong foundation for their business, especially when focused on DeepTech or IT technologies.

What it includes:

- Personalized consulting sessions by professional startup consultants
- Development of a professional business plan and financial plan
- Strategic planning for the startup process
- Clarification of funding opportunities (e.g., public grants, early-stage financing)

Who it's for:

- Pre-founders or early-stage startups (not older than 5 years)
- Located in or planning to establish in Baden-Württemberg
- Especially suitable for tech, digital, AI, and cybersecurity startups

Stage relevance: Perfect for the ideation and early validation phase, before applying to accelerators or seeking external investment.

Cost: Consultation is free of charge thanks to subsidies, only a small fee is charged if external consultants are involved.

+ Add on: Access to the co-founder matching event TeamUp, which connects aspiring entrepreneurs, talents, and startup enthusiasts to

network, pitch ideas, and form founding teams within the tech startup ecosystem. The event takes place at different locations across Baden-Württemberg. More information is available on the TeamUp website.

More info:

EXI Gründungsberatung – CyberLab

> *Every startup journey is unique – but without capital, it often hits a wall. At the CyberLab Startup Accelerator, we help turn ideas into successful companies – with targeted investment preparation, a strong network, and a team that's passionate about innovation."*

Nicolai Droll
Lead Startup Development of CyberLab Startup Accelerator Karlsruhe

PRE-SEED STAGE: BUILD AND VALIDATE THE BUSINESS IDEA

CyberLab Startup Accelerator

What it is: The CyberLab Startup Accelerator is a state-supported program for digital startups, operated by CyberForum and supported financially by the Ministry of Economic Affairs, Labor and Tourism of Baden-Württemberg. It is designed to help early-stage startups refine their business model, develop an investor-ready pitch, and prepare for market entry and growth especially when focussed on technologies like AI, IT-Security and Smart Production.

What it includes:

- Tailored mentorship and coaching from experienced entrepreneurs and industry experts
- Workshops on topics such as business development, financial planning, sales, legal basics, and fundraising
- Support in creating a professional pitch deck and preparing for investor presentations
- Access to co-working space in Karlsruhe, as well as networking opportunities with peers,

investors, and potential partners
- Guidance for the next steps in financing, including introductions to the BW Pre-Seed program and investor matchmaking

Who it's for:

- Startups from the digital and tech sector, especially those with AI and cybersecurity focus
- Early-stage startups that have a basic business idea or prototype, and are ready to refine and validate their model
- Teams located in or planning to establish in Baden-Württemberg

Stage relevance: Ideal for the pre-seed to seed stage—startups with an initial idea or MVP, aiming to strengthen their business and prepare for funding rounds.

Cost: Free of charge for selected startups—funded by the Ministry of Economic Affairs, Labor and Tourism of Baden-Württemberg.

More info: CyberLab Startup Accelerator

SEED-STAGE

Scale-Up Leadership Program

What it is: The Scale-Up Leadership Program is a strategic development initiative aimed at supporting startups on their path to becoming scalable, high-growth companies. Organized by CyberForum in cooperation with experienced business leaders, the program focuses on strengthening leadership and strategic capabilities within startup teams.

What it includes:

- Workshops and coaching on leadership, company culture, organizational scaling, and strategic growth planning
- Peer exchange with other founders in the scale-up phase
- One-on-one sessions with experienced mentors and scale-up coaches
- Development of a vision and roadmap for long-term growth
- Preparation for larger funding rounds and investor readiness beyond the seed stage

Who it's for:

- Startups in or approaching the scale-up phase
- Founders and teams ready to lead growing organizations
- Typically suited for companies with a validated product, first revenue, and a clear growth strategy

Stage relevance: Targeted at startups in the late seed to Series A stage, preparing for rapid growth and organizational scaling.

Cost: Participation can be subsidized for selected startups — funded and supported by partner institutions.

More info: Scale-Up Leadership Program

4.2 INVESTMENT PREPARATION FOR BECOMING INVESTOR-READY

Startup Financing Support (CyberLab)

What it is: The Startup Financing Support offered by CyberLab provides targeted guidance for startups preparing to enter the fundraising process.

It focuses on connecting startups with relevant funding opportunities and investor contacts, building investor readiness, and supporting fundraising strategy.

What it includes:

- Individual consultations to assess funding needs and financing strategy
- Assistance in identifying suitable public and private funding options
- Preparation for investor meetings, including pitch training and material review
- Access to CyberLab's investor network, including opportunities for intros and pitch events
- Guidance for applying to programs like BW Pre-Seed and beyond

Who it's for:

- Startups with a validated product or prototype
- Typically post-accelerator, with initial traction or first customer feedback
- Teams aiming to raise their first significant external funding

Stage relevance: Best suited for the late pre-seed to early seed stage —startups preparing for initial funding rounds.

Cost: Free of charge for CyberLab-affiliated startups.

More info: Startup Financing – CyberLab

BW Pre-Seed Program

What it is: The BW Pre-Seed Program is an early-stage public funding scheme by the state of Baden-Württemberg, designed to support startups during the critical first phase of development—before they are ready for private investment.

The program offers a combination of funding from the state and co-investment by a private partner.

What it includes:

- Public funding of up to €200,000, with 80% provided by the state and 20% from a private co-investor
- Focus on startups with high-tech, digital, or innovative business models
- Evaluation and support through CyberLab and its partner network
- Bridge financing to prepare for seed investment rounds

Who it's for:

- Early-stage startups based in Baden-Württemberg
- Teams with a strong founding idea and a clear technological or innovative edge
- Typically those who have already participated in acceleration or consulting programs

Stage relevance: Ideal for the pre-seed phase—startups in need of first-time funding to reach investor readiness.

Cost: No cost to apply: convertible loan.

Co-investment from a private partner is required.

More info: BW Pre-Seed – CyberLab

> *Whether it's their first round or their next big raise, founders can count on support through feedback and connections."*

Janina Scheerer
Lead Startup Network and Investment of CyberLab Startup Accelerator Karlsruhe

4.3 INVESTOR ACCESS AND MATCHMAKING: ENGAGE, NEGOTIATE AND CLOSE

CyberForum Investor Network

What it is: The CyberForum Investor Network is a regional platform that connects startups with a wide range of investors, including business angels, venture capital firms, and corporate investors. The network actively supports startups in building investor relationships and preparing for funding conversations.

What it includes:

- Targeted matchmaking with investors based on startup stage and industry focus
- Introductory meetings arranged by the CyberLab team
- Regular pitch opportunities, both virtual and in-person
- Inclusion in a curated investor newsletter, featuring selected startups

- Access to a growing pool of 150+ investors, including those specialized in AI and cyber-security

Who it's for:

- Startups with a clear business model and some market validation
- Open to startups at various stages, with a focus on those actively seeking funding

Stage relevance: Best suited for startups from seed stage onward, looking to connect with relevant investors.

Cost: Included for startups supported by CyberLab or CyberForum—eligibility is evaluated based on investor readiness.

More info: Startup Financing - CyberLab

Pitch and venture event exposure

What it is: The pitch and venture event exposure offering provides startups with curated opportunities to present their business in front of investors, corporates, and the startup ecosystem. These events boost visibility, offer networking potential, and often lead to direct investment discussions.

What it includes:

- Invitations to exclusive regional and national pitch events
- On-stage and online pitching opportunities organized or facilitated by CyberLab
- Opportunities to join startup competitions and award ceremonies

- Increased visibility through event partnerships and showcases

Key Events:
- Pre-Seed Business Angel Matchmaking, CyberChampions Award, KI-Connect: Pitch- and Matchmaking Event (organized by CyberLab and CyberForum)
- Start-up BW Elevator pitch and Start-up BW Summit (organized by the Start-up BW initiative from the Ministry of Economic Affairs, Labor, and Tourism of Baden-Württemberg)
- KI Champions Award
- Digital Hub Initiative Annual Pitch Night event, and access to international fairs such as Web-Summit, VivaTech, Slush, and co., with the de:hub AI Karlsruhe.
- ...and many more through the network.

Who it's for:
- Startups seeking exposure, feedback, and investor contacts
- Suitable for teams that are investment-ready or preparing for upcoming rounds
- Access prioritized to CyberLab Startup Accelerator and de:hub AI Karlsruhe companies

Stage relevance: Valuable from pre-seed to Series A—particularly for startups looking to build a network and attract attention from investors.

Cost: Participation is typically free; selection is based on readiness and fit.

More info: CyberLab Startup Financing

KI-Investoren-Plugin (KI-Allianz Baden-Württemberg)

What it is: The KI-Investoren-Plugin is a specialized investment support tool by the KI-Allianz Baden-Württemberg, designed to help AI-focused startups scale by connecting them with suitable investors. It combines tailored matchmaking with structured deal flow support and is operated by CyberLab.

What it includes:
- Tailored investor matching based on startup profile, stage, and industry focus
- Access to a curated investor database with around 100 entries
- Investment readiness support by CyberLab experts – including pitch deck optimization, strategic guidance on suitable investor types, and preparation for due diligence.
- Support in organizing investor meetings and structuring funding processes

- Suitable for larger funding rounds, such as Series A, B, or C

Who it's for:
- Startups with a clear AI technology focus
- Companies in the growth or scale-up stage, with proven market traction
- Teams planning or actively preparing for larger investment rounds

Stage relevance: Relevant from seed round onwards

Cost: Variable - on demand

More info: KI-Investoren-Plugin – KI-Allianz Baden-Württemberg

4.4 PUBLIC FUNDING AND GRANTS: NON-DILUTIVE CAPITAL SOURCES

While private investment plays a key role in scaling innovation, public funding remains a powerful, often underutilised growth enabler—especially in AI, cybersecurity, and deep-tech sectors that align with EU and national priorities. Public programmes offer non-dilutive capital (no equity loss), support high-risk RandD, and add credibility through competitive evaluation.

Why it is interesting: Public funding can significantly strengthen your startup or innovation project. It extends your financial runway without requiring you to give up equity.

Competitive application processes validate your technology and increase your credibility with future investors. Public funds are particularly valuable for supporting high-risk RandD that private capital may shy away from. When used strategically, public and private funding can be combined to strengthen overall financing strategy, accelerate growth and reduce overall risk.

Through its strong network of expert partners, EDIH-AICS offers startups, SMEs and corporates a complete public funding support package. This includes regional, federal, EU opportunities—tailored, tracked, and managed from first idea to funding success.

Explore opportunities in the public-funding database at edda-hilft.de, the consortium will help you blend public and private capital for maximum runway.

Funding Programme Advisory and Application Support (Steinbeis Europa Zentrum)

What it is: End-to-end consulting that clears your path to EU, federal and state grants. Steinbeis identifies the right instrument, shapes a competitive proposal and supports execution until project close-out.

What it includes:

- Initial needs assessment and funding-fit analysis
- Systematic scan of EU, German federal and Länder programmes across all technology domains
- Partner search and consortium building (where required)
- Full application support: concept drafting, budgeting, form completion, revisions
- Project-start coaching and administrative guidance during implementation

Who it's for:

Corporates (mid-caps, large companies), SMEs, startups, research institutions, and any organisation seeking RandD / innovation funding.

Stage relevance: Applicable from early concept (TRL 3–4) through demonstration and market-entry projects (TRL 7–8).

Cost: First consultation: free of charge. Proposal design, submission and project support: price on request, workload based.

More info: Your pass to EU funding

Funding Advisory and Navigation (DIZ | Digitales Innovationszentrum)

What it is: Personalised consulting that demystifies Germany's and Europe's complex funding landscape. DIZ identifies the right grant schemes for your innovation, RandD or transformation project and supports you from first idea to successful award.

What it includes:

- Quick needs assessment and eligibility check
- Continuous monitoring of EU, federal and state programmes
- Funding-fit report generated by our "Edda hilft!" matching tool EDDA
- Full application support: proposal drafting, budgeting, forms, revisions
- Ongoing updates on new calls and follow-up opportunities

Who it's for:

Startups, SMEs, large corporates, associations, public sector organisation – any organisation seeking external, non-dilutive funding.

Stage relevance: From early concept (TRL 3–4) through pilot, demonstration and market-entry projects (TRL 7–8).

Cost: First consultation: free of charge. Further advisory: price on request, effort-based.

More info:

Visit https://www.diz-bw.de/de/foerdermittel-beratung.html and get in touch.

Technical support in project proposals development (FZI | Forschungszentrum Informatik)

What it is: Support for identifying and securing suitable funding opportunities at national and EU levels. FZI – Forschungszentrum Informatik guides companies from initial ideas to submitting strong project proposals, focusing on innovation potential and alignment with funding programs.

What it includes:

- Analysis of current and upcoming funding calls
- Co-development of project ideas to fit funding requirements
- Assistance with call interpretation and funding instrument selection
- Integration into consortium projects and partnership building
- Support in proposal content and administrative structuring

Who it's for:

SMEs, large Mid-Caps, Public sector Organisations—any organisation seeking external, non-dilutive funding.

Stage relevance: From early concept (TRL 3–4) through pilot, demonstration and market-entry projects (TRL 7–8).

Cost: Price on request, effort-based, co-funded trough EDIH-AICS

More info: Get in touch directly with FZI – Forschungszentrum Informatik through edih@fzi.de

Simplified access to EU Venture with Cascade Funding (CyberForum)

What it is: Cascade Funding (also known as Financial Support to Third Parties, FSTP) is a simplified EU grant mechanism that delivers equity-free funding, typically €50k–€300k, for tech and innovation-driven projects. Compared to traditional EU funding, it's faster, more flexible, and easier to obtain.

What it includes:

- Screening of fitting cascade open calls in AI, cybersecurity and digital tech
- Fit check to confirm eligibility and topic alignment
- Review and red-flag feedback
- Optional partner search via the EDIH-AICS network

Who it's for:

Startups and SMEs with an RandD or pilot or demo projects in AI, cybersecurity, and related digital innovation fields.

Stage relevance: Best suited from prototype phase (TRL 4) to pilot / market-entry (TRL 7–8).

Cost: Free advisory and support for application.

More info: Get a detailed overview of cascade funding in the article A quick way to get EU funding: Cascade Funding for startups and get in touch: innovation@cyberforum.de.

+

Additional offer:

Soft-landing Support - Land and Expand in Baden-Württemberg, Germany

What it is: A soft-landing program designed to help international startups successfully enter and scale in the German market. Hosted by the Karlsruhe-based innovation startup network CyberLab, the program combines market access, expert mentoring, and ecosystem immersion.

What it includes:

- Tailored expert sessions (e.g. legal, tax, go-to-market)
- Mentoring by experienced founders and corporates
- Office space and local network access
- Matchmaking with potential partners and investors
- Support with administrative and practical setup (Local networking and partnerships, cultural insights and support for bureaucracy, and much more)

Who it's for: International AI, cybersecurity, and digital startups aiming to expand into the German or DACH market.

Stage relevance: From early international expansion (post-pre-seed) to growth stage with a validated product and market traction.

Cost: Participation is free of charge (sponsored by regional partners). Travel and accommodation costs to be covered by participants.

More info: THE LÄB

THE LÄB

Laying the Groundwork for Investment Success:
A Step-by-Step Guide

EDIH AICS.
EUROPEAN DIGITAL INNOVATION HUB
Artificial Intelligence & CyberSecurity

+ Website:
CyberLab Startup Accelerator Karlsruhe

1

Build a Robust Business and Financial Blueprint

Craft a solid foundation that proves your venture is scalable, credible, and ready to create value

- Ideation and business plan development with EXI-Gründungsberatung (for Early stage)
- Build and validate the business idea with CyberLab Startup Accelerator (for Pre-seed stage)
- Get scalable with Scale-Up Leadership Program (for Seed stage)

2

Become Investor-Ready

Align your story, strategy, and materials to show you're ready to raise and grow

- First funding and co-investment with the BW Pre-Seed Program (for early state)
- Guidance to enter the fundraising process with the Startup Financing Support from CyberLab (for late pre-seed to early seed stage)

3

Engage, Negotiate and Close

Target the right investors, structure smart deals, and build lasting relationships

- Scale by connecting with suitable investors with the KI-Investoren-Plugin from KI-Allianz Baden-Württemberg (Seed to Series C)
- Access pitch and venture event exposure with CyberLab, de:hub Karlsruhe and EDIH-AICS Network (all stages)

+ Public funding opportunities for AI and cybersecurity:

Public funding can be a powerful growth lever—especially in digital innovation, AI, and cybersecurity. Many programmes offer non-dilutive capital, support high-risk RandD, and boost credibility through formal evaluation.

Explore open calls in the EDIH-AICS public funding database: edda-hilft.de

5 Dos and Don'ts: Focus on networking and fundraising strategies

5.1 NETWORKING AND BUILDING RELATIONSHIPS: CREATING AN INNOVATION CIRCLE

Building a strong network opens doors to mentorship, partnerships, and funding opportunities essential for startup growth.

Dos:

- Attend relevant startup events, meetups, and pitch competitions regularly.
- Engage with your community online and offline, using platforms like LinkedIn.
- Leverage industry-specific networks such as CyberLab's investor network or the de:hub initiative.
- Nurture long-term relationships—focus on people who genuinely support your vision, not just immediate gains.
- Seek mentors, partners, and collaborators who can provide advice, connections, and growth opportunities.

Don'ts:

- Network only when you need funding—build relationships continuously.
- Focus solely on pitching for money; value mentorship and feedback equally.
- Ignore smaller events or informal meetups—they can lead to unexpected opportunities.
- Be passive—actively engage, follow up, and offer value in return.

5.2 EFFECTIVE FUNDRAISING STRATEGIES

A well-planned fundraising strategy helps secure the right capital at the right time, ensuring sustainable growth and investor confidence.

Dos:

- Start building investor relationships early—well before you need funds.
- Prepare a clear and compelling narrative that highlights the problem you solve and your unique value.
- Practice your pitch to be confident and concise.
- Be ready to discuss detailed financials: projections, expenses, and capital use.
- Tailor your fundraising approach to each stage (seed, Series A, etc.) for optimal timing and amount.

Don'ts:

- Wait until you're desperate to start fund-raising.
- Overlook the importance of investor confidence—professionalism matters.
- Ignore feedback from investors, even if it's critical.
- Under-prepare your financial data or avoid tough questions.
- Try to raise too much or too little capital—find the right balance for your growth stage.

6 Success stories

6.1 HEATIT BY KAMEDI GMBH

CyberLab embedded us into to local startup eco-system, introduced us to our first investor and helped us acquire a pre-seed stage convertible loan.“

Lukas Liedtke
CEO of Kamedi GmbH

Website: https://heatit.de/en
Location: Karlsruhe, Germany
Sector: Health care
Technology: IoT
Stage at time of support: Seed
Funding Secured: €250k using Start-up BW Pre-Seed

Support Received: CyberLab Accelerator Program, Mentoring, Start-up BW Pre-Seed, Startup Spaces
Impact: During their CyberLab Accelerator phase Kamedi successfully launched their first product in a crowdfunding campaign. Today Kamedi is a highly profitable and expanding company.

6.2 HQS QUANTUM SIMULATIONS

CyberLab embedded us into the local startup eco-system and helped us by incubating our team in the early stages. We were matched with mentors and supported through hard decisions. Even after years we are still connected to the CyberForum Network."

Iris Schwenk

COO and Co-Founder of HQS Quantum Simulations

Website: https://quantumsimulations.de/

Location: Karlsruhe, Germany

Sector: Life sciences, chemistry and pharmaceuticals

Technology: Quantum Computing

Stage at time of support: Seed

Funding Secured: 200k pre-seed round with Start-up BW Pre-Seed, leading to €14.3 million follow-up financing from VC funds.

Support Received: Mentoring, Start-up BW Pre-Seed, Startup Spaces

Impact: HQS now employees over 40 people, most of them recognized scientists in Quantum Computing and Chemistry.

7 Glossary

AI	Artificial Intelligence
B2C	Business-to-Consumer
CAC	Customer Acquisition Costs
CRM	Customer Relationship Management
CVC	Corporate Venture Capital
EDIH-AICS	European Digital Innovation Hub Applied Artificial Intelligence and CyberSecurity
ESG	Environmental, Societal, Government
EU	European Union
FFF	Friends, Family and Fools
FSTP	Financial Support to Third Parties
IP	Intellectual Property
IT	Information Technology
KPI	Key Performance Indicator
LTV	Lifetime Value
MRR	Monthly Recurring Revenue
MVP	Minimum Viable Product
PE	Private Equity
PoC	Proof of Concept
SME	Small and Medium-sized Entreprise
TRL	Technology Readiness Level
VE	Venture Capital

8 Literature

STARTUP AND INVESTMENT LANDSCAPE

European Investment Bank (2022). Access to Finance for Startups and Scale-ups. Available at:
https://www.eib.org

Invest Europe (2023). European Private Equity Activity Report. Available at:
https://www.investeurope.eu

Startup Genome (2023). Global Startup Ecosystem Report (GSER). Available at:
https://startupgenome.com

VENTURE CAPITAL AND ANGEL INVESTMENT

EBAN – European Business Angel Network. Annual Statistics Compendium. Available at:
https://www.eban.org

KPMG (2023). Venture Pulse Report Q4 2023. Available at: https://home.kpmg

Nauta Capital. VC Investment Guide for Founders. Available at:
https://www.nautacapital.com

PUBLIC AND HYBRID FUNDING INSTRUMENTS

Baden-Württemberg Ministry for Economic Affairs, Labour and Housing. (2020). Support programs in Baden-Württemberg during the Corona crisis. Available at: https://wm.baden-wuerttemberg.de/ fileadmin/redaktion/m-wm/intern/Publikationen/Wirtschaftsstandort/Foerderprogramme_BW_Co-rona-Krise_engl_16.11.pdf

EIF – European Investment Fund. Equity, Guarantees and Hybrid Finance. Available at:
https://www.eif.org

European Commission. Funding and Tenders Portal. Available at:
https://ec.europa.eu/info/funding-tenders

The project is funded by the Digital Europe Programme (DIGITAL) of the European Union under grant agreement number 101083994.

32

AI AND CYBERSECURITY CONTEXT

AI Watch – European Commission JRC. Available at: https://ai-watch.ec.europa.eu

ENISA (2023). Cybersecurity Market Analysis Report. Available at: https://www.enisa.europa.eu

European Commission (2021). Coordinated Plan on Artificial Intelligence. Available at: https://digital-strategy.ec.europa.eu

STARTUP METHODOLOGY AND INVESTOR READINESS

Blank, S., and Dorf, B. (2012). The Startup Owner's Manual. Wiley.

Cremades, A. (2016). The Art of Startup Fundraising. Wiley.

Kawasaki, G. (2015). The Art of the Start 2.0. Penguin Books.

Osterwalder, A., and Pigneur, Y. (2010). Business Model Generation. Wiley.

Ries, E. (2011). The Lean Startup. Crown Business.

Sahlman, W. A. (1997). How to Write a Great Business Plan. Harvard Business Review, July–Aug.

Available at: https://hbr.org/1997/07/how-to-write-a-great-business-plan

The project is funded by the Digital Europe Programme (DIGITAL) of the European Union under grant agreement number 101083994.

33

9 Publisher and Authors

Publisher: European Digital Innovation Hub Applied Artificial Intelligence and Cybersecurity (EDIH-AICS)

Since October 2022, the European Union has been establishing a network of European Digital Innovation Hubs to support small and medium-sized enterprises (SMEs) and the public sector in particular with the challenges posed by the digital transformation. The European Digital Innovation Hub Artificial Intelligence and CyberSecurity (EDIH-AICS) is one of a total of 16 EDIHs in Germany that started their work between the end of 2022 and mid-2023.

The project is funded by the Digital Europe Programme (DIGITAL) of the European Union under grant agreement number 101083994. The project activities of EDIH-AICS started in February 2023 for a period of 36 months with the participation of a total of ten partners from the TechnologieRegion Karlsruhe, providing their expertise and network to strengthen and advance artificial intelligence and cybersecurity in production, mobility, energy, commerce, services, and the public sector across Europe.

Lead Authors: CAS Software AG, CyberForum e.V.

Contributors: EDIH-AICS Consortium

EDIH AICS.

EUROPEAN DIGITAL INNOVATION HUB
Artificial Intelligence & CyberSecurity

www.edih-aics.eu

edih@fzi.de

in *Digital Hub Karlsruhe | EDIH-AICS*

Consortium