



# Seoul: an Asian Tiger startup city

July 2021

## Key takeaways:



### **South Korea is one of Asia's fastest-growing tech ecosystems.**

VC investment in South Korea grew 2.5x between 2016 and 2020, making it the fastest-growing Asian Tiger nation for VC investment. The Seoul tech ecosystem has surpassed \$135B+ in value, and South Korea is a global leader in R&D.



### **Seoul has created 15 startups valued over \$1B.**

From a relatively small pipeline of startups, Seoul has created 15 unicorns. A highly-educated workforce, high-tech economy and powerful corporates have converged to create a fast-growing startup ecosystem with global reach.



### **Seoul is creating world leading Gaming and Beauty startups.**

Consumer-focussed companies are driving South Korea success. K-Beauty and gaming are where Seoul really shines with giants like Krafton, GP Club and raising stars such as MBX and Gen.G.

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# 1 South Korea - an Asian innovation hub

# South Korea is the poster child for the power of technology in economic transformation.

It took South Korea just one generation to transform its economy from one of the poorest to one of the richest in the world.

Technology and innovation are the key factors that have brought rapid and long-lasting positive results, and fueled the country's astonishing economic rise over the last decades.

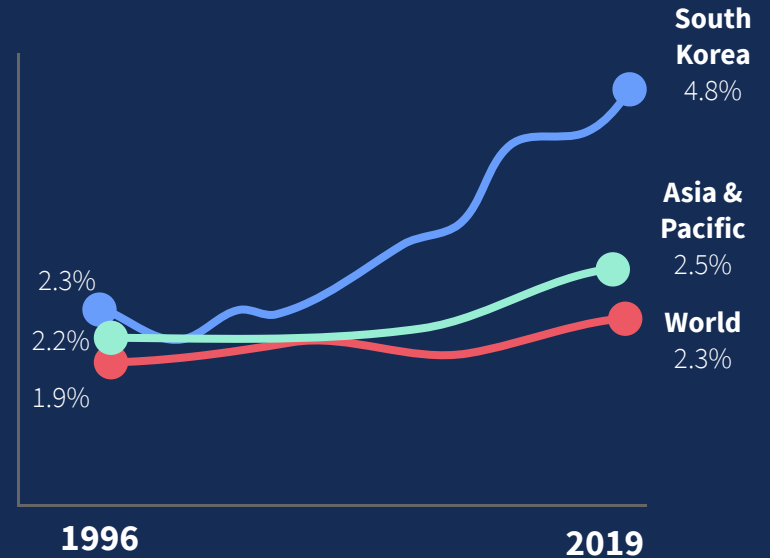
Seoul is home to many global corporates that shape current technology climate, like Samsung, LG, SK or Hyundai.

South Korea's is a "first mover" in innovation what reflects country spend on R&D (first in % of GDP in Asia-Pacific region and second worldwide).

## R&D expenditure as % of GDP

Public and private

Source: The World Bank



# Conglomerates (*chaebols*) have driven Korea's innovation boom, but the corporate landscape is changing, with the balance shifting towards SMEs.

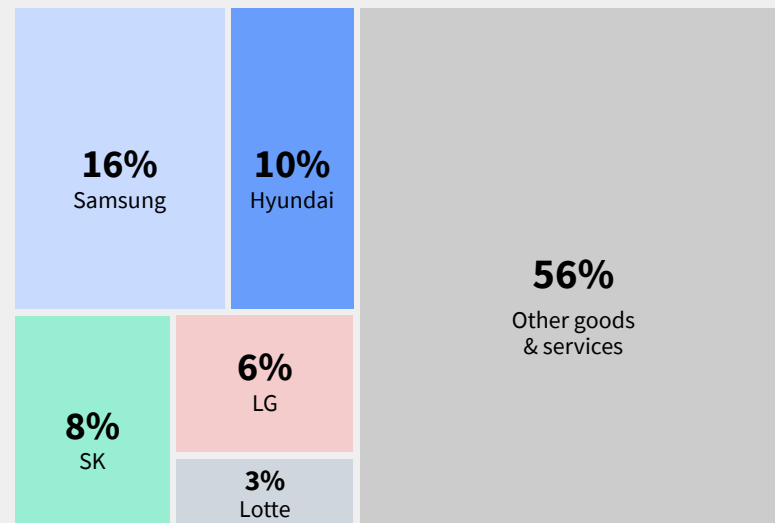
Conglomerates originated in Korea dominate country's economy and played a central role in transforming South Korea into one of the world's largest economies.

Despite absolute market dominance and accounting for nearly a half of South Korea's GDP, *chaebols* employ only 12% of total country's workers.

Major corporate governance reforms are undertaken in South Korea to support sustainable growth, improve market competitiveness for SMEs and limit inequality.

## Revenue of each *chaebol* as percentage of South Korea's GDP in 2019

Source: Bank of Korea



# South Korea is betting on tech, by creating startup and sustainability-focused investment initiatives.

In March 2019, the government of South Korea confirmed launching a \$10.6B scaleup fund to boost innovation and spur growth in the technology sector.

Additionally, the country aims to create a \$1B Seoul Future Growth Fund to invest in seed stage companies from emerging sectors.

For growth startups (at series B and above), the city launched \$300M Seoul Scale-up Fund, managed by KB Investment and KTB Network.

In July 2020, Korea launched \$135B initiative to invest in advanced sustainable technology, including expansion of solar panels and wind turbines, installation of 'smart grids' and building EV charging stations.

## Strategic investment initiatives taken by South Korean government

	<b>Initiative</b>	<b>Purpose</b>	<b>Size</b>
#1	<b><i>Korean New Deal</i></b>	<b>Green and digital tech</b>	<b>\$135B+</b>
#2	<b><i>South Korea Scale-up Fund</i></b>	<b>Early and mid-stage startups</b>	<b>\$11B</b>
#3	<b><i>Seoul Scale-up Fund</i></b>	<b>Growth stage startups</b>	<b>\$300M</b>
#4	<b><i>Seoul Future Growth Fund</i></b>	<b>Seed stage startups</b>	<b>\$1B+</b>
	<i>Smart City</i>	IoT and blockchain startups	\$260M
	<i>4th Industrial Revolution</i>	AI and industrial startups	\$250M
	<i>Startups</i>	Other seed stage startups	\$210M
	<i>Bio</i>	Biotech and medtech startups	\$170M
	<i>Comeback</i>	Serial entrepreneurs	\$85M
	<i>Culture</i>	Cultural content	\$85M







# The climate crisis is a big target for sustainable investment and growth, with South Korea targeting carbon-neutrality by 2050.

South Korea has been historically very reliant on fossil fuels, primarily coal-generated energy, with 40% of country's electricity being generated from imported coal.

South Korea will invest \$7.1B in green new deal projects such as charging stations for electric vehicles (EV), hydrogen-powered vehicles, and replacing diesel passenger locomotives with high-speed trains.

Conglomerates are also looking extensively at climate technology, with SK recently acquiring a \$1.5B stake in a hydrogen fuel cell maker Plug Power, as well as investing \$8B in building battery factories for EV.

## Selected Korean climate tech startups

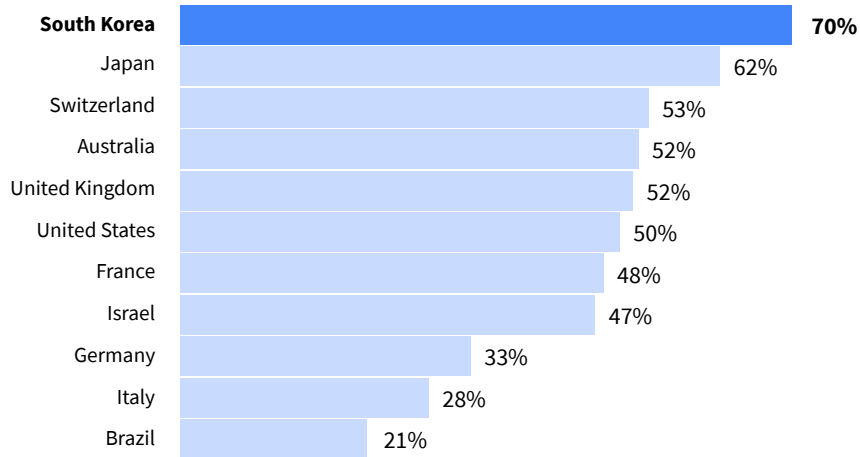
Logo	Description	Founded	Funding
	Eco-friendly car sharing	2012	\$210M
	B2B Marketplace for renewables	2016	\$26M
	Recycle plastic debris	2017	\$17M
	Vanadium-ion batteries	2013	\$14M
	Sources sustainable fabrics	2017	\$9.5M
	Plant-based meat	2019	\$8.4M



# South Korea has the world's most educated population, with 70% of the young population attaining tertiary education, and often choosing STEM majors.

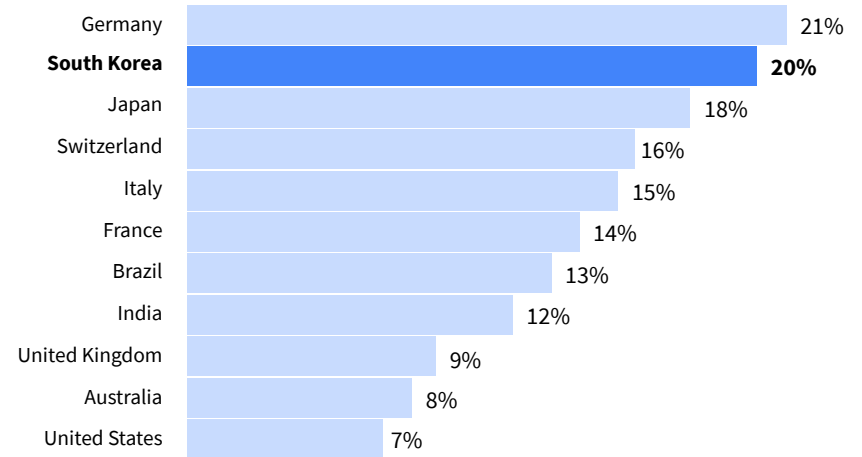
## Share of population aged 25-34 that completed tertiary education (university or college) in 2019

Source: OECD



## Share of graduate students that completed engineering degrees in 2019

Source: OECD

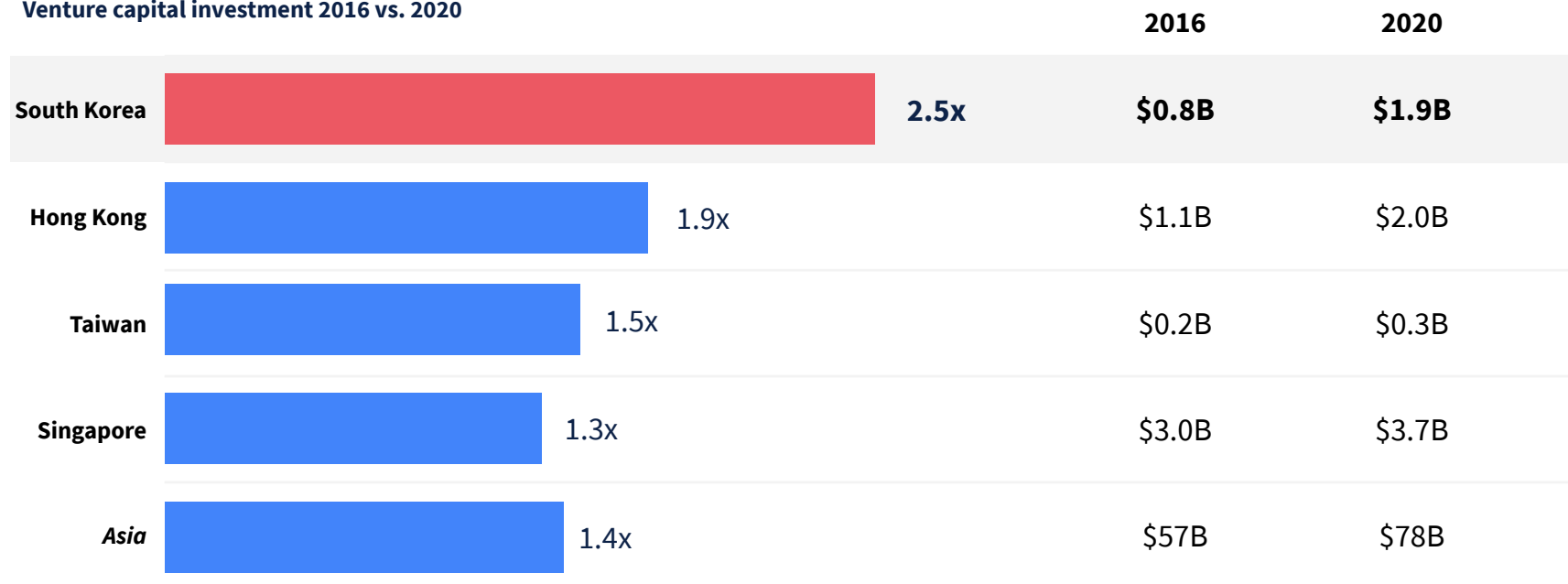


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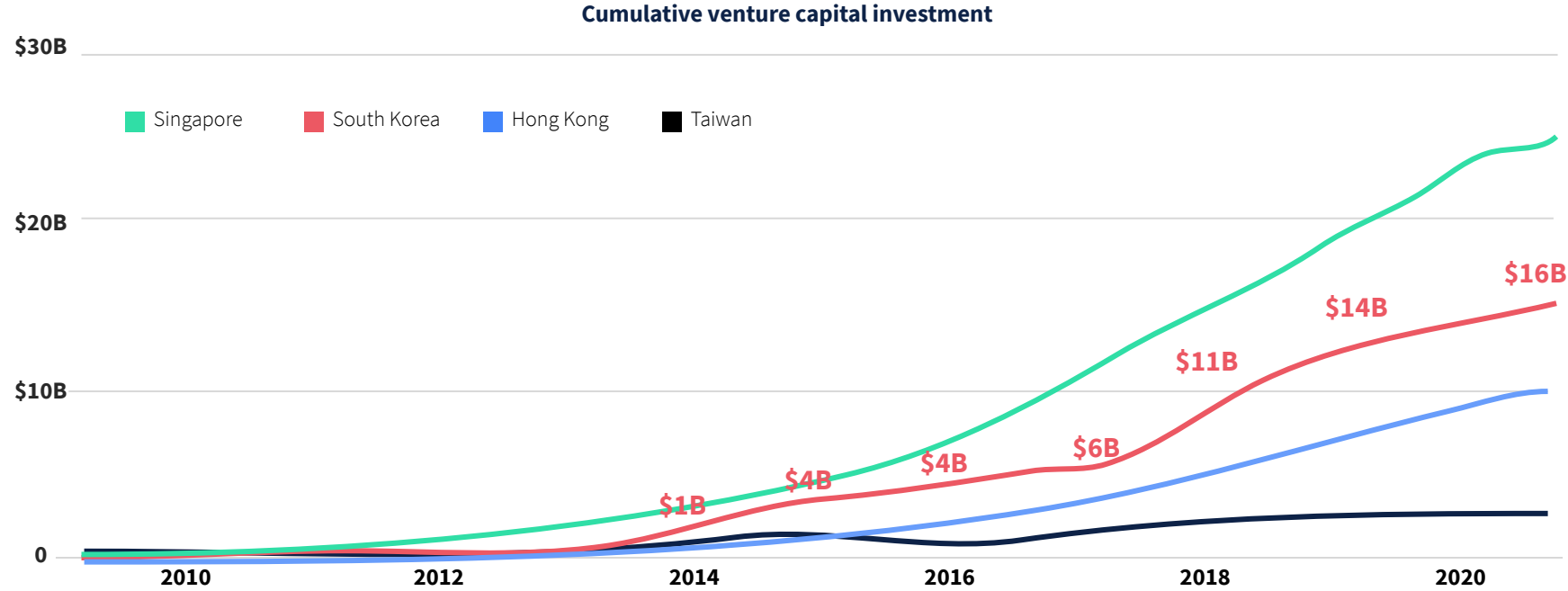
# Venture capital and investment trends

# Startup-powering VC investment in South Korea is growing faster than any other *Asian Tiger* nation.

Venture capital investment 2016 vs. 2020

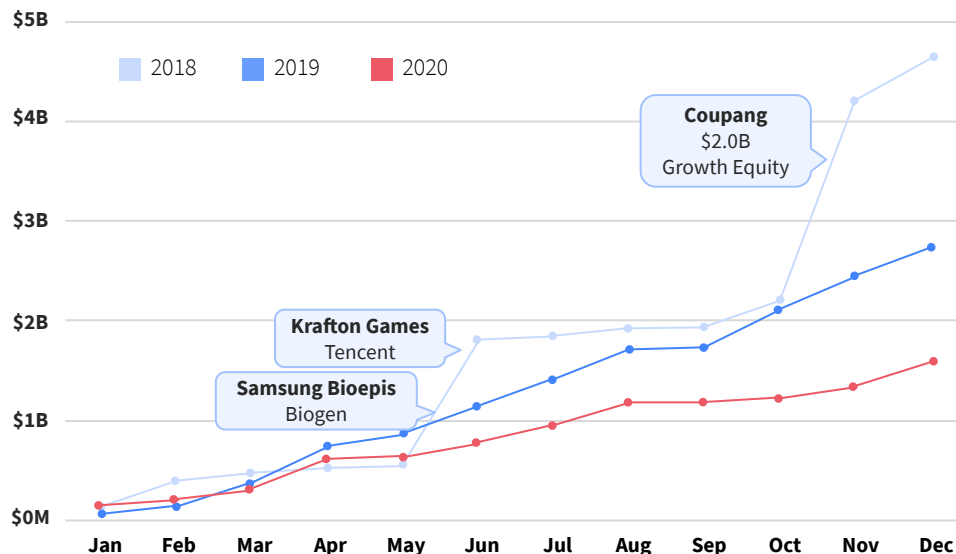


# South Korean startup investment is on a high-growth trajectory, with \$16B+ raised in the last decade.










# Growth rounds of \$25M and above make up more than 56% of total capital deployed into Seoul's startups in 2020.

Cumulative monthly venture capital investment amount

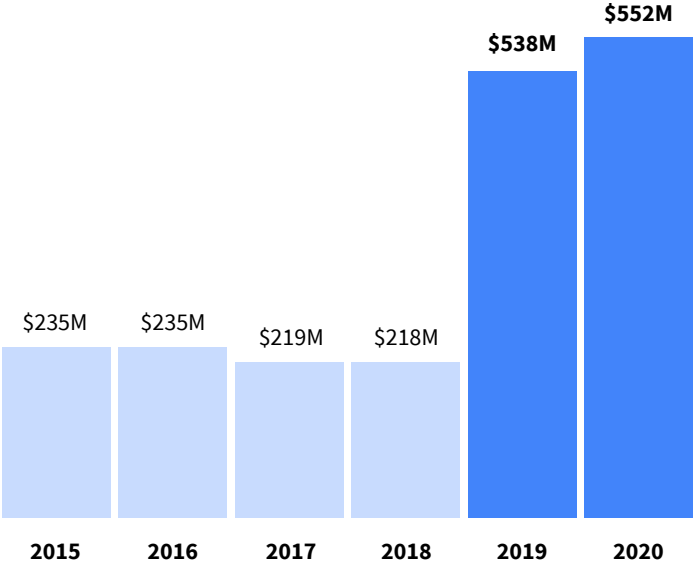


Largest VC rounds in Seoul 2020

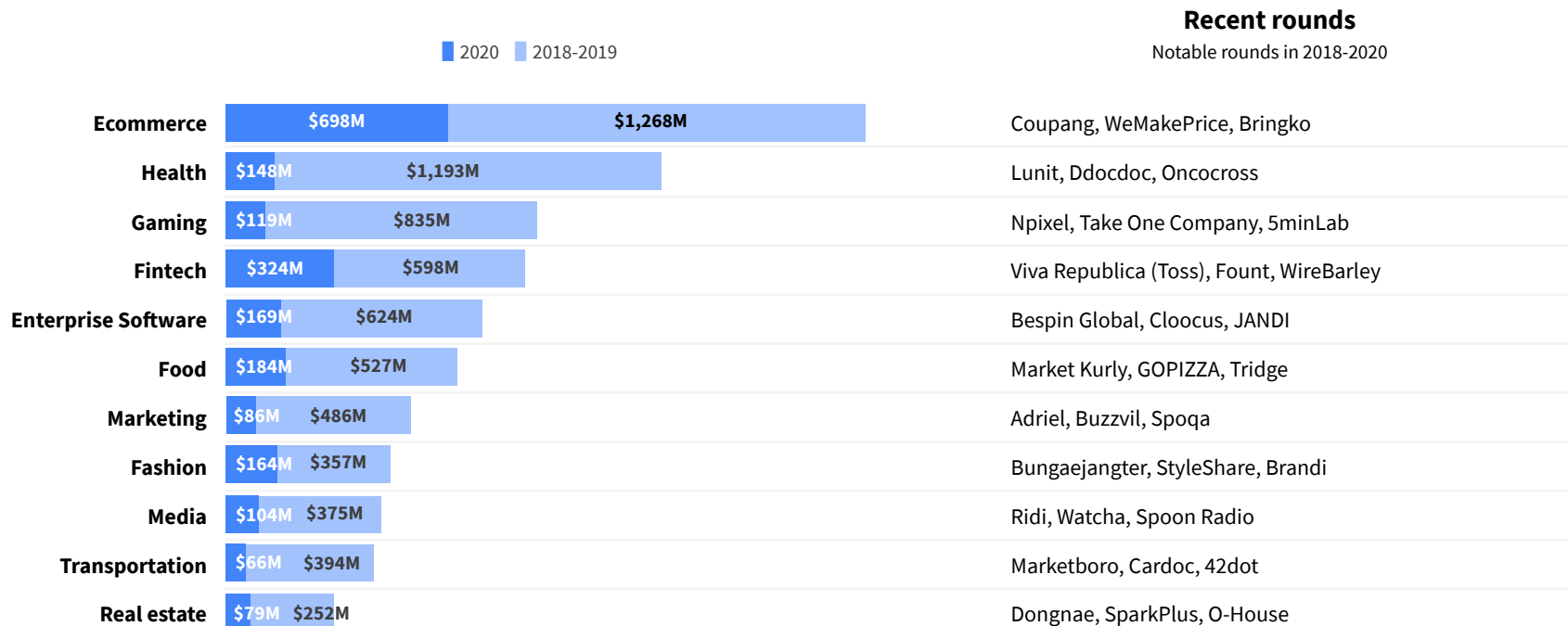
 \$173M Late VC	 \$150M Series E	 \$117M Series B
<b>BESPIN GLOBAL</b> \$75M Series C	 Ohouse \$70M Series C	 Chai Corporation \$60M Series B
 Bungaejangter \$45M Late VC	<b>Riiid!</b> \$42M Late VC	 \$40M Late VC

# But early-stage funding is growing, in 2019 and 2020 pre-Seed to Series A funding was more than double the total from previous years.

Seoul pre-Seed to Series A venture capital investment<sup>1</sup>

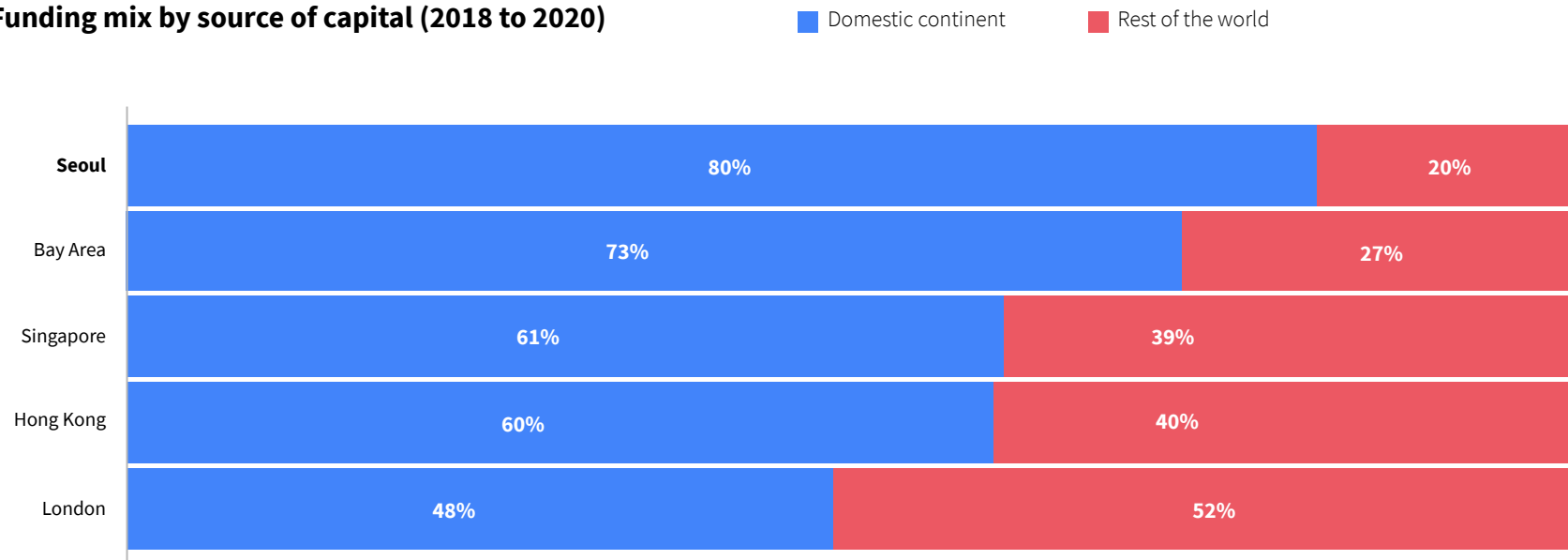


# Ecommerce is the most funded vertical (dominated by Coupang) in Seoul tech, followed by health, gaming and fintech.



# Startup investment in Seoul is dominated by local and regional players, just 20% of capital invested comes from outside Asia.

Funding mix by source of capital (2018 to 2020)





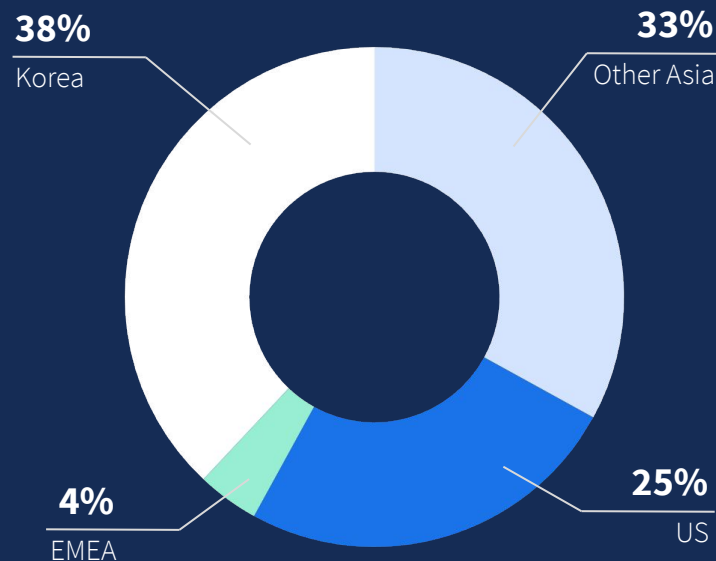
The local Seoul venture capital scene has a predominantly early-stage focus, with only a handful of funds investing at later round stages.



# Growth and late-stage startups are mostly funded by foreign capital.

Lead Investor	Target	Capital raised	Date
SoftBank	X <b>Coupang</b> Ecommerce and consumer services company	\$2B	Nov 2018
Tencent 腾讯	X <b>Krafton</b> Video games publisher, owner of PUBG title	\$500M	Jun 2018
Hillhouse Capital	X <b>Woowa Bros</b> Food delivery platform, owner of Baedal Minjok	\$320M	Dec 2018
NEXON	X <b>WeMakePrice</b> Social commerce online platform	\$290M	Sep 2019
BOOKING HOLDINGS	X <b>Yanolja</b> OTA booking platform for 'love hotels'	\$180M	Jun 2019
SEQUOIA	X <b>Toss</b> P2P money transfer and payments platform	\$173M	Aug 2020
DST	X <b>Market Kurly</b> Online service for grocery delivery	\$184M	Apr 2020
CREDIT SUISSE	X <b>L&amp;P Cosmetic</b> Manufactures and sells K-beauty cosmetics	\$35M	Oct 2019

Headquarters of investors leading growth venture rounds (\$25M+) between 2018-2020 in South Korea.



# There is significant corporate VC and strategic investment scene in South Korea, due to the presence of vertically integrated large conglomerates.

	Target	Venture arm	Key focus areas	Selected investments
	<b>Samsung</b> Global electronics and industrial conglomerate	Samsung Ventures Samsung Catalyst	Deep tech, software, industrial tech	Pixeom, Habana, Datrium, wefox
	<b>SK</b> Diversified <i>chaebol</i> conglomerate	SK Ventures	Deep tech, telecoms, software	Amperon, Skywatch, Vouched, Fantasy Life
	<b>Hyundai &amp; KIA Motors</b> Korean biggest automotive groups	Hyundai Cradle	Automotive, deep tech	Boston Dynamics, Kardome, Arrival, H2Pro
	<b>LG</b> Global electronics and technology corporation	LG Technology Ventures	Deep tech, semiconductors, software	Ridecell, Syte, Aurora, Arcellx
	<b>Lotte Group</b> Global diversified services corporation	Lotte Accelerator	Retail, logistics, food & beverage	Stipop, Family, WISHUPON
	<b>POSCO</b> Steel-making multinational conglomerate	POSCO Capital	Deep tech, biotech, industrial tech	Hexlant, Cytovant, Moneybrain, ProtoPie
	<b>Shinhan Financial</b> Banking and financial services corporation	Shinhan Capital	Fintech, insurtech, software	True Balance, Toss Lab, DRX, ProtoPie

## **3** A closer look at Seoul's startup ecosystem

# Snapshot of the Seoul tech ecosystem.

2,800+

Startups & scaleups  
founded in Seoul

350+

VC rounds > \$2M  
since 2018<sup>1</sup>

580+

Active investors

\$11B

Venture capital invested  
since 2018<sup>1</sup>

\$190B

Combined value from  
startups founded after  
2000

# Seoul, 'a startup city'.

In April 2019, Seoul Metropolitan Government launched 'Seoul, a startup city' project by investing \$1.7B in seven major initiatives to boost city's startup ecosystem.

## Talent training

Training programs for 10,000 local talent and expat support

## Increased office space

Office space for 1,000 startups, centered around business clusters

## Early-stage funding

\$1B capital committed to early-stage startups until 2022

## Private-public partnerships

Connecting startups to public agencies and private partners

## Idea to MVP scaling

Idea to product in 180 days - expedited production program

## Project testbed

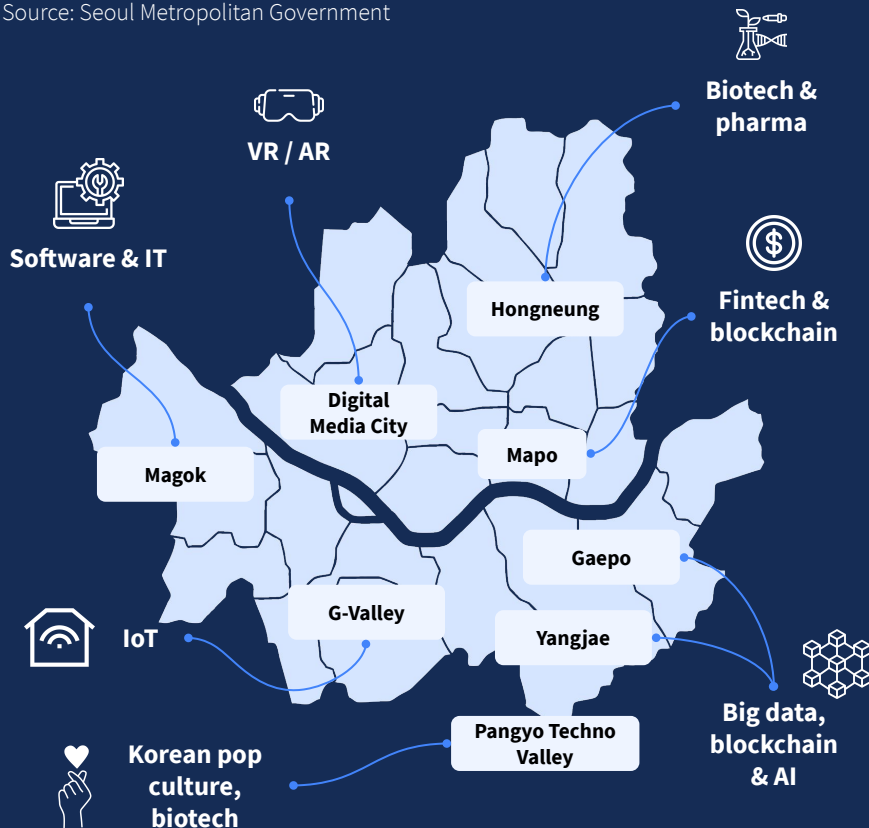
Ability to present and test ideas with city of Seoul as testbed

## Supporting global reach

Support in overseas expansion and cooperation with foreign accelerators

## Seoul's industry hubs due to collaborations with local universities and labs

Source: Seoul Metropolitan Government



# Seoul is the undisputed centre of South Korean tech, and has created 15 new tech unicorns since 1990.

With metro population of over 25 million people, Seoul Capital Area is one of the largest urban areas in the world, and a home to more than a half of total South Korean inhabitants.

The South Korean economy and tech ecosystem are clearly centralized in Seoul's Gangnam and Digital Media City districts.

14 of Fortune Global 500 companies (including Samsung, LG, or Hyundai) and vast majority of technology startups are headquartered in Seoul.

## Most valuable tech companies of South Korea founded after 1990 (excluding corporates)

	Name	HQ	Founded	Valuation <sup>1</sup>
#1	Coupang	Seoul	2010	\$73B
#2	Kakao	Seoul	1995	\$62B
#3	Naver	Seongnam-si	1999	\$54B
#4	Celltrion	Incheon	2002	\$32B
#5	Krafton	Seongnam-si	2007	\$18B
#6	Netmarble	Seoul	2006	\$9.7B
#7	Toss (Viva Republica)	Seoul	2011	\$7.4B
#8	Woowa Brothers	Seoul	2011	\$4.0B
#9	Musinsa	Seoul	2001	\$2.0B
#10	WeMakePrice	Seoul	2010	\$2.0B

# A home away from home - Seoul is an attractive place to do business for foreign tech companies.



South Korean market is very important for many tier 1 technology companies from US, Europe and rest of Asia.

TikTok, Criteo, Supercell and many more opened Seoul office and often run their Asian operations out of Korea.

For earlier stage businesses, South Korea launched *Overall Assistance for Startup Immigration System (OASIS)* program to attract entrepreneurial talent from abroad.

OASIS provides operational support for startups and a startup visa for foreigners who decide to launch their company in Korea.

Selected foreign companies with non-HQ offices in Seoul, sorted by estimated valuation<sup>1</sup>.

 \$50B	 \$35B	 \$33B
 \$31B	 \$29B	 \$11B
 \$10B	 \$5B	 \$2B

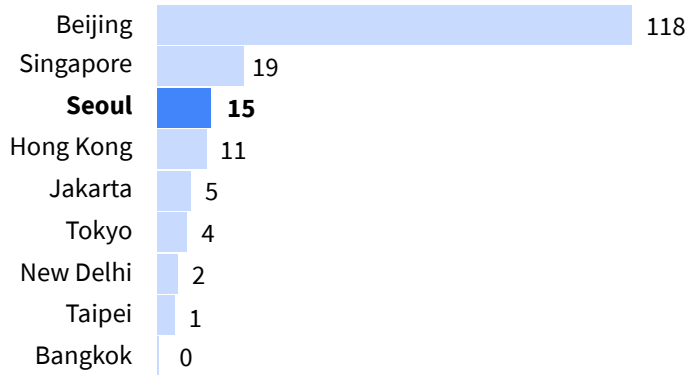


# Seoul has already produced 15 unicorns, from a relatively small pipeline of startups.

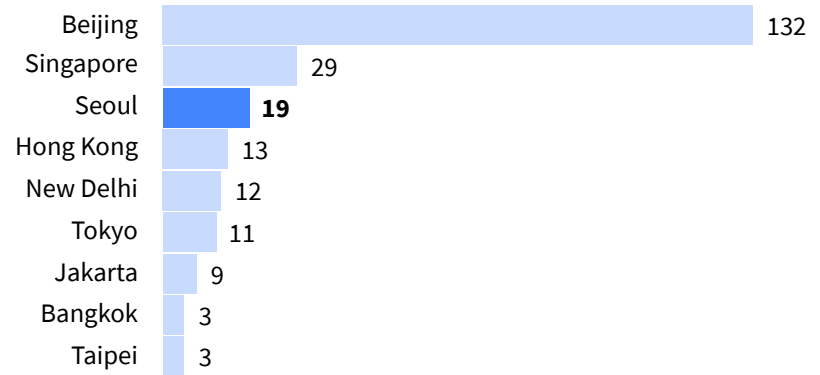


# Seoul ranks as the #3 Asian capital for unicorns, after only Beijing and Singapore.

### Number of unicorns per city



### Number of potential future unicorns per city



# Seoul's startup successes are coming from across multiple diverse sectors.



Wellness

Multi-brand K-beauty and personal care startup, owner of Kaja, I Dew Care, Pony Effect, I'm Meme, and Nooni brands.



Food delivery

Korea's biggest food delivery platform. Operates on South Korean and Japanese markets.



Education

Educational data platform where students can ask questions to tutors and search solutions just by taking a photo.



Gaming

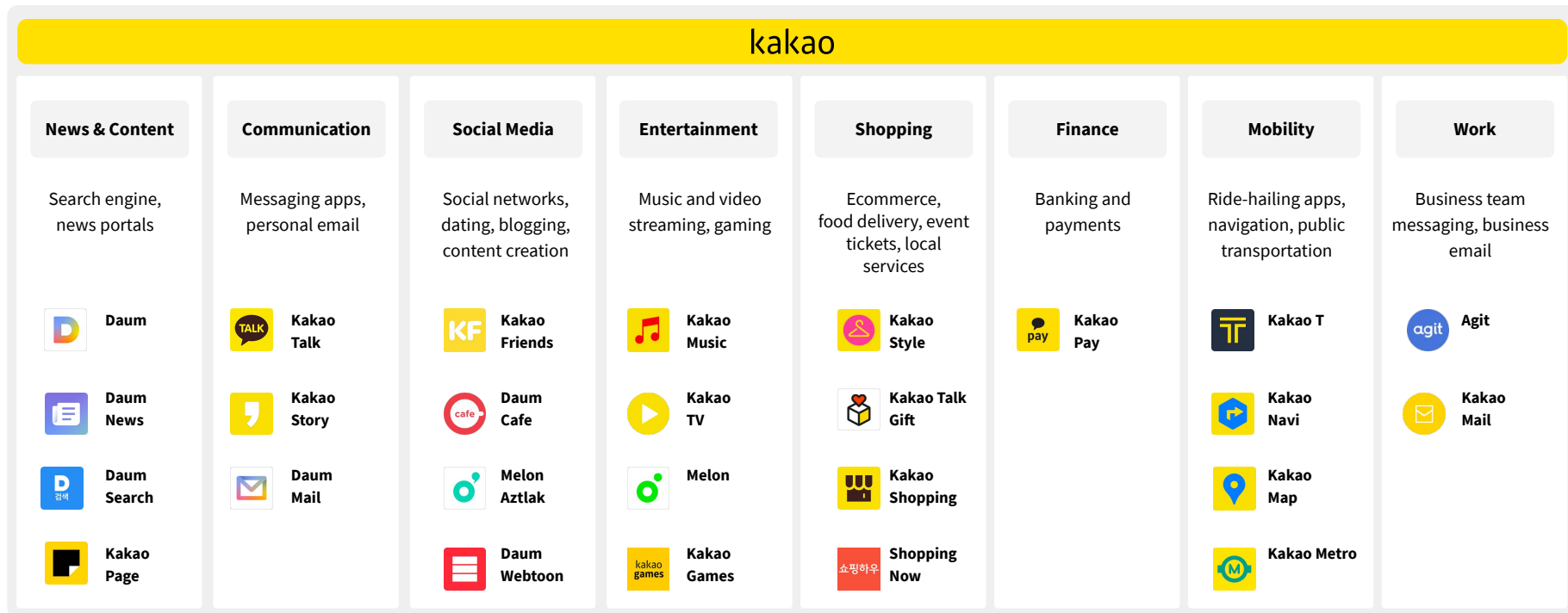
Multi-gaming esports team. 6th most valuable esports organisation in the world.

Launched	2012	2011	2015	2017
Employees	230+	700+	150+	80+
Founders	Hyungseok Dino Ha	Kim Bong-jin	Jongheun Lee	Chris Park
Capital raised to date	\$210M from Goodwater Capital, Johnson & Johnson, Cowboy Ventures and others	Acquired by Delivery Hero for \$4B in December 2019	\$21M from Legend Capital, Mrae, InterVest, NP Investments	\$46M from New Enterprise Associates, Battery Ventures, Canaan Partners, Stanford University

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## Key characteristics of Seoul's tech

# 'You can do everything with Kakao' - customer journey of a South Korean internet user is verticalized and 'owned' by diversified online giants.



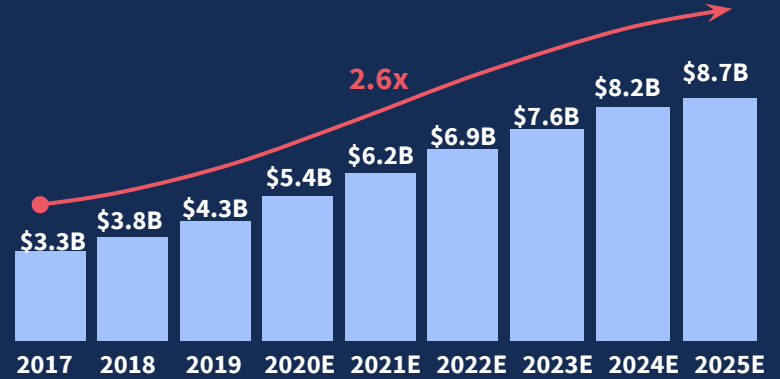
# South Korea is a gaming and esports hub.

The gaming industry is thriving in South Korea. Despite ranking #28 globally by country population, South Korea ranks #4 in the world for video game sales (with revenues expecting to top \$6B in 2021)<sup>1</sup>.

South Korean esports teams are multiple world championship winners in *League of Legends* and *StarCraft II*, bringing in estimated competition earnings of nearly \$100M<sup>1</sup> in 2020 (#3 result worldwide).

Gamer penetration in Korea is the highest in world, with 56% of the country's population playing video or mobile games.

Sales of video games in South Korea



Leading South Korean game publishers, sorted by valuation.<sup>2</sup>

NEXON	\$20B	KRAFTON GAME UNION	\$18B	NC SOFT	\$15B
netmarble	\$9.7B	PEARL ABYSS	\$3B	GRAVITY INTERACTIVE	\$1B

# The Korean cosmetics industry (K-Beauty) is driving international expansion of Seoul's startups.

The K-Beauty industry is one of the fastest-growing consumer markets in Korea, generating over \$11B in revenue in 2020<sup>1</sup>.

High demand for skincare products allowed Korean startups for a rapid foreign expansion, especially to the US, China and other countries of the Asia-Pacific region.

Since 2018, Seoul-based wellness and beauty startups raised over \$200M in venture capital funding.



# After a rapid pivot from a video game retail, GP Club became a leader in beauty cosmetics, popularizing K-Beauty globally.

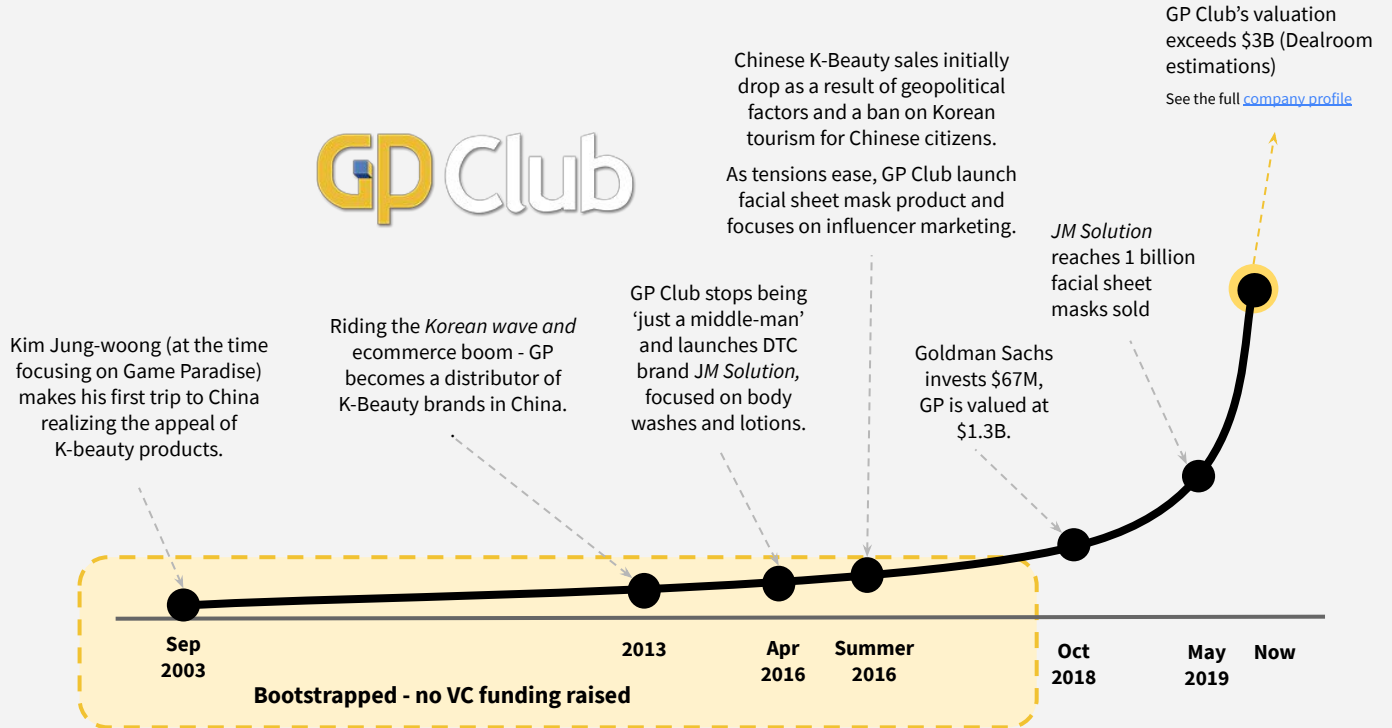


**Kim Jung-woong**  
Founder & CEO

## Gaming turned cosmetics

Kim started GP Club as Gaming Paradise - a retail store offering video games and gaming accessories.

During his trips to China, he noticed a huge rise of *Korean wave* (K-pop, drama and beauty) - and quickly pivoted operations to cosmetics products.











# Food delivery is an established social norm in South Korea, which nonetheless boomed during Covid-19.

South Korea's food delivery market is now worth over \$15B in 2020 (40% year-on-year growth)<sup>1</sup>.

The market is getting heavily consolidated by Delivery Hero, which made several high-profile acquisitions in the region. The recent \$4B purchase of Baedal Minjok required the German food delivery giant to comply with antitrust rules and sell Yogiyo, another sizable Korean player, in exchange.

The government of Seongnam, South Korea's most populous province announced plans to launch a public-private food delivery app in order to lower the market dominance of Delivery Hero and support restaurant owners with lower transaction fees.

Leading food delivery platforms in South Korea

	Company	Ownership	Launch year	Valuation <sup>2</sup>
	Coupang Eats	Coupang	2010	Undisclosed
	Baedal Minjok	Delivery Hero	2011	\$4.0B
	Market Kurly	Independent	2015	\$780M
	Yogiyo	To be sold by DH (antitrust)	2012	~\$175M
	Onul-hoi	Independent	2017	~\$16M
	HelloNature	SK Planet	2012	Undisclosed

1) Euromonitor.

2) Source: dealroom.co and Google Finance for publicly traded companies.

# Venture capital methodology and definitions.

## Startups, scaleups, grownups and tech

Companies designed to grow fast. Generally, such companies are VC-investable businesses. Sometimes they can become very big (e.g. \$1B+ valuation).

When startups are successful, they develop into scaleups (>50 people), grownups (>500 people) and result in big companies, like Grab or ByteDance.

In this report, the term “tech ecosystem” refers collectively to the startups, scaleups and grownups headquartered in the Seoul Capital Area. Only companies founded after 1990 are included in this report.

## Venture capital investment

Investment numbers refer to rounds such as Seed, Series A, B, C, .... late stage, and growth equity rounds.

Venture capital investment figures exclude debt or other non-equity funding, lending capital, grants and ICOs.

Buyouts, M&A, secondary rounds, and IPOs are treated as exits: excluded from funding data.

Investment rounds are sourced from public disclosures including press releases, news, filings and verified user-submitted information.

## Valuation

The combined valuation of the tech ecosystem is based on their market cap or latest transaction value.

Transaction value is realized from exit or implied unrealised valuation from the latest VC round, which is either announced or estimated by Dealroom based on benchmarks.

## Data source

Dealroom’s proprietary database and software aggregate data from multiple sources: harvesting public information, user-generated data verified by Dealroom, data engineering. All data is verified and curated manually.

Seoul Capital Area includes Ansan-si, Anyang-si, Gyeonggi-do, Incheon, Yongin-si, Seongnam-si, and Suwon-si.

For more info please visit [dealroom.co](https://dealroom.co) or contact [support@dealroom.co](mailto:support@dealroom.co)



## Seoul's center of startup incubation and global gateway for startups.

Seoul Startup Hub is the flagship initiative of Seoul's Metropolitan Government to create a vibrant and innovate startup ecosystem, and to make Seoul the technology hub for global entrepreneurs.

Our incubation program is organized in cooperation with private investors and corporations, and since launch over 300 startups has been incubated in Seoul Startup Hub, collectively attracting nearly \$50m of venture capital investment.

We have access to 57 international networks, allowing us to become a bridge that connects Seoul-based startups to the global startup ecosystem.

We bring together all key players of the startup ecosystem and provide our startups with unique networking opportunities with leading VCs, accelerators and advisors.

Together with private investors, Seoul Startup Hub manages a \$1B Seoul Future Innovation Fund, investing in Korea's most innovative technologies.

**300**  
startups

Incubation of most promising startups

**175**  
organisations

Robust partnerships with key players



**1**  
Billion USD

Seoul Future Innovation Fund



**57**  
global partners

Global gateway for Seoul's startups



## New-age corporate finance and technology advisory firm focused exclusively on digital economy.

Flow Partners is a technology advisory firm, providing transaction advice to the companies and investors that shape up the global digital ecosystem.

Our core mission is to support winning entrepreneurs and alternative investors in M&A, capital raising and independent transaction opinions.

Our team has over 20 years of technology advisory experience and we have been behind Europe's most high-profile digital deals.

We are proud to work with world's most prominent private equity and strategic investors and leverage the technology industry know-how to provide high-quality corporate finance, technology and product due diligence advice.

Our team operates globally with significant presence in London, Berlin, Warsaw, Tel Aviv and Los Angeles. Learn more and get in touch with us [here](#).

## Selected experience of the team

pipedrive

badoo

bumble

VOLOCOPTER

FLiXBUS

ELEVATOR

Parship GROUP

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SCHROTT 24

Luminati

PromoFarma.com

Aroundhome

SILVERLAKE

BYRON CAPITAL PARTNERS

Oakley Capital

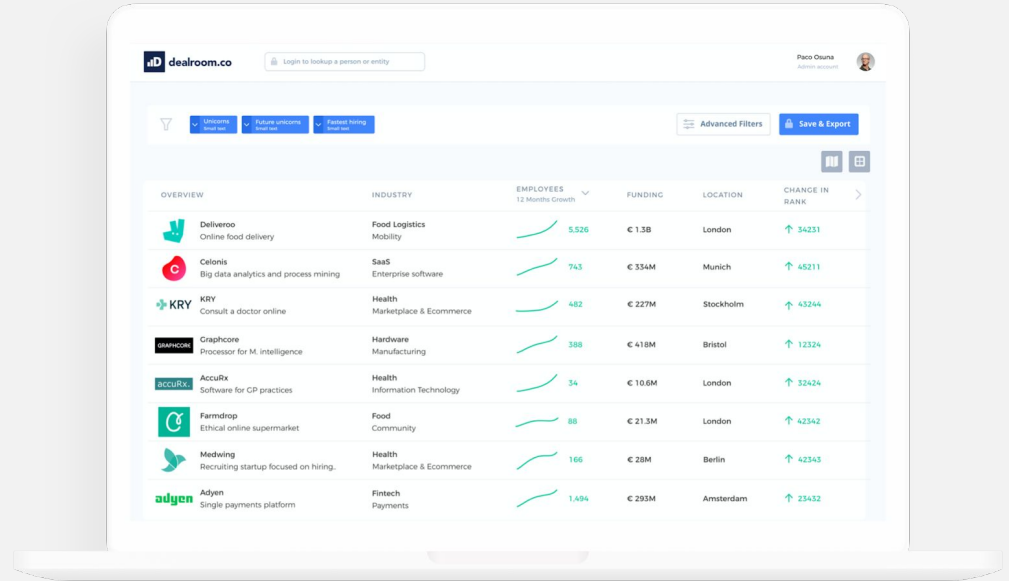


## Global intelligence about promising companies, from startups to unicorns.

Dealroom.co is the foremost data provider on startup, early-stage and growth company ecosystems in Europe and around the globe.

Founded in Amsterdam in 2013, we now work with many of the world's most prominent investors, entrepreneurs and government organizations to provide transparency, analysis and insights on venture capital activity.

Our offerings include data sets via SaaS and API as well as custom reports and bespoke ecosystem platforms.



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