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Venture Investment and Funds in Korea Reach a “Record High” in the First Half of the Year

- Boom in venture investment based on private-led funds -

- **(Investment)** Venture investment in Korea for the first half of 2021 increased by more than 85% compared to the same period from the previous year (+1.4176 trillion won) to **3.073 trillion won, reaching a record high among all first halves recorded in history.**
 - Major industries of the post-COVID era, including ICT services, commerce and services, and bio and medicine industries were key players in the increase in investment for the first half
 - **61 companies** attracted more than **10 billion won** each, which is the highest number of companies among all first halves
- **(Fund)** There were venture funds formed **at the 1 trillion won level** for both **Q1 and Q2**, with a total of **2.7433 trillion won** (137 funds) **in value of the funds, the highest among all first halves**
 - Fund of Funds was used as a pump primer, and **private investment** was **about 2.6 times higher** than the first half of 2020, reaching **2 billion won in only the first half of the year**

The Ministry of SMEs and Startups (Minister Kwon Chil-seung, hereafter referred to as “MSS”) reported that the venture investment and funds in Korea in the first half of 2021 amounted to **3.073 trillion won** in **venture investment** and **2.7433 trillion won** in **venture funds**, which are both **record highs among all first halves recorded in history.**

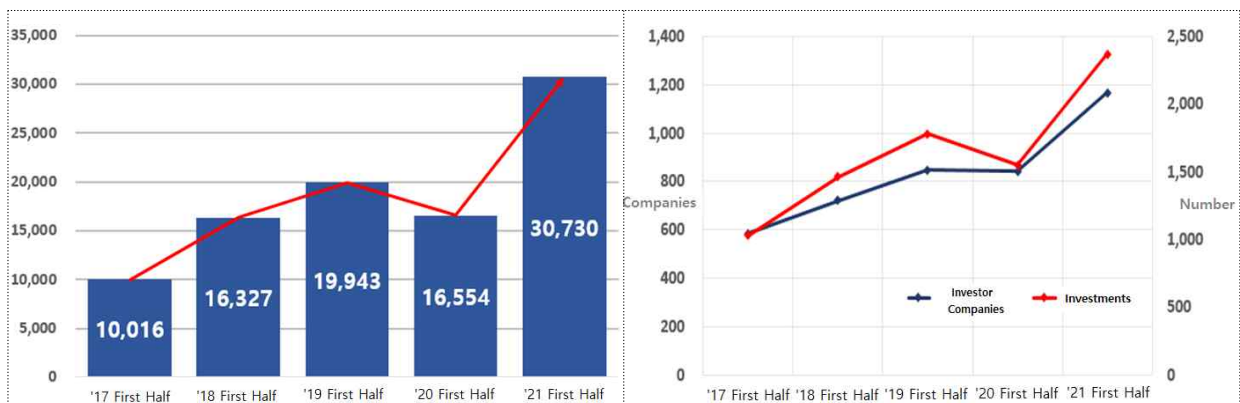
Trends in Venture Investment

(1) Summary: **3.073 trillion won, reaching a record high for the first half of the year (+85.6% compared to the first half of 2020)**

Venture investment in Korea for the first half of 2021 increased by approximately 85.6% compared to the same period last year (+1.4176 trillion won) to **3.073 trillion won, which is the greatest amount for all first halves in history.**

3.073 trillion won already represents 70% of last year's value of 4.3045 trillion won, which is the highest amount of annual investment to date.

The **numbers of investments and investor companies** for the first half of the year also amounted to **2,367 and 1,166**, respectively, which are also **record highs among all previous first halves.** The amount per investment was 1.3 billion won on average, and the amount per company was 2.64 billion won on average.



〈Venture Investment for the first half over the past five years (100 million won)〉

〈Number of investments and investor companies for the first half over the past five years〉

Specifically, the amount of investment, number of investments, and the number of investor companies were 3.1 times, 2.3 times, and 2.0 times higher, respectively, than those of the first half of 2017.

<Venture Investment for the First Half from 2017 to 2021 (Unit: 100 million won, %, cases, number)>

Classification		2017	2018	2019	2020	2021	
First Half	Amount of Investment	10,016	16,327	19,943	16,554	30,730	
	Compared to Last Year	Amount	-	+6,311	+3,616	△3,389	+14,176
		Rate	-	+63.0	+22.1	△17.0	+85.6
	Number of Investments	1,033	1,462	1,778	1,548	2,367	
	Amount per investment	9.7	11.2	11.2	10.7	13.0	
	Number of Investor Companies	585	721	848	841	1,166	
Amount per company	17.1	22.6	23.5	19.7	26.4		

In terms of investment by quarters, the amount of investment for the second quarter of 2021 increased by approximately two times to 1.7686 trillion won compared to the second quarter last year, reaching a record high among the quarters.

This amount is 1.5 times higher than 2019 Q2, which is before the COVID-19 pandemic began.

<Venture Investment of Q1 and Q2 for 2019, 2020, 2021 (Unit: 100 million won, %)>

Classification	2019	2020	2021	Compared to 2020	
				Amount of Change	Rate of Change
Q1	7,789	7,733	13,044	+5,311	+68.7
Q2	12,154	8,821	17,686	+8,865	+100.5
Total	19,943	16,554	30,730	+14,176	+85.6

(2) Industry: ICT services, commerce and services, and bio and medicine industries were key players for the increased investment for the first half of the year

Compared to the investment by industries for the first half of last year, there was an increase in the amount of investment across all industries for the first half of this year.

Among all industries, the top three industries that showed the largest amount of increase were **ICT Services, Commerce and Services, and Bio and Medicine**, which are considered key industries of the post-COVID era.

The increase in these three industries (+1.1418 trillion won) constituted **more than approximately 80%** of the **entire increase of investment (+1.4176 trillion won)**.

As the COVID-19 pandemic is being prolonged, there has been an increase in the demand for work-from-home and non-face-to-face services, which led to a surge in the investment in the **commerce and service industry** focusing on **ICT services** and e-commerce, increasing by more than **380 billion won each** compared to the first half of last year.

The amount of investment for the **bio and medicine industry** increased by **more than 370 billion won** compared to the first half of last year, and **took up the largest portion of all investments** in the first half for the second year in a row.

<Venture Investment in the First Half of 2020 and 2021 by Industries (Unit: 100 million won, %)>

Industry	Fist Half of 2020	Fist Half of 2021	Portion	Amnt of Change	Rate of Change	Industry	Fist Half of 2020	Fist Half of 2021	Portion	Amnt of Change	Rate of Change
ICT Services	4,120	7,953	25.9	+3,833	+93.0	ICT	836	1,516	4.9	+680	+81.3
Commerce and Services	2,627	6,457	21.0	+3,830	+145.8	Manufacturing	402	688	2.2	+286	+71.1
Bio and Medicine	4,311	8,066	26.2	+3,755	+87.1	Other	1,033	1,207	3.9	+174	+16.8
Electricity, Machine, Equipment	1,524	2,265	7.4	+741	+48.6	Chemical and Materials	776	940	3.1	+164	+21.1
Videos, Performances, Labels	925	1,638	5.3	+713	+77.1						

(3) Non-Face-to-Face Sector: Investment increased by approximately 94%, and the number of investor companies increased by approximately 43%

※ **Non-Face-to-Face Sector:** Sectors that enhance management efficiency or user convenience by using ICT, AI, or big data to allow non-face-to-face deliveries of products or services (7 industries: Smart Healthcare; Education; Smart Biz & Finance; Daily Consumption; Entertainment; Logistics and Distribution; Basic Technology)

Venture investment in the first half for **non-face-to-face** companies amounted to **1.4596 trillion won** which is approximately twice (+93.7%) that for the first half of last year (753.5 billion won). The **number of investor companies** was **546**, which is an increase of 43% (+165) compared to the first half of last year.

In particular, in addition to the increase in the investment in the **non-face-to-face sector and the number of investor companies in this sector**, the rates of increase (+93.7%, +43.3%) **were also higher than those for all investments (+85.6%, +38.6%), highlighting the investment performance in the non-face-to-face sector.**

<Venture Investment in the First Half of 2020 and 2021 in the Non-Face-to-Face Sector
(Unit: 100 million won, %, number)>

Classification	First Half of 2020	First Half of 2021	Compared to Last Year	
			Amount of Change	Rate of Change
All Venture Investments (A)	16,554	30,730	+14,176	+85.6
Non-Face-to-Face Sector (B)	7,535	14,596	+7,061	+93.7
Portion (B/A ×100)	45.5	47.5	+2.0%p	-
All Investor Companies (A)	841	1,166	+325	+38.6
Non-Face-to-Face Sector (B)	381	546	+165	+43.3
Portion (B/A ×100)	45.3	46.8	+1.5%p	-

(4) Company Age: Companies in their middle stages increased greatly in portion, taking up the largest portion at 48.0%

In terms of the age of venture companies that attracted investment in the first half of the year, the amount of investment increased across all company age groups (Early, Middle, Late stages) from the first half of 2020.

Among them, investment in the **companies in the middle stage** greatly increased by more than 2.5 times compared to the first half of last year. The amount of investment in these companies took up **48.0%**, which is 12.9%p greater than last year, and **occupied the largest portion** among all investments.

Although investment in companies in the early stages increased by 161.9 billion won (+28.5%) compared to the first half of last year, the amount of investment from companies in the middle and late stages greatly increased by 154.2% and 71.2% respectively, decreasing the portion of investment in companies in the early stages by 10.5%p.

<Venture Investment in the First Half of 2020 and 2021 by Company Age (Unit: 100 million won, %)>

Classification	First Half of 2020		First Half of 2021			
	Amount	Portion	Amount	Changes (Rates)	Portion	Change
Early (3 years or less)	5,680	34.3	7,299	+1,619(+28.5)	23.8	10.5%p
Middle (3 – 7 years)	5,806	35.1	14,757	+8,951(+154.2)	48.0	+12.9%p
Late (More than 7 years)	5,068	30.6	8,674	+3,606(+71.2)	28.2	△2.4%p
Total	16,554	100.0	30,730	+14,176(+85.6)	100.0	-

(5) Sequential Investment: 72.2% of all investments were sequential investments, which have been steadily increasing in portion and reached the highest point among the past five years

Sequential investment for the first half of the year amounted to 2.2177 trillion won, which accounted for approximately 72.2% of all investments (3.073 trillion won).

For the past five years, the portion of sequential investment within the first half has been steadily increasing from approximately 50% in the first half of 2017. The portion **reached the highest point** in the first half of 2021 **among the past five years**.

The amount of sequential investment for the first half of the year increased by approximately twofold from that of the first half of last year.

This may be due to greatly easing the regulations related to limitations in sequential investment with the “Act on the Promotion of Venture Investment” enacted and enforced from August 2020, leading to a surge in the amount of sequential investment.

<Sequential Investment for the First Half from 2017 to 2021 (Unit: 100 million won, %)>

Classification		First Half of 2017	First Half of 2018	First Half of 2019	First Half of 2020	First Half of 2021
Investment Amount	Total	10,016	16,327	19,943	16,554	30,730
	Sequential	5,343	9,917	13,606	11,597	22,177
	Portion	53.3	60.7	68.2	70.1	72.2

(6) Large Investment: 61 companies attracted more than 10 billion won in investment, the highest value in history

Among the venture companies that received investment in the first half of 2021, **61 companies** attracted **more than 10 billion won in investment**, which is the highest value in history among all previous first halves.

As the amount of investment reached a record high for the first half of 2021, the number of companies that attracted an investment of 10 billion won or more also rose dramatically. Sixty-one companies, which account for more than 80% of the 75 companies that attracted 10 billion won in yearly investment last year, received 10 billion won or more in only the first half of the year. Four of these companies attracted more than 30 billion won.

※ Note (Number of companies that attracted more than 10 billion won in investment for the past five years): (2017) 29 → (2018) 54 → (2019) 70 → (2020) 75

Trends in Funds

(1) Summary: **2.7433 trillion won, reaching a record high for the first half (+130.7% compared to the first half of 2020)**

For the first half of 2021, 137 funds formed **2.7433 trillion won** in Korea, which is not only the highest number of funds to date, but also **the greatest amount of formation among all first halves in history** comparable to that of investments. The amount is an approximately 130.7% increase compared to the same period last year.

<Funds Formed in the First Half from 2017 to 2021 (Unit: 100 million won, %, number)>

Classification		2017	2018	2019	2020	2021	
First Half	Amount Formed	14,446	14,164	13,647	11,892	27,433	
	Compared to Last Year	Amount	-	△282	△517	△1,755	+15,541
		Rate	-	△2.0	△3.7	△12.9	+130.7
	Number of Funds	56	49	67	56	137	

In terms of quarters, **funds from both Q1 and Q2 this year formed more than 1 trillion won.**

Q1 funds formed 1.511 trillion won, and Q2 funds formed 1.2323 trillion won. These amounts are greater than not only those of 2020 when there were difficulties from the COVID-19 pandemic, but also **two years ago in 2019 which is before the pandemic began.**

<Funds Formed in Q1 and Q2 for 2020 and 2021 (Unit: 100 million won, %)>

Classification	2019	2020	2021	Compared to 2020	
				Amount of Change	Rate of Change
Q1	6,605	5,078	15,110	+10,032	+197.6
Q2	7,042	6,814	12,323	+5,509	+80.8
Total	13,647	11,892	27,433	+15,541	+130.7

Funds from the Fund of Funds, which were formed from the investments of Fund of Funds, **formed 1.2711 trillion won** (46.3% increase from the entire first half of 2021 of 2.7433 trillion won).

The portion of investment from Fund of Funds was approximately 55% in the first half of 2019, and the portion decreased to approximately 30% in the first half of this year. However, the **portion of investment from sources other than the Fund of Funds** increased from approximately 45% to **approximately 70%**.

This shows that the Fund of Funds serves as a pump primer for private investment and investment from other political institutions.

<Funds Formed in the First Half for 2019 to 2021 (Unit: 100 million won, %)>

Classification	First Half of 2019		First Half of 2020		First Half of 2021	
	Value	Portion	Value	Portion	Value	Portion
Funds Formed by the Fund of Funds	4,140	100.0	7,147	100.0	12,711	100.0
Investment from the Fund of Funds	2,280	55.1	3,435	48.1	3,876	30.5
Investment from Sources other than the Fund of Funds	1,860	44.9	3,712	51.9	8,835	69.5

- (2) **Investor: Investment from policy financing of 766.3 billion won (+83.8% or +349.3 billion won compared to the first half of 2020)**
Private investment of 1.977 trillion won (+156.0% or +1.2048 trillion won compared to the first half of 2020)

In terms of the fund investors from the first half of 2021, the **policy financing sector** increased its investment by approximately 83.8% from the first half of last year to **766.3 billion won**, and **private investment** was **2.6 times greater than investment from the policy financing sector with 1.977 trillion won**.

For the policy financing sector, investment in the **Fund of Funds** increased by 44.1 billion won compared to the first half of last year to **387.6 billion won**, and took up the largest portion among all investments from the policy financing sector.

Investment from **other political organizations** such as the Korea Development Bank and government funds increased by 182.2 billion won to **224.2 billion won**, and investment from **K-Growth** increased by approximately 123 billion won to **154.5 billion won**.

For private investment, the investment from corporations, financial institutions, and venture capitals (VC) increased by approximately more than 200 billion won compared to the first half of last year. The **greatest amount of increase was from individuals with an increase of approximately 343.2 billion won**, which also occupied **the largest portion** among all private investments.

<Fund Investors in the First Half for 2019, 2020, and 2021 (Unit: 100 million won, %)>

Classification		First Half of 2019	First Half of 2020	First Half of 2021	Amount of Change	Rate of Change	
Policy Financing	Fund of Funds	2,280	3,435	3,876	+441	+12.8	
	Other Political Organizations	136	420	2,242	+1,822	+433.8	
	K-Growth	575	315	1,545	+1,230	+390.5	
	Subtotal	2,991(21.9)	4,170(35.1)	7,663(27.9)	+3,493	+83.8	
Private Investment	Individual	3,516	1,115	4,547	+3,432	+307.8	
	Corporates	2,185	1,646	4,522	+2,876	+174.7	
	Financial Institutions (Aside from KDB)	Banks	670	295	957	+662	+224.4
		Insurance	200	-	345	+345	Net Increase
		Securities	366	245	220	25	△10.2
		Other	935	482	2,151	+1,669	+346.3
	VC	2,171	1,022	3,673	+2,651	+259.4	
	Pensions/ Mutual Aid	2,208	1,769	4,039	+2,270	+128.3	
	Other (Other organizations, foreigners)	190	1,250	2,340	+1,090	+87.2	
	Subtotal	10,656(78.1)	7,722(64.9)	19,770(72.1)	+12,048	+156.0	
	Total	13,647(100.0)	11,892(100.0)	27,433(100.0)	+15,541	+130.7	

For **purely individual investors** from private investment that does not take into account special money intrust*, **the amount of funds formed in the first half of 2021 increased by approximately 8.7 times from the first half of 2017 (34.1 billion won →298.3 billion won), and the number of investors also increased by approximately 13.5 times (93 →1,255).**

* Special Money Intrust: A type of trust where individuals as trustors designate how to manage their trust for the trust company

**<Fund Investment and Number of Fund Investors in the First Half from 2017 to 2021
(Unit: 100 million won, people)>**

Classification	First Half of 2017	First Half of 2018	First Half of 2019	First Half of 2020	First Half of 2021
Fund Investment	341	223	1,407	761	2,983
Number of Investors	93	142	337	253	1,255

According to the venture capital industry, individuals have started to aggressively invest more in venture capitals due to their greater knowledge in financial investment from investing in the stock market, as well as greater interest in venture investment.

Minister of SMEs and Startups Kwon Chil-seung stated, “Although venture investment stumbled during the early stages of the COVID-19 pandemic in the first half of 2020, the Moon Jae-in administration aggressively increased the amount of budget for Fund of Funds and private funds, which led to a continuous increase in venture investment and venture fund formations.”

He added, “The fact that more private venture capitals are deciding to invest in venture companies is proof that Korea has more excellent start-ups that are worth investing in, and there is confidence that these companies will lead to return on investment.”

In addition, Minister Kwon mentioned, “Recently, the Wall Street Journal pointed out that the growth of Korean start-ups is worth considering within the economic structure of the country that is heavily focused on large companies. Innovative venture companies and start-ups are the hopes for the Korean economy and new growth engines for the future.”

He also said, “The Ministry of SMEs and Startups will revise regulations related to venture and start-up companies such as stock options and recovery markets to continue the second venture boom and ensure a private-led venture and start-up ecosystem with sustainable growth.”

Reference

Top 10 Venture Companies with Greatest Investment for the First Half of 2021

No.	Company Name	Industry	Description	Investment Received in the First Half (100 million won)
1	Viva Republica Inc.	Commerce/Service	Mobile easy money transfer application service	Undisclosed
2	The Black Label	Commerce/Service	Management for musicians and actors	Undisclosed
3	Ably Corporation Inc.	Commerce/Service	AI-based mobile shopping application	357
4	Furiosa AI	ICT Manufacturing	Hardware/Software design for AI	335
5	GeneMedicine	Bio / Medicine	Oncolytic virus	265
6	J-3	ICT Manufacturing	Semiconductor wafer manufacturing	263
7	Kmong	ICT Service	Expert freelancer market platform	262
8	Trenbe	Commerce/Service	E-commerce platform for direct purchase of foreign luxury goods	Undisclosed
9	Standigm	ICT Service	AI platform and software with data on new drug development	227
10	OPENEDGES Technology	ICT Manufacturing	Develop and provide semiconductor IP	220

※ Note: Viva Republica Inc., The Black Label, and Trenbe requested that the amount of investment received in the first half of the year not be disclosed.