SEFI

FOUNDATIONAL EVERGREEN ARTICLE
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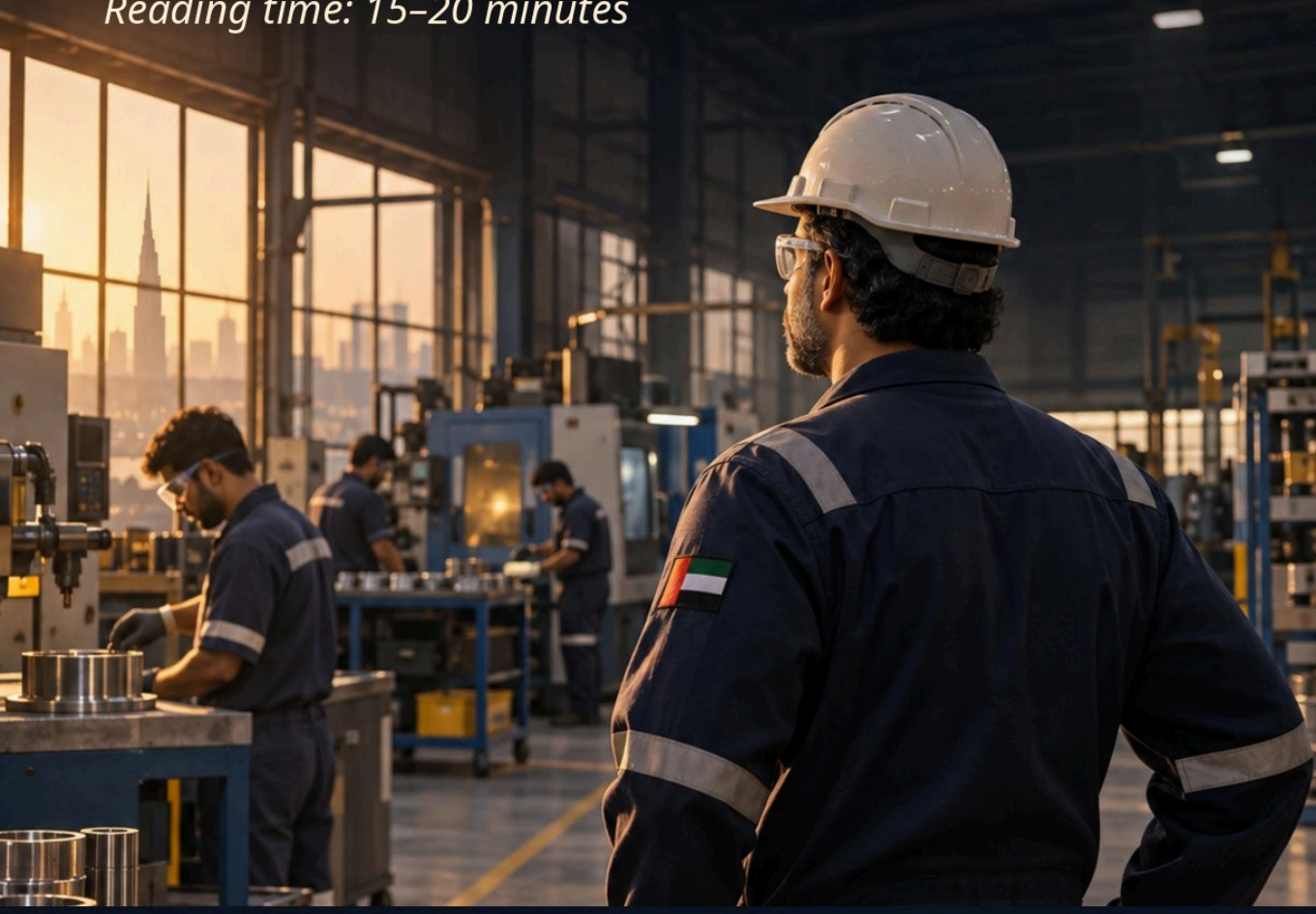
# Your Business Is Thriving. Why Raise Money?

## A founder's guide to raising capital

*Reading time: 15–20 minutes*



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# Executive summary

A thriving business has choices. It can reinvest profits, borrow, bring in a strategic partner or continue on its own. Outside capital becomes worth considering when it changes something specific: when the business can act, what it can accomplish or who is able to help it get there.

This guide examines 20 strategic reasons to consider raising capital, what a partner contributes beyond money and when dilution is a price worth paying. It also distinguishes money going into a company from money going to an existing shareholder.

The starting point is the opportunity. The decision follows from comparing the value it could create with the cost of the capital, the rights attached to it and the alternatives available to the business.

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# Introduction

Why raise money when the business is already doing well? This guide starts by explaining what fundraising means for startups and established businesses. It then looks at a founder's question about giving up equity in a profitable company and sets out 20 strategic reasons to consider raising capital.

The next sections look at what partners bring beyond money and compare two illustrative expansion paths to show why timing matters. An ownership example separates the percentage a founder owns from what that stake may be worth. The guide looks at how a business preserves capital and prepares for future requirements.

Aldar Properties (UAE), Mailchimp (USA) and Atlassian (Australia) show three different choices. The guide explains types of capital, how to weigh a raise from a position of strength, and when staying independent makes sense. It closes on the role of ambition, with forum discussion and research in the appendices, along with a look ahead at ownership and share structures.

01

# Fundraising for startups and established businesses

Fundraising is the process of securing external capital for a business or a defined initiative. For a startup, that may mean financing product development, testing demand or hiring the first team. For an established business, it may mean strengthening existing operations, expanding the asset base, diversifying revenue or pursuing an opportunity beyond present capabilities.

A profitable business may not need capital to survive, but it may benefit from capital to become something greater than it would otherwise be able to become within a given period.

Consider a profitable manufacturer with a full order book and demand in a regional market. The company could reinvest earnings and add another production line, borrow to buy equipment, or bring in a partner that already distributes in that very market. All three paths may be viable. Each option changes what the business achieves and what it gives up in return.

# A question worth exploring

In 2021, u/thiago_28x raised the question in the r/Entrepreneur forum under the title “dumb question but.. Why would you raise money?”

Reddit is an American social news website, forum, and online community platform where users are known as "redditors". What a redditor can do; A redditors can share a posts, ask questions, and discuss topics in interest-based boards called subreddits.

> QUOTATION 01 / AUTHOR: U/THIAGO_28X / 2021
>
> “If my company is having solid profits, means I have money right? Why would I dilute my future profits (forever) in exchange of some cash now?” Original discussion in Appendix A

The strongest case for staying independent is straightforward: when earnings are enough to fund growth at a workable pace, the owners keep the upside and retain control over major decisions. A bank loan may preserve ownership, but the business takes on repayment obligations. Equity shares the economic outcome with a new owner and may change how decisions are made.

The table sets out 20 reasons to consider raising capital. Each points with a reason to evaluate the option, rather than a reason to raise.

03

# Twenty reasons to consider raising capital

REASONS 01–05 OF 20

| # | REASON | EXPLANATION |
|---|---|---|
| 01 | **Access to networks** | Gain introductions to customers, distributors, institutions and decision-makers. |
| 02 | **Accelerated Growth** | Reach business objectives sooner than relying solely on internally generated resources would allow. |
| 03 | **Competitive advantage** | Strengthen technology, operating capabilities, brand recognition and market position. |
| 04 | **Cross-border expansion** | Establish a presence in new countries, access international customers and explore additional markets. |
| 05 | **Risk sharing** | Share some of the financial exposure associated with an expansion or project. |

03

# Twenty reasons to consider raising capital

REASONS 06–10 OF 20

| # | REASON | EXPLANATION |
|---|---|---|
| 06 | **Strategic partnerships** | Welcome individuals or institutional partners with complementary capabilities, commercial relationships and aligned ambitions. |
| 07 | **Market share acquisition** | Reach a larger customer base and build share in a defined market. |
| 08 | **Multiple-location establishment** | Open additional branches, offices, factories or retail outlets. |
| 09 | **Investor commitment** | Bring in a partner with a financial stake in the outcome of the business. |
| 10 | **Talent acquisition** | Recruit experienced specialists and strengthen leadership. |

03

# Twenty reasons to consider raising capital

REASONS 11–15 OF 20

| # | REASON | EXPLANATION |
|---|---|---|
| 11 | **Mergers and acquisitions** | Acquire complementary businesses, established product lines, intellectual property or distribution rights. |
| 12 | **Asset base expansion** | Acquire property, machinery, infrastructure and other productive assets. |
| 13 | **Regulatory and licensing readiness** | Fund the work needed to meet regulatory requirements and prepare for licensing. |
| 14 | **Research and development** | Test ideas and fund product development, research or commercialisation of intellectual property. |
| 15 | **Revenue diversification** | Establish additional sources of business income. |

03

# Twenty reasons to consider raising capital

REASONS 16–20 OF 20

| # | REASON | EXPLANATION |
|---|---|---|
| 16 | **Institutional credibility** | Potentially strengthen confidence among commercial and financial counterparties. |
| 17 | **Capital preservation** | Finance new initiatives while preserving operating reserves where possible. |
| 18 | **Stronger negotiating position** | Evaluate investment offers while the business is financially healthy and can decline unsuitable terms. |
| 19 | **Business continuity** | Strengthen governance, succession planning and leadership capacity. |
| 20 | **Long-term capital market readiness** | Build the reporting and governance needed to pursue larger institutional investment or a potential public listing. |

The relevance of each reason depends on the nature of the business, its ambitions, financial position and the suitability of the proposed investment.

04

# Bringing the right partner into a business



SEFI AI-generated illustration

A partner’s contribution often extends beyond cash. A strategic partner brings industry knowledge, distribution relationships, operating expertise and market intelligence alongside capital.

Putting money into the business may signal confidence in its prospects.

**ELABORATION**

Before signing, agree on what the investor will contribute beyond capital. When properly aligned, the relationship becomes one of shared economic interest.

A contribution demonstrates commitment; references, named operating leads and shared responsibilities show whether the proposed support will materialise.

04

# What type of relationship are you entering and who makes the decisions?

A joint venture or equity deal may bring in capital. Clarify in writing which business decisions will require the other party's approval. A commercial or advisory agreement may bring expertise without sharing ownership. In a limited partnership, decision-making depends on each partner's role.

Hellmann and Puri (2002) linked venture capital with more formal hiring practices in the startups they studied. They also found implications for founder leadership.

**Limited partner (LP).** A partner who contributes capital but generally does not make day-to-day investment decisions. Liability and participation depend on the law and partnership agreement (DFSA n.d.; DIFC 2026).

**General partner (GP).** The partner who manages a limited partnership. In a private fund, the GP generally oversees investments under the fund's rules. Taking capital from a fund does not make the founder an LP (DFSA n.d.; DIFC 2026).

05

# Time as a competitive advantage



SEFI AI-generated illustration

Imagine a profitable manufacturer in Dubai planning to enter Saudi Arabia, Qatar and Europe. Two illustrative paths:

05

# Two illustrative paths

| ORGANIC EXPANSION | CAPITAL-BACKED EXPANSION |
|---|---|
| **Existing operations: Dubai** | Existing operations: Dubai |
| **Year 3: Saudi Arabia** | Years 1–3: Saudi Arabia |
| **Year 5: Qatar** | Years 1–3: Qatar |
| **Year 8: Europe** | Years 1–3: Europe |

Illustrative scenario

The two paths show how funding may help the same business enter new markets.

A delay may allow competitors to establish or dominate a market before the business enters it. The founder will weigh the cost of raising capital against the potential cost of delaying an opportunity.

Moving faster is an advantage when the business is moving in the right direction.

06

# Owning less of something greater

One response to the original discussion makes the economic point through an analogy:

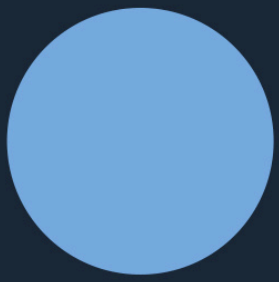
> QUOTATION 02 / AUTHOR: U/SHEEHYCJ04 / 2021
>
> "If you wind up with a thinner slice of a pizza, but the diameter is that much bigger, you still wind up with having more pizza overall than you did to start". See Appendix A

A smaller share of a larger business may be worth more.

Consider a business worth US$5 million and fully owned by the founder. An investor contributes US$1.25 million to the company in exchange for 20% through newly issued shares. The deal implies a US$6.25 million post-investment valuation. The eventual value depends on how the capital is deployed and how the business performs.

06

# Ownership and economic value

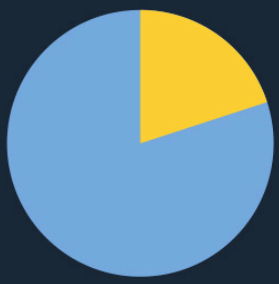


**Before investment**

**100% founder**

Company value: US$5M

**Founder equity value: US$5M**

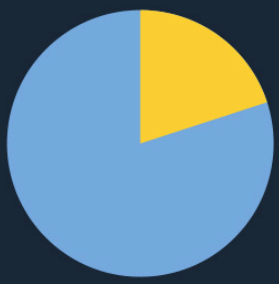


**After investment**

**80% founder** **20% investor**

Company value: US$6.25M

**Founder equity value: US$5M**



**After expansion succeeds**

**80% founder** **20% investor**

Company value: US$20M

**Founder equity value: US$16M**

Blue: founder. Gold: investor. These are hypothetical outcomes, with no further dilution or preferential payout rights. Equity value is not cash received.

06

# Ownership dilution and control

That said, ownership dilution does not automatically add value. **Ownership dilution** occurs when new shares reduce the percentage held by existing shareholders. If the company were subsequently valued at US$4 million, the founder's 80% would represent US$3.2 million on the same simplified basis.

A UAE example: talabat, a food and grocery delivery platform operating across the Middle East, warned that future share issues could reduce existing shareholders' ownership stakes (talabat 2024b).

The founder will therefore consider voting rights, dividend arrangements, investor protections and long-term control alongside valuation. Over the same period, what might the business achieve with the deal and without it?

07

# Capital preservation and long-term capital market readiness

For an operating company, equipment, inventory, cash reserves and infrastructure are part of the corporate asset base. Acquiring productive assets expands that base.

A business may raise capital for a new project without drawing down the cash it needs to operate. It may also use that capital to meet regulatory requirements, prepare for licensing or bring in the expertise needed to prepare for a future listing.

# Three companies, three different choices

## Aldar Properties: Strategic capital and institutional expansion

United Arab Emirates | February 2022 | US$1.4 billion announced. Aldar had reported AED 2.33 billion (about US$634 million) of net profit and AED 5.4 billion (about US$1.47 billion) of unrestricted cash for FY2021. The announced Apollo transaction combined a land joint venture, subordinated notes, and preferred and common equity in Aldar Investment Properties. It was not a US$1.4 billion issuance of Aldar parent shares (Aldar 2022a, 2022b; Apollo 2022).

## Mailchimp: Independently financed growth

United States | November 2021 | US$12 billion acquisition consideration. The Atlanta-based email and marketing automation company built substantial scale without outside equity financing. Co-founder Ben Chestnut has discussed the decision to bootstrap. Intuit's subsequent acquisition bought the outstanding ownership; it was not a growth round for Mailchimp (Chestnut 2019; Intuit 2021).

08

# Three companies, three different choices

## Atlassian: An outside shareholder after profitability

Australia | July 2010 | US$60 million minority investment. Atlassian stated that it had been profitable since inception when Accel took a stake. Co-founder Mike Cannon-Brookes later said the proceeds went to the founders, not into the business. The case is evidence of a profitable company welcoming an institutional shareholder, rather than evidence of new operating capital (Atlassian 2010; Cannon-Brookes 2025).

09

# Understanding different forms of capital

**Debt.** A term loan may fund equipment; a credit line can bridge supplier payments and customer receipts. Ownership is generally unchanged, but interest, repayment and any collateral or guarantees still matter.

**Equity.** Issuing shares brings proceeds into the company and can dilute existing owners. A sale of existing shares sends proceeds to the selling holders. The distinction matters in private deals and listings (SEC n.d.).

**Convertible instruments.** A convertible note typically begins as debt and may convert under agreed conditions. A standard YC SAFE is not a loan and generally has no interest or maturity date. Both can affect future ownership (Y Combinator n.d.).

09

# Other ways to fund growth

**Joint ventures, grants and other support.** A joint venture can fund a specific project without selling a stake in the entire business. Grants may fund eligible work without issuing shares. Guarantees may support borrowing, but are not themselves new operating capital (World Bank n.d.).

A UAE example of a new share issue: Ajman Bank's 2023 rights issue brought AED 550 million (about US$150 million) into the bank (Ajman Bank 2023).

A real listing example: in talabat's 2024 IPO, the sale of existing shares generated roughly AED 7.45 billion (about US$2.03 billion) gross. Net proceeds went to the selling shareholder; talabat received reimbursement for offering expenses (talabat 2024a, 2024b).

10

# Raising from a position of strength

An established business may assess the investor's expertise, reputation, commercial relationships and proposed contribution before committing. When the business has the means to continue without a deal, it has more freedom to negotiate valuation, ownership, governance and how the capital will be used.

A business must look beyond the financial terms on the table. The investment should also fit its ambitions, principles and direction.

## Four questions to ask before raising capital

• What would the capital fund, and what result would show it worked?

• What is the likely outcome if the business uses retained profit, debt or a commercial partnership instead?

• Which people, capabilities or commitments will an investor bring, and how will the business verify them?

• What changes in ownership, voting, distributions and decision-making if the plan takes longer or falls short?

11

# When should a company not raise capital?

A company with sufficient resources and no immediate need for external expertise may have little reason to take on new shareholders. A proved, manageable growth plan might be better served by reinvesting earnings. A commercial relationship may provide the distribution or expertise the business needs without changing ownership.

The same discipline applies to a founder at the idea stage. If a prototype or a first paid pilot can answer the most important question at modest cost, the business can test the opportunity before committing to a larger round.

## 12 Conclusion: Capital and ambition

SEFI's goal is to demystify fundraising, not to convince every business to raise. External capital may open markets, add capabilities and bring committed partners into a business. Remaining independently financed is equally legitimate when it serves the business better.

> SEFI EDITORIAL
>
> **Fundraising is not always an expression of financial necessity. Often, it is an expression of ambition.**

A

# Original entrepreneurial discussion

Forum: Reddit, r/Entrepreneur | Discussion: “dumb question but.. Why would you raise money?” | June 2021

**01 u/thiago_28x (2021).** Original question on profitable companies, dilution and bank financing.

**02 u/SheehyCJ04 (2021).** Reply comparing ownership dilution to a smaller slice of a larger pizza.

**03 u/never_grow_up (2021).** Counterargument in favour of organic growth and keeping full ownership.

B

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**Aldar (2022b).** Closing disclosure: Apollo’s US$400 million equity stake in Aldar Investment Properties.

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**Cannon-Brookes M (2025).** Interview with Ben Thompson on Atlassian and AI, Stratechery.

**Chestnut B (2019).** Interview on bootstrapping Mailchimp, TechCrunch.

**DFSA (n.d.).** Collective Investment Funds: investment partnerships.

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COMING NEXT

# Understanding Business Ownership and Share Structures

## The next volume will explore:

- Common and preferred shares.
- Founder ownership and equity allocation.
- Employee equity and stock option pools.
- Ownership dilution.
- Voting rights and founder control.
- Economic rights and dividend arrangements.
- Capitalisation tables.
- Investment and shareholding structures.

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