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### **New venture investment amounted to KRW 1.9 trillion, and the VC funds were created worth KRW 2.4 trillion in Q1 2024**

The domestic venture capital investment market has been steadily recovering since 2023, with a growth rate of 6% compared to the same period in 2023 and maintaining an average annual growth rate of 6% over the past five years.

Announcements of relevant status and response measures were made at the Ministerial Meeting on Economic Affairs on May 13..

**Sejong, May 14, 2024** – The Ministry of SMEs and Startups (MSS, Minister OH Youngju) announced a report on the 'diagnosis of the current situation of venture investment and countermeasures.' The report includes the latest trends in domestic venture investment and fund formation in the first quarter of 2024. It was presented during the Ministerial Meeting on Economic Affairs chaired by the Deputy Prime Minister for the Economy on Monday, May 13.

The following are the main trends and implications of the domestic venture investment market in the first quarter 2024.

Firstly, the recovery trend in venture investment observed in 2023 has continued into the first quarter of 2024. New investments of KRW 1.9 trillion and fund formation amounted to KRW 2.4 trillion, increased by 6% and 42%, respectively, compared to the same period in 2023. This trend indicates stable growth. Moreover, based on the first quarter data, there has been a steady increase over the past five years (2020-2024), with an average annual growth rate of 6% and 23%, respectively.

Secondly, there is a noticeable recovery trend in venture investments in South Korea compared to major venture investments in advanced countries such as the United States. In the first quarter of 2024, domestic venture investments in South Korea increased by 15% when converted to dollars, compared to the pre-COVID-19 period (first quarter of 2020). In contrast, the United States and the United Kingdom displayed a decline of 10% and 8%, respectively, compared to the first quarter of 2020.

Third, investment sentiment towards deep-tech startups, such as those involved in aerospace, artificial intelligence (AI), and robotics, is currently favorable. A detailed analysis of venture capitalists' startup investments shows that the investment proportion for the top 10 deep tech startup sectors increased from 31% at the end of 2023 to 40% in the first quarter of 2024.

Deep-tech sector includes:

① AI · Big data ② System semiconductors ③ Robotics ④ Mobility ⑤ Cloud · Network ⑥ Aerospace ⑦ Environmental technology ⑧ Quantum technology ⑨ Biotechnology ⑩ Next-generation nuclear power

With increasing interest from investors in the deep-tech sector, there has been a rise in large-scale investment of around KRW 100 billion. In the AI sector, companies like Rebellions (AI chip design) and Upstage (Generative AI service) attracted investments of over KRW 100 billion each. Additionally, Bear Robotics, a company founded by a Korean in the United States, received KRW 80 billion in investment in the robotics sector.

The venture capital investment market is expected to continue its growth trend into 2024. However, it is necessary to pay attention to ongoing uncertainties such as concerns about prolonged high interest rates.

The venture capital industry has recently shown a positive outlook on the expansion of investment opportunities due to adjustments in startup valuations. Nevertheless, there is a significant sentiment that establishing new funds is becoming more difficult due to persistent high interest rates.

According to estimates, the venture capital investment market is expected to grow positively this year if interest rates are reduced or if there is a recovery in the stock market. However, there are still uncertainties surrounding the market due to concerns about persistently high-interest rates and the weakness in stock price indices as of May.

The government has been supplying policy financial support by sector, taking into account market conditions and industry opinions. It has been improving the environment for the inflow of private funds into the venture capital investment market.

By establishing specific funds, such as the Startup Korea Fund (deep tech, secondary, etc.), Regional Innovation Venture Fund (regional), and Global Fund (global), MSS has secured funds by targeting key investment areas.

The Startup Korea Fund, which invests in deep tech startups and others, has raised more than KRW 300 billion from private funds, aiming to create venture capital funds of over KRW 800

billion by the end of 2024. An additional KRW 200 billion has been allocated for Regional Innovation Venture Funds to boost investments in non-capital regions. KRW 1 trillion has been allocated for Global Funds to support attracting overseas investments for domestic startups.

Efforts have been made to quickly proceed with an investment in a Fund of Funds to ease the challenges related to fund formation in the industry. During the first quarter, investment announcements worth KRW 1.4 trillion were completed, and the plan is to promptly inject at least KRW 2 trillion liquidity into the market.

Thirdly, relevant laws on private venture capital master funds were legislated to encourage the flow of large-scale private funds into the venture capital investment market. Investment systems have also been improved by introducing advanced financial techniques, such as investment condition-based loans, along with enhancing investment mechanisms.

Investment condition-based loans : Financial institutions offer low-interest loans in exchange for startup stock options.

Despite ongoing domestic and international uncertainties, the government plans to continue providing comprehensive support to ensure stable growth in the venture investment market.

First, a system for analyzing market trends will be established to better understand market conditions. This system will target various investors, such as existing venture capitalists, technology financial firms, and global venture capitalists. Additionally, information regarding the operation of venture capital funds, including returns, will be analyzed and disclosed to the public in accordance with the Venture Investment Promotion Act.

MSS plans to implement different policy measures to assist in the creation of specialized funds, customized investment attraction programs, and improved information disclosure. These measures aim to aid domestic and foreign investors in identifying suitable investment opportunities across various fields, such as regional, technological, and global sectors.

Dedicated funds of KRW 1 trillion will be established for non-capital regions by 2026. Regular startup investment seminars will also be held for each of the six metropolitan areas nationwide.

MSS will support innovative technology companies in attracting investments by sharing startup technology evaluations from the Korea Technology Finance Corporation to help venture capitalists discover new investment opportunities.

In addition, there are plans to generate an extra KRW 4 trillion for Global Funds before 2027. The K-Global Star program will introduce domestic startups selected by domestic and international venture capitalists to foreign investors. The program will commence in Japan on

May 10, followed by the United States, Asia, Europe, and other regions.

Third, a comprehensive plan encompassing fund formation, investment, and exit strategies will be formulated by mid-year further to propel domestic venture investment to the next level.

Minister OH Youngju stated, "We will do our best to secure the growth engine of our economy by carefully assessing market conditions and implementing timely policy measures." She added, "We plan to thoroughly prepare comprehensive measures for venture investment in close communication with the industry."