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# Startup strategies – Securing VC funds in today's economy

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**ISW SURF 2024 – Startup week**

Incheon, September 10, 2024

# International VCs flock to promising early-stage deals; unclear adoption rates and prospects in AI and cleantech raise concerns

## Overview of the VC landscape

### Key phenomena



**High interest rates, slow exits, low valuations, and record-breaking dry powder**



**Global investors seeking new targets**



**Bubble or not – AI, cleantech, and others**

### What it means

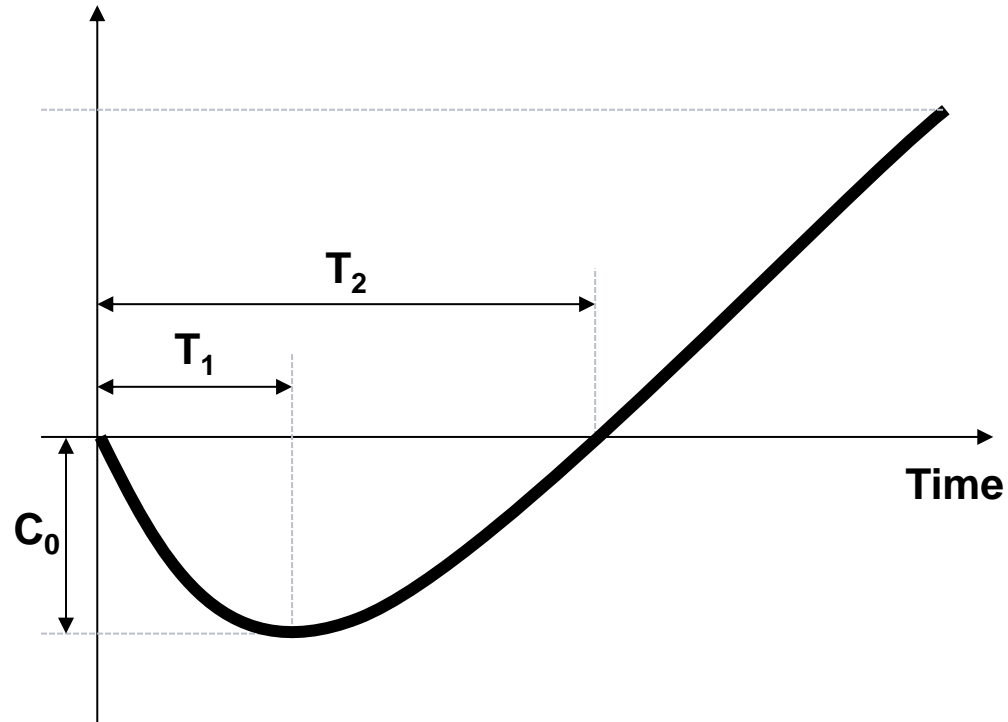
- VCs have gained significant leverage in the market and have become more selective in choosing new investment targets or renewing commitments to existing portfolio companies
- GPs face significant pressure to outperform in a high-interest market by securing excellent investments with high returns; this has led to a greater focus on early-stage deals rather than committing capital to late-stage deals with high valuations from previous rounds
- A growing number of US VCs are investing in the EMEA market
- Similarly, Korean companies are attracting interest from foreign GPs, particularly from the Middle East, as evidenced by the recent 20BKRW deal with Aramco's Wa'ed Ventures
- Korean startups should proactively identify foreign GP interests and present key metrics to drive successful deals
- Recent upticks in private and public markets are driven by AI and cleantech investments and performance, with AI and SaaS experiencing more fluctuations than cleantech
- While capital influx into AI in the global VC market continues, some skeptics argue that the sector is overhyped, while others believe we are already witnessing significant transformative changes
- Cleantech also attracts new investments but still has a long way to go to demonstrate viable returns

Source: Pitchbook [1](#) [2](#) [3](#), [Bank of Korea](#), [News 1](#) (2024), [Financial Times](#) (2024), Reddal analysis.

# Cash flow estimation is needed prior to seeking investments to improve financial preparedness, ensuring sufficient resources until breakeven is achieved

## Understanding capital requirements and duration of investments

Cumulative cash flow



$T_1$	Cash-burning period
$T_2$	Time to breakeven
$C_0$	Net investments required

- Investments should be sought based on a thorough analysis of the time to breakeven
- Net expenditures associated with fixed and working capital should be also considered
- This can ensure financial preparedness until breakeven and sustainable profitability

Source: [GRITS](#), [Ebrary](#).

# 2024 is proving to be challenging year for startups and investors – it is important to understand how your company can survive and excel in this environment

## Recent news clippings

MARKETS

### A supersized Fed rate cut this month could be ‘very dangerous’ for markets, economist warns

PUBLISHED THU, SEP 5 2024 4:58 AM EDT | UPDATED THU, SEP 5 2024 11:24 AM EDT

**Sam Meredith**  
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KEY POINTS


- A deeper interest rate cut from the Federal Reserve this month could spook financial markets and send the wrong message about an imminent risk of recession, according to one economist.
- It comes as policymakers at the U.S. central bank are widely expected to start lowering interest rates when they meet on Sept. 17-18.
- George Lageries, chief economist at Forvis Mazars, told CNBC on Thursday that while no one can guarantee the scale of the Fed’s rate cut at its forthcoming meeting, he is “firmly” in the camp calling for a quarter-point reduction.

MARKETS INSIDER

### The latest sell-off may be the beginning of the end for the tech bubble, strategist says

Jennifer Sor Aug 7, 2024, 3:40 AM GMT+9

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iStock; Rebecca Zisser/BI

- The AI-fueled tech bubble could be approaching its end date, according to Paul Dietrich.
- The market strategist pointed to similarities between the recent tech sell-off and the dot-com crash.
- The economy also looks poised to enter a downturn, which will likely fuel more downside, he said.

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### Reasons why investors need to prepare for a US recession

The Fed is unlikely to save the day as economic conditions deteriorate

PETER BEREZIN [+ Add to myFT](#)



A career fair at a community college in North Carolina. Back in early 2022 there were two job openings for every unemployed worker © Bloomberg

Source: CNBC, FT, Business Insider.

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# Governments can provide various incentives, but a careful approach is necessary due to the wide range of challenges in their interface with private markets

## Government incentives – issues and possible solutions

### Challenges

Mandated geographical wealth distribution significantly reduces returns

- The distribution and focus of venture capital investment is based on historical trends and interdependencies in a particular cluster
- Pressuring for fair subsidy distribution lowers returns both financially and socially

Intervention in natural market cycles can intensify existing problems


- The boom-and-bust cycle of the VC landscape leads to periods of massive fundraising at high valuations, while worthy companies struggle to raise funds at other times
- The government interprets high activity as industry favorability and exacerbates the bubble by providing generous subsidies

Bureaucracy cannot effectively promote creativity in the startup ecosystem

- Effectively screening, identifying, and funding entrepreneurial businesses requires a distinct skill set
- This results in "regulatory capture," where well-connected entities receive most of the subsidies, leaving more innovative outsiders underfunded


### Solutions

**Independence**




If the entity responsible for identifying and distributing funds operates as an independent government body, similar to a central bank, it can achieve better recruitment outcomes and potentially higher returns.

**Example**


 Canada – Canada Pension Plan

**Matching funds**



By mandating the raising of matching funds from the private sector, the governmental body can eliminate less viable choices, thereby increasing returns






**Example**

 Israel – Yozma Fund

Source: [J. Lerner \(2022\)](#): *Government Incentives for Entrepreneurship*, Reddal analysis.

# Failed government initiatives to support the venture capital industry are often characterized by pouring investments into trendy or “buzz” industries





## Government incentives – characteristics of failed initiatives

Features	Examples	Outcomes
 Invest substantial amounts in a single sector	US DOE Clean Energy Initiative KSA <sup>1</sup> Public Investment Fund	Cleantech has fallen from 15% of venture investments in 2009 to 1.5% in 2019 In 2018 the amount raised by firms was equal to 0.006% of the GDP, lowest in OECD
 Grant subsidies without screening	US DOE Clean Energy Initiative	More than half of the cleantech companies in the portfolio of New Enterprise Associates, a large US venture firm, hired lobbyists to to influence the rewards.
 Force fair wealth distribution	US SBIR grant allocation	In the ten years after receipt of SBIR funding, the workforce of the average award recipient in a high- tech region grew by 47, while in other regions grew by 13.
 Invest during the bull market	Chinese Government Guidance Fund	A massive bubble was observed followed by a 90% drop in fundraising from 2016 to 2018 and Chinese companies fell from 45% of VC invested worldwide to 15% in 2019.
 Pick grant winners	US DOE Clean Energy Initiative	A123 Systems and Solyndra, the winners of the programme, went bankrupt.

<sup>1</sup>Kingdom of Saudi Arabia.  
Source: [J. Lerner \(2022\)](#): *Government Incentives for Entrepreneurship*, Reddal analysis.

# Successful government initiatives to encourage entrepreneurship are characterized by functioning more like private venture capital firms rather than as subsidy programs

## Government incentives – characteristics of successful initiatives

Features	Examples	Outcomes
 Matching government funds with private funds	Israel Yozma Venture Capital	Gemini and Walden Ventures were among the ventures that earned highest returns Ratio of venture investment to GDP is consistently higher in Israel than any nation
 Establish independent governance	Canada Pension Plan (CPP)	The poor bottom line of the CPP improved when a 12-member board independent of the government was established to invest solely for the benefit of the members.
 Have competitive salary package	Canada Pension Plan (CPP)	As an incentive to attract the best minds to save the programme, the CPP investment board created a to set With multimillion- dollar bonuses.
 Execute like a private venture	US In-Q-Tel	CIA could finally invest in and access small businesses' innovations through this independent initiative with operations and bonuses like a private VC

Source: [J. Lerner \(2022\)](#): *Government Incentives for Entrepreneurship*, Reddal analysis.

# Agenda

## **Step 0. “You cannot fight the market” – Understanding current trends and opportunities through European examples**

Step 1. Fundraising timing – Historical trends and key takeaways

Step 2. Initial scanning and evaluation – Finding the right VC to match your company’s ambition

Step 3. Basic elements of a pitch document and information memorandum

Step 4. Understanding the principles of valuation

Additional reading recommendations

Q&A

Appendix



# Even with global economic headwinds and rising interest rates, startups with balanced risk profile and clear path to valuation are securing a steady stream of funding

## Key drivers in European VC landscape, 2024

### Fewer deals at higher valuations, active cleantech and AI deals



- H1 2024 total VC deal value was 28.6BEUR; 2024 projections 6.2% lower than in 2023
- In Q1, early-stage deals made up a large portion of deal count and value
- Major Q1 deals were H2 Green Steel (Sweden), Mistral AI (France), and Electra (France)
- Q2 saw notable large deals in the AI and fintech sectors, including Wayve (UK) and Abound (UK)
- SaaS, AI/ML, and cleantech remain the most active verticals in Europe; infrastructure and regulation development needed for AI

### Difficult fundraising, hope for reduced interest rates



- GP capital is more difficult to come by due to valuation haircuts and conservative investment approaches
- Volatile global macroeconomic situations and unclear exit timelines contribute to this phenomenon
- Valuations and deal activities to likely improve from gradual rate cuts from key entities like the European Central Bank and the Federal Reserve

### Investors as strategic partners



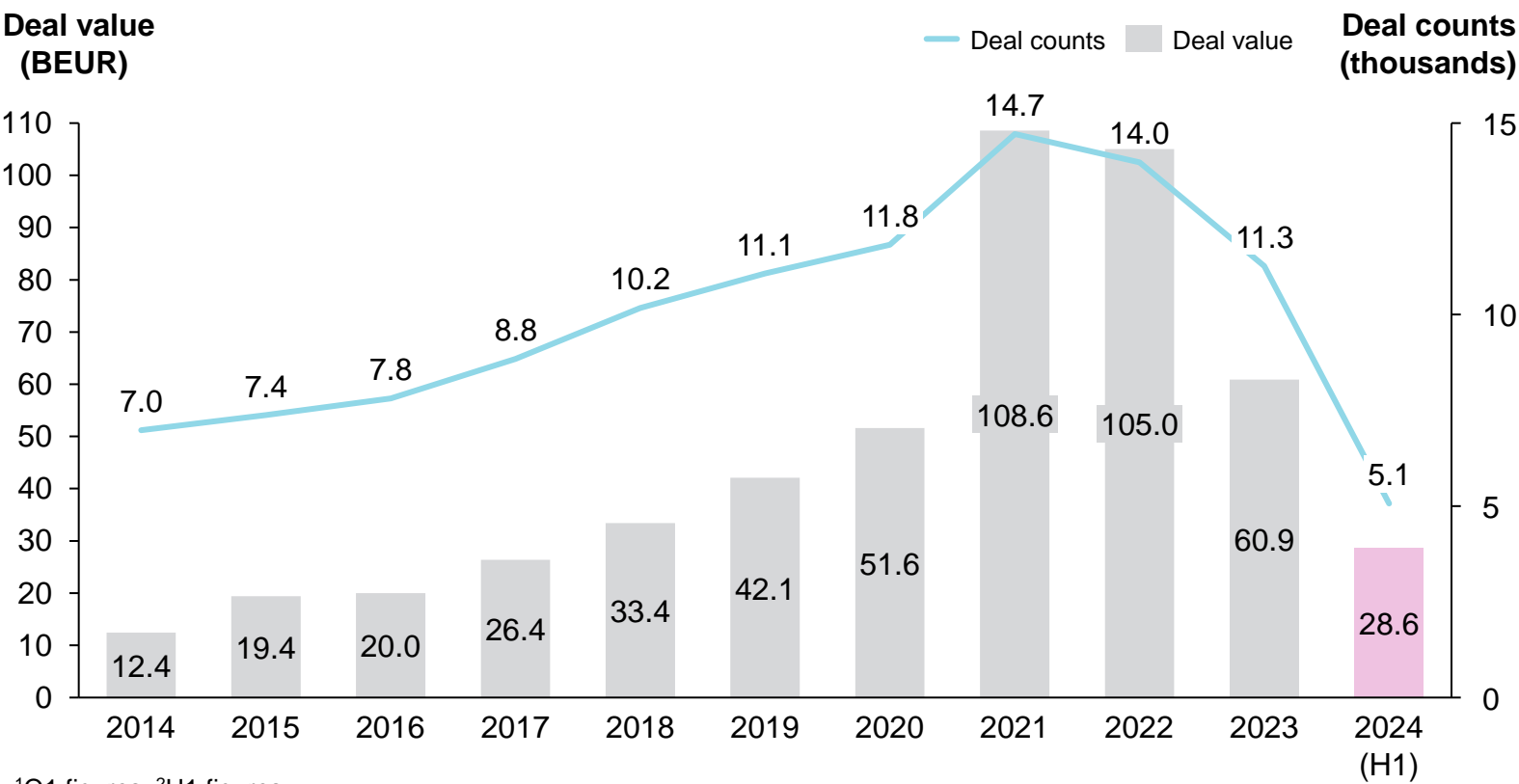
- Cautious approach by investors leading to greater strategic and operational support from them
- Seasoned investors can support stable growth by actively supporting strategic alliances and providing guidance towards risk minimization
- At the same time, IPO-seeking startups should proceed with caution as investors may look for M&A-based exit strategy due to slow markets

Source: Pitchbook [1](#) [2](#) [3](#), [DAA Capital Partners](#) (2024), Reddal analysis.

# Despite declining deal counts and values, investors' strong interest in AI and cleantech sectors, along with large deals in these areas, remain noticeable

## Deal volume and value

European VC deal counts and value



Major sectors deal counts and total value

Industry	2023	2024	Trend
Cleantech	11.6BEUR 1 123 deals	6.8BEUR <sup>1</sup> 223 deals <sup>1</sup>	↑
AI and ML	10.3BEUR 1 795 deals	6.3BEUR <sup>2</sup>	↑
Fintech	8.1BEUR 1 132 deals	2BEUR <sup>1</sup> 203 deals <sup>1</sup>	—

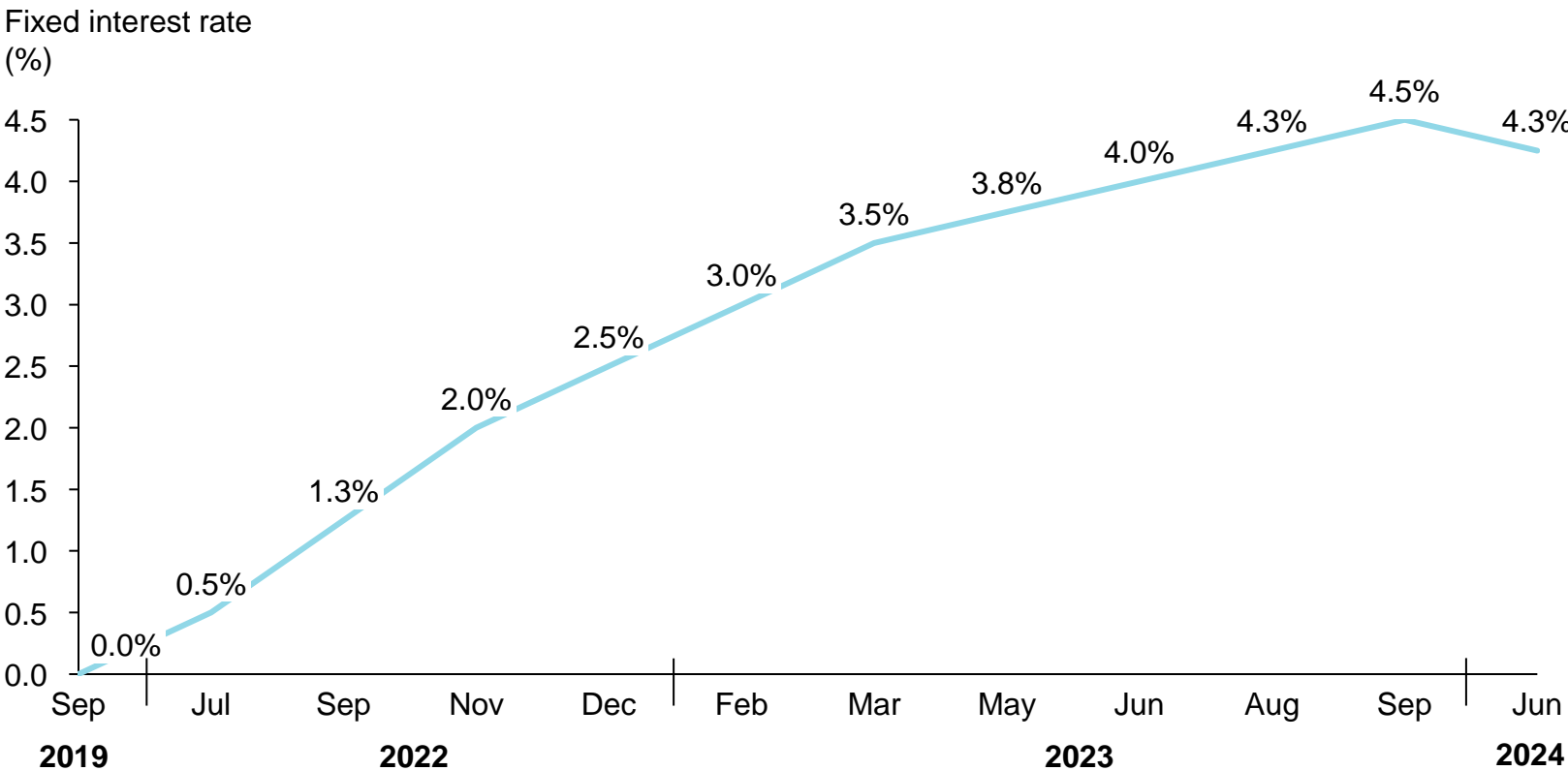
Europe raises ca. 1/3 of global seed funding. For Europe as a whole, early-stage deals made most of the deal count and value in the first quarter.

<sup>1</sup>Q1 figures. <sup>2</sup>H1 figures.  
Source: Pitchbook [1](#) [2](#), [Dealroom](#), [Dealroom](#) (app), [StartupGenome](#), [Dealroom](#), [CBInsights](#).

# Lowering the interest rate by ECB for the first time after two years can be a positive sign for both the investors and the startups; additional rate cuts expected in 2024

## Fundraising challenges

Fluctuation of the European Central Bank fixed interest rate



Source: [Statista](#), [ECB](#), [AlphaSense](#), [Cacaos Investor Services](#) (2023), Reddal analysis.

Interest rates' implications on fundraising

- Capital availability is significantly affected by the interest rates
- European Central Bank has been adjusting the interest rates to stabilize the inflation rate, down to 2%
- After 9 consecutive periods of increasing the interest rate, the ECB recently decreased the interest rate for the first time in June 2024
- Lowered interest rate and increasing capital availability are raising hopes for both investors and startups to find fundraising opportunities as well as exits via traditional means, such as IPO with improved valuations

Following the strong years of 2021 and 2022, deals, exits, and fundraising have been dampened due to rising interest rates. The European capital overhang is estimated at around 350 billion EUR, highlighting a lack of deal opportunities.

# Despite various challenges, UK, France, and Germany remain dominant in the European VC landscape along with emerging countries like Ireland and the Nordics

## Overview notable new VC activities in Europe

**1 UK:** London continues to be the epicenter of VC activity, with significant investments in fintech and healthcare.

**Sectors on the rise:** Fintech, AI, Healthcare, Cleantech

**Notable activities:** Revolut (800MUSD Series E in 2021), Babylon Health (4.2BUSD SPAC deal in 2023)

**Key VCs:** Atomico, Balderton Capital, Index Ventures, Accel Partners, LocalGlobe

**2 Ireland:** Dublin gaining traction in multiple sectors with government support.

**Sectors on the rise:** Cleantech, healthcare, ag tech

**Notable activities:** Wayflyer (150MUSD Series B in 2023), Flipdish (100MUSD Series C in 2023)

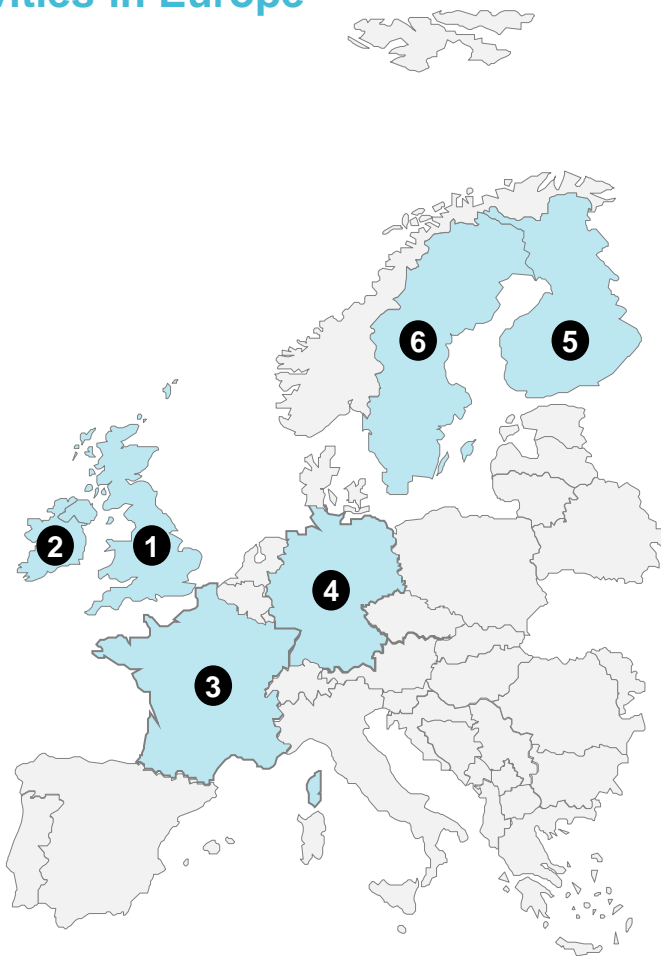
**Key VCs:** ACT Venture Capital, Atlantic Bridge Capital, Delta Partners

**3 France:** Government support for tech innovation (French Tech Visa, Bpifrance)

**Sectors on the rise:** Fintech, cleantech, healthcare, cybersecurity

**Notable activities:** Mistral AI (650MEUR, 2024)

**Key VCs:** Bpifrance, Kima Ventures, Super Capital, AngelSquare, UI Investissement



**4 Germany:** Well known presence of startups in transportation, and energy.

**Sectors on the rise:** Mobility, fintech, cleantech, healthcare

**Notable activities:** Lilium (192MUSD capital raise in 2023)

**Key VCs:** Earlybird Venture Capital, Holtzbrinck Ventures, HV Capital

**5 Finland:** Strong track record in IT industry with developing transportation / cleantech industries

**Sectors on the rise:** Gaming, healthcare, cleantech

**Notable activities:** Nightingale Health (40MEUR Series C in 2023)

**Key VCs:** Lifeline Ventures, Inventure, OpenOcean, Maki.vc, Icebreaker.vc

**6 Sweden:** Nordic leader in cleantech investments; IT stronghold

**Sectors on the rise:** Cleantech, gaming, healthcare

**Notable activities:** H2 Green Steel (5.2BUSD, 2024)

**Key VCs:** EQT Ventures, Monterro, Brightly Vnetures, Creandum, Luminar

### Emerging sectors





- **Cleantech:** Growing importance of renewable energy and other sustainable solutions visible in increasing interests of investors
- **Healthcare and biotech:** Telemedicine, digital therapeutics, and medical devices continue to gain attention
- **Fintech:** A strong focus across all countries with investments in areas like payments, neo-banking, and Insurtech

Source: [Blake Barkely](#) (2024), [Vestbee](#) (2024), [Furth](#) (2023), [Reuters](#) (2024).





# Rising number of new funds in Eastern Europe is noticeable as well as large number of new UK-based funds closing

## New funds in Europe – 2024





### Western Europe, DACH region, and the UK

Country	Funds
<b>UK</b> 	<ul style="list-style-type: none"> <li>Plural – Closed second fund at 400MEUR, continuing with early-stage funding</li> <li>Frontline – Closed a 100MUSD growth fund to invest in US B2B startups from Series B onwards that want to launch in Europe</li> <li>Episode 1 – Closed its 3<sup>rd</sup> fund at 76MGBP, focusing on AI, TechBio, open-source, software infrastructure, healthtech, and marketplaces startups</li> <li>Ada Ventures – Closed its 2<sup>nd</sup> fund at 63MGBP, targeting pre-seed and see-stage startups</li> <li>VC Delin Ventures – Closed a new 46MGBP targeting future of work, education and learning pre-seed and seed-stage startups</li> </ul>
<b>Germany</b> 	<ul style="list-style-type: none"> <li>World Fund – Closed a 300MEUR first fund, aiming to make 25-30 investments into climate tech startups</li> <li>Earlybird – Closed its 2<sup>nd</sup> fund at 173MEUR, focused in healthtech for Series A-B</li> </ul>
<b>Austria</b> 	<ul style="list-style-type: none"> <li>Speedinvest – Closed the latest fund at 350MEUR; to invest in deeptech, fintech, health and techbio, climate and industrial tech, and Saas, targeting early-stage startups</li> </ul>
<b>Netherlands</b> 	<ul style="list-style-type: none"> <li>DeepTechXL – Raised 110MEUR to invest in photonics, complex mechanical engineering, semiconductors, and quantum computing</li> </ul>

### Nordics

Country	Funds
<b>Finland</b> 	<ul style="list-style-type: none"> <li>3TS Capital Partners – Closed Fund IV with 111MEUR, focusing on growth stage investments with ICT and tech-enabled service sectors</li> <li>Nordic Science Investments – Closed a 60MEUR fund to support deeptech spin-out startups emerging from universities</li> </ul>
<b>Sweden</b> 	<ul style="list-style-type: none"> <li>NATO Innovation Fund – Sweden is the 24<sup>th</sup> NATO ally to join the independent venture capital firm, that has a 1BEUR fund backing innovation across the alliance</li> </ul>
<b>Norway</b> 	<ul style="list-style-type: none"> <li>Verdane – Closed Edda III at 1.1BEUR, which will target European companies in digitalization and decarbonization</li> </ul>
<b>Denmark</b> 	<ul style="list-style-type: none"> <li>Kost Capital – First fund closed with undisclosed amount (25MEUR target)</li> </ul>

### Eastern Europe

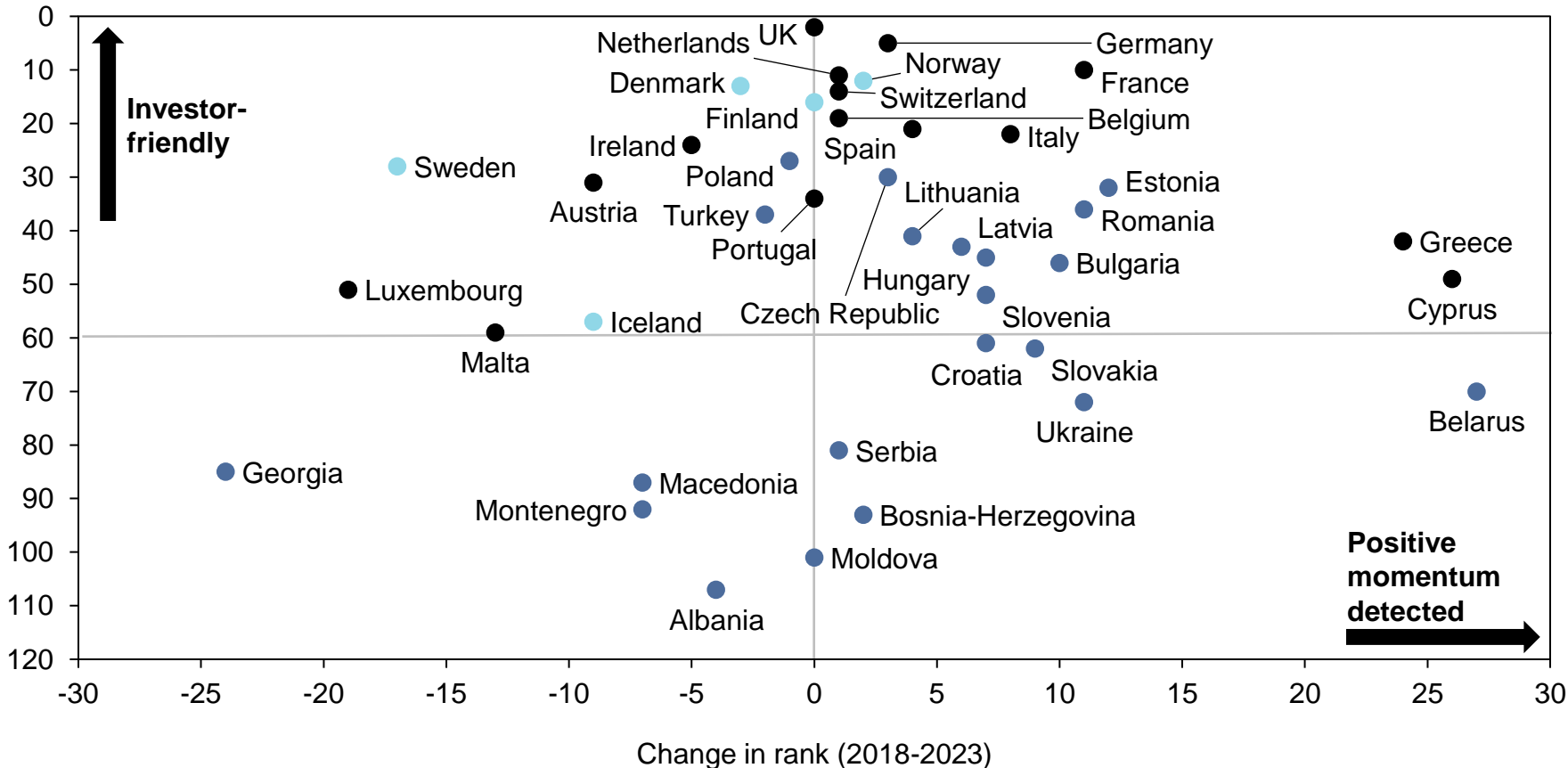
Country	Funds
<b>Poland</b> 	<ul style="list-style-type: none"> <li>OTB Ventures – Closed deeptech fund at 185MUSD (targeting Series A investments and seed fundings)</li> <li>Full Speed Ventures – Closed 2<sup>nd</sup> 50MUSD technology fund</li> <li>SMOK Ventures – 2<sup>nd</sup> 25MUSD funds with plans to support 35 pre-seed and seed startups from Central and Eastern Europe</li> <li>Warsaw University of Technology Investment Factory (WUT IF) – launched an initial fund, targeting 5MUSD, aiming to back 18 deeptech startups from Polish universities</li> </ul>
<b>Lithuania</b> 	<ul style="list-style-type: none"> <li>Practica Capital – Closed 3<sup>rd</sup> fund at 80MEUR, targeting seed-stage investments in tech startups across the Baltic, offering up to 3MEUR initially and ongoing support up to 8MEUR</li> </ul>
<b>Estonia</b> 	<ul style="list-style-type: none"> <li>2C Ventures – launched its initial fund with a target size of 50MEUR, to support early-stage startups in the Baltic and Nordic countries, focusing primarily on the Estonian market related to renewable energy, waste reduction, water management, circular economy and other cleantech solutions</li> </ul>
<b>Romania</b> 	<ul style="list-style-type: none"> <li>GapMinder – launched 80MEUR GapMinder Fund II that will invest in seed and late seed stages tech companies from Romania, Moldova, Serbia, Croatia, Slovenia, and Bulgaria</li> </ul>

Source: [Vestbee](#) (2024), [Pääomasijoittajat](#) (2024), [Tech EU](#) (2024).

# While Western Europe and the Nordics traditionally represented most attractive investment markets, CEE region is reducing the gap

## Investor attractiveness index in Europe (2018-2023)

Rank, 2023



### Remarks

- Assessment areas for the attractiveness index include:
  - Economic activity
  - Depth of capital market
  - Taxation
  - Investor protection and corporate governance
  - Human and social environment
  - Entrepreneurial culture and deal opportunities
- Finland had the highest score on legal enforcement and security of property rights, while UK, Germany, and France scored high on human/social environments and entrepreneurial opportunities.

Source: [Venture Capital and Private Equity Country Attractiveness Index \(2023\)](#), [\(2018\)](#), [UK](#), [Germany](#), [France](#), [Finland](#).

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Additional reading recommendations

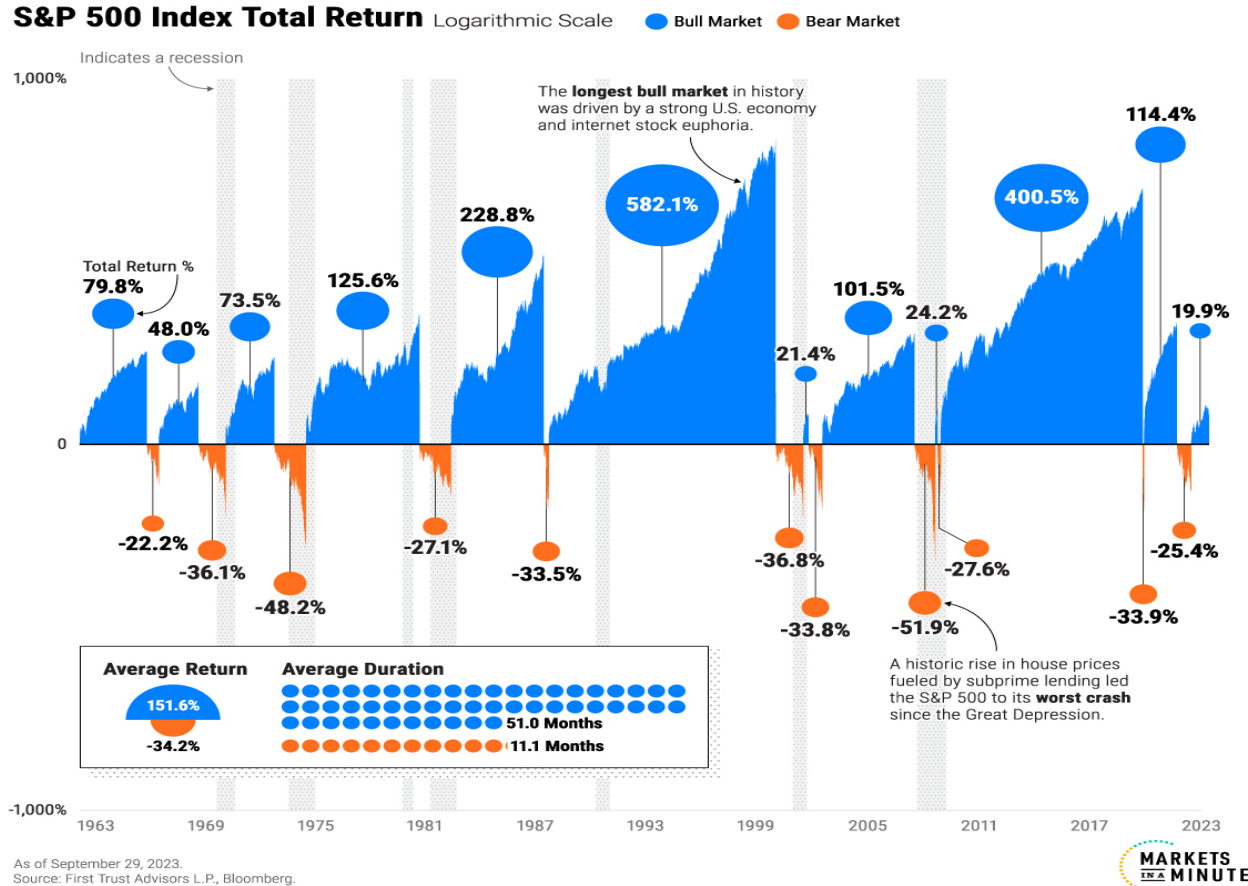
Q&A

Appendix



# Historical boom-and-bust cycles illustrate cyclical nature of investment and exit opportunities for VCs; startups should be aware of GP strategy

## Overview of cyclical market dynamics



## Key takeaways

- After a prolonged bull market following the 2008 crisis, the market is shifting back to shorter cycles of boom and bust
- With increasing investor risks and central banks more inclined to raise rates, GPs are seeking ways to diversify and tactically allocate assets defensively
- Startups must focus on maintaining healthy financial metrics, not just strong ideas and products, before seeking investment
- Startups should also sustain valuations after initial funding to ensure success in subsequent rounds and achieve sustainable growth

Source: [Seeking Alpha](#) (2016), [Money Marketing](#) (2022), [Visual Capitalist](#) (2023).



Currently, increasing skepticism about the AI and chip market drives the volatility of the global stock market, narrowing or widening exit opportunities for the GPs

AI and chip market fluctuations

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STAMFORD, Conn., May 29, 2024

- Value of AI Accelerators in Servers to Total \$21 Billion in 2024
- Compute Electronics to Account for 47% of Total AI Chips Revenue Market
- By End of 2026, 100% of Enterprise PC Purchases Will Be an AI PC

(May, 2024)



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### Elliott says Nvidia is in a 'bubble' and AI is 'overhyped'

Hedge fund tells clients many supposed applications of the technology are 'never going to actually work'



Nvidia dominates the market for the powerful processors needed to build and deploy large AI systems © Reuters

Laurence Fletcher and Costas Mourselas in London AUGUST 2 2024

[435](#) [Print](#)

(August, 2024)



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Source: WSJ, Gartner, Financial Times.

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# Venture partners can be more than capital providers; finding right VC investors can have significant implications in market entry and growth strategies

## Investors as strategic partners



### Strategic initiatives

Go-to-market, new product strategy, M&A



### Operational support

Efficiency improvement and process optimization



### Functional expertise

Fits unique needs of portfolio companies



### Industry expertise and network

Quick connection to potential customers and partners



### Governance

Guidance in decision-making process and management

- Startups should seek venture partners who can offer resources beyond just capital
- Example support areas include local market access, mentorship in functional/industrial areas, and management (hiring network)

Source: [DAA Capital Partners](#) (2024), [Visible VC](#) (2024).

# Investor requirements gradually become more demanding as the startup moves into more mature stages – investors change from angels to institutional along the way

## Startup fundraising cycles – an overview

Aspect	FFF	Pre-seed	Seed	Series A	Series B	Series C	Series D	Mezzanine debt
<b>Typical investor</b>	Friends, family, founders	Angels, pre-seed funds	Angels, seed funds, early VCs	Venture capital firms	VCs, growth equity firms	Late-stage VCs, PE firms	Private equity, strategic investors	Banks, PE firms, specialized lenders
<b>Ticket size range</b>	10 – 100kEUR	100 – 500kEUR	500- 2MEUR	2 - 15MEUR	10 - 50MEUR	30 -100MEUR+	50 - 200MEUR+	5 - 50MEUR+
<b>Investor requirements</b>	<ul style="list-style-type: none"> <li>• Personal relationship</li> <li>• Belief in idea</li> </ul>	<ul style="list-style-type: none"> <li>• Proof of concept</li> <li>• Growth projections</li> </ul>	KPIs (growth, gross margin, users, retention rate, conversion)	<ul style="list-style-type: none"> <li>• High growth rate</li> <li>• Sustainable competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>• Proven business model</li> <li>• Expansion</li> </ul>	<ul style="list-style-type: none"> <li>• High growth</li> <li>• Profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Market leader</li> <li>• Clear path to exit</li> </ul>	<ul style="list-style-type: none"> <li>• Steady cash flow</li> <li>• Low risk</li> <li>• IPO imminent</li> </ul>
<b>Financing types</b>	Equity/convertible notes	Equity/ convertible notes	Equity/convertible notes	Equity	Equity	Equity	Equity/convertible notes	Debt
<b>Investor expectations</b>	Possible lottery ticket	<ul style="list-style-type: none"> <li>• A seat in the company board</li> <li>• 10x valuation within 5 years</li> </ul>	<ul style="list-style-type: none"> <li>• Exit within length of the fund cycle</li> <li>• 10-20x return on investment</li> <li>• A seat in the company board</li> </ul>	<ul style="list-style-type: none"> <li>• Exit within 5 years</li> <li>• 10x return on investment</li> </ul>	<ul style="list-style-type: none"> <li>• 5-10x return on investment within 3-5 years</li> <li>• Additional board seats</li> <li>• Veto rights</li> </ul>	<ul style="list-style-type: none"> <li>• 3-5x return within 3-5 years</li> <li>• Company goes international</li> </ul>	<ul style="list-style-type: none"> <li>• 2-4x return in IPO</li> </ul>	<ul style="list-style-type: none"> <li>• Returns as a mix of interest payments and equity upside</li> <li>• 2-3x return over the investment period</li> </ul>
<b>Documents required</b>	Pitch deck, basic financials	Pitch deck, MVP demo, cap table	Detailed pitch deck, business plan, financial model	Pitch deck, financial projections, cap table	Due diligence docs, detailed financials	Extensive due diligence, audited financials	Full audit, legal and financial due diligence	Financial statements, covenants

Source: [HBR](#), [CFI](#), [Investopedia](#).

# During the early stages of fundraising, it is important to consider other potential value-adds of the investor as well as the risks

## What will investors bring to the table – key questions to ask

### Opportunities

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What expertise and value add the new investor could bring or is it just capital?

Could the new investor bring connections to new markets, or the value chain?

What is the VC's track record in navigating downturns or challenging market conditions?

Can the new investor help us strengthen our team and/or processes?

How diverse is the VC's portfolio? Does it have high stakes in one industry?

### Risks

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Is the prospective new investor likely to push for extensive, or even prohibitive covenants?

How much of the future earnings the new investor will take?

How much management and decision-making freedom is left for the existing management?

How will the new VC impact the dynamics with existing investors?

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# Prepare several versions of marketing material to communicate right message in different phases of investment process

## Overview of materials needed

	Teaser deck	Pitch deck	Information memorandum (IM)	Letter of Intent (LOI)	Term sheet
Purpose	<ul style="list-style-type: none"> <li>Generate investor interest in business</li> <li>Pre-quality potential investors</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of the company with key facts and figures</li> <li>Share vision and mission</li> </ul>	<ul style="list-style-type: none"> <li>Introduce investment highlights</li> <li>Investor can roughly estimate valuation</li> </ul>	<ul style="list-style-type: none"> <li>Outline buyer’s intention to purchase the target company (typically non-binding)</li> </ul>	<ul style="list-style-type: none"> <li>Outline the principal terms and conditions of a potential deal (typically with both binding and non-binding elements)</li> </ul>
Content	<ul style="list-style-type: none"> <li>Company’s mission, problem, solution, target market, and traction</li> </ul>	<ul style="list-style-type: none"> <li>Value proposition in story format</li> <li>Market size and position</li> <li>Vision and mission of the company</li> </ul>	<ul style="list-style-type: none"> <li>Key facts of the business case</li> </ul>	<ul style="list-style-type: none"> <li>Key terms/conditions of the proposed transactions, such as the purchase price, payment terms, DD provisions, and timeline</li> </ul>	<ul style="list-style-type: none"> <li>Commercial and legal terms, including transaction structure, representation/ warranties, dispute resolution mechanisms</li> </ul>
Importance by company maturity	<ul style="list-style-type: none"> <li>Widely used; ranging from early-stage investments to M&amp;A and IPO</li> </ul>	<ul style="list-style-type: none"> <li>Critical in seed funding and angel round</li> </ul>	<ul style="list-style-type: none"> <li>Critical in A-round</li> </ul>	<ul style="list-style-type: none"> <li>Mature companies ready for exits</li> </ul>	<ul style="list-style-type: none"> <li>Mature companies ready for exits</li> </ul>
Target audience	<ul style="list-style-type: none"> <li>Potential investors and buyers</li> </ul>	<ul style="list-style-type: none"> <li>Investors and public to spread awareness</li> </ul>	<ul style="list-style-type: none"> <li>Investment decision maker</li> </ul>	<ul style="list-style-type: none"> <li>Buyers</li> </ul>	<ul style="list-style-type: none"> <li>Buyers</li> </ul>

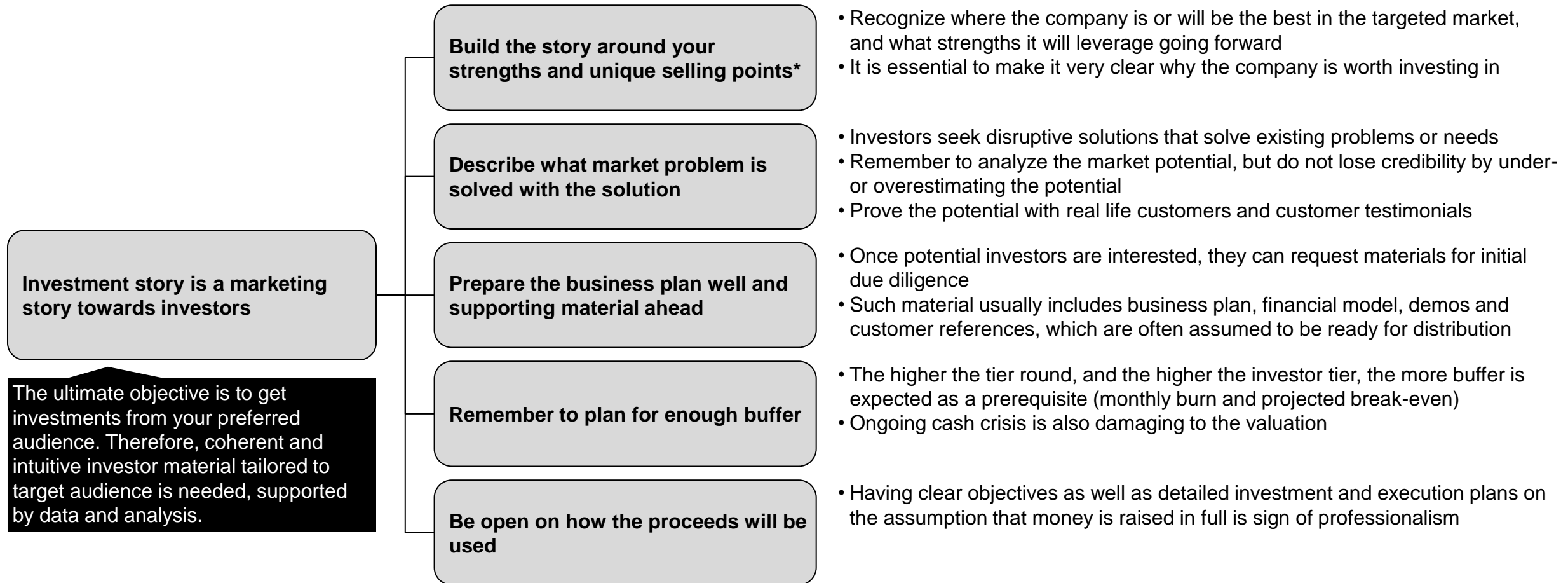
Note! Most professional investors do not sign NDAs.

Note! Be ready for a thorough due diligence.

Source: [PitchBob.io](#), [A2D Ventures](#), [Corporate Finance Institute](#), [Tawanda Makoni](#) (2023).

# Material must be developed according to the preferences of the targeted investors, but remaining open and transparent is the key

## How to prepare for investor meetings

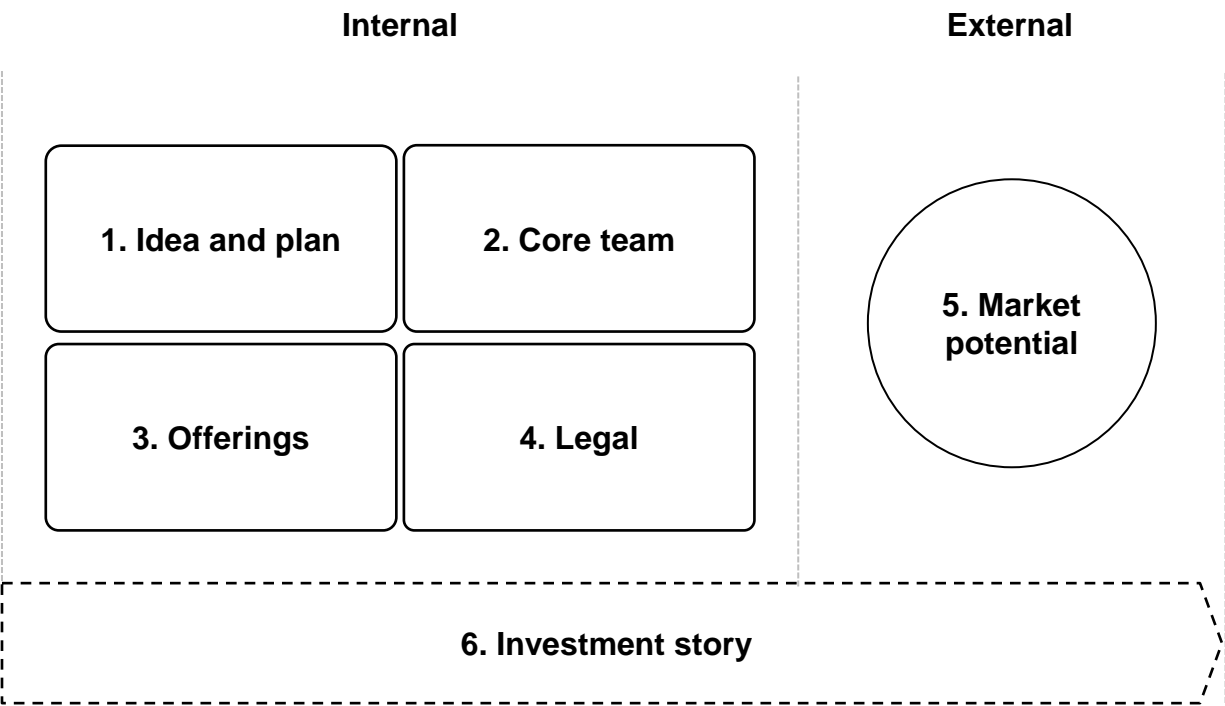


\*See also *Essential checklist for startup management toolkit* (2013-038) or Osterwalder and Pigneur, *Business Model Generation*.



# To be eligible for external funding, the company needs to have at least a clear idea, plan and people

## Minimum preconditions for getting external finance



### Remarks

1. Basic requirements for any external funding are implementable, monetizable idea with associated business/execution plans and go-to-market strategy.
2. Core team in place and suitable for the proposed business – the earlier the phase of the startup, the more its funding depends on the quality of the team.
3. Basic requisite is that the value proposition is unique and defensible. Later stage external investors require ready product and often also some revenue.
4. The company must be incorporated, and the idea cannot be blocked by existing IPRs
5. To be attractive, target market is preferably new and/or growing, or the new product or service provides disrupts an existing market.
6. Compelling story is required to capture interest of external investors, and the story needs to be consistent.

# Investors expect to be able to evaluate the size of business opportunity, feasibility and uncertainty, and the expected returns

## Common elements of investor presentations – overview

### Investor pitch content elements

#### What is the business model?



Value proposition



Monetization



Operations

#### What is your ambition and how you will achieve it?

Current state

Roadmap

Target state

#### What's in it for investors?



Investment request



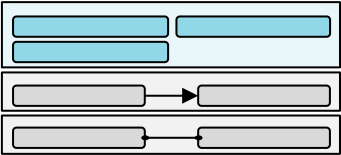
Business case

### Tips to investor pitch elements

- Any investor presentation should be informative and clearly communicate business potential and plans to achieve it
- Capture investors' interest by describe your current or future business model, including:
  - Value proposition to the customer, in particular the vision and customer problem
  - Operations, key processes and resources
  - Monetization model, or profit formula
- Gain credibility by demonstrating the feasibility of your idea with:
  - Ambition and realistic roadmap to achieve it
  - Team strength
  - Any positive results achieved
- To solidify interest and trigger action, touch upon what you are asking from and offering to the investors

# Informative investor pitch should prepare answers to the questions about business vision and business model

## Common elements of investor presentations (1/3): business model



### Business model element


### Questions to consider



Value proposition

- What is your target customer segment?
- What do your customers value?
- What problems your customers have and how you will solve them?

Bonus question: What is your vision? Why your business idea important?




Monetization model

- How big is the target customer segment?
- How will you price the offer?
- What are the revenue drivers? What is the margin model?
- How scalable is your model?



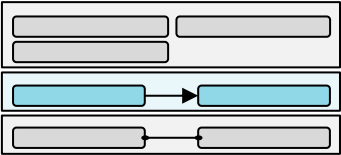
Operations

- How do you deliver the offer to the customer?
- What are your key assets, resources and processes (including data and systems)?

 Pro-tip: Vision, customer problem solved, and solution often form the backbone of the story. Consider your business model elements in the context of the industry and in comparison, to the competition.

# Pitch communicates your plan to achieve the vision and what makes in feasible – roadmap, team and proof of concept

## Common elements of investor presentations (2/3): plan and feasibility



### Feasibility elements

### Ways to illustrate



Realistic roadmap

- Performance forecast large enough to be interesting, but reasonable to be achievable
- Ambition broken down by milestones with clear actions and means to achieve these




Team

- Co-founders' and employees' qualification, signs of recognition and track record
- Well-known investors that already invested in the idea
- Team dynamics, expertise and track record
- Founder's or representative's (your) personality and drive



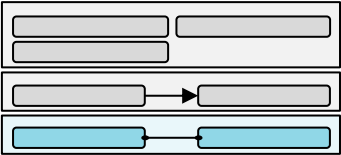
Proof of concept

- Early market traction – current customers and sales pipeline
- Progress against previous plans
- Milestones and KPIs already achieved



Pro-tip: know your plan in and out, and keep a good grip on the business KPIs to be able to answer tricky questions

# To solidify interest and trigger action, explain what you are asking from and offering to the investors



## Common elements of investor presentations (3/3): business case

### Investment case elements


### Considerations

 **Targets**

- Investors are looking for the return's potential – use the pitch as a marketing opportunity but also make sure to manage expectations
- Be realistic and discuss the sensitivity of your plan and different scenarios

 **Investment request**

- Consider what type of investment is best for you
- Think through the terms of investment
- Calculate the needed amounts allowing for reserve for a contingencies

 **Investment use**

- Outline the exact actions, timeline and how those build up to the total amount
- Justify the investment request by connecting it to the impact and achieving the targets

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## **Step 4. Understanding the principles of valuation**

Additional reading recommendations

Q&A

Appendix

# Popular valuation methods, such as DCF and LBO can provide figures with easy-to-understand logic

## Overview of commonly used valuation models (1/2) – Most common methods

	General description	Needed elements	Pitfalls
Discounted free cash flow model (DCF)	<ul style="list-style-type: none"><li>Calculate the present value of the company's projected future unlevered cash flows and the terminal value using an appropriate cost of capital and terminal value methodology</li></ul>	<ul style="list-style-type: none"><li>Appropriate capital structure reflected in valuation analysis through discount rate</li></ul>	<ul style="list-style-type: none"><li>Heavily dependent on cash flow and growth characteristics of the company and the terminal value assumptions</li></ul>
Leveraged buyout model (LBO)	<ul style="list-style-type: none"><li>Determine the range of prices that a financial buyer would be willing to pay for a company, based on target rates of return to equity (IRRs) and a leveraged capital structure</li></ul>	<ul style="list-style-type: none"><li>The amount of equity supplied by the financial sponsor</li><li>Tailored debt structure and seniority identification</li></ul>	<ul style="list-style-type: none"><li>Highly dependent on the cash flow profile of the asset, its leveragability, and the exit value assumptions</li></ul>
Trading multiples model	<ul style="list-style-type: none"><li>Estimate a company's implied value in the public equity markets through an analysis of similar companies' trading and operating metrics</li></ul>	<ul style="list-style-type: none"><li>Financial information of “reliable” benchmark companies that are publicly traded</li><li>Calculated multiples based on key financials</li></ul>	<ul style="list-style-type: none"><li>Reliability highly fluctuates depending on the level of comparability of the selected companies</li></ul>
Precedent transactions model	<ul style="list-style-type: none"><li>Estimate company's implied value based on multiples paid for comparable companies in precedent acquisitions</li></ul> <p>Commonly adopted by early-stage startups with short financial history.</p>	<ul style="list-style-type: none"><li>Financial and deal related information</li></ul>	<ul style="list-style-type: none"><li>Challenging to find truly comparable and recent acquisitions</li><li>Often multiple range reflects a premium paid for control and potential synergies</li></ul>

Source: J. Rosenbaum, J. Pearl (2009); *Investment Banking*; Richard S. Ruback, *Capital Cash Flows* (2000): *A Simple Approach to Valuing Risky Cash Flows*, *Social Science Research Network* (2000 – March); McKinsey & Company Inc., Tim Koller, Marc Goedhart, David Wessels, *Valuation, Measuring and Managing the Value of Companies* (2005); Valuation Methods, <http://www.macabacus.com/valuation/methods>.

# Other methods can also provide valuation insights when traditional methods are not enough

## Overview of commonly used valuation models (2/2) – Other methods for consideration

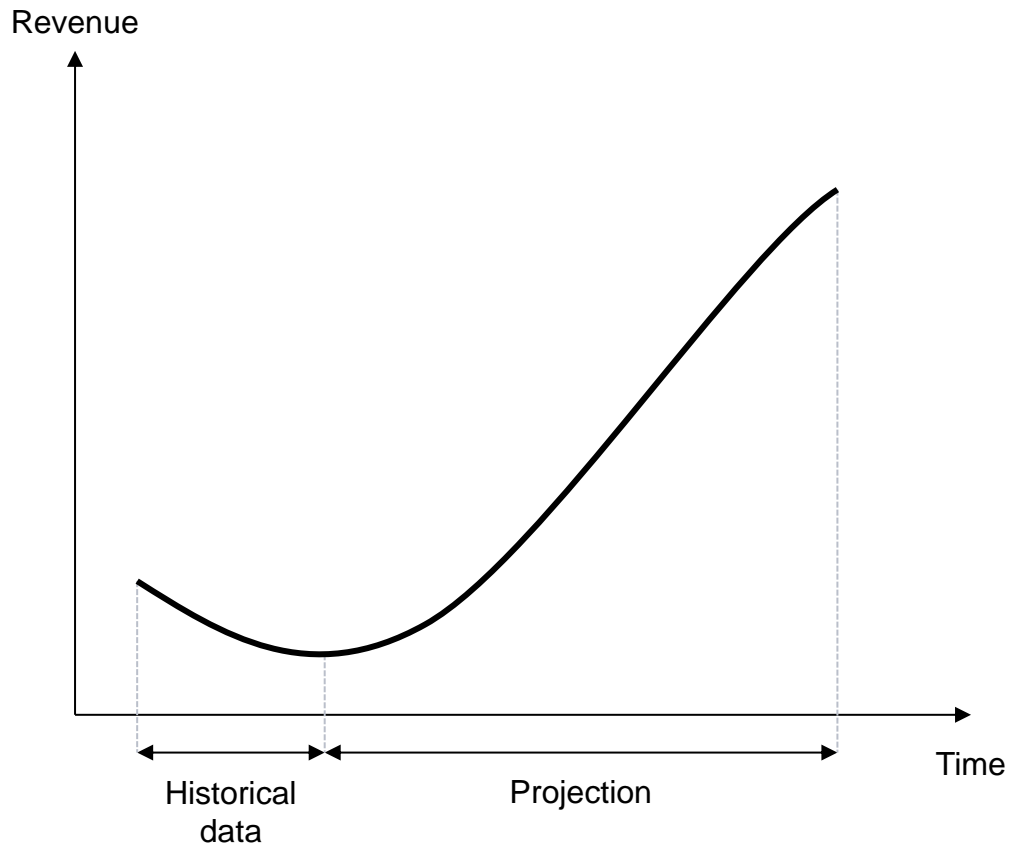
	General description	Needed elements	Pitfalls
<b>Adjusted present value (APV)</b>	<ul style="list-style-type: none"> <li>The net present value of a project if financed solely by equity plus the present value of tax shields that arise from debt financing</li> </ul>	<ul style="list-style-type: none"> <li>Unlevered cost of equity</li> <li>Fixed amount of debt</li> </ul>	<ul style="list-style-type: none"> <li>Assigns higher value to interest tax shields compared to CCF (use the debt rate to discount the interest tax shields)</li> <li>Assumes the debt is fixed</li> </ul>
<b>Capital cash flow (CCF)</b>	<ul style="list-style-type: none"> <li>Similar result as in APV (Ruback 2000), calculated as follows: free cash flow + interest tax shields both discounted at the unlevered cost of equity – tax shield valued in the cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Information to measure riskiness of asset</li> <li>Detailed information about the financing plan (e.g. forecasted interest payments)</li> </ul>	<ul style="list-style-type: none"> <li>Assumes the debt is proportional to value</li> </ul>
<b>Residual income model (RIM)</b>	<ul style="list-style-type: none"> <li>Method of measuring the value of a company's stock as the sum of its book value and the present value of its residual income (=net income-equity capital*cost of equity)</li> </ul>	<ul style="list-style-type: none"> <li>Cost of equity</li> <li>Confirmation on equity status, equity calculation method, and fair book value of assets</li> </ul>	<ul style="list-style-type: none"> <li>Becomes invalid in the case of changes in shares outstanding or if the firm plans to bring in "new" shareholders who derive a net benefit from their capital contributions</li> </ul>
<b>Economic value added model (EVA)</b>	<ul style="list-style-type: none"> <li>The Economic Value Added (EVA) is a measure of surplus value created on an investment</li> <li>Valuation is close to RIM</li> </ul>	<ul style="list-style-type: none"> <li>Operating profit, capital invested, and the cost of capital</li> </ul>	<ul style="list-style-type: none"> <li>Highly subject to accounting anomalies and adjustments</li> </ul>

Source: J. Rosenbaum, J. Pearl (2009); *Investment Banking*; Richard S. Ruback, *Capital Cash Flows* (2000): *A Simple Approach to Valuing Risky Cash Flows*, *Social Science Research Network* (2000 – March); McKinsey & Company Inc., Tim Koller, Marc Goedhart, David Wessels, *Valuation, Measuring and Managing the Value of Companies* (2005); Valuation Methods, <http://www.macabacus.com/valuation/methods>.



# While optimal valuations often require demonstration of healthy financial outlook, overly optimistic projections will attract scrutiny from investors

## Risks of “hockey stick” projections



### What is it?

- A sudden spike in a certain variable over time
- Most commonly refers to drastic growth projections in sales and profits

### Relevant causes

- Rapid growth of the company
- Increasing demand in the market
- Problems within the sales process, such as misaligned goals, weak value proposition, and poor management, leading to unbalanced sales performance

### Valuation risks

- Exposure to down rounds due to inflated valuation
- Scrutiny about financial data manipulation and the sustainability of the growth

- Lenders and investment groups are becoming increasingly cautious
- Demonstrating consistent growth and sustained earnings over several years is necessary

Source: [B. Stephens](#) (2024), [Wall Street Oasis](#) (2024), [Business Valuation Resources](#) (2021), [Corporate Finance Institute](#).

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## **Additional reading recommendations**

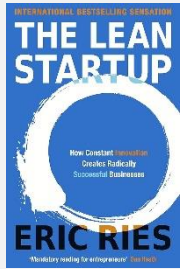
Q&A

Appendix

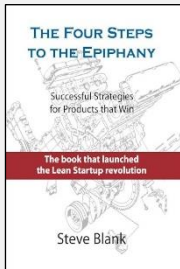
# Books can help founders answer important questions from the point of launching a new startup to preparing for fundraising

## Recommended readings (1/2)

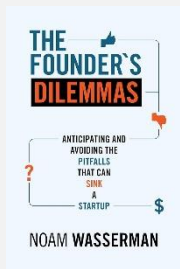
### Launching a startup



**The lean startup**  
Author: Eric Ries  
Publication year: 2011

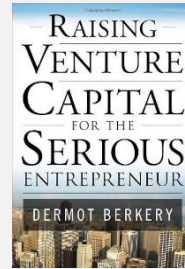


**The four steps to the epiphany**  
Author: Steve Blank  
Publication year: 2005

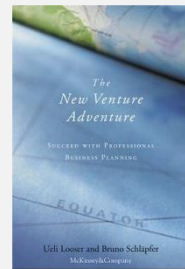


**The founder's dilemmas**  
Author: Noam T. Wasserman  
Publication year: 2012

### Fundraising



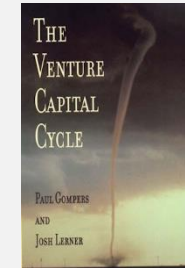
**Raising venture capital for the serious entrepreneur**  
Author: Dermot Berkery  
Publication year: 2007



**The new venture adventure**  
Authors: Ueli Looser, Bruno Schlöpfer  
Publication year: 2001



**Venture deals**  
Authors: Brad Feld, Jason Mendelson  
Publication year: 2011



**The venture capital cycle**  
Authors: Paul Gompers, Josh Lerner  
Publication year: 2002

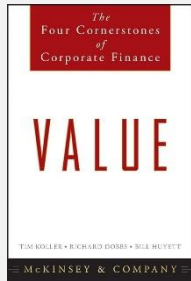


**The new business road test**  
Author: John W. Mullins  
Publication year: 2003

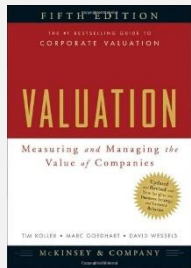
# Books can also help founders to arrive at a reliable valuation for the fundraising rounds and steer the private equity industry to sell the business at its right value

## Recommended readings (2/2)

### Valuation



**Value: the four corners of corporate finance**  
Authors: Bill Huyett, Richard Dobbs, Tim Koller  
Publication year: 2010

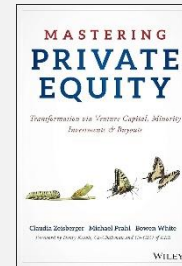


**Valuation: measuring and managing the value of companies**  
Authors: Tim Koller, David Wessels, Marc Goedhart  
Publication year: 1990

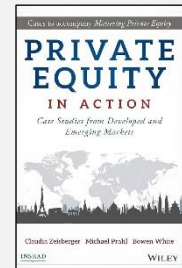
### Private equity and M&A



**The book on mergers and acquisitions**  
Author: James Scott  
Publication year: 2013



**Mastering private equity**  
Authors: Michael Prah, Bowen White, Claudia Zeisberger  
Publication year: 2017



**Private equity in action**  
Author: Michael Prah, Bowen White, Claudia Zeisberger  
Publication year: 2017

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Additional reading recommendations

**Q&A**

Appendix

# Reddal continues to share its expertise across various industry segments with international media and through in-house articles

## Selected recent media coverage



Joe Biden's China probe throws lifeline to South Korean and Japanese shipyards (May 5, 2024, [link](#))

**BUSINESS  
INSIDER**

China kicks off its plan to take on the cruise industry: 'There's no turning back' (September 30, 2023, [link](#))

**arirang**

Global Consulting CEO reveals 3 critical mistakes Koreans make in going global (July 31, 2024, [link](#))



Interview: "S. Korea is an attractive market for European companies" (April 23, 2024, [link](#))

**디지털타임스**

韓생활 12년된 컨설턴트... "재벌 중심·하향식 구조, 中企 성장에 발목" (February 25, 2024, [link](#))



Fundraising in Europe and Korea – challenges, opportunities and implications for startups (June 20, 2024, [link](#))

## Relevant Reddal Insights articles

No time to waste – A collaborative approach to boost South Korea's competitiveness in global sustainability ecosystem (July 5, 2024, [link](#))

Optimizing working capital in a downturn for resilience (December 18, 2023, [link](#))

Identifying investment targets through future-looking industry analysis (October 11, 2022, [link](#))

Competitiveness of the Korean technology startup ecosystem and opportunities for global corporations (October 14, 2021, [link](#))

Lessons from the Nordics – perspectives on Korean venture capital and startup ecosystem (September 29, 2021, [link](#))



A large, dark, 3D number '1' stands on a rooftop covered in gravel. In the background, a city skyline is visible under a cloudy sky, with a body of water and industrial cranes in the distance.

Working together for successful  
growth!

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# Preferred type of investors should be evaluated and screened in the beginning of the fundraising process

## Investor screening

Quality	Considerations	Rationale
Type of funding	Equity or debt?	Equity is the most expensive funding, as existing owners give up portion of future earnings, but often the only available form of funding
Investor's investment strategy	What is the typical ticket size? What is the development phase of companies the investor is willing to invest in?	Start from investors that match well the startup's status in required amount of funding, development phase and industry
Expertise	What expertise and value add the new investor could bring, or is it just capital?	Professional investors can bring in improvements and fresh ideas in areas like strategy or execution
Connections	Could the new investor bring connections to new markets, or in the value chain?	When funding is raised to international growth, new investor can bring in valuable connections to new market areas
Management freedom	How much management and decision-making freedom is left for the existing management?	In some cases, new investor wants to take control of the company through Board
Covenants	Is the prospective new investor likely to push for extensive, or even prohibitive covenants?	Practical implications of covenants should be evaluated
Amount of ownership	How much of the future earnings the new investor will take?	Different types of preferred share, and liquidation preference agreements governing distribution can be hard to old owners

# Length and structure of the IM can vary, but the fundamentals remain the same – creating an interesting investment case for the business

## List of contents and format – information memorandum

### Typical content list

1. Disclaimer and notice of confidentiality

2. Executive summary

3. Company overview

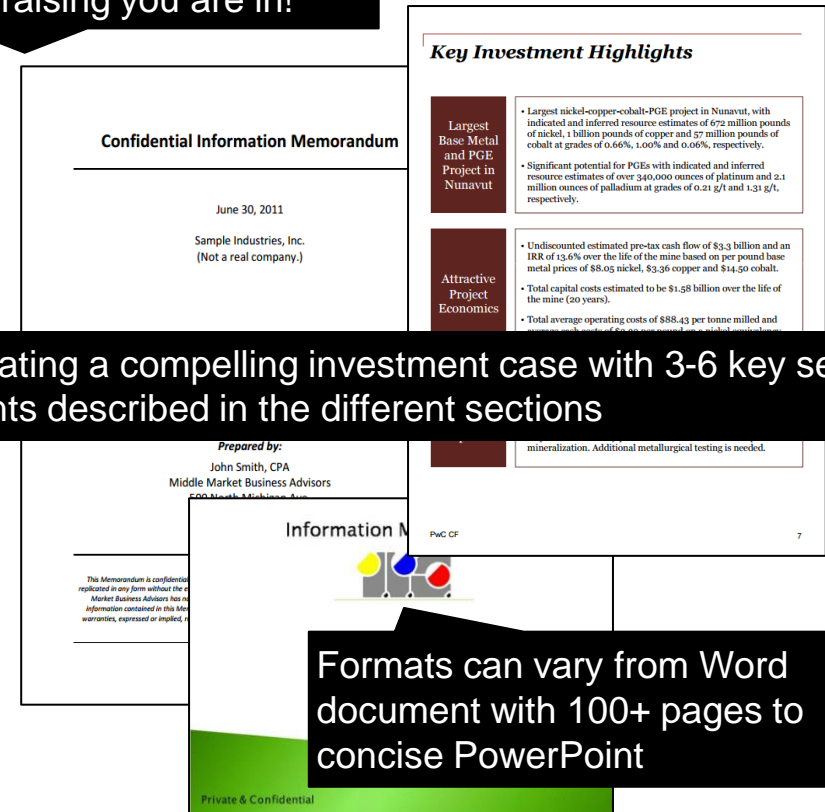
4. Business, operations, and resources

5. Industry overview

6. Financials and forecasts on future outlook

7. Transaction information

Note! An IM is not the same as a "pitch deck" – make sure you know which stage of fundraising you are in!\*



# A successful start-up often goes through multiple funding rounds with varying founder and investor expectations

## Typical financing rounds

	"FFF" round	Seed round	Series A	Series B
<b>Company age</b>	• < 1 year	• 1-2 years	• 3 years	• 4-5 years
<b>Round size</b>	• 10-100kEUR	• 100-500kEUR	• 1-2MEUR	• >2MEUR
<b>Target investor</b>	• "Friends, fools and family"	• Angel investors • Seed VCs	• Local VCs	• Global VC's (and large family funds)
<b>Non-equity investments</b>	• Local ELY-center	• Grant funding from TEKES	• Loan funding	• Grant from international R&D programs (e.g., EU's Horizon2020)
<b>Key investor arguments</b>	• Invest before anyone else at a very low price • Believe in the entrepreneur	• Proof of concept • Growth projections	• KPIs (growth, gross margin, users, retention rate, conversion, etc.)	• High growth rate • Sustainable competitive advantage
<b>Investor expectations</b>	• Possible lottery ticket	• A seat in the company board • 10x valuation within 5 years	• Exit within 8 years (or length of the fund cycle) • 10-20x return on investment • A seat in the company board	• Exit within 5 years • 10x return on investment
<b>Company expectations</b>	• "Dumb money" • Emotional support	• Investor expertise and connections	• Help in next round • Customer connections	• Help with future funding and exit

# Before launch startups rely on financing from founders and angels as well grants and loans from various institutions

## Sources of startup funding 1/2

Sources of funding	Types of financing	Required business maturity	Considerations
Founders, family and friends	Grants, loans, common stock	Explore concept	In the beginning usually the founders invest their own money and borrow money from or sell equity to family or friends.
Government	Government grants and loans	Explore and validate concept,	Many governments offer grants and loans for early-stage startups.
Banks	Loans	Validate concept, build	In principle, bank loans are available also for early-stage startups but usually the borrower has to personally guarantee the loan with tangible collateral. For more mature startups for instance IPRs might offer sufficient collateral for the loan.
Incubators	Grants, loans, convertible notes	Explore and validate concept	Startup incubators are large companies that offer seed money, expert mentorship, supplies, and office space often either for free or in exchange for equity or convertible notes.
Crowd funding	Pre-sales of products/ services or gratuitous receipts	Explore and validate concept	Crowd funding is the practice of funding a project or venture by raising monetary contributions from a large number of people, typically via an internet platform
Business angels	Preferred stock, convertible notes	Explore and validate concept, build	Angels tend to be sophisticated individuals who have subject matter expertise around particular industries where they invest their capital.

# Institutional investors step in when startup has launched the product and moves on to growth stage

## Sources of startup funding 2/2

Sources of funding	Types of financing	Required business maturity	Considerations
Super angels	Preferred stock, convertible notes	Launch (early stage)	Super angels share some characteristics of traditional angel investors, and venture capitalists. They are typically professionals for whom investing is their primary occupation. Super angel investors are often considered as a group of serial investors in early stage ventures in Silicon Valley and other technology centers who are sophisticated, insightful, and well-connected in the startup business community.
Venture capital funds	Preferred stock, convertible notes, venture debt	Growth	Venture capital funds are usually after early-stage, high-potential, growth startup companies. The venture capital fund earns money by owning and exiting the companies it invests in, which usually have a novel technology or business model in high technology industries. Venture capitalists take an active role in company management and business development. Venture capital is a type of private equity.
Private equity firms	Preferred stock	Growth, mature startup	Private equity firms are generally characterized with larger investments and lower appetite for risk than venture capital funds. Private equity is usually about taking an existing company with existing products and existing cash flows, then restructuring that company to optimize its financial performance.
Public markets, merger or acquisition	IPO	Mature startup	The most successful startups may consider going public and raise more capital for growth in initial public offering (IPO) or cease to exist as an independent entity via merger or acquisition. IPO, merger or acquisition offer the founders and subsequent investors an opportunity to exit.

# In Canada and Israel, taking into account the independence of the public sector funding entity and actively seeking matching funds from the private VCs have proven fundamental to success

## Government incentives – success stories and cautionary tales

### Successful government financial incentives

#### Canadian Pension Plan (CPP)

- Established in 1966, the CPP acted dependently on the government for 30 years; buying the government's fixed-income bonds and granting loans to the provinces at submarket interest rates; ending in poor bottom-line results
- In response, in 1997, the CPP investment board was established with members nominated purely based on business acumen and independent of the government
- The independent work of the CPP and high salaries were bitterly criticised by the media, leading to the top board members leaving for jobs elsewhere after 2009

### Failed government financial incentives

#### US DOE's Clean Energy Stimulus

- The initiative was introduced in 2005 and was funded in 2009 to support risky yet potentially rewarding energy projects
- In less than 4 years, 34BUSD was spent as loan guarantees and direct grants – 2BUSD more than the amount invested by the private sector
- Poor administration and lobbying, as well as having crowded out the private VCs led to several bankruptcies and less money going into the industry

#### China's Government Guidance Fund

- In 2015, over 231BUSD was invested in government-sponsored venture funds
- The government claimed it had raised 1.8TUSD for these funds by the end of 2018
- The result was a bubble which burst shortly, resulting in a 90% drop in fundraising by the end of 2018

#### Israel's Yozma Venture Capital

- Established in 1992 with 100MUSD wholly owned by the public sector, Yozma's goal was to bring foreign venture capitalists' investment expertise and networks to Israel and discourage local financiers
- The government provided matching funds to investors and announced other incentives such as buying back government stakes
- This led to huge participation mainly by the US, European and Japanese firms
- Moreover, many of the local partners recruited by the overseas venture capitalists were able to establish their own firms with their acquired knowledge

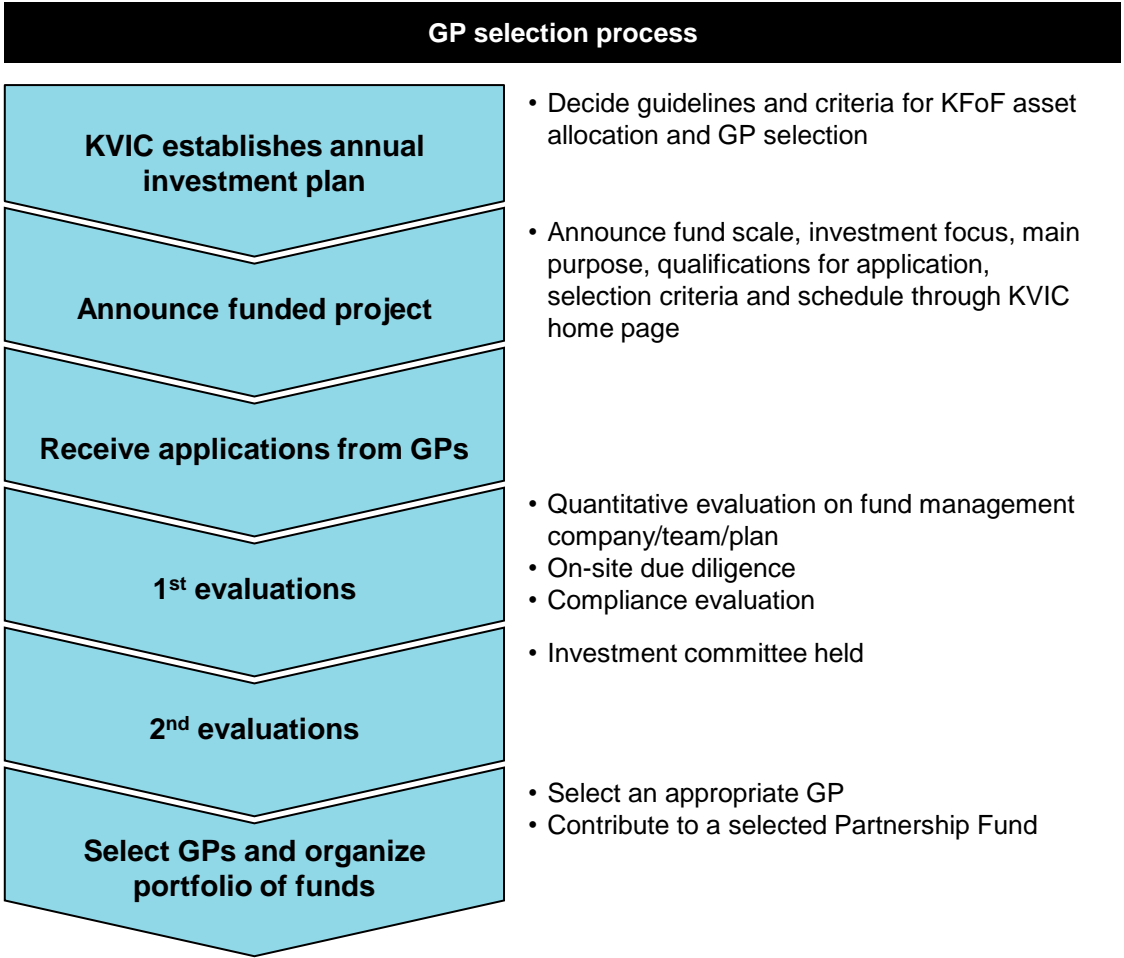
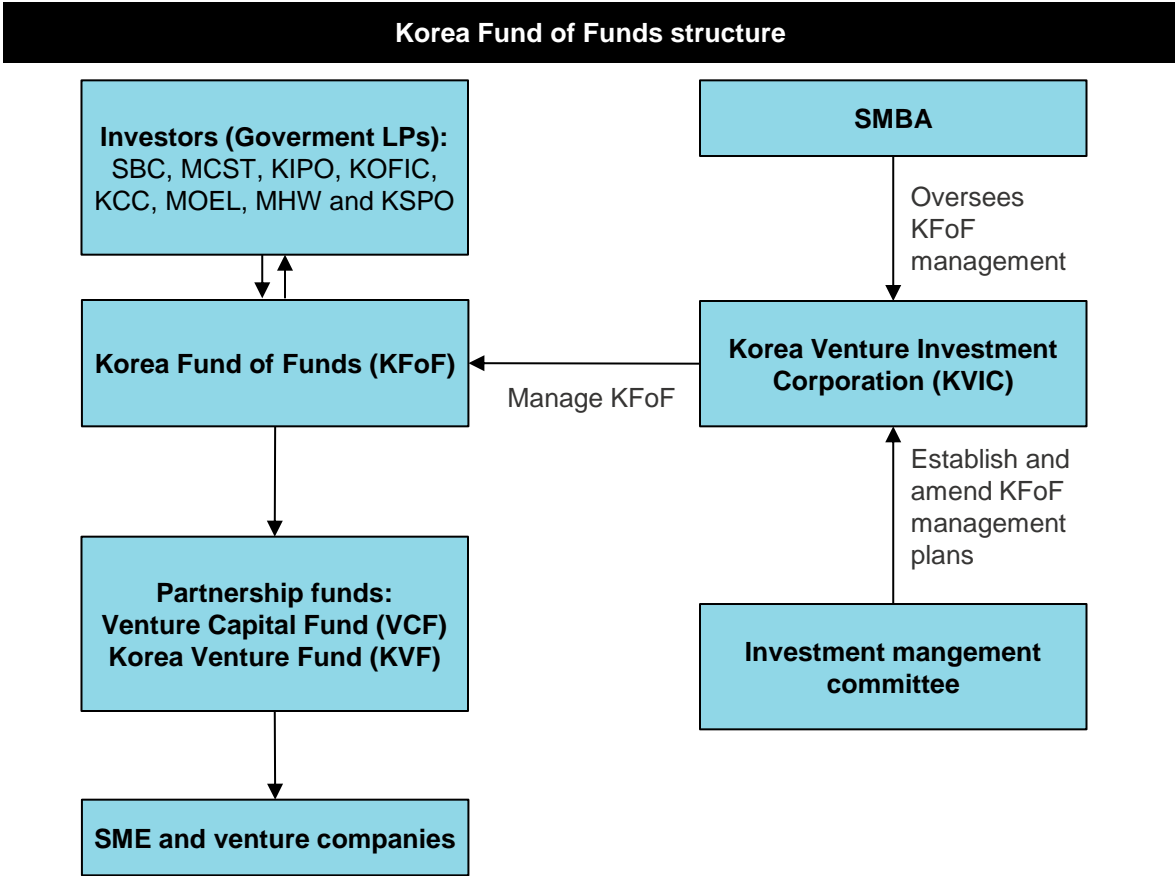
#### Saudi's investment in SoftBank Vision Fund

- Saudi Public Investment Fund committed 45BUSD to SoftBank Vision Fund to stimulate the economy
- Yet in 2018 only 50MUSD of venture capital was raised by Saudi VCs

Source: [J. Lerner \(2022\)](#): *Government Incentives for Entrepreneurship*, Reddal analysis.

# The Korean VC industry established its foundation through government-led Fund of Funds

## Role of Korea Fund of Funds in Korean VC

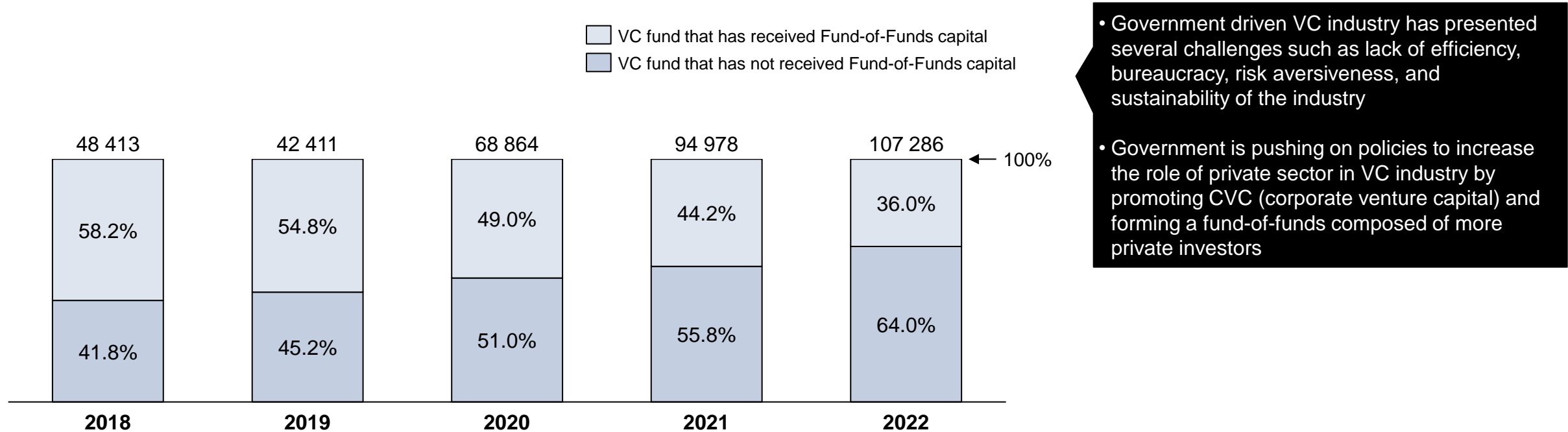


Source: Korea Venture Investment Corporation ([www.K-vic.co.kr](http://www.K-vic.co.kr)).

# The Korean VC market is being restructured under private sector leadership and more and more funds are independently formed without capital inflow from Fund-of-Funds

## Increasing role of private sector in VC industry

Composition of Korean VC funds based on whether they receive investment from Fund-of-Funds



Source: Ministry of SMEs and Startups.



# Conservative investors look for targets in late-stage ICT and manufacturing companies while large capital overhang and subsidies may result in active deal making during 2024 and onwards

## Korean VC landscape

Major VC firms by AUM (H2 2022)

VC	AUM (BKRW)
Korea Investment & Securities	3 193
Softbank Ventures	1 888
KB Investment	1 807
IMM Investment	1 400
DAOL Investment (now Woori)	1 392
AJU IB Investment	1 359
Intervest	1 246
Atinum Investment	1 203
LB Investment	1 194
Smilegate Investment	1 119
Mirae Asset Venture Investment	1 050
SV Investment	990
DSC Investment	985
SBI Investment	977
Shinhan VC	965
Company K Partners	785
Stonebridge Capital	783
Premier Partners	726
TS Investment	704
Hana Ventures	676

Key trends

<p><b>Decreasing VC fundraising activities</b></p> <ul style="list-style-type: none"><li>• VC Fundraising decreased in 2023 to 12.8TKRW, a 4.9TKRW decrease from the previous year, largely due to increased interest rates</li><li>• Policy-driven investments and private sector VC investments both decreased by 33.2% and 26.5%, respectively, YoY</li></ul>
<p><b>Late-stage deals and industry preferences for risk mitigation</b></p> <ul style="list-style-type: none"><li>• 6.9% deal volume increase for late-stage deals whereas early stage and growth-stage deal volumes decreased by 20.2% and 28.3%</li><li>• ICT manufacturing, electronics, and machinery with long-term growth prospects see increased investment activities</li><li>• This is a clear shift from Covid-era interests in gaming, logistics, bio/pharmaceutical, and entertainment</li></ul>
<p><b>Early-stage deal subsidies from government coming</b></p> <ul style="list-style-type: none"><li>• Stage-specific government funding and private VC investment encouragement<ul style="list-style-type: none"><li>• Early-stage subsidies: 6.1TKRW</li><li>• Growth-stage subsidies: 1.8TKRW</li><li>• Late-stage subsidies: 0.4TKRW</li></ul></li><li>• KONEX scale-up fund (100BKRW fund for KONEX IPO support) to promote policy financing institutes support investment activities</li></ul>

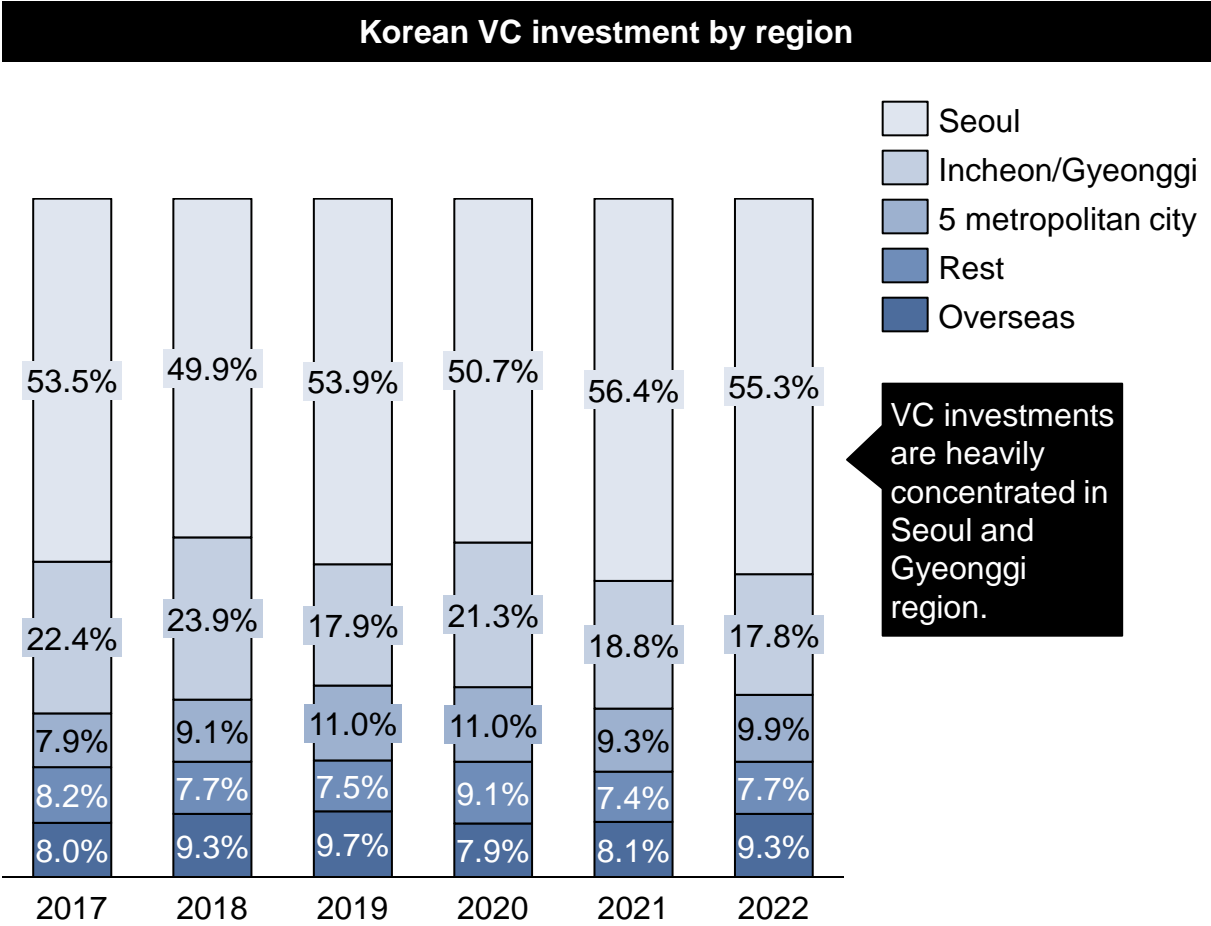
Capital availability and investor movements

<ul style="list-style-type: none"><li>• Record-breaking 11.8TKRW capital overhang attributed to new funds established during 2019–2022, with new “mega funds” closings expected in 2024</li><li>• VCs must make investments within 3 years of fund closing to continue collect management fees from LPs</li><li>• Increased investment activities driven by government push for early-stage startup investments and rising valuations may signal more active investment activities in 2024 and beyond</li></ul>
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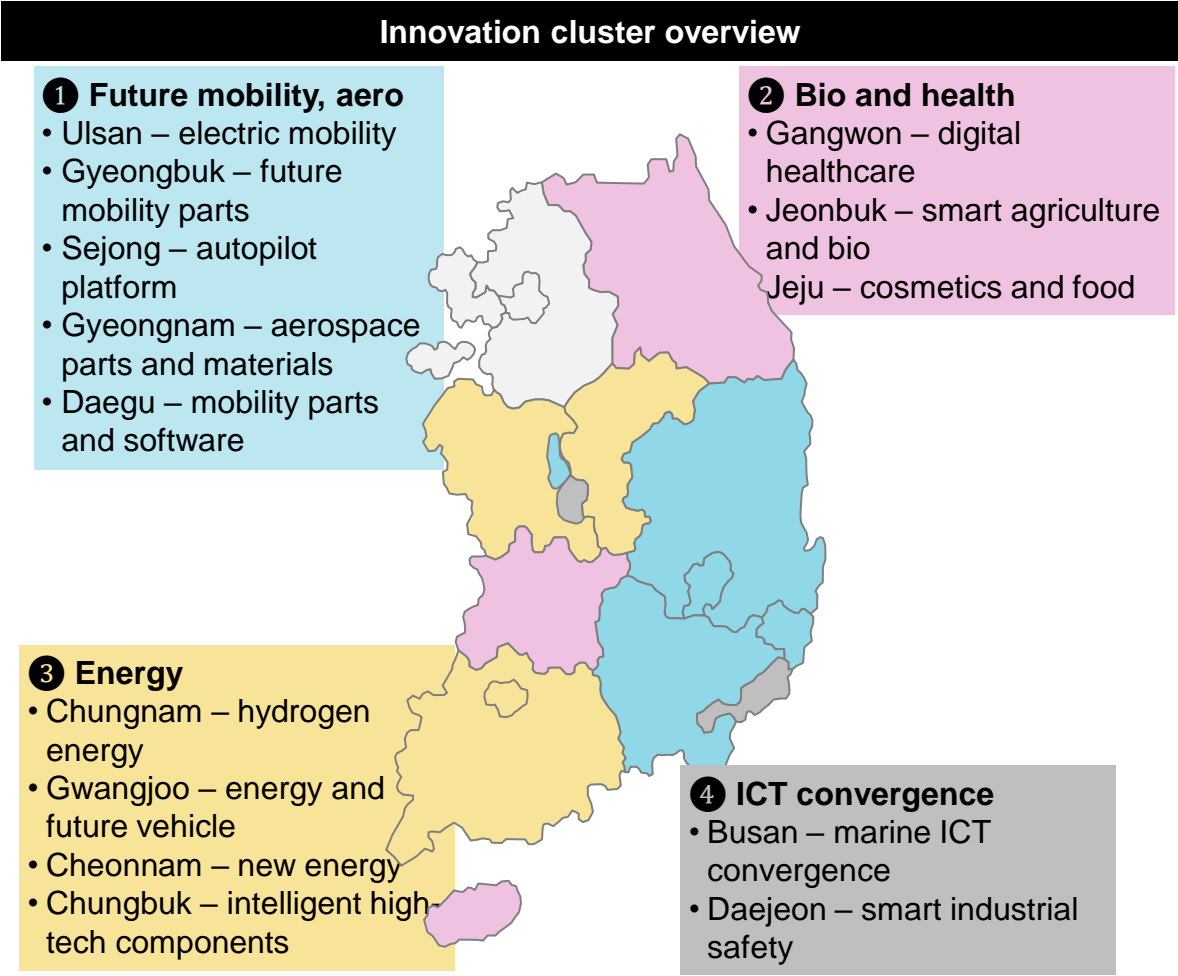
Source: Company websites, [Premium Contents](#) (2024), [KVIC](#), [KDB](#) (2024), [Money Today](#) (2024).

# The government designated innovation clusters to drive balanced development – each region to promote designated sectors with incentives

## Korea VC investment overview

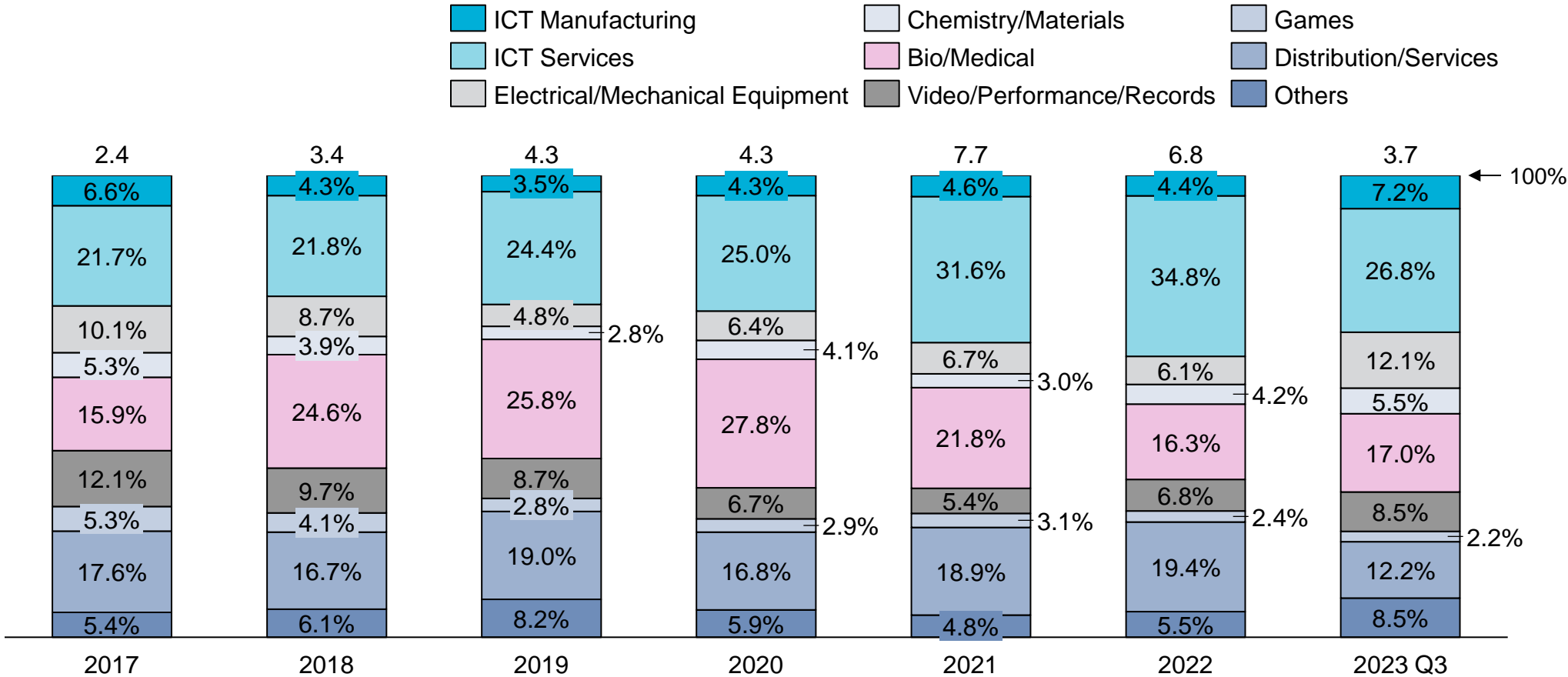


Source: KIAT ([www.kiat.or.kr](http://www.kiat.or.kr)), Korea Venture Capital Association ([www.kvca.or.kr](http://www.kvca.or.kr)).



# A significant portion of VC investments is concentrated in the ICT sector – expectations for the bio industry have significantly decreased

Korean VC investment by sectors, TKRW



Source: Korea Venture Capital Association (kvca.or.kr).