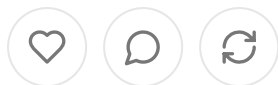


# Beyond the Popular Playbook: Why Equity Raising Serves Investors but Debt Empowers Founders

SEP 12, 2025 • PAID



Share

---

*Disclaimer: The views expressed in this essay are solely my own and do not represent those of my employer*

---

*Cited reference: Paul Kwan, Managing Director at General Catalyst, LinkedIn post on Oracle's capital allocation and Larry Ellison's ownership stake increase (September 20.*

---

## Table of Contents

1. Abstract
2. Introduction: Why Equity Raising Became the Popular Narrative
3. Investor Incentives and the Allure of Unlimited Upside
4. The Cost of Popularity: Dilution as a Silent Erosion of Founder Value
5. Debt as Founder Leverage: Fixed Cost Capital and Betting on Yourself
6. Oracle as the Case Study: How Larry Ellison Reversed the Playbook
7. Why Most Tech and Health Tech Companies Still Default to Equity
8. Alternative Financing Models: Beyond Venture Capital and Equity Rounds

9. Implications for Health Tech Entrepreneurs and Investors

10. Toward a New Founder-Centric Capital Philosophy

11. Conclusion: From Popularity to Discipline

## **Abstract**

Equity raising has become the dominant financing narrative in technology and healthcare. Investors prefer it because it grants unlimited upside with no obligation for repayment, and the language of equity has become so deeply embedded in venture and growth financing that most founders accept it as the only viable playbook. Yet equity is not neutral. It is a transfer of future upside from founders to investors, structured in ways that erode ownership and strategic control over time. Debt, on the other hand, with its fixed costs and limited upside for lenders, empowers founders who are confident in their long-term value creation to capture a disproportionate share of future rewards. This essay reframes capital allocation by examining Oracle's decades-long discipline under Larry Ellison, who increased his ownership stake from twenty-three percent in 2010 to forty percent today without issuing new equity. By situating Oracle as a counterexample to Silicon Valley's obsession with dilution-growth, and extending these insights to the health tech sector, we argue that founders should resist the popularity of equity raising and embrace financing models that allow them to bet big on themselves.

## **Introduction: Why Equity Raising Became the Popular Narrative**

When you attend a venture capital pitch day or scroll through startup press releases, the language is remarkably consistent. Companies boast of their latest Series B, C, or Series D round, raising tens or hundreds of millions of dollars in equity financing. The announcement serves as both a milestone and a validation, suggesting traction, credibility, and investor confidence. Equity raising has become synonymous with progress. It is the currency of legitimacy in the technology ecosystem.

This dominance is no accident. Equity raising is the narrative investors want to amplify because it maximizes their access to upside. An investor who buys into equity shares in not only the current value of a company but also its future growth, with no repayment obligation. For founders, however, equity raising is a Faustian bargain: it provides immediate capital but trades away slices of the future. Over successive rounds, founders who once held controlling stakes can find themselves marginal and beholden to boards and investors whose incentives may diverge from their original vision.

In health tech, the narrative is even more deeply entrenched. The industry is capital intensive, requiring long research cycles, regulatory approvals, clinical trials, and significant commercial build-outs. Founders assume that dilution is inevitable. They are told that raising equity is not only necessary but virtuous. Yet the very popularity of equity is a warning sign. What is popular for investors is rarely optimal for founders.

## **Investor Incentives and the Allure of Unlimited Upside**

To understand why equity dominates, we need to examine investor incentives. Equity is structurally appealing because it offers asymmetric payoff profiles. A venture capital investor who puts in ten million dollars in equity risks losing that stake if the company fails, but the upside could be a hundredfold if the company succeeds. There is no ceiling to the potential return, but the downside is capped. Debt, by contrast, offers a fixed interest rate. If a company succeeds spectacularly, the lender still only earns the predetermined interest and principal repayment. From the investor's perspective, equity offers the holy grail: limited liability, unlimited upside.

This explains why the language of equity raising has been normalized in Silicon Valley and increasingly in health tech. It reflects not the interests of founders, but the interests of capital providers. The constant drumbeat of "Series C" or "pre-IPO round" is a form of investor marketing, reinforcing the idea that equity is synonymous with progress. In reality, it is synonymous with ownership transfer.

# The Cost of Popularity: Dilution as a Silent Erosion of Founder Value

The hidden cost of equity raising is dilution. Each round slices ownership thin not only for founders but also for employees whose equity compensation is often a key incentive. While headlines focus on the gross amount raised or the valuation implied, the denominator of shares outstanding quietly expands. Over years, this compounds into meaningful erosion of control and financial participation.

Consider a founder who begins with fifty percent ownership. After several rounds, even in successful companies, that stake can dwindle into the teens or single digits. The dilution may be rationalized as the price of growth, but it has profound implications. Control shifts toward investors, boards become less aligned with the original vision, and the very individuals who took the earliest risks reap disproportionately less of the upside.

## Debt as Founder Leverage: Fixed Cost Capital and Betting on Yourself

Debt presents the opposite dynamic. It fixes the cost of capital. A founder who takes on debt agrees to pay a set interest rate and principal, regardless of how successful the company becomes. For investors, this caps their upside. For founders, it preserves their ownership stake and allows them to capture the full benefit of outsized growth. In essence, debt is a bet on yourself. If you believe that your company's trajectory will generate exponential value, then debt allows you to harvest that value rather than surrendering it in advance.

This is why Larry Ellison's story at Oracle is so powerful. Rather than repeatedly raising equity, Oracle relied on debt to fund acquisitions, share buybacks, and strategic initiatives. The debt carried fixed costs, but the upside remained concentrated in existing shareholders, most notably Ellison himself. His ownership stake rose not because he bought more shares but because Oracle repurchased o

hundred and thirty billion dollars of stock, shrinking the denominator. The result is a forty percent ownership position today, compared to twenty-three percent in 2000.

## **Oracle as the Case Study: How Larry Ellison Reversed the Playbook**

Ellison's story illustrates the founder's counter-narrative to the popularity of equity. Oracle raised only thirty-two million dollars in its IPO and never again raised equity. Instead, it leaned into debt markets, raising over one hundred and fifty billion dollars. That debt funded acquisitions to expand Oracle's footprint and share buybacks to concentrate ownership. The combination preserved founder control while still enabling aggressive growth.

This strategy defied the Silicon Valley orthodoxy. In the same years that younger firms were diluting their founders through successive equity rounds, Oracle was shrinking its float. Ellison bet on himself and his company's ability to service debt while compounding value for shareholders. That bet paid off.

## **Why Most Tech and Health Tech Companies Still Default to Equity**

Despite this example, most companies still default to equity. Part of this is cultural. Equity raising has become a rite of passage, a signaling mechanism that validates a company in the eyes of the market. Founders announce equity rounds with pride and investors amplify the story to attract more deal flow. Debt, by contrast, is often viewed as unglamorous or even risky. Yet this perception ignores the real risk: the erosion of founder ownership and control.

In health tech, the bias toward equity is magnified by the capital intensity of the sector. Clinical trials, regulatory submissions, and reimbursement negotiations all require long timelines and uncertain outcomes. Investors frame equity as the safe option because repayment obligations are absent if the company fails. But this safety for the company comes at the expense of founder upside if the company succeeds.

# Alternative Financing Models: Beyond Venture Capital and Equity Rounds

The good news is that alternative financing models are emerging. Structured funds like General Catalyst's Customer Value Fund offer non-dilutive financing for sales marketing, and R&D. Revenue-based financing, royalty structures, and hybrid debt instruments are also gaining traction. These mechanisms allow founders to access capital without automatically surrendering ownership.

For health tech entrepreneurs, the opportunity is clear. By diversifying financing strategies beyond equity, companies can align capital structures with their innovation cycles. Early equity may still be necessary to fund pre-revenue development, but beyond that, disciplined use of debt and non-dilutive capital can preserve ownership while fueling growth.

## Implications for Health Tech Entrepreneurs and Investors

For founders, the lesson is straightforward but challenging: resist the popularity of equity raising as the default path. Recognize that what is popular in the ecosystem reflects investor incentives, not founder interests. For investors, the challenge is to rethink financing structures in ways that align with long-term company building rather than short-term ownership accumulation.

## Toward a New Founder-Centric Capital Philosophy

The future of health tech will be shaped not only by scientific breakthroughs but also by financial discipline. Founders who embrace debt as leverage, who bet on themselves with fixed cost capital, will preserve more ownership, more control, and more upside. Investors who support these models will attract more ambitious

entrepreneurs who refuse to surrender their futures too cheaply. The shift requires cultural change, but the rewards are significant: companies built not only on technological innovation but also on capital allocation discipline.

## **Conclusion: From Popularity to Discipline**

Equity raising may remain the popular narrative, but popularity is not the same as wisdom. It is popular because it serves investors, not because it serves founders. The example of Larry Ellison and Oracle shows what is possible when founders resist the standard playbook and instead harness debt to preserve upside. Health tech entrepreneurs face daunting challenges, but they also have an opportunity to redefine financing on founder-friendly terms. By moving beyond popularity to discipline, they can build companies that endure and founders who truly capture the value of their vision.



← Previous

Next

## Discussion about this post

Comments

Restacks



Write a comment...