

# Investors' Insight

If this is your first time seeking external finance, then it's likely that you will come face to face with a range of confusing acronyms and abbreviations that sometimes stump even those who work in the world of finance and investment.



We like to think that the Mercia team are a straightforward bunch, but in case we get lost in the moment, here is a short guide that we hope you will find helpful.

AGM	Annual general meeting
AIM	Alternative investment market
Angel	A private investor who provides capital and typically support to a company
ARR	Annual recurring revenue
Articles of association	Document detailing how shares in a company are transferred, their rights etc.
AuM	Assets under management
B2B	Business to business (in relation to a sale of goods or services)
B2C	Business to consumers (in relation to a sale of goods or services)
BATNA	Best alternative to a negotiated agreement
BD	Business development
BIR	Business investment relief (relevant for UK resident non-doms)
Bridge	Short term funding to extend company runway until a further milestone is met
British Business Bank (BBB)	UK Government owned entity that manages a large number of funding programmes
CAGR	Compound annual growth rate
Cash flow	The flow of cash in and out of a business
Co-investor	Someone who invests alongside an investment round
Consents	A document which if signed grants consent for a particular action
Convertible loan	A loan that can be converted into equity
Custodian	Entity responsible for holding & safeguarding assets
Customer due diligence (CDD)	Due diligence into the company's legal contracts and risks
DCF	Discounted cash flow – used to estimate investment value based on its future cash flows
DD	Due Diligence
Deed of variation	A legal document that can vary an investment or shareholders' agreement
Disclosure letter	Allows disclosures to be made to an incoming investor
DPI	Distribution to paid-In (%)
EBIT	Earnings before interest and tax
ECF	Enterprise capital funds
EIS	Enterprise Investment Scheme offering tax relief for private investors
EMI	Enterprise management incentive (option scheme)
EPS	Earnings per share – PAT divided by total number of Ordinary shares in issue
Financial due diligence (FDD)	Due diligence into the company's financial information
FTE	Full time equivalent - where 1.0 = a full-time employee
FuM	Funds under management
FVM	Fair value movements
GIS	Geographical information systems
GP	General partner
Growth shares	An alternative form of shares to incentivise management
HNW	High net worth individual

# Investors' Insight

If this is your first time seeking external finance, then it's likely that you will come face to face with a range of confusing acronyms and abbreviations that sometimes stump even those who work in the world of finance and investment.



We like to think that the Mercia team are a straightforward bunch, but in case we get lost in the moment, here is a short guide that we hope you will find helpful.

## Interims

Investment committee (IC)

IPEV

IPO

IRR

Lead

Legal due diligence (LDD)

LLP

LP

Management information (MI)

MIQ

MBI

MBO

MI

MRR

NAV per share

PAT

PBT

PE

Personal guarantee 'PG'

PSC

QCA

Remcom

RLE

ROI

SEIS

Shareholders agreement

SME

SPA

Special resolution

STF

Syndicate

TVPI

Unicorn

VCT

WIP

Working capital

Written resolution

## Half year results

Committee held by investment management company

International private equity & venture capital valuation guidelines

Initial public offering

Internal rate of return

The investor who takes on most of the work in negotiating the investment terms

Due diligence into the company's legal contracts and risks

Limited liability partnership

Limited partner

Monthly management accounts.

A list of questions provided to management and some existing shareholders/co-investors as part of management due diligence.

Management buy-In

Management buyout

Management information

Monthly recurring revenue

Our balance sheet net assets divided by total number of ordinary shares in issue

Profit after tax

Profit before tax

Private equity

Where the loan may be repaid by an individual

Person of significant control

Quoted companies alliance

Remuneration committee

Relevant legal entity

Return on investment

Seed Enterprise Investment Scheme offering tax relief for private investors

A legal agreement between the shareholders (or some of the shareholders)

Small to medium sized enterprise

Sale and purchase agreement

A resolution pass by more than 75% of the shareholders

Stock transfer form

A group of investors that agree to participate in an investment round

Total value to paid-in (multiple)

A start-up valued >\$1bn

Venture capital trust

Work in progress

Capital that finances the ordinary activities of the company

A resolution passed in writing