Typical features, advantages and disadvantages of financing instruments

Financial instrument	Debt	Equity	Mezzanine / Hybrid	Grants /Donations
Ownership?	Stays with the entrepreneur	Is shared with the investor(s): entrepreneur ownership gets reduced	Stays with the entrepreneur	Stays with the entrepreneur
Cost of capital?	Fixed interest and repayment	Share in profits (and losses) + dividends	Can be structured flexibly, e.g., as a combination of interest and profit- or revenue sharing	None
Investor influence?	Typically, no voting rights or BOD seats	Typically voting rights and BOD seats	Flexible, to be negotiated	None
Securities?	Secured or unsecured	None, investor(s) share the entrepreneur's risk	Typically, none	None
Exit?	Automatic after loan repayment	Only if shares are sold, the enterprise goes public or becomes insolvent	Typically automatic, but depends on concrete type and features of mezzanine (equity- or debt-like)	None
Other criteria	Typically for more mature enterprises that have enough liquidity to meet fixed interest and repayment schedules	Typically for enterprises with strongly scalable solutions and high growth since the high risk of investors having equity comes with their expectation of high returns	Typically for early-stage enterprises, especially if growing more slowly or organically (longer horizon until break-even).	While often considered as "free money", typically comes with strings attached by being bound to specific projects or initiatives of the enterprise.