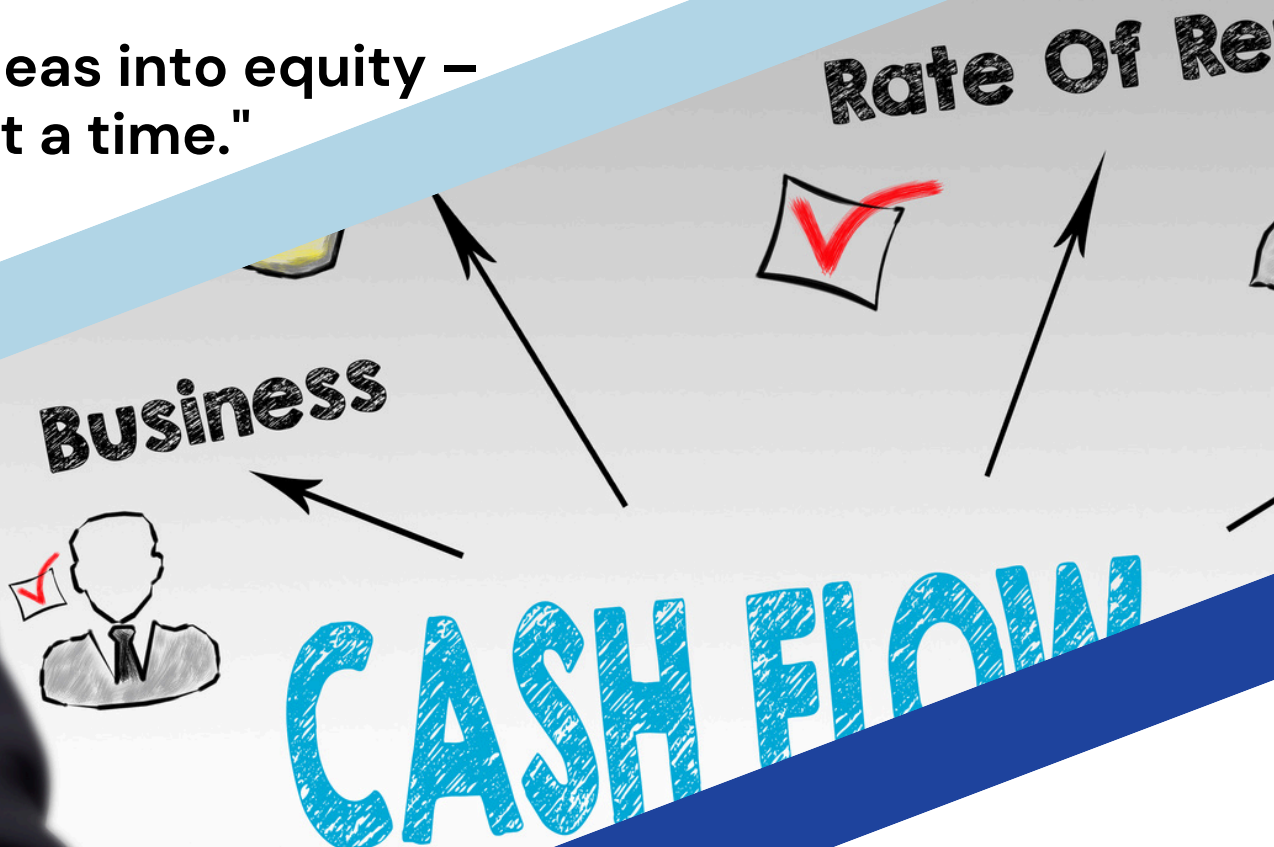


# What is Convertible Note?



A CONVERTIBLE NOTE IS A SHORT-TERM DEBT INSTRUMENT OFTEN USED BY STARTUPS TO RAISE FUNDS. IT CONVERTS INTO EQUITY (OWNERSHIP) AT A LATER DATE, TYPICALLY DURING A FUTURE INVESTMENT ROUND.

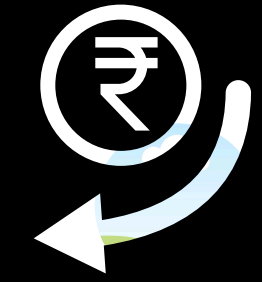
"Turning ideas into equity – one note at a time."



"CONVERTIBLE NOTES:  
SIMPLIFYING EARLY-STAGE  
INVESTING AND UNLOCKING  
POTENTIAL."



# Why Do Startups Use It?



## Cash Flow Management Cycle

Convertible notes are simple and fast to issue. Startups use them to get funding without immediately valuing the company, saving time and reducing early-stage negotiation.

## Why Startups Use Convertible Notes

Why do startups use convertible note?

They offer fast and simple funding, avoid early valuation, save negotiation time, delay equity dilution, and boost investor confidence.



# How Does It Work?

- Investors lend money to a startup. Instead of cash repayment, the note converts into shares of the company at a discount when a major funding round occurs.

## Convertible Note Explained

How does a convertible note work?

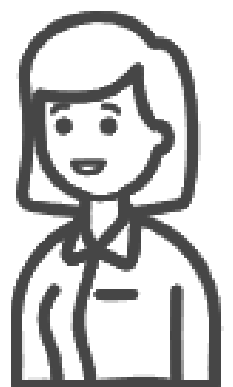
An Investor loans money to a startup, which accrues interest.

What happens next?

The debt converts into equity shares when the next funding round triggers the conversion.

What if there's no conversion?

The loan is either repaid or extended.



# Key Terms to Know

- **Discount Rate:** The percentage reduction on the price per share that investors get when their note converts to equity, rewarding early risk-taking.
- **Valuation Cap:** The maximum company valuation at which the note converts, protecting investors from excessive dilution if the startup's value soars.
- **Maturity Date:** The deadline by which the note converts into equity or must be repaid, ensuring a clear timeline for both startup and investor.
- **Interest Rate:** The annual interest that accrues on the loan amount, often added to the principal before conversion, enhancing investor returns.
- **Conversion Event:** Usually the next qualified funding round where the note automatically converts into equity shares under agreed terms.



# Benefits for Startups and Investors

Startups get quick funding. Investors receive an early entry advantage—shares at a lower price when the company grows.

## Benefits for Startups and Investors

1. Quick, flexible funding: Startups raise capital fast without lengthy valuation debates.
2. Delayed valuation: Company valuation happens in a later round, reducing early pressure and dilution.
3. Investor advantage: Investors gain equity at a discount, rewarding early risk-taking.



Startups get quick, flexible funding

Low legal and negotiation costs

Investors gain equity at a discount

Delays company valuation until later

# Popular in Startup Ecosystem

Convertible notes are widely used in early-stage fundraising, helping startups and investors move forward with flexibility and speed.

## Startup Funding Strategy Analysis

