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OTC MARKET

OR VENTURE INVESTMENTS SECRETS

MEROS

WHAT IS THE OTC MARKET

The over-the-counter securities market (also called the OTC market) can be called any form of relationship between the buyer and the seller, which they carry out outside of organized, licensed places.

For example, a securities purchase/sale agreement concluded between two individuals is an OTC transaction made on an unorganized over-the-counter market.

Investment series
The moment of attracting investments is usually called a series, and such series are usually classified depending on the stage of development of the project. The next series of investments follows after the successful completion of the previous stage and the achievement of certain development goals of the company.

In exchange for money, the founders transfer a share of their business to investors - it can be from a few percent to tens of percent, depending on the stage of startup development, the amount of investment, business performance and the greed of venture funds. At the same time, it is beneficial for investors that the founder has a significant share - this way he will remain motivated for further business development.

During the next round of investments, the company issues new shares, so the shares of old investors are diluted. For example, 1 million shares were issued and the investor had 10%. If during the next round 200,000 new shares were issued, and he did not buy shares of the new placement, then his share will decrease to 8.33%. But more often than not, the valuation of a successful company becomes larger, and in absolute terms, the value of the investor's shares still becomes higher.

With venture investments, shares can be issued not only ordinary, but also preferred. Such shares give special rights and some protection to early investors - for example, an increase in the conversion rate of such shares to ordinary ones in subsequent series (to maintain the same share of the investor in the event of a decrease in the value of the company), fixed dividends, privileges in the distribution of balances of funds upon liquidation of the company, and others.

Each new issue of shares is assigned type A, B, C, and so on, depending on the series, and the shares of each of these issues may have their own rights and privileges.

SEED AND PRE-SEED SERIES

The earliest stage at which the formation of a business idea, the selection of a core team, research, testing, development and creation of a product prototype takes place. Then the prototype is transformed into a finished product, its production begins, marketing research is carried out, the team is looking for the first customers and the first sales. At this stage, the company usually generates almost no revenue, and therefore cannot finance itself and usually receives funding from the founder's family, friends, business angels, accelerators, or through crowdfunding.

At this stage, investments are the smallest (tens and hundreds of thousands of dollars) and at the same time the most risky, since ideas still exist in their infancy and many of them will not pass the test of the market. But those that shoot will bring investors hundreds and thousands of percent of the profit.

Series A

Early growth stage

At this stage, the company is already at an early stage of growth: it organizes mass production, increases its customer base and staff. Sales are still unstable, but the first profit is already possible; the main goal is to grow and capture the market as quickly as possible. At this stage, venture funds are already more common among investors. For start-ups, it is often important not only to receive money, but also to obtain the necessary knowledge from the investor, organizational support in building business processes and business connections. A queue of investors is lined up for the most promising companies, and a startup can choose those that will bring maximum support and competencies.

Series B

Scaling stage

After achieving goals that confirm the viability of the business, the company can move on to the next stage of financing, in which the main goal is scaling, expanding production and sales, and entering new markets. Usually, traditional bank lending also becomes possible during this period.

Series C and D

Entry into self-sufficiency and pre-sale stage

At this stage, the company already reaches maturity, gains a certain market share, is able to finance its business processes at its own expense, develops new products and acquires other start-ups. This is already a full-fledged business that brings a stable income, and can be assessed more accurately, so the risk of investing in such a company is much lower. Early investors may already be considering selling the company to strategic investors or listing its shares on a stock exchange and fixing profits from their investments.

However, no matter how many series of investments there were, going at IPO is a key stage in the development of a company. For small companies, the main purpose of entering the stock exchange is to raise funds, while for those startups that have been valued at several billion dollars for a long time ago, the so-called unicorns, this is more a statement to the world than another fundraising.

But the main advantage of venture capital investments over buying shares before an IPO is profitability. In the OTC market, startups usually trade at a lower valuation and investors make a profit by investing in the right company before it goes public.

On the day and moment when the company's shares begin to be quoted on the stock exchange, everyone gets access to it. And the investor who bought shares on the OTC market has a clear priority over those who buy on the market, since its price is always better.

Okay, I'm wondering where to carry the money?
If you want to buy or sell a security, then you need to contact an intermediary, which can be your broker on the stock exchange or directly the dealer on the OTC market, find one or more counterparties for your conditions - volume and price, and resell the asset. He will include his interest income in the transaction price.

Such intermediaries work with individuals and companies wishing to place their securities. In the case of companies, they buy stock assets at a wholesale price and then resell them at retail.

OTC trading benefits

- accessibility for not only High-net-worth investors;
- no restrictions on the number of shares in transactions;
- legislative regulation of the activities of organized market participants, including requirements for transparency of financial reporting of issuers - but not in all sections;
- potentially high return.

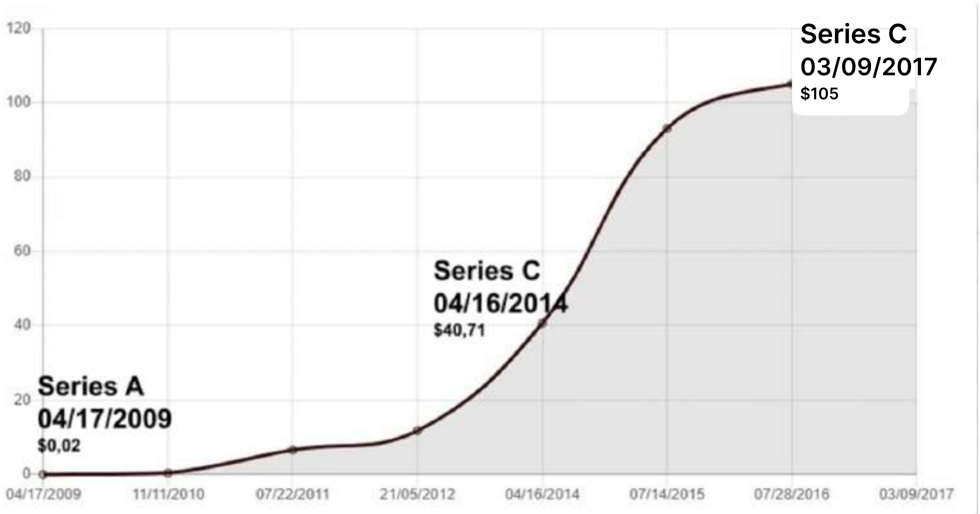
OTC trading dangers

- since companies that offer their securities over the counter do not go through a rigorous listing procedure, then study their financial position and reliability of information is more difficult than that of traditional public companies;
- high commissions laid down by the dealer in transactions with securities;
- high price volatility

What is the conclusion…….?
Most of us, using the services or products of companies, do not suspect that their shares are traded on the OTC market, these are companies such as: Danon, SAP, Adidas, Navistar, Nestle, Rolls-Royce, Tribune, Alcatel, Roche.

You can buy shares of these companies only on the over-the-counter market, through a dealer network, and they will not always be liquid, it will not always be possible to buy exactly the volume and at the price that you originally expected, but all great companies started from this sector and only those who believed in them, who went with them from beginning to end, were rewarded by the market.
Airbnb shares had grown 5,000 times in 8 years.

The chart



To be more accurate from $0.02 to $105. By investing $200, you become a millionaire. There is something to think about.