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Southeast and East Asia

A-Z FUNDRAISING FOR STARTUPS

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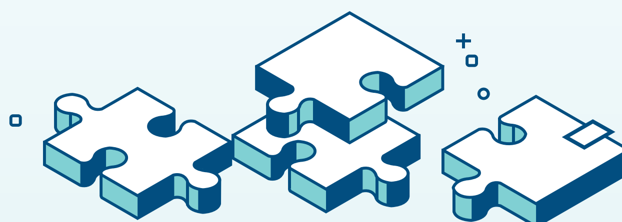
ABOUT WOWS GLOBAL

WOWS Global is a digital investment bank connecting startups and investors to enable primary and secondary transactions as well as alternative financing. In 2022, WOWS raised USD 72m for the startups they represent through a mix of equity financing, debt financing and various other financial instruments (SAFE and CN).

The WOWS invitation only Investor Network includes 45+ VCs, 15+ PEs, 30+ Family Offices and over 100+ Angels all actively sourcing deals through WOWS Invest. WOWS's products include powerful Equity Management Solutions, Investor Relationship Management tools, Virtual Data Room as well as our flagship invitation only investor's Startup directory, WOWS Invest, enabling Startups to efficiently connect and communicate with prospective investors.

WOWS Global also offers bespoke Advisory Services catered to startups of all stages. From data room management services to valuation and complex financial modeling - our in-house experts ensure startups are fundraising ready. We seek to optimize the fundraising process for startups and we are committed to ensuring the startups that work with us spend time building their companies while we enable their transactions in the primary and secondary markets



https://wowsglobal.com/

A IS FOR:

Accelerator: This is a hub where startups will receive mentorship, space to work on their ideas, and sometimes seed capital. It is a timed program to help build your startup.

Accredited Investor: An accredited investor is generally considered to be a person who has sufficient capital (a high net worth), extensive experience in financial markets, and the ability to engage in more advanced types of investment. They may also be known as sophisticated investors.

Acquihire: This is an exit strategy in which a hiring company is effectively buying your company to acquire the talent and team you have built.

Acquisition: There are 2 types of acquisition:

> **Business acquisition:** When a company or investment group buys another company.
> **Customer Acquisition:** When your company wins a new customer.

Allocation: Relates to the size of the funding round which has been set aside for a specific investor, group of investors, or a fund, etc. It is usually communicated
in monetary value.

Amortization: This is an agreed, scheduled process for companies to gradually pay off a debt.

Angel Investor: Usually a high-net-worth individual. Angel Investors often fund with their own money during the early stage of a company's life. It is often the primary source of funding for startups. While not set in stone, investment amounts from angel investors can range from $5,000 to $250,000.

Anti-Dilution Protection: This is a contract clause. It protects some investors from having their equity or shares diluted when other investors buy stocks in your company. Such a clause is often applied when company shares are sold at less value than the amount originally paid by existing investors.

B IS FOR:

Board Seats: It is crucial that founders fully evaluate any investor interested in making a substantial investment in their company. As has been witnessed time and again, investors that offer significant investment sums will usually insist on taking a seat on your company's board of directors. It is also clear that such high-profile investors come with the intention of having a major influence in terms of company decisions. The reason for this is that they will want to examine whether their investment is being put to good use or otherwise.

Bootstrapping:

Where founders start a business without external help or investment.

Bridge Financing:

Short-term financing which is expected to be quickly repaid.

Burn Rate: Burn rate (often called 'burn') is something all founders need to be acutely aware of. It is the rate at which your company is burning through money. The burn rate data is used by startups and investors to track monthly amounts

of cash that a company is spending before it starts to generate its own income Burn rate is also used as a measurement to show the amount of time your company has before it runs out of money.
Founders need to be aware that there are 2 types of burn rates :

> Net burn: This is the total amount of money a company is losing each month. The net burn rate is calculated by subtracting total operating expenses from all incoming revenue.
> Gross burn: This is the total amount of monthly operating costs incurred. It also serves to provide insight into your company's cost drivers and efficiency

Buyout: A buyout is a common exit strategy. It is when a company's shares are purchased. This results in the purchaser being granted a controlling interest in the company.

C IS FOR:

Cap Table: A cap table is a record of company ownership that includes such data as shares (common and/or preference shares), warrants, and convertible instruments. A cap table clearly shows the percentage ownership of all involved investors. It is a crucial tool that clarifies percentage ownership before and after an investment round. It also shows the current value of equity as well as any equity dilution.

Churn Rate: This relates to customer numbers you are churning through. Meaning, how many customers you are gaining against those you are losing. Any startup that is losing too many customers can find that its next fundraising round will be more difficult. Common Stock: A type of security that represents company ownership.

Common Stock: Common Stock shares allow owners to vote on corporate policy and to have a say on serving directors. Should a sale or liquidation occur,

owners of common stock are only paid an amount once the bond and preferred stockholders have been paid

Convertible Note: This is an investment vehicle. It is considered a loan that is intended to convert into equity if/when the loan provider requires it. Convertible notes help delay a valuation agreement between your company and any investors. They also allow a far faster agreement process to be put in place. Convertible notes do have a valuation cap. They also have an agreed interest rate as well as a valuation discount from your next round of fundraising.

Crowdfunding: This is how startups can obtain money from many individuals and/or organizations. The amount raised is achieved in exchange for such things as equity (shares), loans (interest), and/or products/services rewards

D IS FOR:

Deal Flow: The rate at which funding institutions receive investment opportunities.

Deal Room: A centralized location in which investment pitches and negotiations are carried outv.

Debt Financing: A money-raising tactic. Debt financing is where a company sells bonds or notes to an investor. This transaction is carried out with the assumption that these bonds/notes will be re-purchased with interest

Dilution: Put quite simply, dilution is the process that decreases your ownership of the company. This is carried out to raise money from investors by bringing them onboard as part owners. Each round of equity funding successfully raised means you are giving up a percentage of your company in return for the equity funding investors give

Due Diligence: Due Diligence: Due diligence means the detailed examination of all significant facts relating to your company. Examples are investments made and any acquisition or merger decisions made. Reviewed facts also include financial records, legal records plus anything else deemed material. The premise behind due diligence is that it increases the quality and amount of information available to decision-makers who are considering an investment in a company. The information can then be systematically reviewed. By doing so, well-informed decisions can be made to strike a balance between costs, benefits, and any risk factors involved. Founders should be acutely aware that the amount and clarity of required information available during due diligence can make or break investor decisions.

E IS FOR:

Early Stage: This is the earliest stage of the 3 main startup phases. It relates to fledgling, often pre-revenue companies.

EBITDA: An abbreviation of 'Earnings Before Interest, Taxes, Depreciation, and Amortization'. This is a cash flow measurement calculated by taking revenue-less expenses without including interest, taxes, depreciation, and amortization.

Earnout Provisions: A contract clause detailing future compensation for a seller if the business reaches certain performance goals.

Elevator Pitch: If you are going to get anywhere in your fundraising quest your elevator pitch needs nailing. It is the short brief given to potential investors, industry specialists, and customers to convey your overall product or service concept in an exciting way. The term elevator pitch derives from the thought that this initial pitch should be delivered at the same time as an elevator ride takes, around one minute!

Employee Stock Option Pool (ESOP): An ESOP is an employee benefit plan. It is where a company grants employees stock options. Startups can use ESOPs to attract and retain key talent by allowing these employees to purchase company shares at an agreed fixed price on the grant date. The majority of institutional investors will request that founders create an ESOP pool before they invest. This is done to ensure that key hires can be recruited without causing investor equity dilution

Entrepreneur in Residence (EIR): A highly experienced entrepreneur employed by a VC (Venture Capital) firm in an advisory role.

Equity: This represents ownership. It indicates how much control an individual has over company decision-making. Founders will come across 2 forms of equity: common stock and preferred stock.

Equity Financing: This is a money-raising tactic. It is where investment is given in exchange for a percentage ownership of a company.

ESG: This abbreviation stands for Environmental, Social, and Governance. It is an established set of standards that any socially conscious investor uses to measure (and screen) what they feel are good investments. ESG considerations include how a company thinks about the environmental impact of their business, employee culture, and the ethics of how a company is run.

Exit: How a founder or investor will cash out part or all of their equity from a startup. Common startup exit strategies take place when selling, going through a merger, an acquisition, or going public through an IPO (Initial Public Offering)

Exploding Offer: An investment offer with a limited time period. If an exploding offer is not accepted within this short period of time it is retracted.

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F IS FOR:

Family Offices: Essentially this is the investment arm of very wealthy families. There are also a growing number of multi-family offices. These provide greater efficiency and group investment leverage for slightly less wealthy families. Investment strategies often differ from Angel or VC investors' approaches when it comes to recouping investments and returns.

Final Close: Completion of a general partner's fundraising efforts concerning a particular fund and/or completion of a financial round for a startup raising.

Financial Forecast: Also termed 'Financial Projection'. It is a forecast that estimates business growth and income over a given period. These projections are based on market research and comparisons against existing businesses in the same market sector.

Financing Round: A type of securities offering. It is where a company receives investor capital in exchange for equity, as a loan, or some other financial arrangement.

First Refusal: A contract clause that requires founders and investors to offer shares to a current early investor before selling to a 3rd-party.

First Round Financing: The first investment from external investors to a company.

First Stage Capital: The funds given to a founder who has a proven product. The amount given is to begin commercial production and marketing. It does not cover market expansion, acquisition costs, or de-risking.

Flat Round: A funding round whereby a startup issues shares at the same post-money valuation as during its last fundraising round. What it effectively means is that the company value has gone down. This is due to dilution. Meaning, that the existing shareholder's stock is worth less than before the round. Because flat rounds are often associated with poorly performing companies it could be a sign that something is wrong with either the current team or the product/service. Flat rounds often take place when funds are running out but projected milestones or stated targets have not been met.

Follow-on Investment: This is when an investor invests in a financing round that follows their initial investment.

Full Ratchet: Should be considered a harsh and quite rare provision. It is a type of anti-dilution clause intended to protect investors by preventing extreme dilution of equity/shares.

Fully Diluted: Relates to the number of common shares issued by a company that will be outstanding and available for trading on the open market once all other sources of conversion (examples: Convertible bonds, and ESOPs) are exercised. Typically, a company's valuation is determined based on these fully diluted shares.

Fund: This is an investment vehicle made up of capital commitments from limited partners and is raised by a general partner. It is typical for a fund to target specific sectors, regions, or deal amounts.

Fund of Funds: A mutual fund that invests in other mutual funds.

Fund Term: The majority of VC funds raise a fixed amount of money and operate for a fixed period. Upon reaching the target fund size, that capital comes under the fund's management. This is usually for 10 years. Fund managers generally have the discretion to extend this term by 2 or 3 years (often in 1-year increments).

G IS FOR:

GAAP: An abbreviation for 'Generally Accepted Accounting Principles'. Created by the accounting industry, GAAP is an established set of rules that must be followed during the reporting of financial information.

General Ledger: Complete, comprehensive record of all financial transactions. It spans the company's lifetime.

Golden Handcuffs: Delayed payments or benefits a company offers to prevent the departure of an employee.

Golden Parachute: A lump sum payment or large compensation for an executive's dismissal. This often comes into play in the aftermath of a takeover.

Gross Margin: A metric measured in percentage that shows how much revenue a company keeps after subtracting all 'production' costs.

Gross Profit: Net revenue minus Cost Of Goods Sold (COGS)

Gross Profit Margin: Gross Profit divided by net revenue.

Gross Revenue: The total amount of money/income generated from sales of your product(s) or service(s).

Ground Floor: A term used for the 1st stage of a new investment or new venture opportunity.

Growth Equity Investment: Provides relatively mature companies with capital for funding expansion or restructuring. These funds are given in exchange for an equity position (typically a minority stake).

H IS FOR:

Harvest Period: Harvest Period: This is the period in which a fund begins to see investment returns through such things as mergers and acquisitions, IPOs, and technology licensing agreements.

Hockey Stick: An informal term relating to an upward growth trend. Hockey Stick Growth may be mentioned in pitches. It means exponential-looking growth.

Holding Company: An entity created with one purpose. The holding of assets.

Hourly Active Users: The number of users of a service or product during a 60-minute period.

I IS FOR:

Income Statement: This statement shows sales, expenses, and a company's net profit over a certain period. An income statement is typically prepared quarterly or annually.

Incubator: Either a company or a facility that is designed to aid early-stage entrepreneurs using shared resources, expertise, intellectual capital, pitch/presentation training, and access to a network of investors. Incubators usually provide such services in exchange for equity in the company.

Initial Public Offering (IPO): This is seen as a classic exit strategy. It makes your company stock available to the general public. An IPO also means your company will be listed on an exchange.

Institutional Investors: IThese are dedicated financial entities. They invest on behalf of individuals and companies.

Intellectual Property (IP): Legal ownership of concepts or ideas. IP is classed as an intangible asset that has the potential to be much more important than any tangible asset.

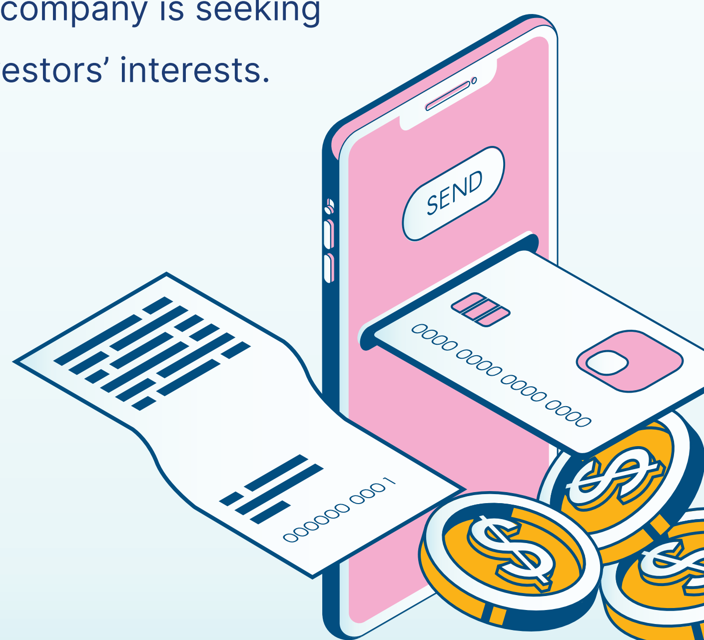
Internal Rate of Return (IRR): This is a financial analysis metric. IRR is used to estimate the profitability of potential investments. It is a discount rate that makes the NPV (Net Present Value) of all cash flows equal to zero in a discounted cash flow analysis.

Investment Committee (IC): This refers to a group of partners at a VC (Venture Capital) company. They will make the final call on each of the company's investments. In small funds, all partners in the firm will be part of the IC. In a bigger fund, it is often the case that the IC is only composed of the most senior partners.

Investment Period: This is the period a fund deploys the majority of its capital into portfolio companies. The typical period is between 3 and 5 years.

Investor Rights Agreement (IRA): A legal document. It is often introduced by VC firms or prospective investors when a company is seeking investment. An IRA is designed to protect investors' interests.

Investor Updates: These updates are a powerful tool used to attract and engage investors. They can also be used to obtain additional assistance and funding. Smart startup founders use an automated data-driven investor update system.



Invisible Venture Capital: In the venture capital world the term refers to funding obtained from angel investors. Invisible Venture Capital does not come from the usual venture financing sources

J IS FOR:

J-Curve: A J-Curve is an economic theory coined in the early 1960s and can be related to a wide variety of situations. In the context of companies and funding, it demonstrates how private equity funds begin with negative returns in their early years but then witness gains as they establish themselves. It encompasses both the investment period and the harvest period. Private equity funds generally take early losses due to investment costs and management fees but as the funds mature they make previously unrealized gains. Examples of such huge rises come through M&A (Mergers and Acquisitions), IPOs (Initial Public Offerings), and Leveraged Recapitalization.

Joint Venture: This is an arrangement, partnership, or investment between a group of individuals or entities. It spans a limited period with the purpose being to achieve a specific objective.

K IS FOR:

Key Employee: A key employee is one with either major company ownership and/or someone in a decision-making role. Key employees command either high monetary or with benefits compensation sometimes both). It is usually the case that they also receive incentives in the form of special benefits both to join and to stay with he company.

Key Man Provisions: This is part of a limited partnership agreement that prohibits investments by the general partner should key executives no longer be involved in the fund, barring approval from limited partners.

Key Performance Indicators (KPI): Metrics used by a company to measure and track progress or success. KPI measurement details vary across industries and business sectors. They reflect a business's strategic as well as operational initiatives and hold different priorities.

Knowledge Capital: This is classed as the intangible value of a company. It is made up of knowledge relationships, learned techniques, innovations, and procedures. Startups that have key employees with specific skills, as well as access to the overall knowledge capital, can give the company an advantage. This can also be termed "intellectual capital"

L IS FOR:

Late Stage: This is a startup company classed as being in existence for a noteworthy period. One that has proven it has a viable product or service and business model.

Late Stage Investment: The final stage of VC investing involves companies that have achieved strong revenue growth and are close to an exit. Because late-stage investments are less risky, the rate of return is typically lower. Series C funding rounds (and later) are usually categorized as late-stage.

Lead Investor: The first investor to come in and invest the largest amount of capital among all investors in the startup for substantial ownership. Lead investors represent other investors in a startup before, during, and after a fundraising round. They act as a link between the startup raising funds and other investors. It is common for them to get a seat on the board of directors to help the company raise its next round of funds.

A lead investor should ideally be an expert in the product or service a startup is offering or an individual who has spent significant time understanding the nuances of a startup's business. A reputable lead investor can be extremely influential in closing funding rounds as well as being a committed advisor. If founders are afforded a choice they should pick their lead investor carefully.

Letter Of Intent: A business document that outlines deal terms.

Leverage: Leverage refers to the use of debt (borrowed funds) to amplify returns from an investment or project. Investors use leverage to multiply their buying power in the market. Companies use leverage to finance to invest in their future to increase shareholder value rather than issue stock to raise capital.

Leveraged Buyout: This is when either a person or a group of people take on debt to buy out the remaining shares of a company. By doing so they achieve ownership. Liabilities: These are the debts and financial obligations of a company.

Liabilities: Founders note that this is the state of being legally responsible for something.

Limited Partner (LP): A limited partner, also known as a silent partner, is an investor and not a day-to-day manager of the business. The limited partner's liability cannot exceed the amount that they have invested in the business. A limited partnership (LP), by definition, has at least one general partner and one limited partner.

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Liquidation: This is the process of turning securities into cash. Often seen as part of a company's exit strategy.

Liquidation Preference: A liquidation preference is a clause in a contract that dictates the payout order in case of a corporate liquidation. Typically, the company's investors or preferred stockholders get their money back first, ahead of other kinds of stockholders or debtholders,

if the company must be liquidated. Liquidation preferences are frequently used in venture capital contracts, hybrid debt instruments, promissory notes, and other structured private capital transactions, to clarify what investors get paid and in which order during a liquidation event, such as the sale of the company.

Liquidity Event: A liquidity event allows VC firms to realize either their losses or gains by liquidating owned equity in a company.

Lock-Up Period: This is a time window subsequent to an IPO. It relates to certain shareholders who are not allowed to sell their shares for a certain period.

Long-Term Liabilities: Debts payable over a period of time that exceeds 1 year.

M IS FOR:

Major Investor: Used in investment term sheets. A major investor puts more than a defined amount into any given funding round. This entitles them to specific information and/or voting rights.

Management Buyout (MBO): Funding that is provided for a management team to acquire either a business or a product.

Market Capitalization: The total monetary value of all outstanding shares. This is calculated as shares multiplied by the current price per share. Before an IPO, market capitalization is worked out by estimating a company's future growth and through comparisons of similar public or private corporations.

N IS FOR:

Negative Control Provisions: These are terms agreed upon as part of an investment round. They protect investors from any major adverse actions. Examples are the dissolution of the company or the sale of said company for $1. Negative control provisions do not come with the right to affirmatively control a company.

Net Asset Value (NAV): The NAV is calculated by adding the value of all investments in a fund and dividing them by the outstanding number of shares of that fund.

Net Income: The earnings of a company once all costs and expenses are deducted. Such expenses are wide-ranging. Examples are operating costs, general and administrative costs, selling, depreciation, interest expenses, and any taxes.

Net Worth: Value of total assets minus total liabilities.

O IS FOR:

Offering Memorandum: A legal document drafted by startups. It provides potential investors with details of an investment round.
Operating Margin: This margin ratio measures a company's pricing strategy and operational efficiency.

Operating Partner: An executive whose focus is working with portfolio companies to increase their value. An operating partner will often have specific expertise, for example, a particular industry focus.

Ordinary Share: The basic form of a company's shares. They are the most popular share type and entitle holders to dividends as well as capital if a company is wound up. Ordinary shares usually carry voting rights (one vote per share is normal).

Outstanding Shares: This refers to the number of shares a company has issued to shareholders. It includes those given to founders, investors, advisors, and option holders.

Overhang: A term describing the event in which an investor's liquidation preferences exceed a company's current value.

Owner-employee: Either a sole proprietor or any person who owns at least one-fifth of the capital and/or profits associated with a business.

P IS FOR:

Paid-In-Capital: Paid-in capital is the full amount of cash or other assets that shareholders have paid a company in exchange for shares of its stock. It includes both par value and the excess of par that was paid in. Additional paid-in capital refers to only the amount paid in excess of a stock's par value.

Pay-to-Play Provision: This relates to a clause in a term sheet. It is common for both companies and investors to seek this agreement. The pay-to-play provision requires investors to participate in future funding rounds.

Performance Fees: The performance fee is an amount that the investor pays to the investment manager for making profits or positive returns on the investment. It is very common in the case of hedge funds investment that comprises mainly two fee structures, i.e., the management fee and the performance fee.

Pitch/Pitching: This is a crucial part of fundraising for startup founders. It is the opportunity to introduce your business concept to potential investors and stakeholders in a few minutes. Delivering a persuasive 'pitch' is very often the difference between securing funding and not.

Placement Agent: A third-party firm. They identify potential investors for private equity funds (and/or other securities).

Portfolio Company: This is classed as either a company or entity that venture capital firms or buyout firms invest in. It also refers to all companies that are currently backed by a private equity firm. This is known as the firm's portfolio.

Pre-Accelerator: A program offering advice for companies that haven't entered an accelerator.

Pre-Emptive Right: A clause found in an investment agreement. It grants investors the right to maintain the same equity percentage after restructuring.

Pre/Post Money Valuation: These 2 terms describe a company's value before and after investor involvement. Pre-Money valuation is classed as the value of your company and is agreed upon between founders and incoming investors before they invest. Post-Money valuation is the Pre-Money valuation amount plus the agreed investment amount.

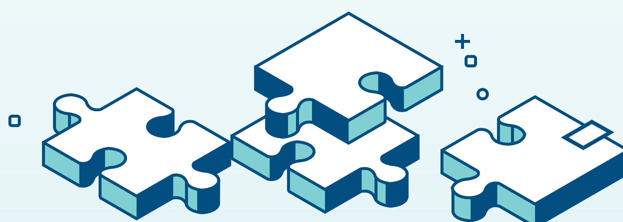
Preferred Stock: Stock that carries a fixed dividend. Preferred stock takes sale-order priority over other stock forms. This often results in preference when any dividends are given to shareholders. In short: They get paid first!

Principal: Total value of an originally invested sum.

Promissory Note: This note is classed as a legal document. It details the debt amount owed along with an obligatory plan for repayment.

Pro-Rata: In fundraising terms, this means the division of equity or stocks based on equal proportions.

Protective Provisions: These are provisions set out in a company charter. They give exclusive voting rights to preferred stockholders.



Q IS FOR:

Qualified Financing: A threshold amount of raised financing that triggers the conversion of a convertible note into equity. The conversion can be optional or automatic.

Quorum: The number of shareholders whose presence (or proxy) is necessary at a company meeting to take corporate action.

R IS FOR:

Recapitalization: Classed as a corporate reorganization of capital structure. This is achieved by changing the mix of equity and debt.

Redemption Right: This is an investor right. It stipulates that a company must buy back or redeem stock. Redemption rights are typically requested by investors in tandem with a financing round.

Restricted Stock: There are 2 types of restricted stock; Restricted Stock Units (RSUs) and Restricted Stock Awards (RSAs). They are issued by a company to key employees as compensation. This is how they differ: An RSU gives the employee a right to receive an agreed number of shares once certain vesting conditions are met. An RSA refers to shares of stock owned by the employee from the date of grant. The holder is at liberty to sell or transfer these shares once certain vesting conditions have been met. Vesting conditions vary but can include such things as length of employment, achievement of milestones, and/or performance metrics. It should be noted that RSUs and RSAs have different tax consequences.

Run Rate: This is the estimated future financial performance of a startup. It is based on the current financial conditions and forward assumptions on growth.

Runway: A startup's runway states how many months the business can continue to operate before it is out of money. It is a crucial budgeting, strategizing, forecasting, and fundraising tool that needs to be accurately defined throughout a company's lifecycle. The term is often used in conjunction with 'Burn Rate').

S IS FOR:

Secondary Public Offering: Stock presented for sale from a company to the public after an IPO.

Secondary Purchase: This is where stock is purchased from a shareholder rather than from the company itself.

Securities: Any type of equity or debt.

Seed Round: Often seen as crucial to startups. Classed as the first official round of financing a startup seeks.

Series A: The first major venture capital funding round where preferred stock is issued.

Series B/C/D/E: Later funding rounds where preferred stock is issued.

Share Consent: Another legal clause to be aware of. If a share consent clause is included in your term sheet it means an investor must give consent for the business to sell shares at a future date.

Startup Capital: The money needed to begin and operate your business. Startup capital usually comes from personal savings as well as investments from family and close friends.

Statutory Voting: Relates to a Board of Directors voting method. Each board member receives 1 vote for each share they own.

Stock: A security representing ownership interest (or equity) in a company. Equity holders of the stock are often referred to as shareholders or stockholders. Common Stock and Preferred Stock are two different classes of stock. Each has different voting and economic rights. Stockholders' ownership interests are often shown as either a percentage of stock owned or the number of shares owned. This detail should be recorded on a company's capitalization table

Stock Options: A stock option gives the person a right to purchase or sell the stock for an agreed set price during a predefined period.

Storytelling: For many founders, this is not a natural asset. However, it is one of the most important skills a founder can have (or gain through practice). Those startup founders who want to get funded should have or should seek assistance in crafting a good story and becoming good at delivering it.

Strategic Investors: Startup founders would do well to look at this type of investor. A strategic investor adds value to their investment either via experience or industry ties.

Super Angel: This is a very active angel investor. A super angel is classed as an investor who makes more investments and one who tends to invest much larger sums of money and/or participate in later funding rounds. While not set in stone, a super angel will write checks ranging from $250,000 to $2 Million. It is also the case that many super angels are entrepreneurs who have had successful exits in the past.

Sweat Equity: A term coined for early startup employees (or contractors). These people are awarded shares/equity in the startup either in place of some, or all of their salary.

Syndication: In investment terms, this is a venture capital practice whereby each individual investor contributes a small amount of money. The total of the syndicated amount is then used to fund a company.

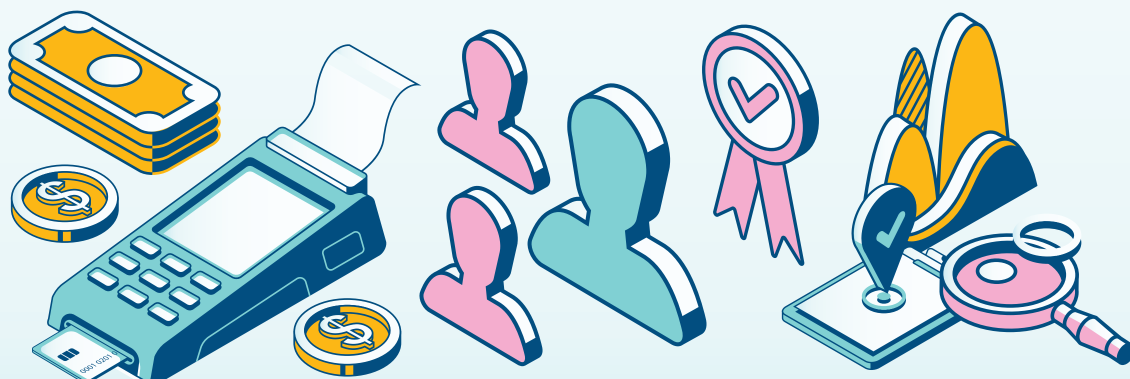
T IS FOR:

Tag-Along Rights: This is an interesting stipulation for founders. It is a clause stating that if the founder decides to sell their shares to a buyer, an investor has the option of offering their shares to that buyer for the same amount.

Target Market: Founders need to clarify their target market to potential investors. It is the consumer group(s) that will use your product or service. Target Market characteristics include such things as geographic location, demographics, education, income, and lifestyles.

Term Sheet: Founders must understand the full details of a term sheet before committing. While a term sheet is a non-binding agreement, it is designed to give the basic terms and conditions of an investment A term sheet specifically highlights areas of interest for investment purposes of various investors and is often used as a template for future legal documents.

Tranche: This is a staged investment procedure. Investors will typically give investment funds over 2 or 3 milestones and this will be based on the company's progress.



U IS FOR:

Uncapped Notes: This is a funding practice that has been designed for founder protection. Uncapped notes do not guarantee that investors will be granted a specific equity amount per 'Dollar' invested.

Underwater: An adjective used to describe a security whose FMV (Fair Market Value) today is less than its original issuance or exercise price. In short: If the security expired today it would be worthless.

Underwriter: An investment bank who will have a contractual obligation to take any securities onto their books should the company they are vested in fail.

Unicorn: In the VC (Venture Capital) industry, Unicorn refers to any startup that reaches a valuation of $1 Billion. These startups are often in the tech or software business sectors.

Unsecured Debt: This refers to loans that are not backed by collateral. Should the borrower default on the loan the lender might not be able to recover the investment given. This is because the borrower has not been required to pledge any specific asset(s) as loan security. As can be seen, unsecured loans are considered to be riskier for the lender. With that in mind, unsecured debt loans generally carry higher interest rates than a collateralized loan would do.

Unvested: A term used as a description relating to the status of securities that remain subject to mandatory buyback provisions or forfeiture. This is the case even after being granted to, or set aside for an individual. It is typical for unvested securities to transform into vested securities that are not subject to the mentioned buyback or forfeiture over time, or once certain benchmarks or specified conditions of an RSPA (Restricted Stock Purchase Agreement) have been met.

V IS FOR:

Valuation: In finance, valuation is the process of determining the value of a investment, asset, or security. Generally, there are three approaches taken, namely discounted cashflow valuation, relative valuation, and contingent claim valuation. Valuations can be done for assets or for liabilities.

Venture-Backed Startup: Venture-Backed Startups can seem like a golden goose to founders. This is because they are startups that receive very early venture capital funding. It is a fact that the vast majority of startups do not receive venture capital in early fundraising rounds. To get such capital they need to prove the company is viable. This means that any founder accepting venture-backed startup funding needs to be very aware of what they are giving up in terms of company control and ownership percentage.

Venture Capital Fund: A type of private fund managed by a venture capital firm.

Venture Capitalist: An individual investor working at a venture capital firm. Their role is to make investment decisions. Venture capitalists are always on the lookout for startups that appeal to their funding strategy (ones that promise them high returns!).

Venture Debt: Relates to a bank or institution lending money to startups. Because startups are such a risky investment they do not generally qualify for an initial, traditional bank loan. That type of bank loan opportunity comes much later in a startup's life cycle. However, there are a small number of banks and institutions that will lend funds to startups as part of a large venture round.

Vesting: A vesting schedule is an incentive program for employees that gives them benefits, usually stock options, when they have contractually fulfilled a specified term of employment with the company.

The benefits can also be other assets, such as retirement funds. Vesting is a way for employers to keep top-performing employees at the company.

Vesting Schedule: This is a mechanism for founders and key employees to earn share ownership in the startup over an agreed period of time. The breakdown of this period is known as a vesting schedule. Voting Rights: A voting right gives a stockholder the right to vote on corporate management matters.

Vulture Capitalist: A Vulture Capitalist is slang for a Venture Capitalist who seeks to extract value from any company that is in decline. Their goal is to swoop in when sentiment is low and a company has almost reached rock bottom. This allows them to purchase shares for next to nothing, they then take whatever action is necessary to engineer a rapid turnaround and then sell it on for a profit. If that fails then assets will be stripped to garner a profit.

W IS FOR:

Warm Introduction: Founders should nurture any warm introductions they can get. These are introductions made by an acquaintance to an influential person they know and one a founder would very much like to meet. This introduction comes coupled with a 'personal' endorsement. In the VC world, a warm introduction is classed as the gold standard.

Warrant: A warrant gives the right to buy or sell a security at a certain price and during a specified time period.

Wash-Out Round: This is a round of financing in which the founder(s) are so diluted that their actual voting power becomes minimal. Essentially they are "washed-out".

Weighted Average Anti-Dilution: Another investor protection tool. A preferred shareholder's conversion price (that is the price at which preferred shares are converted to common shares) is adjusted in a subsequent funding round to a lower PPS (Price Per Share). This is calculated using the share price and the number of shares issued during the new round. Each preferred share converts into a greater number of common shares. This protects the preferred shareholder from dilution.

Weighted Average Cost Of Capital (WACC): A formula that is used to determine a company's cost of capital. WACC is the total of the average equity cost plus the debt cost after tax. How is this average weighted? It is based on debt to debt ratio plus equity and equity to equity plus debt.

Y IS FOR:

Year-Over-Year (YOY): Is also referred to as Year-On-Year. It is a frequently used financial comparison term when looking at 2 or more measurable events on an annualized basis. By observing YOY performance, companies and investors can gauge if performance is remaining static, improving, or worsening.

Z IS FOR:

Zombie: A slang term used for a venture-backed company that is almost terminated. Basically, the company is "walking dead". In general, the company concerned is maintaining just enough of a cash flow to keep their doors open while looking for someone to acquire them. It is often the case that current investors will put in a little more money to allow the company to survive and seek a sale. If that can be achieved then the current investors may recover all or most of their initial investment.

Zone of Insolvency: This relates to a company that is very close to being insolvent. One that has insufficient assets or money to pay off their liabilities.

Before closing, the highly experienced team at WOWS Global would like to stress just how important the "bottom line" or "Net Income" is to founders. This is your company's income after all expenses have been deducted from revenues. These expenses include your general and administrative costs, any interest charges paid on loans, and any taxes due.

In this respect, WOWS Global is here to ensure that as your company grows in a structured way your bottom line grows with it. We have built a secure, digital ecosystem that is designed to give smart startup founders every opportunity of building a successful and growing business.

In short, WOWS is fully able and ready to assist you on your startup journey and beyond. To find out how we can help you gain the leverage necessary to make your fundraising efforts effective, please do not hesitate to reach out to us for a no-obligation discussion at:

support@wowsglobal.com

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ABOUT THE AUTHOR

Gagan Singh is the Founder and CEO of WOWS Global. Originally from Saharanpur, India, Gagan holds a Chartered Accountant accredited degree and was bestowed the honour of a merit holder from the prestigious Indian Institute of Chartered Accountants. He began his career in corporate finance with UK based Vedanta Resources prior to relocating to Southeast Asia to join publicly listed Polyplex (PTL).

Gagan then received the opportunity to switch gears from corporate finance to startup finance by receiving an offer to join Inspire Ventures in the capacity of General Partner & CFO. In that role, Gagan was pivotal in deploying early investments in the likes of Acommerce, Deliveree, Super Awesome, Totally Awesome and Softbaked and experienced the benefits of startup investing first hand.

In 2014 Gagan decided to switch from an investor role to an operator role and joined the founding team of Deliveree, a B2B logistics firm in Southeast Asia. He served as Group CFO and Board Member and saw the company grow to a Series C company. He personally oversaw Deliveree's fundraising through the rounds and successfully raised over 120M+ USD for the company prior to resigning to build yet another venture - WOWS Global.

Currently Gagan is focused on building WOWS Global and splits his time between Singapore and Thailand. When he isn't assisting startups and investors in enabling transactions, he spends his time with his family and enjoys making short films of his memorable experiences.

THANK YOU

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if the company must be liquidated. Liquidation preferences are frequently used in venture capital contracts, hybrid debt instruments, promissory notes, and other structured private capital transactions, to clarify what investors get paid and in which order during a liquidation event, such as the sale of the company

L IS FOR: