

The Classification of Investment by Stage

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Potential investments are often classified in different "stages": seed stage, early stage, expansion or "growth" stage, and later stage. Venture capital firms also sometimes focus on a very specific stage. For example, you might hear people say, "I work on an early stage VC", or "we only do later stage investments".

Seed or startup

The target company has a concept or product under development, but is not fully operational. It does not sell anything yet, and is just at the "idea" stage. Usually, the company has been in existence for fewer than eighteen months.

Early stage

The company's product or service is in testing or pilot production. The product may be commercially available but as an early version, and it might be generating some revenues already. Usually, the company has been in business for fewer than three years.

Expansion stage

The company is selling its products commercially already. The company demonstrates significant revenue growth and its products have proven to be popular, even though it might not be profitable yet. The company would usually not have been in business for more than three years.

Later stage

The company's products are widely available. It demonstrates revenue growth and has achieved or is close to profitability (or at least generating positive cash flows).

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