

**THE
COMPLICATED
ATTEMPT
JARGON
STARTUP
SIMPLE**



CAC Customer Acquisition Cost

Money spent to get one new customer

If you spend \$1000 on ads and get 100 new customers, your CAC is \$10 per customer.



LTV Lifetime Value

Money earned from one customer over time

If a customer pays \$10/month for your service and stays for 2 years, their LTV is \$240.



Churn Rate

How fast customers leave

If you start the month with 100 customers and lose 5, your monthly churn rate is 5%.



MRR **Monthly** **Recurring** **Revenue**

Predictable money earned each month

If you have 100 customers paying
\$10/month, your MRR is \$1000.



ARR Annual Recurring Revenue

Predictable money earned each year

If your MRR is \$1000, your ARR would be \$12,000.



Burn Rate

How fast a company spends money

If your startup spends \$10,000 per month, that's your burn rate.



Runway

How long until the money runs out

If you have \$100,000 in the bank and your burn rate is \$10,000 per month, your runway is 10 months.

TAM Total Addressable Market

Everyone who might buy your product

For a new type of smartphone, the TAM might be all smartphone users worldwide.



SAM **Serviceable** **Addressable** **Market**

People you can reach and sell to

For that smartphone, the SAM might be smartphone users in countries where you can legally sell.



SOM Serviceable Obtainable Market

People you can realistically sell to now

For the smartphone, the SOM might be users in cities where you're launching in the next year.

PMF Product Market Fit

When customers really want what you're selling

A new app helps students learn math through fun games. Within weeks, it spreads to every school in town without any advertising. Kids can't stop playing, and parents and teachers keep recommending it.

MVP Minimum Viable Product

Simplest version of a product that works

A basic ride-sharing app that only connects drivers and riders, without ratings or special features.

Pivot

Changing your business idea

A company starts selling physical books but then pivots to become an online e-book retailer.

Cohort Analysis

Studying groups of similar customers

Comparing how customers who joined in January behave differently from those who joined in February.

Cliff

Waiting period before you start earning shares

An employee not receiving any of their stock options until they've worked at the company for one full year.

Vesting Schedule

Plan for earning your shares over time

A co-founder's 25% ownership vesting over 4 years, with 6.25% earned each year.

Acquihire

Buying a company just to get its employees

Google buying a small AI startup primarily to hire its team of expert engineers.

Scalable

Able to grow a lot without much extra work

A software app that can serve 1 million users as easily as 100 users.

Cap Table

List of who owns what in the company

A spreadsheet showing the founders own 70%, employees 10%, and investors 20% of the company.

Secondary Market

Buying/selling shares of private companies

An early employee selling some of their startup shares to a venture capital firm without the company going public.

Waterfall Analysis

Who gets paid what when company sells

In a company sale, showing how the first \$10 million goes to preferred shareholders, the next \$5 million to common shareholders, etc.

Term Sheet

Summary of investment deal terms

A document outlining how much an investor will put in, what percentage they'll own, and other key details of the investment.



Down Round

Raising money at a lower value than before

A startup valued at \$10 million last year now raising money at a \$8 million valuation due to missed targets.

Tag-Along Rights

Minority shareholders can join in when majority sells

You can sell your 10% if the 90% owner sells

Drag-Along Rights

Majority shareholders can force minority to join in company sale

60% owners making everyone sell when they do

Pro-Rata Rights

Right to invest in future rounds to maintain ownership percentage

Option to buy more shares in Series B to keep 10% ownership

Liquidation Preference

Right to get paid first if company sells

Investors get their money back before others in a sale

Anti-Dilution Protection

Protection against ownership decrease in down rounds

Getting more shares if next round values company lower



Option Pool

Shares reserved for future employees

Setting aside 10% of company for hiring key staff

Preferred Stock

Shares with special rights

Shares that get paid before common stock in a sale