Episode 2: Getting funding for your startup

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Welcome to the Smart Startup English Podcast, episode 2. I'm Mickey, I'm your host, and in this episode we're talking about money. About how and where to get it from as a startup.

But first, let me ask you a question:

If you're a startup founder, how did you get your first dollar? Is there any way to get money before your business starts making enough money?

They say that money makes the world go round. But when you're a startup founder, getting money doesn't always come easy.

When your startup is brand new, you might need to do a bit of bootstrapping. What does bootstrapping mean? It means that you're using your own money or your own resources to start your business.

When you're bootstrapping, you're not taking money from anyone else. Maybe you're using your personal savings, or you have a day job, or you're using your own home as an office. Maybe you're even bringing in a bit of revenue with your product. Maybe you're even bringing in a bit of revenue with your product. But your focus is still on keeping your expenses low.

A lot of today's successful tech companies - such as Basecamp, Mailchimp and Skyscanner - started as bootstrapped businesses.

There are some advantages to bootstrapping, such as being able to maintain complete control of your startup. But if money is drying up fast, you'll have to consider raising capital. This means getting funding. Getting money.

One common way of getting money is by looking for investors - companies or people who will give you money in exchange for equity. That means that you agree to give them a part of your company after they invest in it.

Typically, startups don't raise all the money at once. They raise the money during several funding rounds. If your first round is successful, you'll get some seed money, also known as seed funding or seed capital. This is a very early investment, and it will support your business until you can generate some cash. Think of it as a seed that the investor plants with the expectation that it will grow into something bigger, something they can make a profit from.

You can get the seed money from an angel investor or from a venture capital firm, also known as a VC. What's the difference between an angel investor and a venture capitalist?

Generally, an angel investor is a very wealthy person using their own money to invest.

On the other hand, venture capitalists have a whole company behind them. That means they have other investors; they have board members, advisors, and so on.

In this case, the money doesn't come from just one person. The VC firm manages money from a variety of sources, such as corporations, individuals, or even pension funds.

Before investors give you money, they'll want to vet your startup. This means they'll check things such as your business plan, your product and your team, as well as the financial situation of your startup.

The vetting process is very important in the early stages of raising capital.

Let's say you got your seed money (remember, that's the first round of funding), but after a year or two, you realize you need even more money to grow your business. That's when you can start thinking about a series A round. That's the name of the first serious round of financing.

By this point, your startup has gained some traction - maybe you have a lot of users or higher revenue. If something gains traction, that means that it's becoming more popular, and this makes it more appealing to investors.

Series A funding can range between 1 million and 10 million dollars. It's a lot of money to get, but it comes with much higher expectations from investors.

It’s common for Series A funding to come from venture capital firms, although angel investors may also be involved.

If Series A is successful, and you manage to sell your product on the market, but you still need to scale up - to grow your business and your market share - you may start a Series B or even a Series C, if your company is really successful.

If you make it to Series C, you’re playing in the big leagues now. That means that you’re an important company in your field. You have impressive achievements.

Most companies stop raising capital after a Series C, and some companies decide to get ready for an IPO at this point - or an Initial Public Offering. That’s when the company is listed on the stock market.

There you have it. You’ve learned some useful terms that will help you understand funding vocabulary easier.

Before we move on to this episode’s speaking assignment, let’s review what we’ve learned so far.

When you’re **bootstrapping**, you’re using your own money or your own resources to start a business, and you’re keeping your expenses really low.

If you’re **raising capital**, or **raising funds**, this means that you’re getting funding from investors; you’re getting money.

When you **give someone equity**, it means that you’re giving them a part of your company in exchange for them investing in it. They’re giving you money for their share.

Seed money, also known as **seed funding** or **seed capital**, is a very early investment, and it will support your business until you can get more customers and generate some revenue.

An angel investor is a wealthy person using their money to invest.

A venture capital firm - also known as a VC - is a private company that invests funds into startups and early-stage businesses that have potential.

To vet a startup refers to the process that investors go through to check things such as a business plan, the status of a product or a team, as well as the financial situation of a startup.

A **Series A** round is the first serious round of financing.

If a product **is gaining traction**, that means it's becoming more popular. We can also say this about ideas. If an idea is gaining traction, it's becoming more widely accepted.

If you **scale your business**, or you **scale up your business**, that means you're growing your business and your market share.

IPO, or **an Initial Public Offering**, is the process through which a company is listed on the stock market.

And finally, if you're **playing in the big leagues**, congratulations! Because you're an important company in your field, and you have impressive achievements.

Finally, here's your speaking practice question for this episode:

Would you ever try to bootstrap a startup? What could be the advantages or disadvantages of doing so?

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