General Types of Funding Models

Concepts & Business models typically requiring investment, include:

Seed-capital funds invest at the earliest phase of growth to develop a business concept before a company is started. Capital invested at this point is used to help the company become ready to commence operations. Because it's the earliest stage of development, it is considered the riskiest of the various financing stages.

Early-stage funds focus on investing in new companies. Proceeds are used to develop new products. Marketing efforts are initiated. Revenue may exist but, at this capital-intensive stage, profit is minimal or non-existent.

Expansion-stage funds provide capital to companies that have already developed products or concepts and have a customer base but need to finance further growth. Revenue may be growing at an increasing rate, but expenses still outstrip sales.

Later-stage funds provide finance for companies that have moved beyond the expansion stage and are aiming to increase sales volumes and generate consistent growth. This is considered the final stage of venture capital financing prior to a liquidity event, such as a sale to a larger company or a share-market IPO.

Leveraged buy-out (LBO) funds focus on providing the capital to acquire mature companies, often with the support of the existing management team.

Management buy-out (MBO) funds provide funding if the existing management of a company wants to buy out the existing owners.

Management buy-in (MBI) funds help existing management acquire a greater stake in the company they run in order to increase their incentives.

Turnaround funds identify and support companies that require fresh capital and new growth strategies in order to recover from a faltering position.

Balanced funds offer an investment strategy that includes a portfolio of companies at a variety of stages of development.

Venture Capital Funds: See our in depth explanation.