



Financial Readiness – Glossary (Light)

This glossary provides SMEs with simple explanations of key financial terms. It is designed as a light, practical reference (Module 3 – Ready4Invest Toolkit).

Term	Definition
Equity	Ownership interest in a company, usually in the form of shares.
Dilution	Reduction in existing shareholders' ownership percentage due to new shares issued.
Burn rate	The rate at which a company spends cash each month.
Runway	The time (in months) a company can operate before running out of cash, based on burn rate.
Valuation	The estimated worth of a company (pre-money before investment, post-money after).
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation – a measure of profitability.
Working capital	Difference between current assets and current liabilities, showing short-term liquidity.
Cash flow	The movement of money in and out of a business over time.
Pre-money valuation	Company valuation before receiving a new investment.
Post-money valuation	Company valuation immediately after adding the new investment.