Svalner Atlas
Advisors

From pitch to closing: The anatomy of a funding round

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Few practicalities

Online events and webinars

- Participants' cameras and microphones are turned off during the presentation.
- **Questions and comments** can be sent in the chat during the webinar.
- **Recordings and presentation materials** from the webinars will be available on our website.
  - There you will also find our upcoming events: www.svalneratlas.com/fi/tapahtumat



Speakers for today



Ella Hirvenkari
Senior Consultant

Ella advises growth companies on corporate law, M&A and funding rounds with a precise, practical and business-focused approach.



Nea Welling
Director

Nea leads Finland’s Legal practice and specialises in M&A, private equity, funding rounds and corporate governance.


Svalner Atlas
Advisors

Facts and numbers



5
countries

7
offices

450+
professionals

Services

Tax

Corporate tax
Cross-border Employment & Income Tax
Customs
Employment & Compensation Tax
Global indirect tax
M&A tax
Private clients & owner-managed businesses
Private equity & funds
Real property taxation
Tax accounting
Tax compliance
Tax litigation
Transfer pricing

Transaction & strategy

ESG
Financial due diligence
Strategic advisory
Valuation & business modelling

Legal

Accounting, finance and payroll

Other services

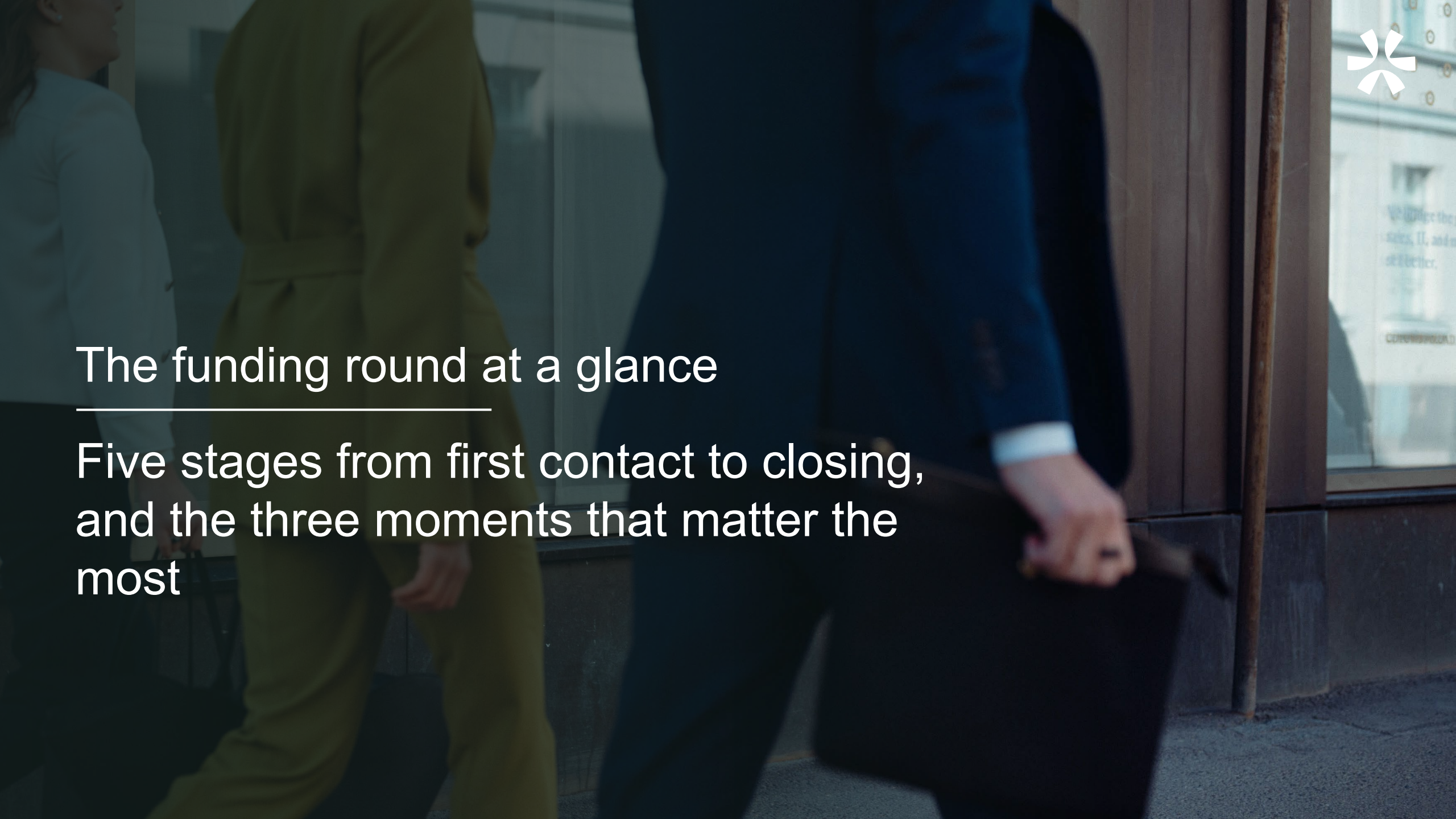
Fund administration
Outsourcing and continuous support solutions (BackOffice & HelpDesk)

Agenda

From pitch to closing: The anatomy of a funding round

1. **The funding round at a glance**
2. **Investment readiness**
3. **Decode the term sheet**
4. **Due diligence**
5. **Transaction documents**
6. **After closing**
7. **Founder checklist**
8. **Q&A**





The funding round at a glance

Five stages from first contact to closing, and the three moments that matter the most

A typical funding round

Five stages from pitch to closing



Preparing for financing and contacting potential investors

Term sheet with investors: key investment terms

Non-disclosure agreement (NDA) before materials are shared

Due diligence

The review by the investors ensures that the risks related to the company are known and can be taken into account in the investment documentation.

Investment agreement

Shareholders' agreement

Documents reflect due diligence findings

Closing the investment:

Corporate resolutions

Payment

Registrations

The three moments that matter most

Where founders have the most influence over the outcome of a funding round

1

Before the term sheet

Fix ownership, IP and anything that may weaken your negotiating position.

2

When signing the term sheet

Agree the economics and control terms you can actually live with.

3

Before closing

Make sure DD findings, documents, approvals and the cap table tell the same story.



Investment readiness

Prepare ownership, IP, approvals and key contracts before investors look

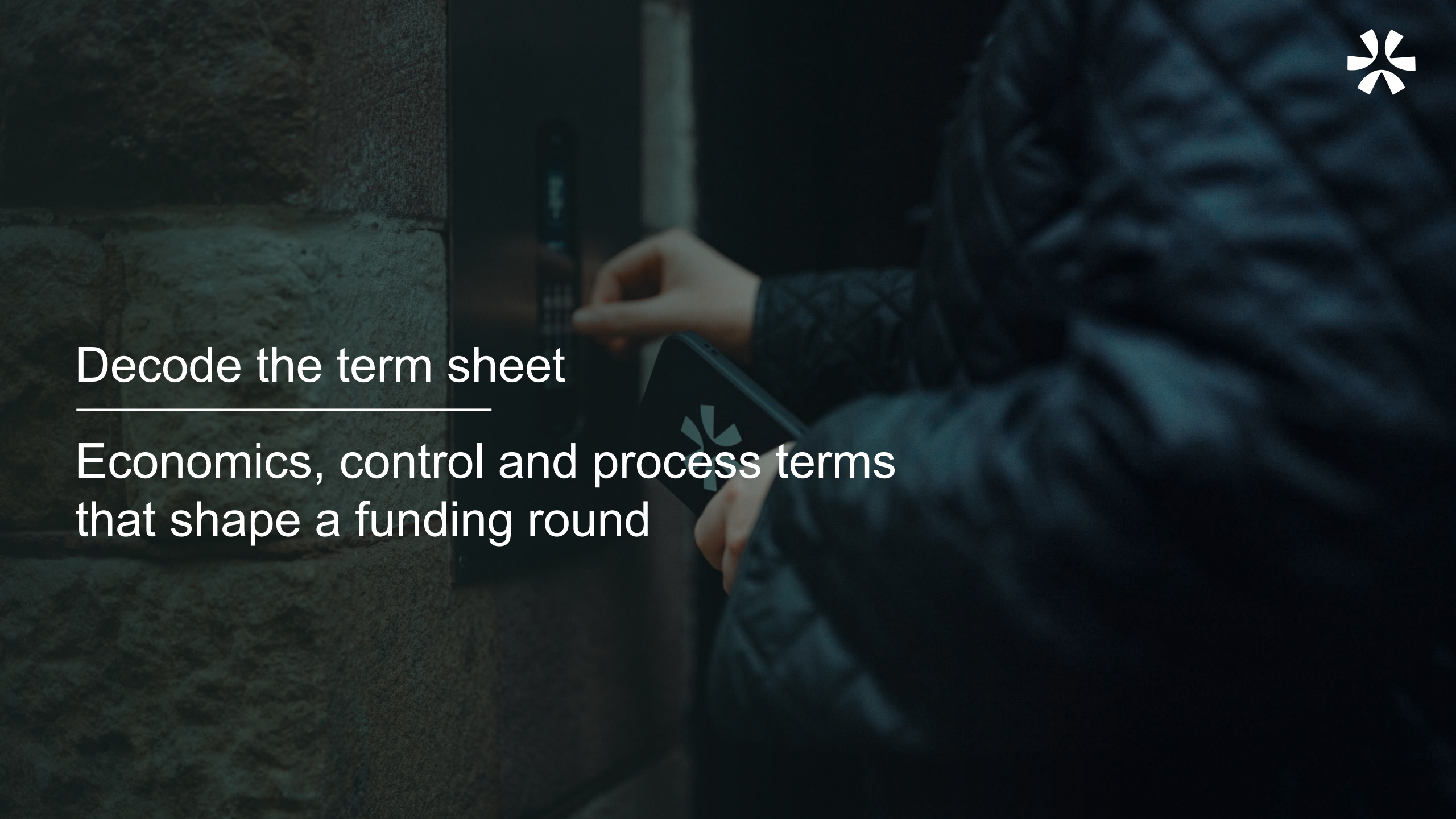
The same issue looks different before and during diligence

The readiness checklist becomes the diligence workplan.

READINESS → DUE DILIGENCE

Area	Before DD	During DD
Ownership	Reconcile the cap table; check that all issuances are registered	→ Evidence every issuance and instrument
IP	Confirm assignments are signed	→ Demonstrate the chain of title
Contracts	Check that key contracts are in writing; identify missing signatures	→ Explain termination and change-of-control risks
Employment	Check that written agreements exist; fix missing or inconsistent terms	→ Disclose incentive and founder arrangements
Tax and finance	Reconcile known issues	→ Quantify exposures and explain treatment

Uploading a document is not the same as answering a DD question. The answer, supporting evidence and cap table must be consistent.



Decode the term sheet

Economics, control and process terms that shape a funding round

A term sheet aligns economics, control and process

The headline valuation is only one part of the bargain.



ECONOMICS

Who owns what, and who receives what at exit?

- Investment amount & valuation
- Option pool & dilution
- Liquidation preference
- Anti-dilution & pro rata rights



CONTROL

Who decides, who can block and who sees what?

- Board composition
- Voting & protective provisions
- Information and consent rights
- Founder commitments



PROCESS

How the deal moves to closing

- Due diligence & conditions
- Exclusivity / no-shop
- Confidentiality & expenses
- Documentation & target closing

Most commercial terms are usually non-binding, but the term sheet sets the commercial baseline for the definitive agreements. Selected provisions, such as confidentiality, exclusivity, costs and governing law, may be binding from signing.



Economics

Valuation, option pool, liquidation preference and anti-dilution

01

Valuation only works when the ownership denominator is defined

Price, share count and the “fully diluted” definition must reconcile.

ECONOMICS

Illustrative round

Pre-money valuation

€8.0m

New investment

€2.0m

Post-money valuation

€10.0m

Investor ownership

20%

What founders may overlook

Without a pool top-up, existing shareholders retain 80% post-closing.

If the pool must equal 10% of the post-closing fully diluted share capital and is created pre-money, existing shareholders retain 70%, the investor receives 20% and the pool represents 10%.

On this simplified post-closing ownership basis, €7m of the €10m post-money equity value is allocated to the existing shareholders, €2m to the investor and €1m to the unallocated pool.

The same €8m pre-money valuation can produce a different founder ownership percentage depending on what is included in the fully diluted denominator.

Founder check: reconcile the cap table, instruments and legal records before accepting the headline valuation.

Option-pool timing decides who absorbs the dilution

The percentage alone does not reveal the ownership impact.

ECONOMICS

Pool included pre-money

A pool top-up included in the pre-money fully diluted basis is generally borne by existing shareholders.

Impact: *Existing shareholders carry the dilution from the pool; the incoming investor's agreed post-closing percentage remains unchanged.*

vs

Pool created post-money

A pool created after closing generally dilutes the investor together with the existing shareholders.

Example: *the same 10 % pool created after closing spreads dilution across all post-closing owners.*

Ask these three questions

1. How large does the pool actually need to be?
2. Is the pool calculated pre-money or post-money?
3. Are already granted options included in the agreed pool?

Common pitfall: Treating the pool percentage as "standard" without linking it to the hiring plan, timing and dilution bearer.

Liquidation preference decides who gets paid first at exit

Model the preference against the as-converted outcome at more than one exit value.

ECONOMICS

Illustrative 1x non-participating preference

€5m exit

20% as-converted = €1m; 1x preference = €2m

Investor takes €2m

€20m exit

20% as-converted = €4m; 1x preference = €2m

Investor converts and takes €4m

A 1x non-participating preference may have no effect in a successful exit, but a major effect in a low-value exit.

Terms that change the waterfall

Multiple: 1x, 2x or another return of invested capital.

Participation: non-participating chooses one outcome; participating may receive the preference and then share in remaining proceeds.

Cap: limits participation after the preference.

Trigger: sale, merger or another deemed liquidation event.

Common pitfall: Looking only at the preference multiple while ignoring participation, caps and trigger events.

Anti-dilution protects the investor in a down round

Broad-based weighted average and full ratchet can produce very different outcomes.



ECONOMICS

Weighted average

Takes into account both **the lower price and the size of the new round.**

vs

Full ratchet

May reset the investor's conversion price to the lower new price, **even if the new issuance is small.**



Founder takeaway: Ask how much additional ownership the investor receives under the formula, which issuances are excluded and whether the protection ends or changes after a qualified financing.

If you already have convertibles

Earlier instruments can change the ownership maths of the new round.

ECONOMICS

Instruments that may convert

Convertible loan
Debt that may convert into shares in the new round.

SAFE-type instrument
A right to receive shares in a later priced round.

Bridge financing
Short-term funding between rounds, often convertible.

Before agreeing the new round, confirm

1. what converts;
2. at what price or discount;
3. whether a valuation cap applies;
4. whether accrued interest converts;
5. whether the instrument is included in the pre-money or post-money ownership calculation.

Founder takeaway: Different instruments can interact in unexpected ways, so run the actual conversion waterfall rather than relying on a summary cap table.



Control

Governance, information rights and founder commitments

02

Governance terms decide who can act and who can block

Map ordinary business, exceptional decisions and the route to approval.

CONTROL

Board-level oversight

Board composition sets who sits at the table: founder, investor and independent seats.

- annual budget
- material investments
- senior management
- business strategy

Shareholder or investor consent

Reserved matters need a higher threshold, class approval or investor consent.

- issuing new securities
- changing share-class rights
- sale of the company
- related-party transactions
- material departure from the agreed business

Usually operational

Everyday decisions stay with the board and management, within the agreed budget.

- customer and supplier decisions
- ordinary hiring
- expenditure within the approved budget
- ordinary-course contracts

Right-sized control: protect the investment without copying a long veto list that turns routine operations, future financing or an exit into a consent process.

Information rights should be proportionate and workable

Define what investors receive, how often and with what notice.

CONTROL

Reporting

- monthly or quarterly reporting
- annual budget
- quarterly financials

Access and notice

- inspection rights
- audit access
- advance notice of material decisions
- confidentiality

Example: investors may receive quarterly financials and the annual budget, with advance notice of material decisions.

What happens to founder shares if a founder leaves?

Vesting and leaver terms can have a significant personal consequence for each founder.

CONTROL

Scope and credit

1. which shares are subject to vesting or compulsory transfer
2. whether past service receives credit;

Leaver status

3. what constitutes a good or bad leaver event
4. who determines the leaver status

Price and fairness

5. what price is paid for the shares
6. whether payment is immediate or deferred
7. whether the mechanism applies equally to all founders

Review separately: service and restrictive-covenant obligations (such as non-compete and non-solicitation) should be reviewed separately from the share-transfer consequences of leaving.



Process

Due diligence, exclusivity and binding terms through to closing

03

What are you actually committing to?

A term sheet mixes three levels of commitment. Know which is which before you sign.

PROCESS

Commercial understanding

- valuation
- investment amount
- governance principles
- preference terms

Usually intended as the basis for further documentation.

Immediately binding process terms

- confidentiality
- exclusivity
- costs
- governing law and dispute resolution

Binding if drafted as such.

Conditions to investment

- satisfactory diligence
- approvals
- agreed definitive documents
- other conditions precedent

Investor is not required to close until these are satisfied or waived.

Know what binds: the commercial deal is usually non-binding, but process terms can bind immediately, and closing stays conditional.

Exclusivity is acceptable when its scope and exits are defined

Exclusivity restricts the company from negotiating alternative financing. Agree its limits.

PROCESS

If you grant exclusivity, define

- a fixed and reasonably short period
- what discussions and transactions are restricted
- whether existing discussions may continue
- what progress the investor must make
- **whether exclusivity ends if the investor changes key commercial terms**
- whether the company must notify the investor of unsolicited approaches

If the investor changes the terms

If the investor changes key commercial terms during the exclusivity period, the company stays locked in while its alternatives are closed.

Protection: let exclusivity end if valuation, investment amount or other key terms change.

Common pitfall: Accepting broad or lengthy exclusivity under time pressure without a clear scope, expiry and binding status, or an exit if the investor changes key commercial terms.

Binding process terms convert intent into closing

Confidentiality, costs and the document set should be explicit from the start.

PROCESS

Confidentiality and expenses

Protect sensitive information and allocate responsibility for legal, due diligence and other transaction costs.

Key terms: binding clause, permitted disclosure, advisers, publicity, cost cap, reimbursement, closing condition

Example: *the company may reimburse investor legal fees up to an agreed cap only if the financing closes.*

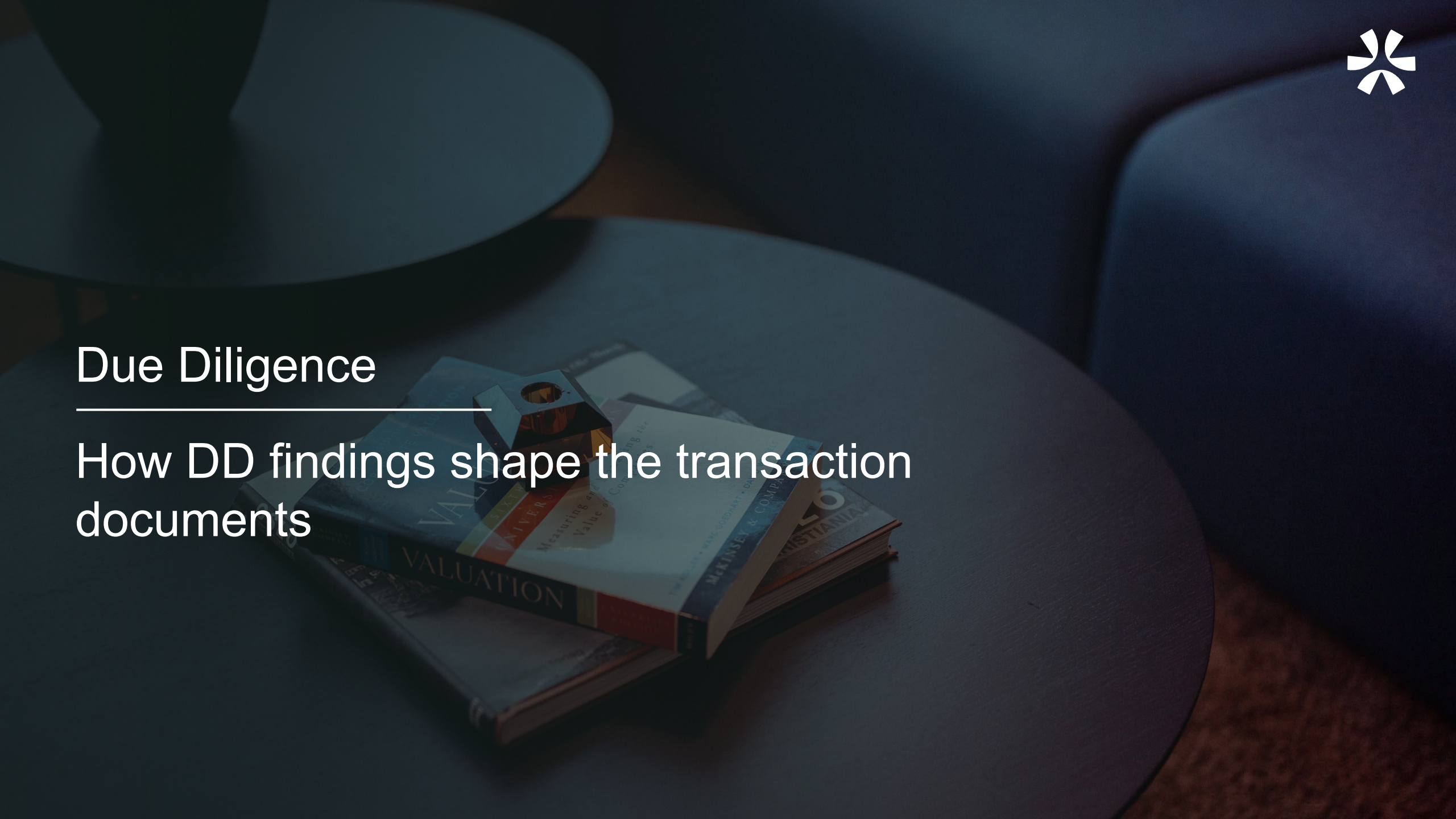
Documentation and target closing

Identify the definitive agreements, timetable and deliverables that turn the commercial blueprint into binding obligations.

Key terms: investment or subscription agreement, shareholders' agreement, articles, signing, closing, conditions precedent, funds flow, registrations, long-stop date

Example: *the parties may target definitive documents within six weeks, subject to diligence and approvals.*

Common pitfall: Assuming "non-binding" means confidentiality, expenses and other process terms are low-stakes.



Due Diligence

How DD findings shape the transaction documents

A DD finding usually leads to one of four outcomes

Each finding feeds directly into the transaction documents.

DUE DILIGENCE → TRANSACTION DOCUMENTS

DD findings	After DD	
Missing IP assignment or corporate approval	→ Corrected and delivered as a closing deliverable	**Fix it before closing**
Known dispute or departure from a warranty	→ Recorded in the disclosure against the warranties	**Disclose it**
Material exposure that affects value or risk allocation	→ Reduced valuation, specific indemnity or additional investor protection	**Reflect it in the terms**
Third-party consent or completion of agreed corporate actions	→ Listed as a condition to closing	**Make it a closing condition**

Fix, disclose, price or condition. DD is not only a data room exercise: it decides what the transaction documents must say.

Transaction documents

From agreed terms to a complete closing set



Transaction documents turn agreed terms into enforceable rights

Each document has a distinct role, but the complete set must remain internally consistent.

TRANSACTION DOCUMENTS

Investment / subscription agreement

Executes the investment and allocates transaction risk.

subscription amounts • price per share • closing conditions • funds flow • tranches

Shareholders' agreement

Governs the continuing relationship between the company and shareholders.

governance • information • transfers • future financing • exit

Articles

Embed share-class and corporate rights in the company's constitutional framework.

share class rights • voting • distributions • conversion • pre-emption

Closing binder

Records approvals, disclosures, signatures, funding and post-closing actions.

resolutions • disclosure letter • funds flow • shareholder register • filings

Common pitfall: Reopening agreed economics in long-form drafting or failing to reconcile the documents and cap table.

The shareholders' agreement and articles must operate as one system

The agreement binds its parties; the articles are part of the company's constitution.

TRANSACTION DOCUMENTS

Shareholders' agreement

Binds its parties and governs the ongoing relationship among the company, founders and investors.

Key terms: board composition • reserved matters • information rights • pre-emption • transfers • drag-along • tag-along

Example: *an investor consent right may apply to issuing new senior securities or selling the company.*

Articles

Form part of the company's constitutional framework and may be relevant more broadly to the company, shareholders and third parties.

Key terms: share class rights • voting • dividends • liquidation preference • conversion • redemption and consent clauses

Example: *the agreed preference and conversion rights are reflected in the terms of the preferred share class.*

Key point: Identify which rights need to operate through the company's share classes and decision making mechanics, and ensure that the documents do not contradict one another.

Closing requires evidence that every legal dependency is complete

A disciplined completion set links disclosure, authority, signatures and funds.

TRANSACTION DOCUMENTS

01 Disclose

Qualify warranties with specific, fair disclosure and referenced evidence.

disclosure letter • schedules • data room references

02 Approve

Obtain valid board, shareholder, class and other required approvals.

resolutions • allotment authority • waivers • consents

03 Sign

Execute the agreements and collect all agreed completion deliverables.

signatories • powers • counterparts • conditions precedent

04 Close and record

Exchange funds and securities, then update registers and make required filings.

funds flow • share issuance • registers • certificates • filings

Tip: Name one closing owner to track conditions, signatures, funds flow and filings.

After closing

What changes on day one



What changes on day one after closing

Closing is the start of the company’s new operating reality.

POST CLOSING

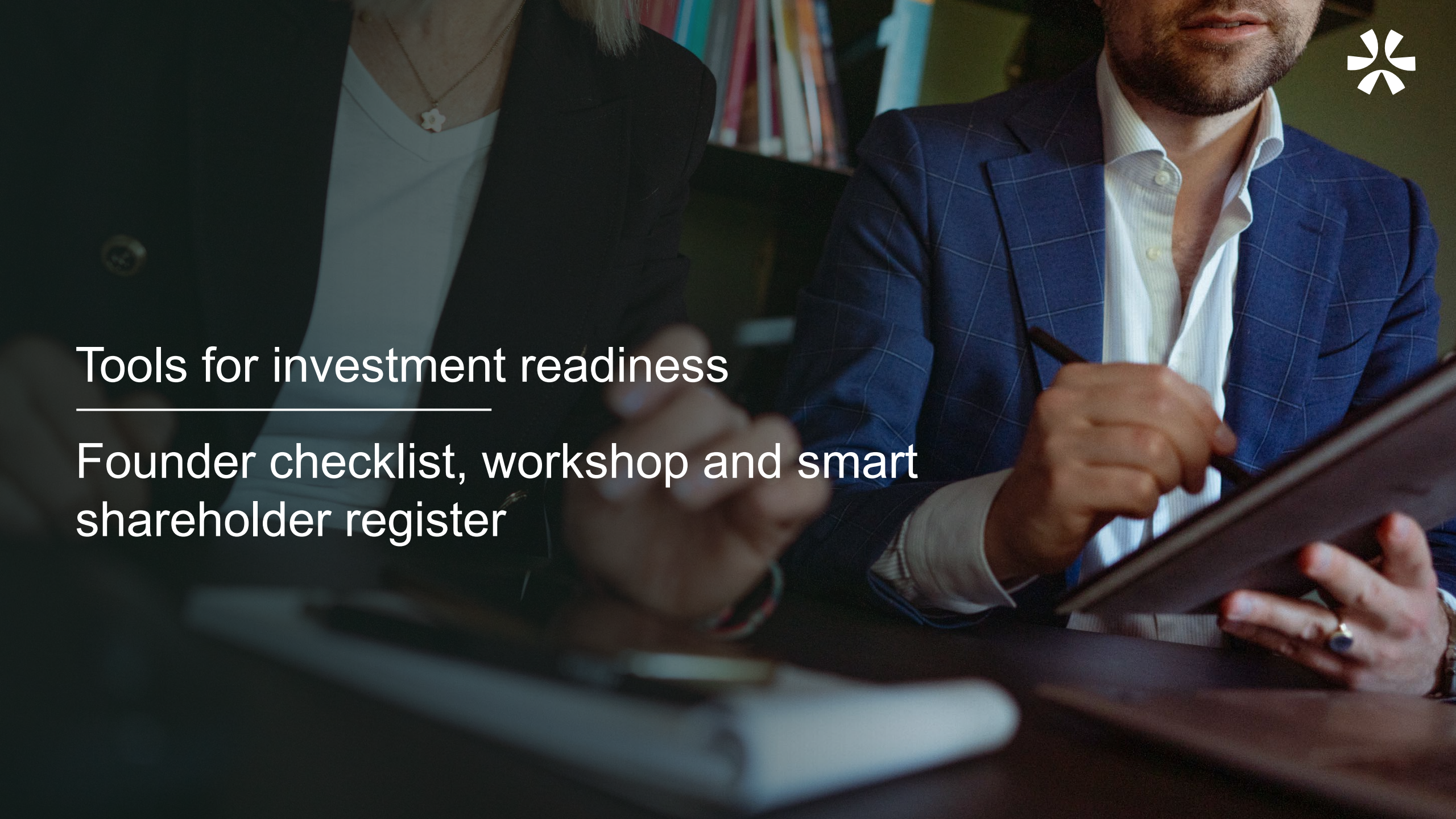
After closing: the new operating reality

- the new board and governance rights take effect
- investor reporting begins
- reserved matters must be built into decision-making
- option-pool and hiring commitments need implementation

Open items from DD and the documents

- registers and filings must be completed
- post-closing obligations and agreed remedial actions must be tracked

Key point: The deal is not finished when the money arrives. The agreed governance and reporting framework must become part of the company’s day-to-day operations.



Tools for investment readiness

Founder checklist, workshop and smart shareholder register

Before you sign, can you answer these six questions?

A final check on ownership, exit, control, founder equity, commitment and execution.

FOUNDER CHECKLIST

01 — OWNERSHIP
What will each shareholder own on a fully diluted basis?

02 — EXIT
Who gets paid first and how much at different exit values?

03 — CONTROL
Which decisions can founders make without investor consent?

04 — FOUNDER EQUITY
What happens to a founder's shares if the founder leaves?

05 — COMMITMENT
Which provisions bind immediately and which remain subject to documentation?

06 — EXECUTION
Do the term sheet, cap table, agreements, articles and approvals reflect the same deal?

If any answer is unclear, resolve it before signing, not in the final drafting rush.

START-UP REVIEW WORKSHOP

Find the risks before investors do

A practical, discussion-based review that reduces risk before a funding round or exit.

- **No advance materials needed**
- **Key risks and opportunities identified**
- **Next actions agreed for a smoother transaction**

Legal review
2 hours

Company records & risk review

Corporate matters
registrations, articles and minutes

Employment matters
agreements, incentives and processes

Key contracts
lease, insurance, financing, customer and supplier agreements

Recommended

Tax review
2 hours

General tax matters & processes
filings, compliance and controls

Corporate income tax
taxable income and deductions

Withholding & prepayments
payroll and payment withholding

VAT
rates, invoicing and returns

Recommended

Financial review
2 hours

Financial reporting processes
bookkeeping, closing and reporting

Quality of accounting policies
revenue recognition and accruals

Factors affecting valuation or purchase price
debt-like items and working capital

+ Add to package

How it works

1 Choose your topics
We recommend combining the legal and tax reviews (4 h in total).

2 Talk it through
A structured discussion, starting with the business.

3 Get your summary
A written summary of findings, recommended actions and an implementation checklist.

Follow-up support is available under a separate engagement.

SMART SHAREHOLDER REGISTER | Automated and always up to date

One reliable source for your ownership data

A smart shareholder register simplifies preparation for funding-round and acquisition due diligence by keeping registrations and ownership data up to date in one place.

The challenge

An outdated cap table is a recurring source of delay. Tracking option plans, vesting schedules and required registrations also creates avoidable administrative work.

The solution

The tool brings together shares, options and convertible instruments and helps the company meet its statutory record-keeping obligations.

THE RESULT

One reliable source for shareholder, option and convertible-instrument data.

How we help

1 Build

We build the register using the materials you provide.

2 Check

We check that share-based transactions are properly documented and registered where required.

3 Maintain

We complete the necessary registrations and maintain the tool so the information stays current.

- **Automated Excel tool**
- **Maintained by our team**
- **Ready for due diligence**


Questions?

Let's talk!

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