

Startup Glossary

A guide to commonly used terms in angel investing and venture capital

1. Angel Investor

An individual who provides early-stage funding to startups, often in exchange for equity or convertible debt.

2. Accelerator

A program designed to support early-stage startups through mentorship, resources, and sometimes funding, typically in exchange for equity.

3. Bootstrapping

Building a business using personal finances or revenue generated by the company, without external funding.

4. Burn Rate

The rate at which a startup spends its cash reserves before generating positive cash flow.

5. Cap Table (Capitalization Table)

A document outlining the ownership structure of a company, including shares, options, and equity percentages.

6. Convertible Note

A type of short-term debt that converts into equity upon a future financing round or a specific event.

7. Crowdfunding

Raising small amounts of money from a large number of people, typically via online platforms.

8. Due Diligence

The process of investigating a company's business, financials, legal standing, and overall viability before making an investment.

9. Equity

Ownership in a company, often represented by shares of stock.

10. Exit Strategy

A plan for investors to realize a return on investment, typically through an IPO, acquisition, or sale of the company.

11. General Partner (GP)

A manager of a venture capital fund who makes investment decisions and oversees the fund's portfolio.

12. Initial Public Offering (IPO)

The process of offering shares of a private company to the public for the first time, turning it into a publicly traded company.

13. Lead Investor

The investor who leads a funding round, often setting the terms and conducting due diligence.

14. Liquidation Preference

A clause in a funding agreement that determines the order of payouts in the event of a liquidation or sale of the company.

15. Minimum Viable Product (MVP)

A basic version of a product that is launched to gather feedback and validate an idea.

16. Post-Money Valuation

The value of a company after a round of investment, including the new capital raised.

17. Pre-Money Valuation

The value of a company before a round of investment.

18. Runway

The amount of time a startup can operate before running out of money, based on its burn rate and current cash reserves.

19. Seed Funding

The initial capital used to start a business, typically raised from angel investors, accelerators, or early-stage venture funds.

20. Series A/B/C Funding

Subsequent rounds of funding used to scale operations, develop products, or enter new markets.

21. Term Sheet

A non-binding agreement outlining the key terms and conditions of an investment deal.

22. Unicorn

A privately held startup valued at \$1 billion or more.

23. Venture Capital (VC)

A form of private equity financing provided by venture firms to startups with high growth potential in exchange for equity.

24. Vesting Schedule

The timeline over which an individual gains full ownership of their equity or stock options.

25. Valuation

The monetary worth of a company, often determined during funding rounds.