The ABCs of Venture Capital

Sadie the squirrel plants small ideas and helps them grow



FundOpsHQ



This book belongs to

_____

A



Angel

An angel invests their own money in a very young company, often before anyone else believes in it.

B



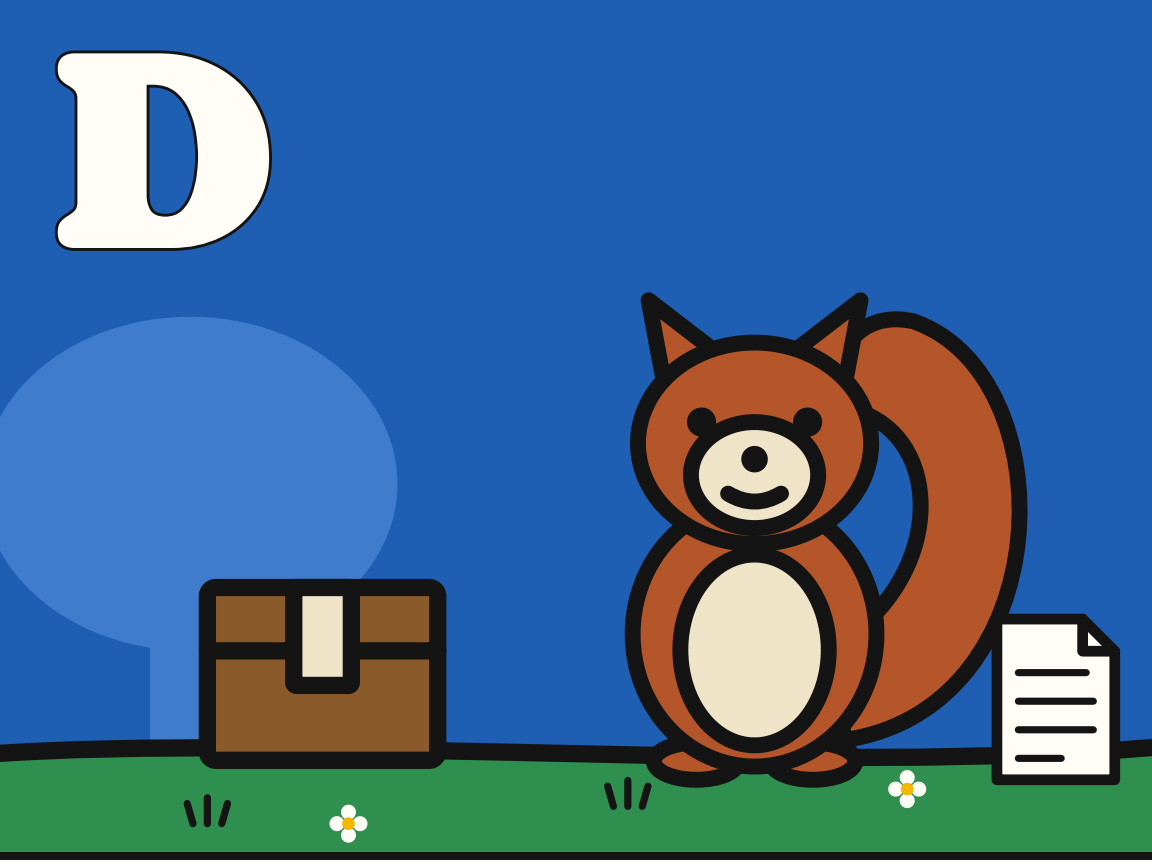
Burn rate

Burn rate is how much money a young company spends each month while it is growing.



Cap table

A cap table is the list of who owns how much of a company. Every founder keeps one.



Dilution

When a company sells new shares, each owner's slice gets smaller. The hope is that the whole pie gets much bigger.

E



Exit

An exit is when investors can sell their shares, because the company is bought or lists on a stock market.



Founder

A founder is the person who starts a company. They see something that could be better, and they begin.



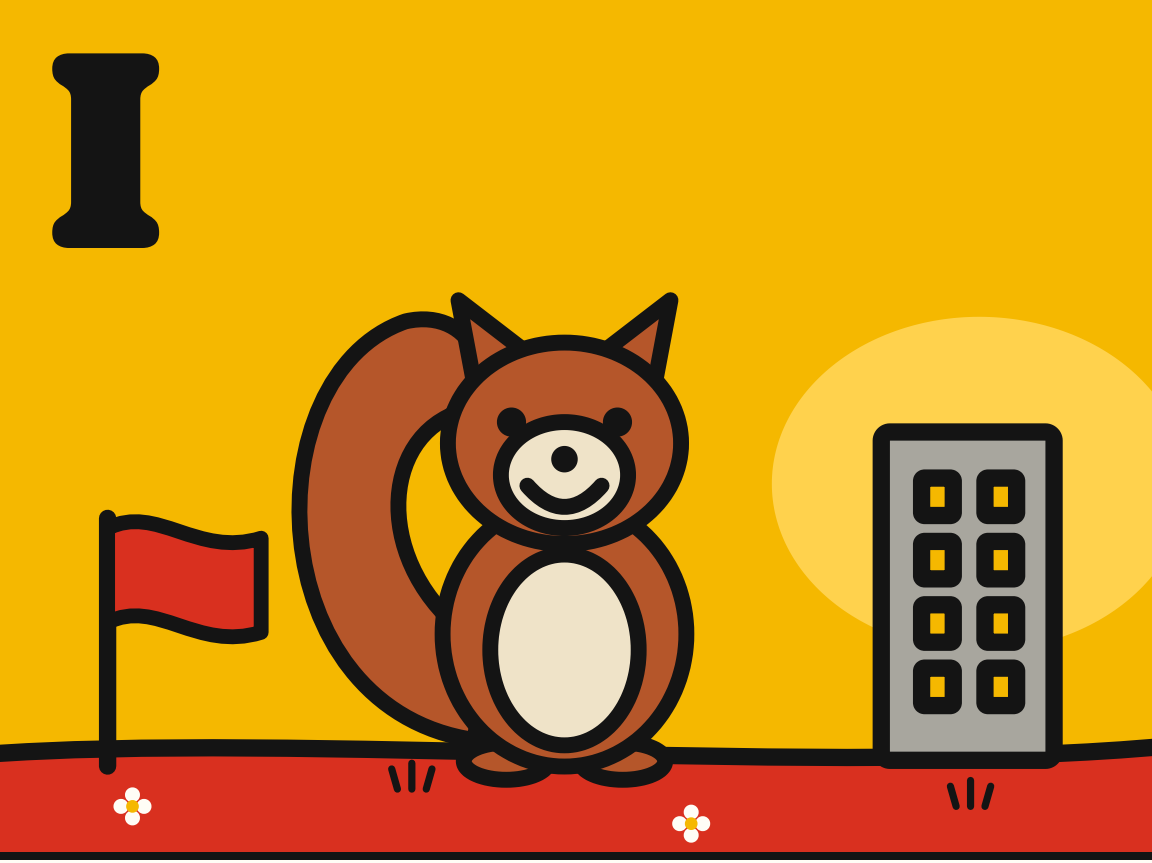
Growth

Growth means more customers this year than last. It is what the money is for.



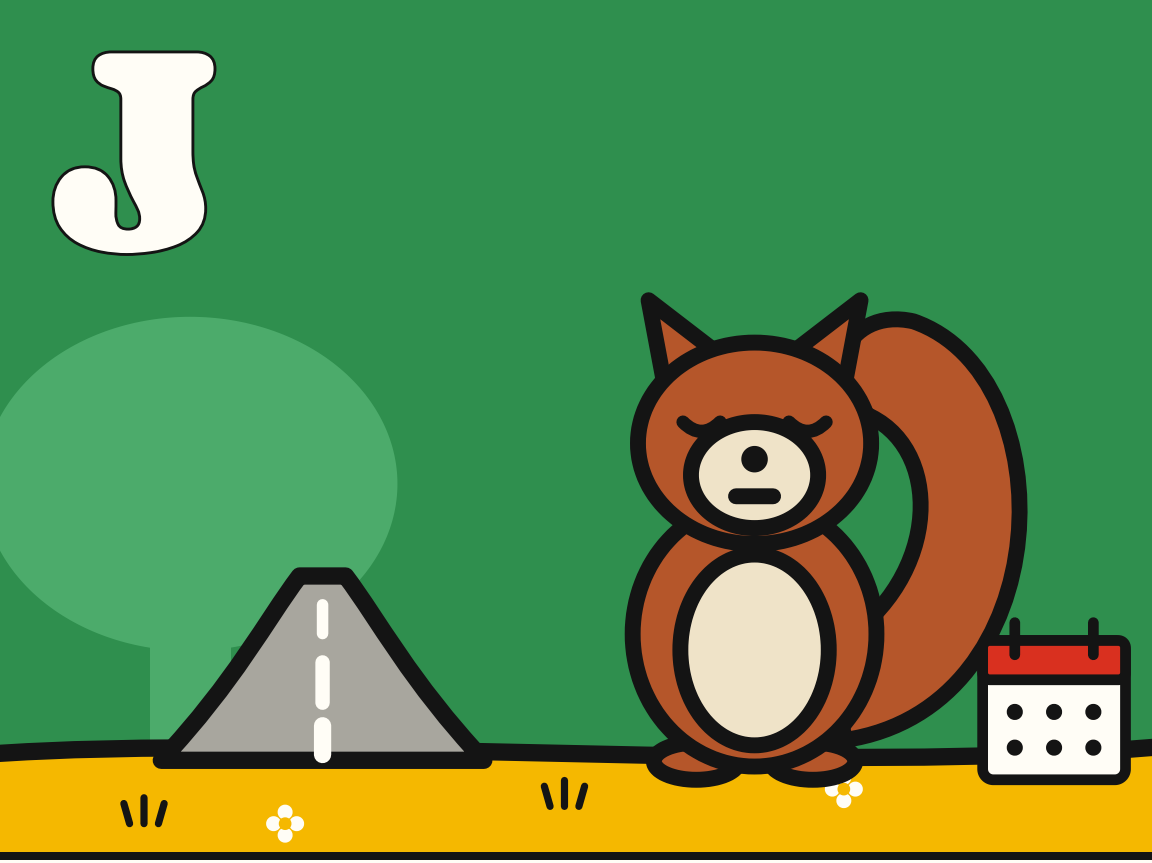
Hire

A young company's first hires shape everything that comes after. Choosing them is one of a founder's biggest jobs.



IPO

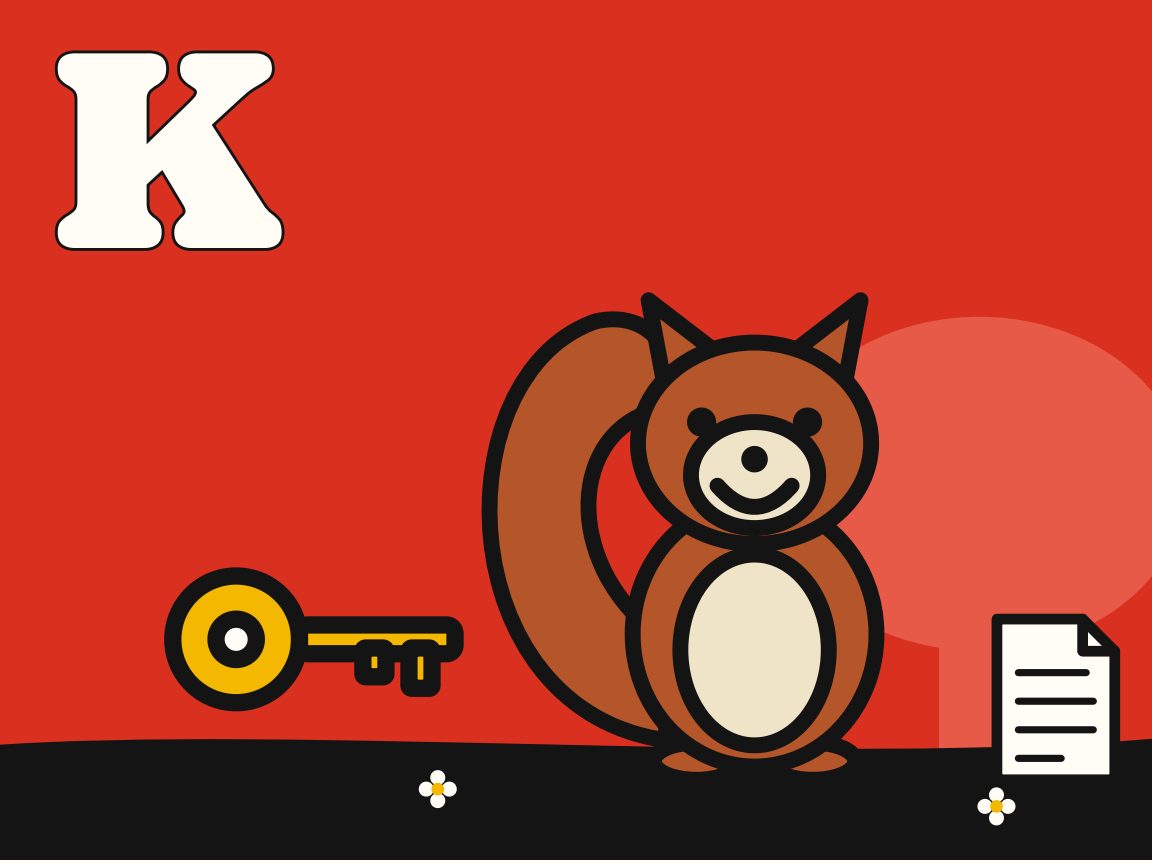
An IPO is the first time a company sells its shares to the public on a stock market. IPO stands for initial public offering.



Journey

Building a company usually takes many years, with good days and hard days along the way.

K



Know-how

Good investors bring more than money. They bring advice, introductions and things they have learned before.



Liquidation preference

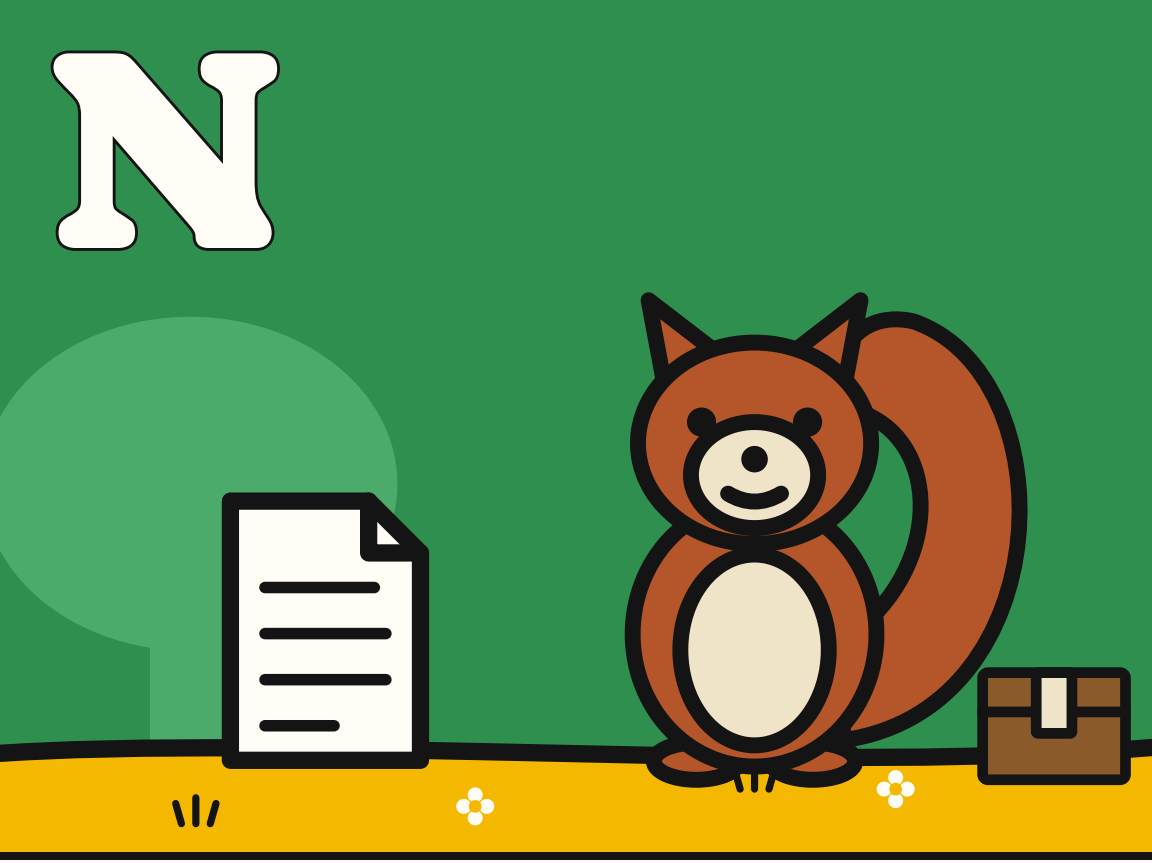
When a company is sold, preferred investors usually get their agreed amount first. That is a liquidation preference.

M



Milestone

A milestone is a goal to reach before the next round of money, like a first hundred customers.



Note

A convertible note is a loan that can turn into shares later on.



Option pool

An option pool is a set of shares saved for future teammates, so the people who join can share in the success.



Pitch

A pitch is when a founder tells an investor about their idea, who it helps and why it could grow.



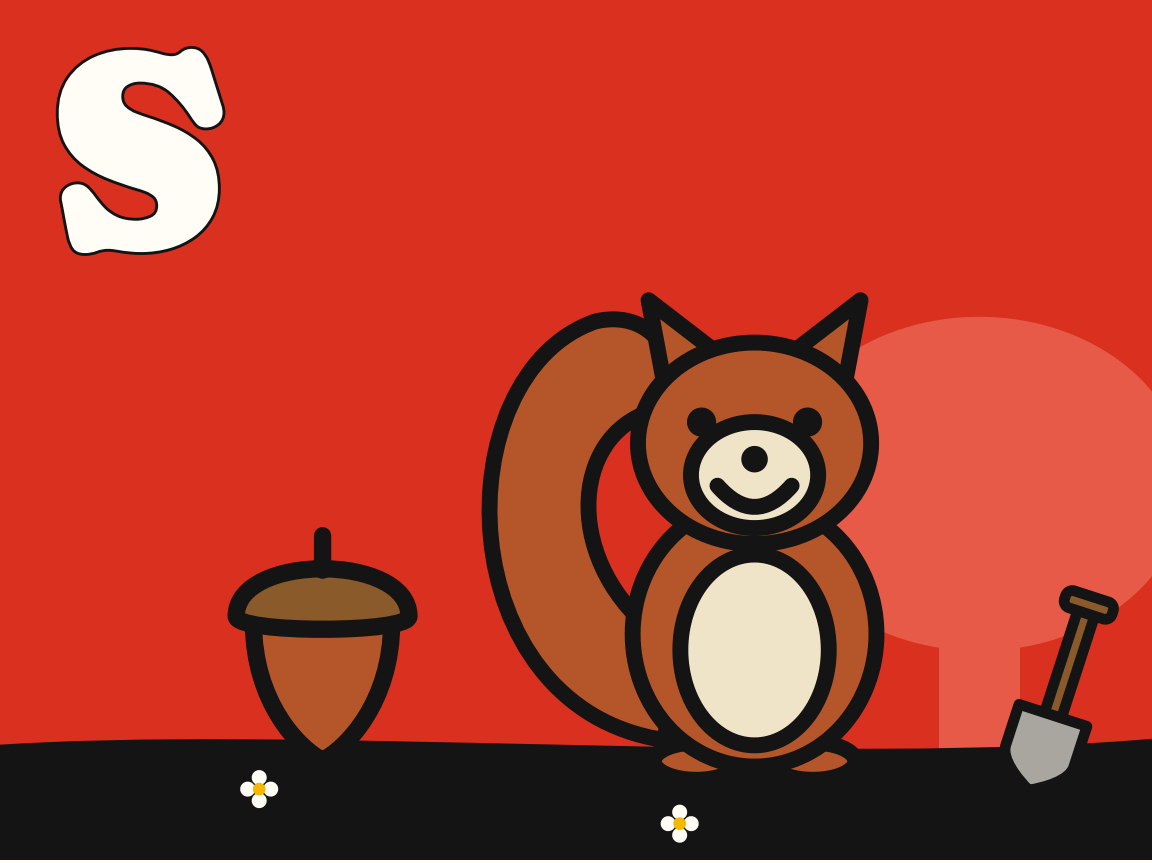
Questions

Investors ask lots of questions. Who needs this? Why now? Why you? Good questions help a founder too.



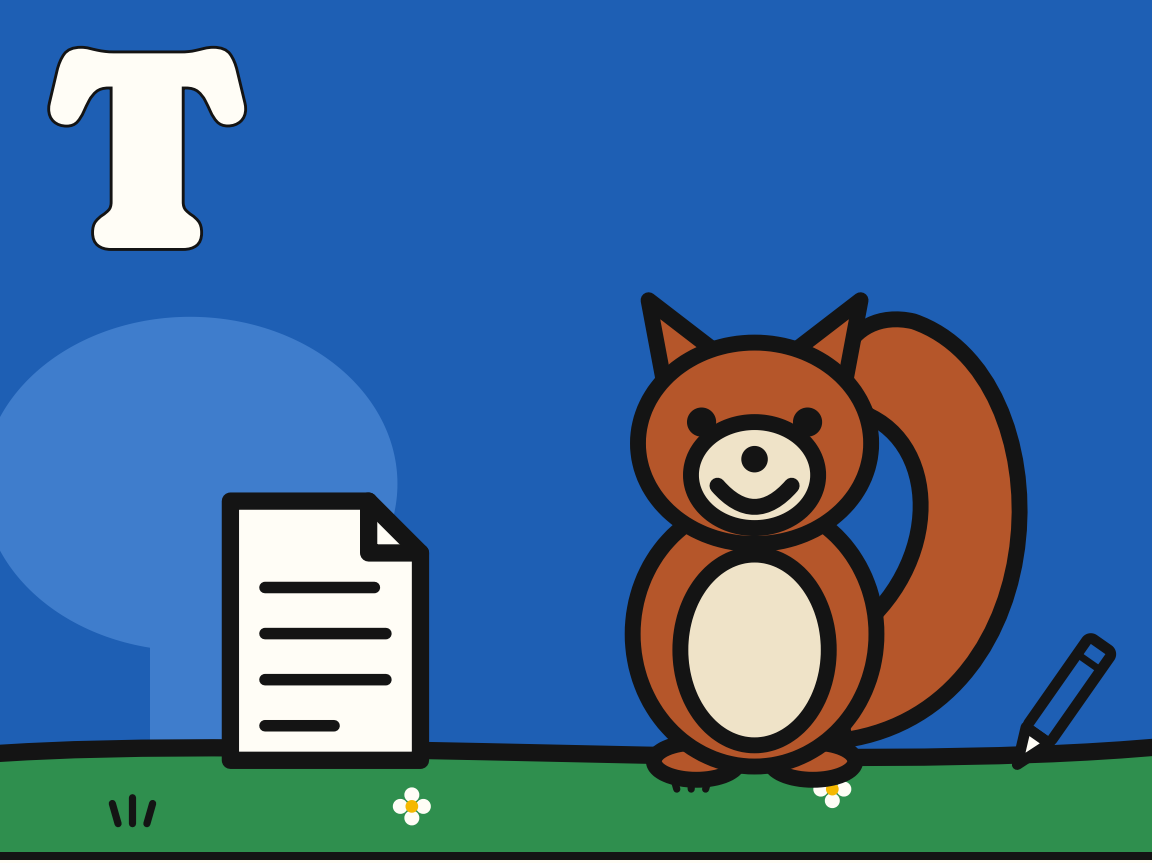
Runway

Runway is how many months a company can keep going on the money it has. Cash divided by burn.



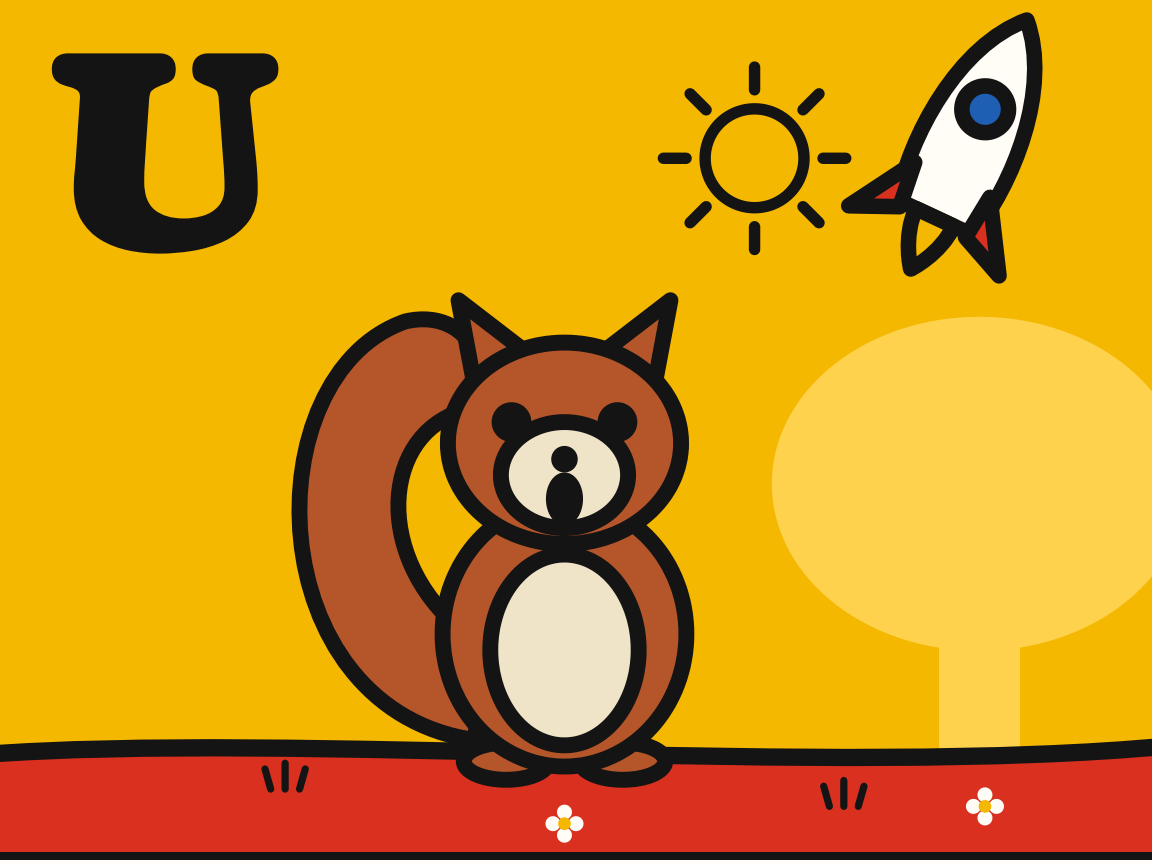
Seed

A seed round is a company's first real money. Like an acorn, it is small, and it could become very big.



Term sheet

A term sheet is a short list of the main points of an investment, agreed before the longer documents are written.



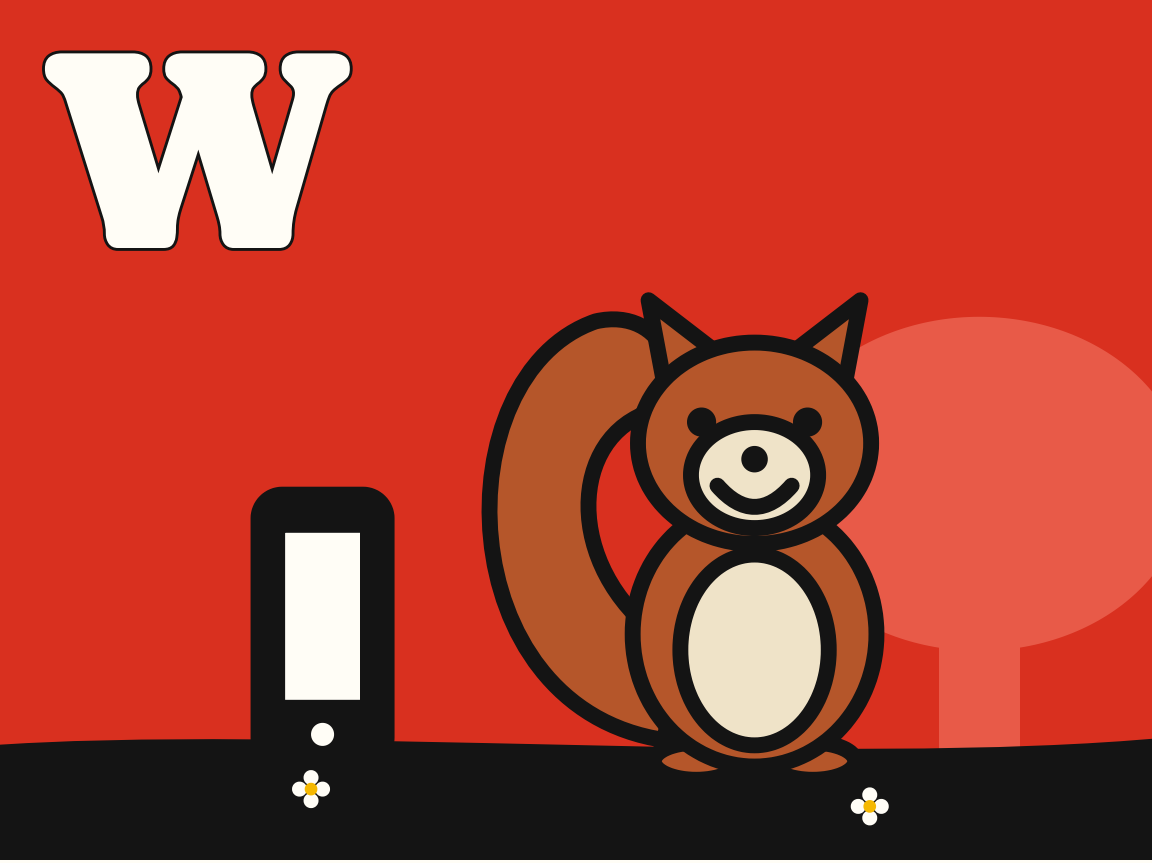
Unicorn

A unicorn is a private company valued at a billion dollars or more. They are named for being rare.



Valuation

A valuation is what a company is agreed to be worth when new money comes in.



Word of mouth

When customers like something, they tell their friends. Word of mouth is one of the nicest ways to grow.



10X

Investors hope a few companies will return ten times their money, because many young companies will not.

Y



Yes

Founders hear a lot of noes. It only takes a few yeses to begin.



Zzz

Acorns take their time, and so do oaks. Sadie curls up her tail and goes to sleep.



A note for grown-ups

The words in this book are real ones, explained simply. The animals and examples are made up, and real terms vary from fund to fund. It is here to help you read and talk together, and it is not advice.

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