

# FINANCE & INVESTMENT KEYWORD DICTIONARY

## COMMERCIAL FINANCE

### **Asset-Based Lending (ABL)**

Loans secured by assets like inventory, receivables, or equipment.

### **Accounts Receivable Financing (AR Financing)**

Borrowing against outstanding invoices to improve cash flow.

### **Factoring**

Selling receivables at a discount to a third party for immediate cash.

### **Working Capital Loan**

Short-term financing used to fund day-to-day operations.

### **Debt Service Coverage Ratio (DSCR)**

Measures a company's ability to repay debt:

$\text{NOI} \div \text{Total Debt Service}$ .

### **Loan-to-Value (LTV)**

Ratio of loan amount to asset value—key risk metric for lenders.

### **SBA Loan (Small Business Administration Loan)**

Government-backed loans with favorable terms for small businesses.

### **Bridge Loan**

Short-term financing used until permanent funding is secured.

### **Mezzanine Financing**

Hybrid of debt and equity, often with warrants or conversion rights.

### **Covenants**

Conditions borrowers must meet (financial or operational) to maintain a loan.

---

## VENTURE CAPITAL (VC)

**Seed Stage**

Earliest funding phase, often pre-revenue.

**Series A/B/C Funding**

Successive funding rounds as a startup scales.

**Runway**

How long a company can operate before running out of cash.

**Burn Rate**

Rate at which a company spends capital.

**Valuation (Pre-money / Post-money)**

Company value before and after investment.

**Cap Table (Capitalization Table)**

Breakdown of ownership among shareholders.

**Dilution**

Reduction in ownership percentage after new investment.

**Term Sheet**

Non-binding agreement outlining investment terms.

**Exit Strategy**

How investors realize returns (IPO, acquisition, etc.).

**Unicorn**

Startup valued at \$1B+.

---

 **ANGEL INVESTING****Angel Investor**

High-net-worth individual investing early-stage capital.

**Convertible Note**

Debt that converts into equity at a later funding round.

**SAFE (Simple Agreement for Future Equity)**

Agreement granting future equity without immediate valuation.

**Valuation Cap**

Maximum valuation at which a convertible security converts.

**Discount Rate (Angel Deals)**

Discount angels receive on future equity pricing.

**Syndicate**

Group of investors pooling capital into a deal.

**Lead Investor**

Primary investor who negotiates deal terms.

---

 **PRIVATE EQUITY (PE)****Leveraged Buyout (LBO)**

Acquisition using significant debt financing.

**EBITDA (Earnings Before Interest, Taxes, Depreciation, Amortization)**

Core profitability metric used in valuations.

**Multiple Expansion**

Increasing company value by improving valuation multiples.

**Platform Company**

Primary acquisition used to build a larger portfolio.

**Add-On Acquisition**

Smaller company acquired to grow a platform.

**IRR (Internal Rate of Return)**

Annualized return metric for investments.

**MOIC (Multiple on Invested Capital)**

Total return multiple (e.g., 3x return).

**General Partner (GP)**

Firm managing the fund.

**Limited Partner (LP)**

Investors who provide capital to the fund.

---

 **DEAL STRUCTURING & M&A**

**Due Diligence**

Investigation of a business before investment/acquisition.

**Letter of Intent (LOI)**

Preliminary agreement outlining deal structure.

**Purchase Agreement**

Final binding contract for acquisition.

**Earnout**

Future payments based on performance milestones.

**Roll-Up Strategy**

Acquiring multiple companies in a fragmented industry.

**Recapitalization**

Restructuring a company's debt/equity mix.

**Equity Rollover**

Seller reinvests part of proceeds into the new entity.

---

**CREDIT & LENDING TERMS****Underwriting**

Process of evaluating risk before issuing a loan.

**Credit Facility**

Pre-approved borrowing arrangement.

**Revolving Line of Credit**

Flexible loan that can be drawn repeatedly.

**Amortization**

Gradual repayment of debt over time.

**Balloon Payment**

Large final payment at end of loan term.

**Default**

Failure to meet loan obligations.

---



## INVESTMENT STRATEGY & METRICS

### Alpha

Excess return relative to benchmark.

### Beta

Measure of volatility relative to the market.

### Sharpe Ratio

Risk-adjusted return metric.

### Cash-on-Cash Return

Annual cash income relative to invested capital.

### Net Present Value (NPV)

Value of future cash flows discounted to today.

### Discount Rate

Rate used to determine present value of future cash flows.

---



## ENTREPRENEURSHIP & GROWTH

### Product-Market Fit

When a product satisfies strong market demand.

### Customer Acquisition Cost (CAC)

Cost to acquire a new customer.

### Lifetime Value (LTV)

Total revenue expected from a customer.

### Churn Rate

Rate at which customers stop using a service.

### Scalability

Ability to grow without proportional cost increases.

---



## ADVANCED / STRATEGIC TERMS (HIGHLY USEFUL FOR YOU)

These are especially powerful given your interest in **buying businesses + creative financing**:

**Seller Financing**

Seller provides financing to buyer instead of a bank.

**No Money Down Deal**

Acquisition structured using little to no buyer capital.

**Creative Financing**

Combining debt, equity, seller terms, and partnerships.

**Search Fund**

Investment model where an entrepreneur raises capital to acquire a business.

**Independent Sponsor**

Raises capital deal-by-deal without a committed fund.

**Preferred Equity**

Equity with priority returns before common shareholders.

**Debt Stack**

Layered structure of different types of financing.

**Capital Stack**

Combination of debt and equity used in a deal.

**Cash Flow Acquisition**

Buying businesses primarily for predictable cash flow.

---

 **BONUS: HIGH-LEVERAGE KEY PHRASES (FOR SALES / DEAL FLOW)**

These are phrases you can actually **use in conversations and outreach**:

- “Flexible capital solutions”
- “Non-dilutive financing”
- “Growth capital without giving up control”
- “Strategic acquisition partner”
- “Value creation through operational improvements”
- “Institutional-quality deal flow”
- “Cash-flow positive businesses”
- “Fragmented market consolidation opportunity”
- “Recapitalization event”

- “Liquidity event for founders”
- “Off-market deal sourcing”
- “Aligned incentives with ownership retention”