The A to Z of Fundraising

A Glossary of Corporate Finance, Venture Capital & African Fundraising Terminology

Designed for African founders, CEOs, CFOs, and senior management navigating fundraising at every stage — from pre-seed to established business. Organised into nine categories covering investor types, financing instruments, deal documents, the deal process, accounting and valuation, VC and startup terms, governance, impact, and advisors.

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01 Types of Investors

Who provides capital — and what they need in return

Term	Definition
Angel Investor	A high-net-worth individual who provides early-stage capital to startups, typically in exchange for equity or convertible debt. Angels invest before institutional funds and often provide valuable networks and mentorship alongside capital.
Debt Fund	An investment fund that provides debt financing to businesses, earning returns through interest payments rather than equity appreciation. Suited to companies with reliable, predictable cash flows.

DFI (Development Finance Institution)	Government-backed institutions — such as IFC (World Bank), Norfund (Norway), and FSD Africa — that invest in emerging markets with the dual objective of financial returns and development impact. DFIs are among the most active and influential investors in African markets.
Fund of Funds	An investment vehicle that invests in other funds rather than directly in companies. Provides diversification and is common among institutional investors deploying capital across Africa.
General Partner (GP)	The managing partner of a VC or private equity fund responsible for investment decisions, fund operations, portfolio management, and returning capital to LPs.
Impact Investor	An investor who seeks both measurable positive social or environmental outcomes alongside financial return. Highly active in African markets — particularly in agriculture, energy access, financial inclusion, and manufacturing.
Lead Investor	The primary investor in a funding round who sets the terms, leads due diligence, and typically takes a board seat. Other investors follow the lead's commercial and legal terms.
Limited Partner (LP)	An investor in a VC or PE fund who contributes capital but has limited liability and no role in day-to-day management. LPs include pension funds, DFIs, family offices, and endowments.
Foundation / Donor Grant Provider	Organisations — such as the Mastercard Foundation or Rockefeller Foundation — that provide concessional or grant funding to businesses meeting specific development, social, or environmental criteria. Unlike commercial investors, they do not expect a financial return. Grants do not dilute ownership and do not require repayment, making them highly attractive where available.
International Lender	A bank or financial institution that provides debt across multiple countries and jurisdictions — such as Standard Chartered, Stanbic, or Citi. International lenders offer larger loan facilities and currency flexibility, but typically require established financial track records, audited accounts, and collateral.
Mezzanine Fund	An investment fund specialising in mezzanine financing — the hybrid layer between senior debt and equity. Mezzanine funds provide capital to businesses that have exceeded their senior debt capacity but want to avoid pure equity dilution. They typically charge higher interest rates and may include warrants or equity conversion rights as part of their return.
Minority Investor	An investor who acquires a stake of less than 50% in a company, without taking operational control. Minority investors rely on contractual protections — such as tag-along rights, reserved matters, and information rights — to protect their investment. Common in African growth-stage transactions where founders wish to retain control.
Private Equity (PE)	Investment funds that acquire significant or controlling stakes in established companies with proven cash flows. PE funds add operational value and target exits within a 3–7 year hold period.
Regional Development Bank	Multilateral financial institutions with a regional mandate that provide loans, equity, and guarantees to governments and private sector companies. Key examples in Africa include the African Development Bank (AfDB) and

	Trade and Development Bank (TDB). They often co-invest alongside DFIs and commercial banks on large infrastructure and industrial deals.
Specialist Lender / Guarantee Fund	Institutions providing specific, structured types of financing — such as invoice factoring, warehouse receipt finance, or political risk guarantees. Examples include MIGA (Multilateral Investment Guarantee Agency), which provides guarantees to unlock investment into high-risk markets. Guarantee funds reduce investor risk rather than providing capital directly.
Strategic Buyer	A corporate that acquires another company for strategic reasons — market access, distribution, licenses, or vertical integration — rather than purely financial return. The most common exit route for investors in African businesses.
Venture Capital (VC) / Venture Fund	A form of equity financing provided to high-growth, early-to-growth-stage companies in exchange for an ownership stake. Venture capital is deployed through a pooled vehicle called a venture fund, which raises capital from limited partners (LPs) — pension funds, DFIs, family offices — and is managed by a general partner (GP) who selects and supports portfolio companies. VCs accept that most investments will fail or underperform, but back a small number of outsized winners that return the whole fund. They typically invest from seed through Series C, take board seats, and actively support portfolio companies over a fund lifecycle of 7–10 years.
Vulture Fund	A fund that specialises in distressed assets or companies at a significant discount, aiming to recover value through restructuring or legal action. More relevant in corporate restructuring scenarios than standard fundraising.

02 Types of Finance

The instruments used to fund a business — and how to choose between them

Term	Definition
Asset Finance / Asset-Backed Lending	Debt secured against specific physical assets — machinery, vehicles, equipment, or property. The lender has the right to seize the asset if the borrower defaults. Common in manufacturing businesses seeking to fund equipment purchases without diluting equity. The value and condition of the asset determines how much can be borrowed.
BOT / PPP (Build-Operate-Transfer / Public-Private Partnership)	Structured financing arrangements typically used for large infrastructure projects. In a BOT, a private company builds and operates an asset — a road, port, or power plant — for a defined period, then transfers it to the government. A PPP is any arrangement where public and private sectors share responsibility, risk, and return. These structures are increasingly used in African manufacturing and infrastructure deals involving state-owned land or utilities.
Bridge Financing	Short-term funding used to sustain a company until it secures its next major round or achieves a specific milestone. Often structured as a convertible note or short-term loan.
Capital Structuring	The strategic process of designing the right combination of debt, equity, and hybrid instruments to finance a business or transaction. Capital structuring balances cost of capital, risk allocation, control, and dilution to meet both the company's needs and investor return requirements. A well-structured deal aligns the interests of all parties, matches the repayment profile to the cash flow characteristics of the business, and preserves flexibility for future growth.
Capital Structure	The mix of debt, equity, and hybrid instruments used to finance a business. Determines who bears risk, influences dilution and control, and signals business maturity to investors. The optimal structure balances cost of capital with financial resilience.
Convertible Note / SAFE	Instruments that start as debt or agreements and convert into equity upon a qualifying future funding round. The SAFE (Simple Agreement for Future Equity) carries no interest or maturity date. Both delay the need to agree on valuation at the time of investment.
Debt Capital	Funding provided as a loan with fixed repayment obligations and interest. Does not dilute ownership but requires predictable cash flows and often collateral. Best suited for stable, asset-backed businesses.
Equity Capital	Funding provided in exchange for an ownership stake in the business. Carries the highest risk and highest expected return. Best suited for early-stage, high-growth businesses with uncertain cash flows.
Greenfield Investment	A new project or facility built entirely from scratch — as opposed to acquiring or investing in an existing business (a 'brownfield' investment). Greenfield deals carry higher risk because there is no operating track record; everything must be built, hired, and proven. Investors assess greenfield opportunities heavily on the quality and experience of the promoter or management team.

Growth Capital	Equity or quasi-equity investment into established businesses looking to expand, enter new markets, or acquire assets. Sits between venture capital and pure private equity in the risk-return spectrum.
Junior Debt (Subordinated Debt)	Debt that ranks below senior debt in repayment priority but above equity. Carries a higher interest rate to compensate for increased risk. Often sits alongside senior debt and equity in a layered capital structure.
Mezzanine / Hybrid Capital	Instruments combining features of debt and equity — such as preferred equity or subordinated debt with equity kickers. Sits between senior debt and common equity. Used when a company has exhausted its senior debt capacity but wants to avoid further equity dilution.
Milestone-Based Disbursement (Tranching)	Capital released in stages tied to specific operational or financial milestones. Reduces investor risk but requires founders to plan carefully for working capital between tranches.
Quasi-Equity	A financing instrument with characteristics of both debt and equity — such as revenue-based financing or profit participation loans. Common among impact investors and DFIs in African markets where traditional equity is harder to price.
Revolving Credit Facility	A flexible credit line allowing a company to borrow, repay, and re-draw funds up to an agreed limit. Used primarily for working capital and short-term liquidity management.
Senior Debt	The highest-ranking form of debt in a capital structure. Senior lenders are repaid first in default or liquidation. Typically secured against assets and carries the lowest interest rate due to its lower risk.
Syndication	The process of distributing a loan or investment across multiple lenders or investors, each taking a portion of the total facility. Common in large debt deals where no single institution wants to hold the full exposure. A lead arranger typically manages the syndicate.
Venture Debt	Debt financing specifically designed for venture-backed startups that may not yet have positive cash flows or traditional collateral. Typically structured with warrants (equity kickers) to compensate lenders for higher risk. Used alongside equity rounds to extend runway without further dilution.
Working Capital Finance	Short-term debt funding day-to-day operational needs — inventory, receivables, payroll — rather than long-term growth. Often structured as an overdraft or revolving credit facility.
Collateral / Security	An asset pledged by a borrower to a lender as protection against default. If the borrower cannot repay the loan, the lender can seize and sell the collateral to recover their money. Common forms include property, equipment, inventory, or receivables. The availability of collateral significantly affects a company's ability to access debt financing.
Concessional Financing	Funding provided on more favourable terms than the commercial market — lower interest rates, longer repayment periods, or grace periods. Typically provided by donors, development banks, or government programmes. Not seeking a market-rate return; the 'concession' reflects the funder's development objective rather than pure profit.
Corporate Bond	A debt security issued by a company to raise capital from public or

	institutional investors. Bondholders lend money to the company in exchange for regular interest payments and repayment of the principal at maturity. Corporate bonds are more common in established, larger companies with credit ratings and are traded on capital markets.
Crowdfunding	A method of raising small amounts of capital from a large number of people, typically through an online platform. Can be reward-based (backers receive a product), equity-based (backers receive shares), or debt-based (backers receive interest). Early-stage and consumer-facing businesses use crowdfunding to validate market interest while raising money.
Factoring	A form of finance where a company sells its unpaid invoices (receivables) to a third party — a factoring company — at a discount in exchange for immediate cash. Useful for businesses with long payment cycles. The factoring company then collects payment from the customers directly. Also known as invoice finance or accounts receivable financing.
Brownfield Investment	An investment in an existing business or facility — as opposed to building from scratch (greenfield). Brownfield investments carry less execution risk because there is an operating track record, existing customers, and a functioning team. Investors generally prefer brownfield deals in Africa because greenfield projects add construction, ramp-up, and market-entry risk on top of the usual investment risk.
Initial Coin Offering (ICO)	A fundraising mechanism used by technology companies where digital tokens or cryptocurrency coins are sold to investors in exchange for capital, typically before a product is fully built. ICOs bypass traditional regulatory frameworks and are considered very high risk. They are not mainstream in African investment markets and are largely unregulated, though they appear in the broader landscape of alternative financing instruments.
Guarantee	A commitment by a third party — such as a government agency, guarantee fund, or development bank — to repay a lender if the borrower defaults. Guarantees unlock debt financing that would otherwise be unavailable due to perceived risk. In African markets, guarantee mechanisms are critical tools for attracting FDI and expanding access to credit.
Overdraft	A short-term credit facility linked to a bank account that allows a company to spend more than its available balance up to an agreed limit. Used for day-to-day cash flow management. Interest is only charged on the amount overdrawn. One of the simplest and most flexible forms of working capital finance.
Project Finance	A financing structure where the loan is repaid solely from the cash flows of a specific project — such as a factory, power plant, or infrastructure asset — rather than from the borrower's broader balance sheet. The project itself and its assets serve as collateral. Widely used in greenfield manufacturing, energy, and infrastructure deals in Africa.
Refinancing	The process of replacing existing debt with new debt, typically to secure better terms — a lower interest rate, a longer repayment period, or access to more capital. Businesses refinance when their financial position or the market has improved sufficiently to attract better terms.
Restructuring	A broad process of reorganising a company's finances, operations, or

	ownership to address financial distress or improve performance. Financial restructuring may involve renegotiating debt, converting debt to equity, or raising new capital. Operational restructuring involves cost cuts, disposals, or management changes.
Sale and Leaseback	A transaction where a company sells an asset — typically property or equipment — and immediately leases it back from the buyer. The company raises cash from the sale while retaining use of the asset. A way to unlock capital tied up in fixed assets without disrupting operations.
Securitisation	The process of pooling financial assets — such as loans, mortgages, or receivables — and selling them as packaged securities to investors. The securitised assets are moved off the originator's balance sheet. Common in banking and large-scale structured finance, less so in typical African SME or growth-stage deals.
Shareholder Loan	A loan made by an existing shareholder — often a founder or holding company — to the business, rather than external debt. Typically subordinated to bank debt. Used to inject working capital quickly without diluting the cap table. Shareholder loans often carry lower or no interest and are more flexible than commercial debt.
Trade Finance	Short-term financing used to fund the buying and selling of goods across borders — covering the gap between when goods are shipped and when payment is received. Instruments include letters of credit, trade credit insurance, and export finance. Particularly relevant for African manufacturers importing raw materials or exporting finished goods.
Warehouse Receipt Finance	A form of inventory-backed lending where a borrower uses stored commodities — grain, coffee, cocoa — held in a certified warehouse as collateral for a loan. The warehouse receipt serves as proof of ownership and quality. Common in African agriculture and commodity sectors where physical stock is a bankable asset.

03 Deal Documents

The key documents that define and drive a transaction

Term	Definition
APA (Asset Purchase Agreement)	A legal contract governing the purchase of specific assets — rather than shares — of a business. In an asset deal, the buyer selects which assets and liabilities to acquire, leaving the rest with the seller. This can protect the buyer from inheriting unknown liabilities. Contrasts with an SPA (share purchase), where the buyer acquires the entire legal entity including all its obligations.
Board Resolution / Written Consent	A formal decision made by a company's board of directors, recorded in writing. Board resolutions are required to authorise major corporate actions — signing an SPA, approving a new share issuance, or appointing directors. In time-sensitive transactions, boards often act by unanimous written consent rather than a formal meeting, which is faster and equally binding.
Business Plan	A structured document covering the business description, market analysis, go-to-market strategy, team, and financial projections. The foundation for engaging investors at early stage. Covers: executive summary, problem and solution, market opportunity, business model, competitive landscape, team, financials, and the ask.
Deal Pipeline	A structured tracker of all active and prospective investment opportunities at various stages of a fundraising or M&A process — from initial outreach through to signed term sheet, due diligence, and close. A well-maintained pipeline helps advisors and management prioritise investor engagement, monitor deal velocity, and identify where momentum is stalling.
Disclosure Schedules	Documents attached to an SPA or SHA that qualify or create exceptions to the representations and warranties made by the seller. For example, if the seller warrants that there are no outstanding lawsuits, but one exists, it must be listed in the disclosure schedules. Proper disclosure protects the seller from future indemnity claims. Incomplete disclosure schedules are a major source of post-closing disputes.
Escrow	An arrangement where funds or assets are held by a neutral third party until specified conditions are met. In M&A transactions, part of the purchase price is often placed in escrow at closing to cover potential indemnity claims, working capital adjustments, or earn-out obligations. Escrow protects the buyer without reducing the seller's headline price — the money is released once the relevant period passes without claims.
Financial Model	A structured spreadsheet that translates a company's strategy into projected cash flows, capital requirements, and returns under various scenarios. Underpins investor confidence and forms the basis for valuation discussions. Should include clear assumptions, sensitivity analysis, and working capital mechanics.
IM (Information Memorandum)	The primary investor-facing document presenting the investment opportunity, market context, financial performance, team, and risks. Used in formal fundraising processes. A strong IM covers: investment highlights, management team, problem and solution, market overview, growth

	strategy, financials, impact and ESG, and the investment requirement.
Indicative Offer / LoI (Letter of Intent)	A non-binding document outlining the major commercial terms of a proposed deal early in a process. Establishes alignment on valuation, structure, and key assumptions before committing to full legal documentation.
List of Parties	A document circulated during a transaction that identifies all the key stakeholders and their advisors — including the company, existing shareholders, investor, legal counsel on each side, financial due diligence providers, and any other relevant parties. It ensures everyone knows who they are dealing with, who has authority to make decisions, and which advisors to contact on any given workstream. In complex multi-party deals, a clear list of parties is essential for keeping the process organised and communications flowing efficiently.
Marketing Materials	The suite of investor-facing documents created to present a fundraising opportunity — typically including a teaser, pitch deck, and information memorandum. Marketing materials must be accurate, compelling, and consistent. They are the primary tool for generating investor interest and qualifying which investors are a good fit before detailed due diligence begins.
NDA (Non-Disclosure Agreement)	A binding confidentiality contract exchanged before any sensitive company information is shared or data room access is granted. The first document in most investment processes.
Flow of Funds	A closing document that maps exactly how money moves at the point of financial close — who pays whom, in what amounts, in what order, and to which bank accounts. It accounts for the purchase price, debt repayments, advisor fees, escrow deposits, and any other closing adjustments. All parties — buyer, seller, lawyers, and lenders — must agree to the flow of funds before funds are released.
Offer Letter	A formal document from an investor presenting the full details of their proposed investment — including the amount, valuation, structure, payment terms, and conditions. Offer letters can be indicative (non-binding, early stage) or final (binding, post-negotiation). Because they cover many technical areas, legal and financial advice is strongly recommended before accepting any offer letter.
Pitch Deck	A concise visual presentation communicating a business opportunity to investors and securing a follow-on conversation. A well-structured deck covers: company overview, the problem and solution, market opportunity, product, team, financials, and the ask. Clarity and evidence matter more than design.
Pitchbook	A comprehensive presentation prepared by an investment bank or corporate finance advisor to pitch their services to a potential client, or to present a deal opportunity to investors. In an M&A context, a sell-side pitchbook presents the investment thesis, company overview, market positioning, financial analysis, and proposed transaction structure. More detailed and formally produced than a founder's pitch deck.
SHA (Shareholders' Agreement)	A binding legal agreement between shareholders governing rights, obligations, decision-making, exit provisions, and dispute resolution. The most important governance document in an investment — clarity here avoids future conflict.

SPA (Sale and Purchase Agreement)	The definitive legal contract governing the acquisition of shares or assets. Covers price, representations and warranties, conditions precedent, indemnities, and closing mechanics. The central document in any M&A transaction.
Teaser	A short, often anonymised 1–2 page document generating initial investor interest before the full IM is shared. Qualifies investor appetite while protecting sensitive details in the early stages of a process.
Term Sheet	A non-binding document setting out the key commercial, governance, and economic terms of a proposed investment — valuation, structure, board rights, reserved matters, anti-dilution, and exit provisions. Forms the basis for negotiating definitive legal agreements.

04 The Deal Process

How transactions are run — from first meeting to close and beyond

Term	Definition
Fundraising Strategy	A deliberate plan that defines how, when, from whom, and on what terms a company will raise capital. A strong fundraising strategy covers: the amount to be raised and its intended use, the appropriate instrument (equity, debt, or hybrid), the target investor profile, the preparation required (VDD, IM, financial model), the sequencing of investor outreach, the negotiation approach, and the desired timeline to close. In African markets, fundraising strategy must also account for investor mandates, currency risk, and the limited pool of local institutional capital.
100-Day Plan	A structured post-close action plan covering integration priorities, management alignment, quick wins, and early KPI tracking in the first 100 days. A signal of operational maturity and deal readiness.
Anchoring	A negotiation pitfall where one party fixes expectations to an unrealistic reference point — such as a global headline valuation — that does not reflect local scale, execution risk, or exit realities in African markets.
Business Lifecycle	The stages a business passes through from inception to maturity — start-up, proven product, high growth, strategic investment, and capital markets / IPO. At each stage, the appropriate type of investor, instrument, and financing need is different. Understanding where a business sits in its lifecycle is essential for choosing the right investor profile, framing the investment ask correctly, and setting realistic valuation expectations.
Binding vs Non-Binding	A binding agreement is legally enforceable — both parties are committed to its terms. A non-binding document (such as a teaser, LOI, or indicative offer) signals serious intent but creates no legal obligation to complete the transaction. Most investment processes move from non-binding expressions of interest through to binding legal agreements such as the SPA and SHA at closing.
Break-Even	The point at which a company's revenues exactly cover its total costs — generating neither profit nor loss. Investors focus heavily on the path to break-even: how much capital is required, how many months it will take, and what assumptions underpin it. A credible, realistic break-even timeline is a key component of any financial model.
Buy-Side	The investor or acquirer in a transaction — the party deploying capital to purchase equity, debt, or assets. Buy-side participants include private equity funds, DFIs, venture capital funds, and strategic corporates. In an advisory context, the buy-side advisor helps the investor identify targets, conduct due diligence, structure the deal, and negotiate terms. Contrast with sell-side.
CDD (Commercial Due Diligence)	An investigation of a company's market position, competitive dynamics, customer base, and commercial strategy. Assesses whether the business opportunity is real, sustainable, and defensible.
Conditions Precedent (CPs)	Actions or approvals that must be satisfied before a transaction can close — regulatory approvals, third-party consents, and shareholder sign-offs.

Corporate Finance	A discipline and advisory function covering capital raising, M&A, valuations, and deal structuring. Corporate finance advisors help companies prepare investor-grade materials, identify suitable investors, and manage end-to-end fundraising or sale processes.
Data Room (VDR)	A secure, digital repository containing all financial, legal, operational, and commercial documentation required during due diligence. A well-organised data room — logical folder structure, consistent naming, version control — builds investor confidence and keeps deals on track.
Deferred Consideration	A portion of the deal's purchase price delayed and paid at a later date, subject to specific conditions or milestones. Bridges valuation gaps and manages seller risk post-close.
Deal Structuring	The process of designing the overall investment arrangement — covering the mix of instruments (debt, equity, hybrid), valuation, use of funds, transaction perimeter, phasing of investment, exit strategy, and legal agreements. Each element affects the returns for investors and risk for founders. Good deal structuring aligns the interests of all parties. It requires both financial and legal expertise and is typically one of the most negotiated phases of any investment process.
Due Diligence	A structured investigation of a company's financials, legal standing, operations, market, and risks before committing capital. Covers financial, legal, commercial, environmental, and operational dimensions. Preparation quality directly affects deal speed and outcome.
Closing	The final step of a transaction — when all conditions have been met, documents are signed, and funds are legally transferred. Also called 'completion.' Closing requires all conditions precedent to be satisfied, final legal documents to be executed, and the flow of funds to be confirmed. In African deals, closing can be delayed by regulatory approvals, foreign exchange controls, or outstanding legal issues. Achieving financial close is the ultimate goal of any investment process.
Competitive Tension	A negotiating dynamic created when multiple investors are simultaneously interested in the same deal. Having more than one credible offer forces investors to put forward their best terms. Advisors deliberately manage the timing of outreach and offers to maximise competitive tension — it is one of the most effective tools a seller has in protecting valuation and terms.
Completion Accounts	A pricing mechanism in M&A transactions where the final purchase price is adjusted after closing based on a set of accounts prepared at the date of completion — reflecting actual cash, debt, and working capital at that moment. Contrasts with the locked box approach, where the price is fixed in advance. Completion accounts give the buyer more protection but introduce uncertainty on both sides around the final number.
Earn-Out	A post-closing payment where part of the purchase price is contingent on hitting future financial or operational milestones. Bridges valuation gaps but extends founder risk beyond closing.
Exit	The point at which an investor sells their stake in a company and realises their return. Every investment has a planned exit — without one, investors cannot return capital to their own fund investors (LPs). The four main exit routes are: (1) Strategic Sale — selling to a corporate buyer seeking market access or synergies; (2) Secondary Sale — selling to another financial investor such as a PE fund; (3) MBO (Management Buyout) —

	selling to the management team; (4) IPO — listing on a public stock exchange. In African markets, strategic sales are the most common exit route. Exit timelines and preferred routes must be agreed between founders and investors before a deal closes, as misalignment here is one of the most common sources of post-investment conflict.
Exit Strategy	The planned route through which investors will realise returns from their investment — typically a strategic sale, secondary sale, management buyout, or IPO. Exit strategy must be discussed, aligned, and documented before a deal is signed, not after. A credible exit strategy answers: who are the likely buyers, at what valuation, over what timeline, and under what conditions? Investors who cannot see a clear exit path will either not invest or price in a significant risk premium.
FDD (Financial Due Diligence)	A detailed review of a company's financial statements, accounting policies, quality of earnings, working capital, debt position, and forecast credibility. Can be conducted by the investor or as a VDD commissioned by the company in advance.
Investment Banking	A specialist financial services discipline covering capital markets, M&A advisory, underwriting, and deal execution. Investment bankers originate, structure, and execute transactions — distinct from corporate finance advisors who focus more on sell-side and fundraising mandates.
Exclusivity	A period — typically 4–8 weeks — agreed after a term sheet is signed during which the company agrees not to engage with other investors while the preferred investor completes final due diligence and legal documentation. Exclusivity protects the investor's time and cost investment in closing. Sellers should be cautious about granting exclusivity too early or for too long without certainty of close.
Financial Investor	An investor whose primary motivation is financial return — as opposed to a strategic investor who buys for operational synergies. Financial investors include private equity funds, venture capital funds, DFIs, and impact funds. They invest with a defined time horizon (typically 5–10 years) and plan to exit through a sale, secondary transaction, or IPO. They focus heavily on financial returns, governance, and exit options.
Financial Close	The point at which all legal, financial, and regulatory conditions have been satisfied and funds are legally committed and transferred to the business or project account. Financial close is the finish line of any investment process. Before financial close, all conditions precedent must be met, all documents signed, and all regulatory approvals received.
Investment Committee (IC)	The decision-making body within a fund or financial institution that approves or rejects investment proposals. Made up of senior, highly experienced professionals, the IC requires rigorous analysis, risk assessment, and financial justification before approving capital deployment. Deal teams must present convincingly to their IC — which is why the quality of a company's preparation directly affects the outcome.
Investment Process	The organised sequence of steps taken to raise external capital — from initial planning and preparation, through investor engagement and due diligence, to negotiation, legal documentation, and financial close. The key stages are: Preparation → Investor Engagement → Negotiation → Execution and Close. The process typically takes 12–48 months in African markets.

Investment Thesis	The core argument for why a particular investment will generate a return. An investor's investment thesis outlines the opportunity they believe exists, why the target company is positioned to capture it, and how they expect to exit profitably. Understanding an investor's investment thesis helps founders tailor their pitch to align with what that investor is fundamentally looking for.
Investor Mapping / Shortlisting	The process of researching, identifying, and prioritising the most suitable investors for a fundraising. A long list of potential investors is created based on sector focus, geography, ticket size, and investment stage, then narrowed to a short list of priority targets based on fit and current activity. A wide, diverse long list increases the chance of a successful raise.
IPO (Initial Public Offering)	A private company offering shares to the public on a stock exchange. The least common exit route in Africa but possible in select markets. Requires scale, governance readiness, and regulatory compliance.
Legal Due Diligence	A review of a company's legal structure, contracts, compliance, IP, litigation, and regulatory status. Uncovers red flags such as undisclosed liabilities, missing licenses, or complex governance structures that could block or reprice a deal.
Locked Box	A deal pricing mechanism fixing the purchase price at a historical balance sheet date. Leakage provisions prevent value flowing to the seller between that date and closing. Provides price certainty for both parties.
MAC (Material Adverse Change)	A clause giving investors the right to walk away from a deal if a significant, fundamentally negative event occurs in the business between signing and closing. Protects against unexpected value deterioration.
PMI (Post-Merger Integration)	The process of combining two businesses after a transaction closes. PMI covers every dimension of the combined entity: systems and technology, people and organisational structure, culture and leadership, branding, customer and supplier relationships, financial reporting, and operations. Poor PMI is one of the most common causes of value destruction in M&A — studies consistently show that a majority of deals fail to deliver their projected synergies due to integration failures. A well-executed PMI starts before the deal closes, with a detailed 100-day plan, clearly assigned workstream owners, and early communication to employees, customers, and partners.
Post-Merger Integration	See PMI. The structured process of unifying two companies after a transaction closes — covering people, systems, culture, operations, and governance. Begins before closing with a 100-day plan and continues for 12–24 months post-close. The quality of integration determines whether the deal ultimately creates or destroys value.
Q&A List	A formal document tracking investor questions and company responses during due diligence. Ensures transparency and creates an audit trail of all information exchanged.
Quality of Earnings (QoE)	An assessment of whether reported earnings are sustainable, cash-backed, and free from accounting anomalies. A key output of FDD — used to normalise EBITDA and validate projections.
ROFO / ROFR	Right of First Offer / Right of First Refusal. Contractual clauses requiring a selling shareholder to offer shares to existing shareholders before approaching third parties. ROFR requires matching an external offer;

	ROFO requires approaching existing shareholders first.
Secondary Sale	The sale of an investor's shares to another financial investor — PE, impact fund — rather than via strategic acquisition or IPO. Increasingly common in African growth-stage businesses as the ecosystem matures.
Sell-Side	The company, founders, or existing shareholders in a transaction — the party selling equity, assets, or the business. In an advisory context, the sell-side advisor prepares investor materials, runs the fundraising or sale process, manages investor engagement, and negotiates on behalf of the company. Contrast with buy-side.
M&A (Mergers and Acquisitions)	Transactions in which companies combine (merger) or one company purchases another (acquisition). M&A is both a growth strategy — buying competitors, suppliers, or complementary businesses — and a common exit route for investors. In African markets, strategic buyers from within the continent and internationally are increasingly active acquirers of growth-stage businesses.
MBO (Management Buyout)	A transaction in which a company's existing management team purchases the business from its current owners — often with the support of private equity or debt financing. An MBO is both an exit route for investors and a way for management to take full control and ownership. It requires the management team to raise or secure significant capital and signals high conviction in the business's future prospects.
Management Presentation	A formal meeting — in person or by video — where the company's senior leadership presents the investment opportunity to a potential investor using the IM or pitch deck. The management presentation is as much about assessing the team as the business. Investors want to see competence, cohesion, and the ability to answer difficult questions. Preparation and rehearsal are essential.
Negotiation	The back-and-forth process between a company and investor to agree on the terms of a deal — covering valuation, investment amount, structure, governance rights, and exit provisions. Effective negotiation requires preparation, internal alignment, clear communication, and a willingness to make concessions on lower-priority points to protect what matters most. Where possible, maintaining competitive tension — multiple credible offers — significantly strengthens the company's negotiating position.
Personal Guarantee	A commitment by an individual — typically a founder or director — to personally repay a debt if the company cannot. Lenders sometimes require personal guarantees from business owners to reduce their risk, especially where the company lacks sufficient assets or track record. Personal guarantees expose the individual's personal assets, including property and savings.
Pitching	The process of presenting a business opportunity to potential investors with the goal of securing capital. A pitch can take the form of a cold outreach email with a teaser, a formal management presentation using an IM or pitch deck, or an impromptu conversation at a networking event. Effective pitching requires a clear, compelling narrative, command of the numbers, honest acknowledgement of risks, and the ability to answer difficult questions. Investors assess not just the opportunity but the founder's credibility, confidence, and preparation.
Promoter	The individual, family, or group that has founded, owns, or champions a

	business and is seeking investment. In African deal-making, particularly in FDI and manufacturing contexts, the term 'promoter' is commonly used to describe the existing owner-operator who is bringing in an external investor. The promoter's credibility, track record, and commitment are central to investor confidence.
Receivership	A legal process where a court-appointed receiver takes control of a company's assets to recover money owed to secured creditors. Triggered when a company defaults on its debt obligations and the lender exercises their right to step in. Receivership is one of the most severe consequences of financial distress and signals that the company has lost control of its own affairs.
Site Visit	A physical inspection of a company's operations — factory floor, warehouse, farm, or office — conducted by investors or their advisors as part of due diligence. Site visits provide context that documents cannot: the condition of equipment, the quality of management culture, operational efficiency, and environmental practices. Companies should prepare their site and ensure key personnel are available.
Step-In Clause	A contractual provision giving a lender or investor the right to take direct control of a business or project if certain trigger events occur — such as a default, covenant breach, or serious operational failure. Step-in rights allow investors to protect their capital by intervening before a situation deteriorates further. They are more common in project finance and structured debt deals.
Synergies	The additional value created when two companies combine that neither could generate alone. Strategic buyers pay premium valuations when synergies — such as shared distribution, reduced costs, cross-selling, or combined market access — are strong. Synergies are often cited in M&A transactions to justify acquisition prices above standalone valuations.
Tax Due Diligence	A review of a company's tax compliance, liabilities, and risk exposures — covering corporate income tax, VAT, payroll taxes, withholding taxes, and transfer pricing. Tax issues are one of the most common deal-killers in African transactions. Hidden tax liabilities, unfiled returns, or aggressive tax positions discovered during due diligence can significantly reduce valuation or collapse a deal entirely.
Tenor	The length of time over which a loan must be repaid. A five-year loan has a tenor of five years. Longer tenors mean lower monthly repayments, which suits businesses with gradual growth trajectories. Shorter tenors suit businesses with strong, predictable cash flows. Investors and lenders set tenors based on the business's cash flow profile, risk level, and the nature of the asset being financed.
Ticket Size	The minimum or target investment amount a fund or investor is looking to deploy in a single transaction. A fund with a $5m minimum ticket size will not invest in a company seeking $500k. Matching ticket size to the right investor pool is a critical part of investor mapping — approaching investors whose ticket size is misaligned wastes time for both parties.
Transaction Perimeter	The precise definition of what is included and excluded in a deal — which legal entities, assets, liabilities, employees, and contracts are being bought or invested into. Defining the transaction perimeter clearly avoids ambiguity and disputes at closing. In complex group structures, the perimeter determines exactly what the investor is acquiring and what

	remains outside the deal.
SPV (Special Purpose Vehicle)	A separate legal entity created to isolate financial risk or undertake a distinct investment or project finance transaction. Common in structured deals where investors want legal ring-fencing between assets.
VDD (Vendor Due Diligence)	Due diligence commissioned by the company (vendor) in advance of investor engagement. Produces a detailed report on financial, tax, and structural health. Enhances credibility, supports valuation, and accelerates deal timelines by pre-answering investor questions.
Warranties & Indemnities	Contractual promises mapping who assumes financial liability if undisclosed issues — hidden tax liabilities, unresolved litigation, misrepresented financials — emerge after closing. A key area of negotiation between buyers and sellers.

05 Accounting and Valuation

The financial language all investors speak — and all founders must know

Term	Definition
Financial Modelling	The process of building a structured spreadsheet model that projects a company's future financial performance — revenues, costs, cash flows, and returns — under a range of scenarios and assumptions. A well-built financial model is one of the most important tools in any fundraising or M&A process. Investors use it to stress-test the business plan, assess capital requirements, size debt capacity, and run valuation analyses. Key components include a P&L, balance sheet, cash flow statement, working capital schedule, debt waterfall, and sensitivity analysis.
Valuation	The process of determining the current monetary worth of a business. In practice, valuation is not a single number but a range, derived from multiple methodologies — DCF, comparable company analysis, precedent transactions, and asset-based approaches. In African markets, valuations are heavily influenced by execution risk, currency exposure, exit optionality, and the quality of the management team, often resulting in lower multiples than equivalent businesses in developed markets. Founders and investors must agree on valuation before a deal can progress.
Accretion / Dilution Analysis	A test used in M&A to determine whether a transaction increases (accretive) or decreases (dilutive) the acquiring company's earnings per share (EPS). If EPS goes up after the deal, it is accretive — typically seen as positive. If EPS goes down, it is dilutive. The analysis helps buyers evaluate whether the financial terms of a deal are favourable and is a standard component of any merger model.
Amortisation	The gradual write-off of an intangible asset's cost over its useful life, or the scheduled repayment of a loan's principal over time through scheduled payments. A non-cash charge on the income statement, added back in EBITDA calculations.
Balance Sheet	A financial statement showing what a company owns (assets), what it owes (liabilities), and what is left for shareholders (equity) at a specific point in time. The balance sheet follows the equation: Assets = Liabilities + Equity. Investors review the balance sheet to understand financial health, leverage, and the quality of assets backing the business.
Capital	Money or assets used to fund a business or investment. 'Raising capital' means securing funding. 'Deploying capital' means investing it. 'Return on capital' measures how profitably it was used. Capital comes in many forms — equity, debt, grants, or hybrid instruments — each with different costs, risks, and implications for ownership.
Cash Flow	The movement of money into and out of a business over a period of time. Positive cash flow means more money is coming in than going out. Investors and lenders focus heavily on cash flow because a profitable business can still fail if it runs out of cash. The cash flow statement tracks operating, investing, and financing activities.
Cost Approach	A valuation method that estimates the value of a business based on the

(Valuation)	cost to build or replace its assets — what it would cost to create an identical business from scratch. Most useful for asset-heavy businesses or in insolvency scenarios. This approach typically undervalues businesses with strong intangible assets such as brand, customer relationships, or operational know-how.
Dividend	A portion of a company's profits paid out to shareholders, typically in cash. Dividends are decided by the board of directors and approved by shareholders. Investor agreements often include dividend policies — specifying when dividends can be paid, at what rate, and whether any profits must be reinvested first. Growth-stage businesses rarely pay dividends; they reinvest profits to fund expansion.
Enterprise Value (EV)	The total value of a business — including both equity and debt — representing what it would cost to buy the entire company outright. Calculated as: Market Capitalisation + Total Debt − Cash. Enterprise value is used as the numerator in valuation multiples like EV/EBITDA. It gives a cleaner picture of a company's value than market cap alone because it accounts for the company's debt burden.
Intrinsic Value	The fundamental worth of a business based on its ability to generate future cash flows, calculated using a DCF model. Intrinsic value reflects what the business is actually worth based on its economics — not what someone might pay for it at a given moment in the market. It is the most rigorous form of valuation, though heavily dependent on the assumptions used in the model.
Liquidity	The ease with which an asset can be converted into cash without significantly affecting its price. A highly liquid asset — such as cash or publicly traded shares — can be sold quickly. In the context of a private company, shares are illiquid — there is no public market to sell them. Investors in African private businesses price in an illiquidity premium when determining their required return.
Market Approach (Valuation)	A valuation method that determines a company's worth by comparing it to similar businesses that have been sold or are publicly listed. Uses metrics such as EV/EBITDA or EV/Revenue multiples from comparable companies or precedent transactions. In Africa, limited transaction data and thin public markets can make this approach less reliable than DCF-based methods.
P&L (Profit and Loss Statement)	Also called the income statement. A financial document summarising a company's revenues, costs, and expenses over a specific period — resulting in either a net profit or net loss. The P&L is one of the three core financial statements investors review, alongside the balance sheet and cash flow statement. It shows whether the business is making money from its operations.
Precedent Transactions	A valuation method that looks at the prices paid in previous acquisitions or investments in similar companies to estimate a target company's value. Provides real-world evidence of what buyers have been willing to pay for comparable businesses. In African markets, the limited availability of disclosed transaction data makes this approach challenging, though increasingly possible as the ecosystem matures.
Cash Sweep	A mechanism requiring excess cash generated by the business above a defined threshold to be applied automatically to repay outstanding debt. Used by lenders to accelerate debt repayment and reduce credit risk.

CFADS (Cash Flow Available for Debt Service)	The cash flow remaining after all operating costs and taxes but before debt payments. The numerator in DSCR calculations. The central metric in project finance and structured debt transactions — lenders size debt based on CFADS, not EBITDA.
Comparables (Comps)	A valuation technique benchmarking a company's value against similar publicly listed or privately transacted businesses. Investors look at EV/EBITDA, EV/Revenue, and P/E multiples of comparable companies to sense-check pricing. The quality of comps depends on how closely the peer group matches the target in terms of sector, geography, scale, and growth profile.
Leverage	The use of borrowed capital (debt) to increase the potential return on equity investment. A company or deal is said to be 'leveraged' when it is funded with a significant proportion of debt relative to equity. Leverage amplifies returns in good times — a small equity investment controls a large asset — but equally magnifies losses if performance disappoints. Investors monitor leverage ratios such as Net Debt/EBITDA closely.
Multiples	Valuation shorthand expressing a company's worth as a multiple of a financial metric — most commonly EBITDA or revenue. For example, if a company with $5m EBITDA is valued at $25m, it is trading at a '5x EBITDA multiple.' Multiples vary by sector, growth rate, and risk profile. In African markets, multiples are typically lower than global benchmarks due to liquidity risk, exit optionality, and currency exposure.
Cost of Goods Sold (COGS)	The direct costs attributable to producing the goods or services sold by a business — materials, direct labour, and manufacturing overhead. Deducted from revenue to arrive at gross profit.
DCF (Discounted Cash Flow)	A valuation method estimating the present value of future cash flows, discounted at a rate reflecting the cost of capital and risk profile. The most rigorous valuation methodology — heavily sensitive to terminal value and discount rate assumptions.
Depreciation	The systematic allocation of a tangible asset's cost over its useful life. A non-cash charge reducing reported profits but added back in EBITDA. Distinct from amortisation, which applies to intangible assets.
DSCR (Debt Service Coverage Ratio)	CFADS divided by total debt obligations (principal + interest). A ratio above 1.0 means the business generates sufficient cash to service its debt. A primary metric for any debt investor — lenders typically require a minimum DSCR covenant of 1.2x–1.5x.
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation. The most widely used proxy for operational cash profitability and the primary valuation anchor in African deal making. Investors normalise EBITDA by removing one-off items to reveal sustainable earnings power.
EBITDA Bridge	A waterfall chart or schedule that explains the movement in EBITDA from one period to another — showing exactly which factors caused earnings to go up or down. A standard output of financial due diligence, the EBITDA bridge breaks down changes by revenue growth, cost movements, one-off items, and structural changes. It gives investors and buyers confidence that they understand what is driving profitability.
NWC Peg (Net Working Capital Peg)	The agreed normalised level of net working capital that should be in the business at the time of closing. The peg is set during negotiations based

	on the historical average working capital. If actual working capital at closing is above the peg, the buyer pays more; if below, the seller pays back the difference. The NWC peg is one of the most frequently disputed items in M&A transactions.
Proof of Cash	A forensic accounting reconciliation that ties a company's reported revenues and expenses back to actual bank transactions. It is used in financial due diligence to verify that the numbers in the financial statements genuinely reflect cash that moved through the business. Proof of cash is particularly important in markets where informal accounting practices are common.
Working Capital Adjustment	A post-closing price adjustment mechanism in M&A transactions that true-ups the purchase price based on the actual net working capital delivered at closing versus the agreed NWC peg. If the business delivered less working capital than expected, the seller refunds the difference to the buyer; if more, the buyer pays additional consideration. Protects the buyer from the seller running down receivables or inventory before closing.
EV/EBITDA Multiple	Enterprise Value divided by EBITDA. The most common valuation multiple in private market transactions. Used to compare a company's value relative to its earnings, and to benchmark against sector peers and comparable transactions.
FCFF (Free Cash Flow to Firm)	Cash flow available to all capital providers — debt and equity — after operating costs and CAPEX. Used in DCF valuations to estimate total enterprise value. Distinct from FCFE (Free Cash Flow to Equity), which deducts debt service.
Fixed Costs	Costs that remain constant regardless of production or revenue volume — rent, salaries, insurance, depreciation. High fixed costs create operating leverage: margins expand rapidly with revenue growth, but the business is exposed when revenues fall.
FX Risk (Foreign Exchange Risk)	The risk from currency depreciation or exchange rate volatility. Particularly relevant for African businesses with USD- or EUR-denominated debt, or businesses with foreign currency revenues. Investors price FX risk into return expectations and deal structure.
Gross Margin	Revenue minus COGS, expressed as a percentage of revenue. A primary indicator of pricing power and production efficiency — especially important for manufacturing and FMCG businesses.
Interest	The cost of borrowing money, expressed as a percentage of the loan amount per year. If a company borrows $1m at 10% interest, it pays $100,000 per year to the lender simply for the privilege of using that money. Interest rates vary based on the risk profile of the borrower, the type of loan, the currency, and prevailing market conditions. In Africa, interest rates on commercial debt are often significantly higher than in developed markets, making the cost of debt a critical factor in deal structuring.
IRR (Internal Rate of Return)	The annualised effective compounded return rate that makes the net present value of all cash flows from an investment equal to zero. In simple terms: if you invest $1m today and receive $3m in five years, the IRR is approximately 25% per year. Investors use IRR to compare opportunities across different deal sizes and time horizons and to assess whether a deal meets their fund's required minimum return threshold. Higher risk demands

	higher IRR.
LBO (Leveraged Buyout)	An acquisition of a company funded primarily with debt, with a smaller equity contribution from the buyer. The acquired company's assets and cash flows serve as collateral and repayment source. Common in PE transactions — the use of leverage amplifies equity returns if the business performs.
LTV (Loan-to-Value)	The ratio of debt to the appraised value of the underlying asset or business. Used by lenders to assess collateral coverage. A lower LTV indicates more asset protection for the lender. Common in property finance and asset-backed lending.
MOIC (Multiple on Invested Capital)	Total value returned divided by total capital invested. A simple, time-independent measure of investment performance. Used alongside IRR to give a complete picture of returns.
Net Profit	The bottom-line profit after all expenses — interest, taxes, depreciation, and amortisation — have been deducted from revenue. Also called Profit After Tax (PAT). The measure of overall business profitability after all obligations are met.
Normalised EBITDA	EBITDA adjusted to remove one-off, non-recurring, or non-operational items to reflect the true, sustainable earnings power of the business. The starting point for valuation in most African transactions.
Off-Balance Sheet Items	Liabilities or obligations not on the formal balance sheet — operating leases, contingent liabilities, guarantees. Identified during FDD as hidden risks affecting true leverage and valuation.
OPEX (Operating Expenditure)	The ongoing costs of day-to-day operations — salaries, rent, utilities, marketing. Distinct from CAPEX, which covers long-term asset investment.
Operating Leverage	The degree to which a company's cost structure is fixed versus variable. High operating leverage means revenue growth drives disproportionately higher profit growth — and revenue declines hit profits hard.
ROI (Return on Investment)	Net profit divided by total investment cost, expressed as a percentage. A broad measure of investment profitability used across investor types.
Sculpting	A debt structuring technique where repayment instalments are shaped to match the projected cash flows of the business rather than being equal (flat) payments. Widely used in project finance and infrastructure deals — repayments are higher when the business generates more cash and lower in constrained periods.
Sources and Uses	A summary table showing where capital in a transaction comes from (sources: equity, senior debt, mezzanine, grants) and where it goes (uses: acquisition price, CAPEX, fees, working capital). A standard component of any financial model or IM — investors use it to understand the capital structure and how funds will be deployed.
TAM (Total Addressable Market)	The total global revenue opportunity for a product or service if it achieved 100% market share — every possible customer, everywhere. TAM sets the ceiling of the opportunity. Investors use it to assess whether the business is playing in a market large enough to generate a meaningful return. TAM figures must be grounded in evidence, not guesswork.

SAM (Serviceable Available Market)	The portion of the TAM that a company can realistically reach, given its geography, product capabilities, target customer profile, and go-to-market strategy. SAM is a more honest measure of near-term opportunity than TAM. Investors expect founders to articulate clearly why they can serve this specific slice of the market.
SOM (Serviceable Obtainable Market)	The realistic share of the SAM a company can capture in the near term — accounting for competition, sales capacity, and execution constraints. SOM is what the business is actually building toward in its current financial projections. Investors scrutinise SOM assumptions carefully because this is where ambition must be grounded in operational reality.
Thin Capitalisation	A condition where a business is heavily funded by debt relative to equity. Creates regulatory risk around interest deductibility and increases the likelihood of covenant breaches. Tax authorities in many jurisdictions restrict how much debt interest can be deducted.
Transfer Pricing	The pricing of transactions between related entities within the same group. Must be conducted at arm's length to satisfy tax authorities. A key area of review in tax due diligence, particularly for cross-border African structures.
Variable Costs	Costs that change in proportion to production or revenue volume — raw materials, direct labour, commissions, shipping. High variable costs create more stable margins but limit operating leverage as the business scales.
Working Capital	Current assets minus current liabilities. Represents the liquidity available for day-to-day operations. FDD reviews working capital patterns to understand seasonal swings and set the appropriate peg in deal structures.

06 VC & Startup Terms

The language of venture capital, early-stage growth, and startup fundraising

Term	Definition
ARR (Annual Recurring Revenue)	The annualised value of recurring subscription or contract revenue. A key metric for SaaS and subscription businesses used to anchor valuation discussions at Series A and beyond.
Burn Rate	The monthly rate at which a company spends its cash reserves. Determines runway and signals how urgently the next funding round is needed. Investors distinguish between gross burn (total spend) and net burn (spend minus revenue).
CAC (Customer Acquisition Cost)	The total cost of acquiring a single new customer — marketing spend, sales salaries, promotions. Investors compare CAC against LTV to assess whether the business model is fundamentally profitable at scale.
Churn	The rate at which customers or revenue is lost over a given period. A key metric in investor reporting for subscription businesses. High churn signals weak product-market fit or poor retention — investors expect clear churn reduction plans.
Down Round	A funding round at a lower valuation than the previous round. Triggers anti-dilution provisions, signals underperformance, and can damage founder morale and investor confidence.
Hockey Stick Projections	Financial forecasts showing slow initial growth followed by a dramatic upward spike. Common in pitch decks but highly distrusted by experienced investors unless clearly grounded in operational evidence and identifiable inflection points.
LTV (Lifetime Value)	The total revenue a business expects to generate from a single customer over the entire relationship. Compared against CAC — investors expect LTV to be at least 3x CAC for a healthy unit economics story.
MRR (Monthly Recurring Revenue)	Predictable monthly revenue from active subscriptions or contracts. Annualised to produce ARR. A key metric for subscription and SaaS business models.
Product-Market Fit	The degree to which a product satisfies strong market demand. Investors look for evidence — not claims — of PMF: low churn, high NPS, organic growth, and customers willing to pay repeatedly.
Runway	The number of months a company can continue operating before exhausting its cash, based on current burn rate. Investors typically expect at least 12–18 months of runway post-investment. Often tracked as a 13-week cash flow view.
Friends and Family Round	The very first capital a founder raises — typically small amounts from people who know and trust them personally, before the business has any formal track record. This is the most common starting point for businesses in Africa. It carries high personal and relationship risk; if the business fails, the founder may owe money to people close to them. Should always be documented formally, even informally raised capital.

Fundraise	The process of actively seeking and securing external capital for a business. A fundraise has a defined goal — the amount being raised, the instrument (equity, debt, or hybrid), and the timeline. It involves preparing materials, approaching investors, conducting due diligence, negotiating terms, and closing. In African markets, a typical fundraise takes 12–24 months from start to financial close.
Investable / Investability	The degree to which a business is ready and attractive enough for external investment. An investable business has a credible plan, clean financials, audited accounts, clear ownership structure, strong management, and a realistic valuation expectation. Many African businesses are commercially sound but not yet investable — the gap between the two is what preparation, governance improvements, and advisory support bridge.
Pre-Seed	The earliest stage of startup funding — typically before there is a product, revenue, or significant team in place. Capital at pre-seed comes from founders themselves, friends and family, or very early angel investors. The investment is small and used to validate the idea, build a prototype, or conduct initial market research. Pre-seed investors are betting almost entirely on the founder's vision and potential.
Seed Round	The first formal round of external investment, typically raised once a founder has proven the basic concept and needs capital to build the product, hire initial team members, and find early customers. Seed investors — angels, seed funds, or early-stage VCs — take equity in exchange for capital, usually at relatively low valuations. Most African startups begin their formal fundraising journey at seed stage.
Series A	The first significant institutional venture capital round, raised after a company has demonstrated real traction — revenue, users, or validated unit economics. Series A investors are typically specialist VC funds. The capital is used to scale the business model that has been proven at small scale. Valuations are higher than at seed, and due diligence is more rigorous.
Series B	A follow-on funding round for companies that have successfully scaled their initial model and are ready to expand significantly — into new markets, new products, or larger sales teams. Series B investors expect strong growth metrics, a clear path to profitability, and an experienced management team. Ticket sizes are typically \$10m–\$50m+ and investors expect to see a clear route to exit.
Series C and Beyond	Later-stage funding rounds for companies with proven, large-scale operations that are preparing for major expansion, international growth, or an IPO. Series C and later rounds often involve a mix of VCs, private equity, and strategic investors. At this stage, valuations are significant, governance expectations are high, and the company is expected to operate with institutional-grade financial reporting and controls.
Traction	Evidence of market validation: customers paying, revenue growing, contracts signed, partnerships established. Investors distinguish between real traction (cash collected, repeat behaviour) and weak signals (LOIs, pilots, conversations).
Unit Economics	The direct revenues and costs associated with a single unit — per customer, per product, per transaction. Investors use unit economics to assess whether the business can be profitable at scale and whether growth creates or destroys value.

07 Governance

The rules, rights, and rhythms that protect all parties after a deal is done

Term	Definition
Anti-Dilution Protection	A clause protecting early investors from ownership dilution in future down rounds, typically via 'full ratchet' or 'weighted average' mechanisms.
Articles of Incorporation	The foundational legal document establishing a company's existence, governance structure, and shareholder rights. Reviewed closely during legal due diligence.
Board Pack	A structured set of documents presented at each board meeting. A strong board pack covers: CEO summary, KPI dashboard, variance vs plan, cash and runway, risk register, and decisions required. Typically 15–25 pages.
Cap Table (Capitalisation Table)	A document outlining equity ownership, dilution history, and the value of equity across all shareholders. Critical during due diligence and deal structuring — investors expect a clean, accurate cap table at all times.
Covenant	A condition in a loan or shareholder agreement the company must comply with throughout the investment. Covenants may restrict further borrowing, dividend payments, or management changes.
Dividend Policy	The rules governing how and when a company distributes profits to its shareholders. Typically set out in the shareholders' agreement. Investors often require that dividends cannot be paid without board approval, and may specify that profits must first meet certain financial thresholds — such as minimum cash reserves or debt repayment — before any distribution is permitted.
Drag-Along Rights	A provision allowing majority shareholders to force minority shareholders to join in a company sale on the same terms. Protects investors' ability to execute a clean exit.
ESOP (Employee Share Ownership Plan)	A scheme through which employees are granted shares or options, typically vesting over time. Used as a retention and incentive tool. ESOPs dilute all shareholders and are typically carved out of the option pool.
Governance Calendar	A pre-agreed schedule of board meetings, reporting cycles, and key decision points. Underpins the operating rhythm of a well-managed investee company and demonstrates commitment to investor relations.
HoldCo (Holding Company)	A parent company holding shares in subsidiary operating entities. The HoldCo jurisdiction can significantly affect exit feasibility, tax efficiency, and the ability to pursue an IPO or M&A transaction.
Information Rights	A contractual right entitling investors to receive regular financial and operational updates. Typically specified in the SHA.
KPI Dashboard	A structured monthly report tracking key performance indicators — volume, margin, cash, working capital, pipeline. Investors expect variances vs plan to be explained with clear owners and next actions for every miss.
KYC (Know Your	A regulatory compliance process verifying the identity and risk profile of

Customer)	clients. Required by most institutional investors and DFIs before funds are released.
Leaver Provisions	Clauses in the SHA determining how a founder's or key employee's shares are treated if they leave — distinguishing 'good leavers' (ill health) from 'bad leavers' (resignation). Protects investors from a founder exiting with a disproportionate equity stake.
Liquidation Preference	A term specifying which investors are paid first — and how much — in a liquidation, sale, or wind-down. Preference shareholders receive capital (and often a preferred return) before ordinary shareholders.
No-Surprises Protocol	A post-deal operating principle requiring management to disclose risks or problems to investors within 24–72 hours. Trust is cheapest to build before a crisis and most expensive to rebuild after one.
Option Pool	A reserve of shares set aside for future issuance to employees and advisors. Typically created or topped up at the time of a new investment, diluting all existing shareholders.
Pari Passu	Latin for 'equal footing.' Two or more parties with equal rights to payment or claims — commonly used in liquidation or debt repayment contexts.
Pay-to-Play	A provision requiring existing investors to participate in future rounds or face penalties — such as losing preferred share status or anti-dilution protection.
Preference Shares	A share class ranking above ordinary shares in dividend payments and on liquidation. Preference shareholders receive capital (and often a preferred return) before ordinary shareholders. Commonly issued to institutional investors.
Pre-emptive Rights	The right of existing shareholders to purchase new shares before they are offered to outside investors, in proportion to their current ownership. This allows existing shareholders to maintain their ownership percentage when new shares are issued. Also called subscription rights or anti-dilution rights in some contexts. Typically included in the shareholders' agreement.
Pro Rata Rights	The right of an existing investor to invest in future rounds to maintain their ownership percentage. Protects investors from dilution as the cap table evolves.
Reserved Matters	Key decisions — major CAPEX, new debt, acquisitions, changes to share capital — requiring investor approval beyond ordinary management authority. Defined in the SHA.
ROFO / ROFR	Right of First Offer / Right of First Refusal. Clauses requiring a selling shareholder to first offer shares to existing investors before approaching third parties.
Tag-Along Rights	A provision allowing minority shareholders to sell their shares on the same terms if a majority shareholder sells. Protects minority investors from being left behind in a transaction.
Vesting Schedule	A timeline determining when a founder or employee fully earns their equity — typically four years with a one-year cliff. Protects investors if a key person leaves early.

Warrant	An instrument giving the holder the right to purchase shares at a fixed price within a set period. Often attached to debt instruments as an equity kicker to improve investor returns.
Waterfall	The order in which proceeds from a liquidation, sale, or exit are distributed. Typically: senior debt → junior debt → preferred shareholders → ordinary shareholders.

08 Impact

The frameworks, standards, and metrics shaping responsible investment in Africa

Term	Definition
2X Challenge	A G7-backed initiative to mobilise investment that advances women's economic empowerment. Companies qualifying for 2X investment meet defined thresholds for female leadership, employment, supply chain participation, or product/service delivery to women. Increasingly required by DFIs and impact funds investing in Africa.
AfDB Integrated Safeguards System	The African Development Bank's environmental and social safeguards framework — the continent's most influential public-finance ESG standard. Applied across infrastructure and private-sector deals financed by the AfDB, it covers environmental assessment, involuntary resettlement, biodiversity, labour conditions, and community engagement. Companies seeking AfDB or regional development bank financing must demonstrate compliance.
ANDE (Aspen Network of Development Entrepreneurs)	A global network of organisations that support small and growing businesses (SGBs) in emerging markets. ANDE provides tools, research, and standards for impact measurement and management, particularly relevant for businesses in African markets seeking impact capital or grant funding.
Additionality	The principle that an impact investor's capital creates outcomes that would not have occurred without their involvement. A DFI or impact fund must demonstrate that their investment adds something beyond what commercial investors would provide — access, terms, risk appetite, or technical support.
C&E (Climate and Environment) Standards	Standards governing how businesses identify, assess, and manage climate and environmental risks — including emissions, biodiversity, water use, and pollution. Integrated into the investment screening and monitoring process by DFIs and ESG-aligned funds.
ESG (Environmental, Social & Governance)	A framework for evaluating the sustainability and ethical impact of an investment. Environmental covers emissions, resource use, and climate risk. Social covers labour practices, community impact, and supply chain conduct. Governance covers board structure, transparency, and anti-corruption. Now a baseline requirement for most institutional and DFI investors.
GRI (Global Reporting Initiative)	The most widely used global framework for sustainability reporting. GRI Standards allow organisations to report publicly on their environmental, social, and governance impacts in a consistent, comparable way. Increasingly required by institutional investors and DFIs as part of ESG reporting obligations post-investment.
GESI (Gender, Economic and Social Inclusion)	A framework ensuring equal opportunities, social safeguarding, and gender-responsiveness within a business. DFIs and impact investors require GESI strategies as part of their investment mandate, covering hiring practices, pay equity, supplier diversity, and product accessibility.
Impact Measurement &	The practice of systematically measuring, managing, and reporting on the

Management (IMM)	social and environmental outcomes of an investment. IMM frameworks — including IRIS+, the Impact Management Project, and the SDGs — are used by impact investors to hold investee companies accountable to non-financial targets alongside financial ones.
Impact Washing	The practice of overstating or misrepresenting the social or environmental impact of an investment or business to attract impact-oriented capital. Sophisticated impact investors conduct rigorous IMM and third-party verification to detect and avoid impact washing.
IRIS+ (Impact Reporting and Investment Standards)	The Global Impact Investing Network's (GIIN) catalogue of standardised impact metrics, aligned with the SDGs and other reporting frameworks. Impact investors use IRIS+ to define, measure, and report on the social and environmental outcomes of their investments in a consistent, comparable way. Investee companies are increasingly expected to track and report IRIS+ metrics as a condition of impact investment.
IFC Performance Standards	A set of eight international standards developed by the International Finance Corporation (World Bank Group) covering environmental and social risk management, labour conditions, community health and safety, biodiversity, indigenous peoples, and cultural heritage. Most DFIs require investee companies to comply with these standards as a condition of investment.
SDGs (Sustainable Development Goals)	Seventeen global goals adopted by the United Nations in 2015, targeting issues from poverty and hunger to climate change and gender equality by 2030. Impact investors and DFIs map their investments to specific SDGs to demonstrate development contribution and mobilise mission-aligned capital.
Theory of Change	A logical framework articulating how a business's activities and outputs lead to specific social or environmental outcomes and long-term impact. Required by most impact investors and DFIs as part of the investment thesis and ongoing reporting obligations.

09 Technical Activities and Advisors

The technical activities, advisory services, and specialist support that prepare companies, structure deals, and drive transactions to close

Term	Definition
CDA (Corporate Diligence Assessment)	A structured pre-investment diagnostic of a company's readiness to receive external capital — covering financial management, governance, legal compliance, operational systems, and ESG practices. A CDA is typically commissioned by a DFI, impact investor, or development programme before formal due diligence begins. It identifies the gaps between where the company is and where it needs to be to close a deal, and produces a prioritised remediation plan. Companies that complete a CDA are significantly better positioned to attract and retain institutional investors.
Corporate Finance Advisor	An advisory firm or individual that helps companies prepare investor-grade materials, structure deals, identify investors, and manage fundraising or sale processes. Typically engaged on a retainer plus success fee. Acts as the company's primary transaction advisor.
ESG / Impact Advisor	A specialist advisor supporting businesses in developing ESG strategies, impact measurement frameworks, and reporting aligned to DFI and impact investor requirements. Increasingly engaged pre-transaction to improve investability.
Financial Due Diligence Provider	An accounting or advisory firm — such as BDO, PwC, or Deloitte — engaged to conduct financial due diligence on behalf of an investor or the company itself (VDD). Produces a quality of earnings report and working capital analysis.
Investment Banker	A financial professional at a bank or boutique advisory firm who originates, structures, and executes capital markets and M&A transactions. Distinct from a corporate finance advisor — investment bankers typically operate in larger, more complex transactions with access to institutional capital markets.
Legal Advisor	A law firm or specialist lawyer advising on deal structuring, documentation, regulatory compliance, and transaction execution. Drafts and negotiates the SPA, SHA, and all binding deal documents. Critical in cross-border African transactions where jurisdiction matters.
Non-Executive Director (NED)	An independent board member who provides strategic oversight, challenge, and governance without involvement in day-to-day management. Investors often require the appointment of independent NEDs as a condition of investment to strengthen board quality.
Technical Assistance (TA)	Non-financial support provided to a business alongside or in preparation for investment — such as financial management training, governance improvements, ESG system setup, market access support, or operational capacity building. TA is commonly provided by DFIs, development programmes, and impact investors who recognise that capital alone is not enough to make a business investment-ready or sustainably successful. In African markets, TA is often the critical bridge between a promising business and a closeable deal.

Transaction Advisor	A broad term for any professional — corporate finance, legal, accounting, or technical — engaged to advise on a specific transaction. In African deals, a coordinated transaction advisory team typically includes corporate finance, legal, and FDD advisors working in parallel.
Transaction Facilitation	A hands-on service where an advisor or development programme actively supports both the company and investor through the entire deal process, from preparation and investor matching through to close. Unlike pure advisory, transaction facilitation involves direct coordination between all parties, managing the flow of information, bridging communication gaps, troubleshooting deal blockers, and keeping the process on track. It is particularly valuable in African markets where companies may lack prior fundraising experience and investors may face unfamiliar operational contexts.