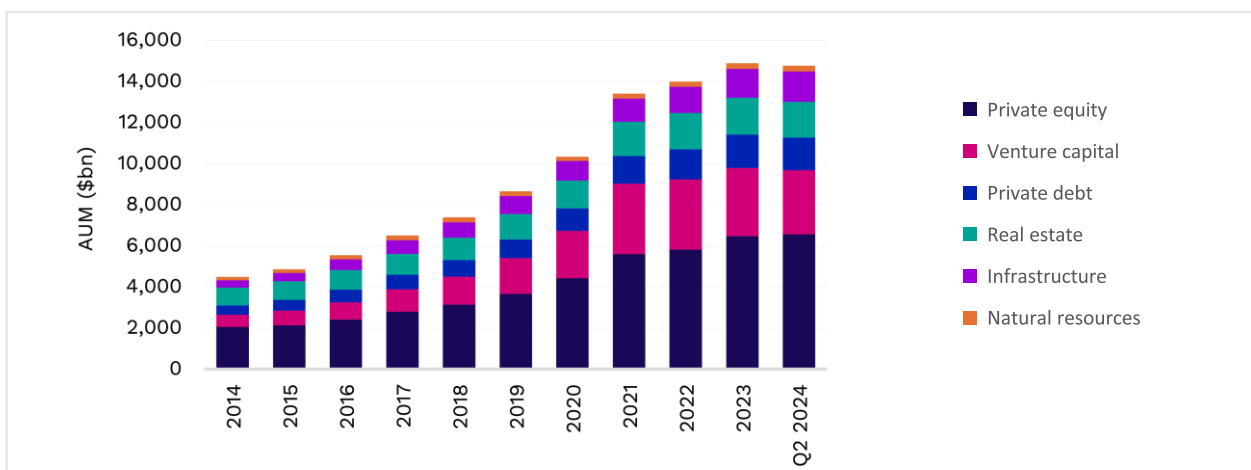


# FINANCE

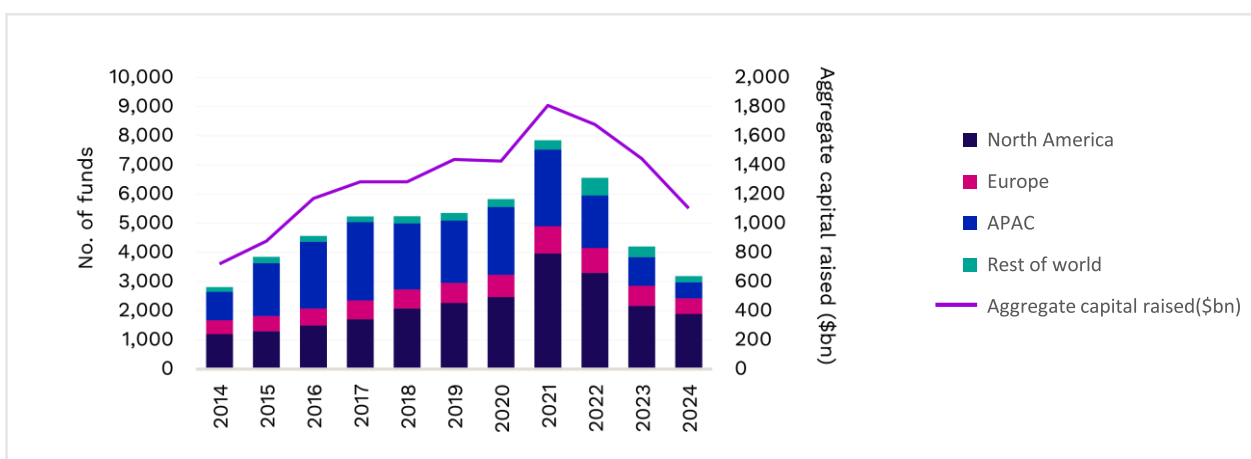
## Global Market Size/Forecast

- **(GLOBAL MARKET SIZE)** Due to the impact of tightening monetary policies in major countries, including the United States, the global private equity market's Assets Under Management (AUM) are expected to be USD 14.7 trillion in the first half of 2024, slightly decreasing from USD 14.8 trillion at the end of 2023 (see chart).



\* Source: Preqin (Latest data as of March 2025)

- The number of funds closed in 2024 is 3,184, a 24.3% decrease from 4,204 funds closed in 2023. Notably, the decrease in both the number of closed funds and AUM in the APAC region is particularly significant (see chart).

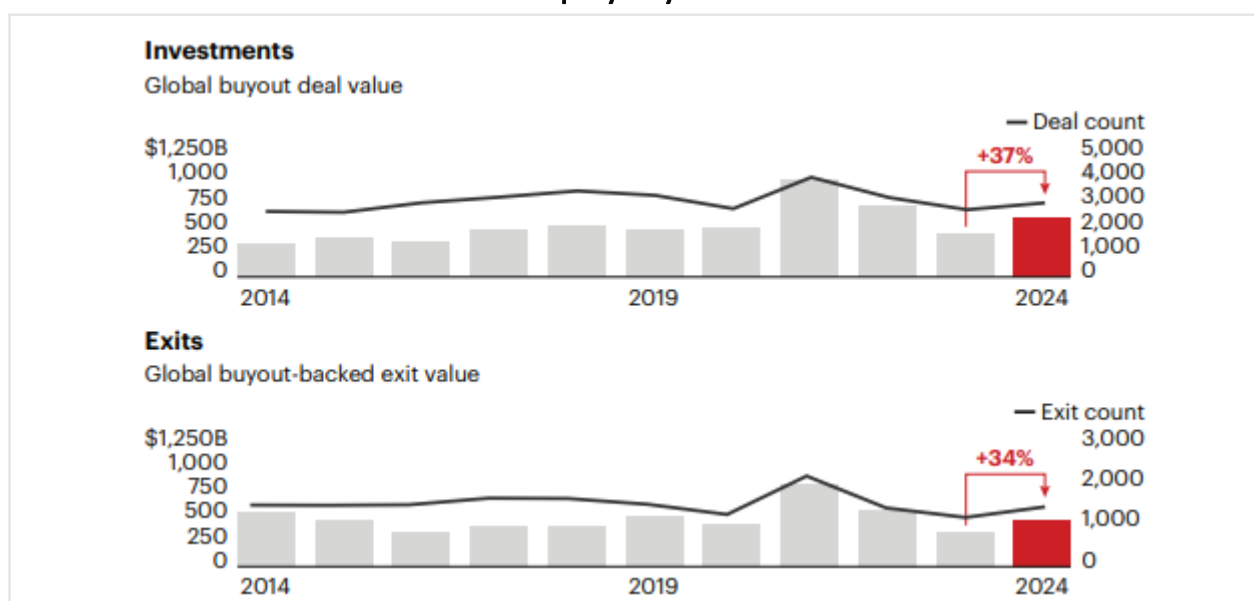


\* Source: Preqin (Latest data as of March 2025)

➤ **(INVESTMENT EXECUTION AND EXITS)** It seems that global private equity investments have moved out of the stagnation seen in the past two years in both execution and exit activities. In terms of investment execution, both the number of deals and the total amount have increased compared to the previous year, and exits have also shown an increase in both the number and value compared to the previous year.

- The major factor behind the recent global private equity deal market stagnation is the rapid tightening monetary policies of central banks in major countries, including the U.S. Given the nature of the private equity market, which is highly sensitive to interest rates, investment execution is expected to become more active as interest rates in major countries, including the U.S., enter a stabilization phase.

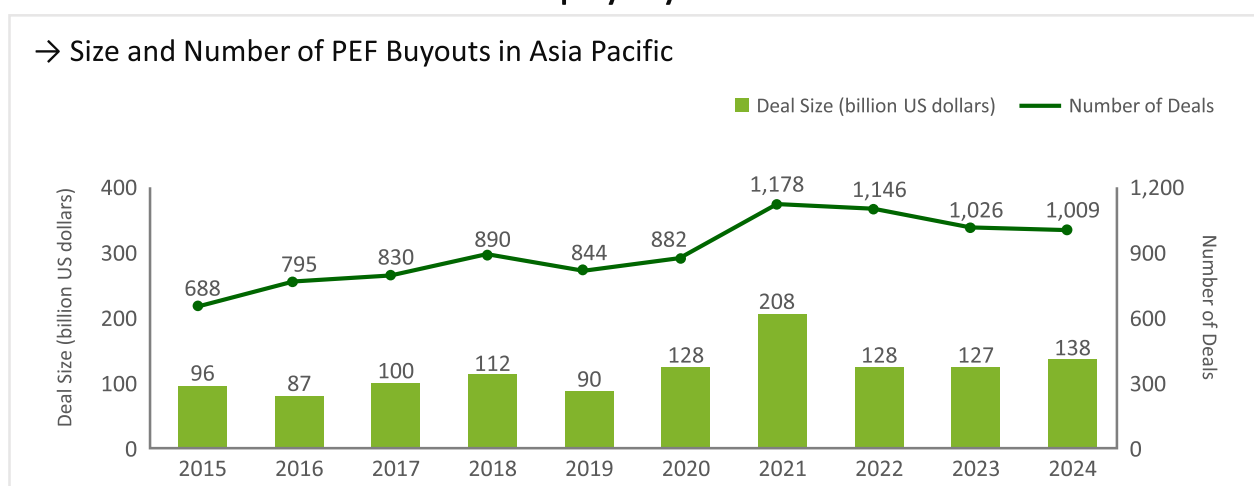
#### <Global Private Equity Buyout and Exit Trends>



\* Source: Bain & Company Global Private Equity Report 2025

➤ **(ASIA-PACIFIC REGION TRENDS)** In the Asia-Pacific region, China and Australia stand out in terms of deal size, while Japan and India are notable in terms of the number of deals. The median enterprise value of companies in the Asia-Pacific region fell to its lowest level in 10 years in 2024, which is expected to increase demand for deals from global investors looking for low-cost acquisitions.

#### <Global Private Equity Buyout and Exit Trends>

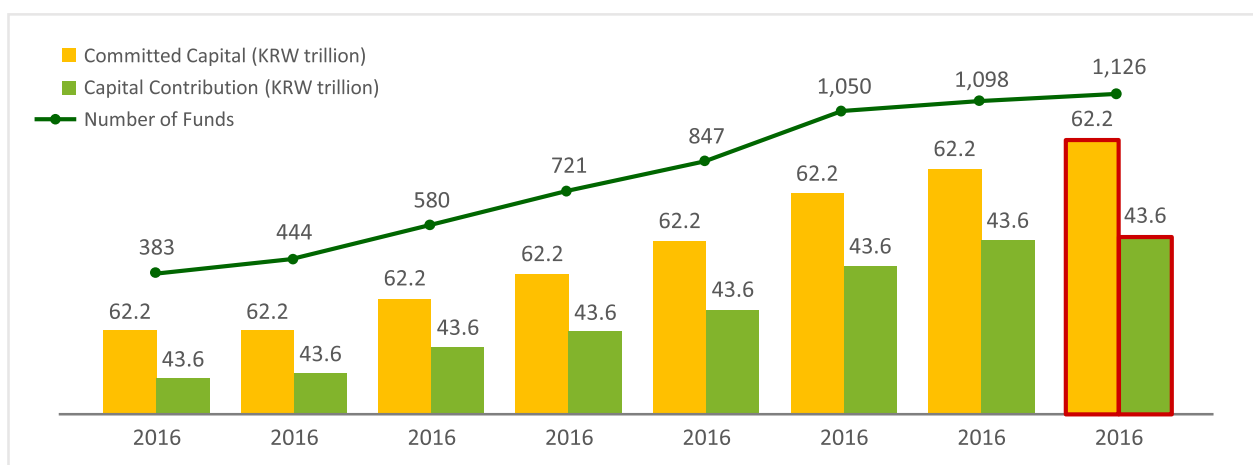


\* Source: Deloitte Asia-Pacific Private Equity Annual Report 2025

## Domestic Market Size/Forecast

### MARKET SIZE

- ▶ As of the end of 2023, the committed capital size in South Korea's private equity industry was KRW 136.4 trillion, showing an 8.9% growth compared to the previous year. Despite the global private equity growth rate slowing to 0.8% due to the tightening monetary policies of central banks in major advanced countries in 2022, South Korea's private equity market grew by 8.4%, showing relatively high growth (see chart below).
- ▶ From 2018 to 2021, South Korea's private equity committed capital grew at an average annual rate of 15.8%, largely driven by the abundant market liquidity resulting from global monetary expansion policies due to COVID-19.



\* Source: Financial Supervisory Service (FSS) (Latest statistics as of March 2025\_Annual figures for the previous year are released around June)

### INVESTMENT EXECUTION STATUS

- ▶ In 2023, South Korea's private equity industry executed investments totaling KRW 32.5 trillion, an 11.9% decrease from the previous year. Looking at the regional breakdown, domestic investments amounted to KRW 28.5 trillion, an 11.8% increase from the previous year, while overseas investments dropped to KRW 4.0 trillion, a 64.9% decrease. The relatively high growth in domestic investments can be attributed to special circumstances like business restructuring by large domestic conglomerates, including SK Group.

## INVESTMENT TARGETS

- ▶ In 2023, the largest share of investment execution in South Korea's private equity industry was in the manufacturing sector (60.6%), followed by information and communications (IT) at 16.9%, scientific technology at 5.8%, financial and insurance sectors at 5.5%, and wastewater, waste treatment, and recycling industries at 1.8% (see chart on the right).

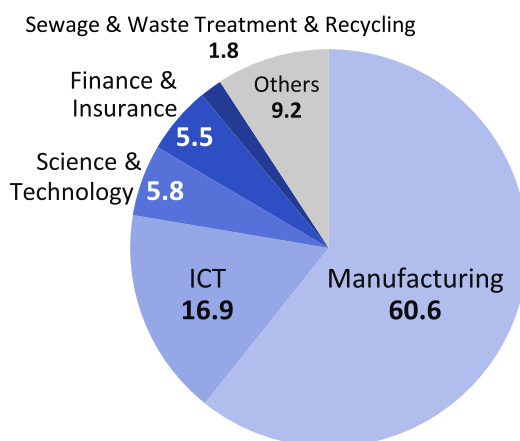
<Investment Scale by Industry in 2023>

(Unit : KRW trillion, %)

Division		2022 (A)	2023 (B)	Change (B-A)	Change rate
Top 5 Industries	Manufacturing	16.0	<b>19.7</b>	3.7	23.1
	ICT	5.6	<b>5.5</b>	△0.1	△1.8
	Science & Technology	0.8	<b>1.9</b>	1.1	137.5
	Finance & Insurance	2.8	<b>1.8</b>	△1.0	△35.7
	Sewage & Waste Treatment & Recycling	1.5	<b>0.6</b>	△0.9	△60.0
	<b>Subtotal</b>	<b>26.7</b>	<b>29.5</b>	<b>2.8</b>	<b>10.5</b>
Others		10.2	<b>3.0</b>	△7.2	△70.6
<b>Total</b>		<b>36.9</b>	<b>32.5</b>	<b>△4.4</b>	<b>△11.9</b>

<Investment Share by Industry in 2023>

(Unit : %)



\* Source: Financial Supervisory Service (FSS) (Latest statistics as of March 2025\_ Annual figures for the previous year are released around June)

## EXIT STATUS

- ▶ Despite the impact of global monetary tightening, the total exit amount in South Korea's private equity industry in 2023 increased by 3.9% compared to the previous year, reaching a record high of KRW 18.8 trillion.
- ▶ Even though exits through M&A decreased by 29.2% compared to the previous year, the overall exit amount increased, supported by a rise in secondary sales and dividend distributions (see chart below).

<Investment Scale by Industry in 2023>

(Unit : KRW trillion)

Division	2022 (A)	2023 (B)	Change (B-A)	Change Rate
Dividend	3.0	<b>3.6</b>	0.6	20.0
Sale to a third party	1.0	<b>2.9</b>	1.9	190.0
Other	1.4	<b>1.5</b>	0.1	7.1
<b>Total</b>	<b>5.4</b>	<b>8.0</b>	<b>2.6</b>	<b>48.1</b>

<Investment Share by Industry in 2023>

(Unit : KRW trillion)

Division	2022 (A)	2023 (B)	Change (B-A)	Change Rate
M&A	11.3	<b>8.0</b>	△3.3	△29.2
IPO	0.5	<b>0.7</b>	0.2	40.0
Other	0.9	<b>2.1</b>	1.3	133.3
<b>Total</b>	<b>12.7</b>	<b>10.8</b>	<b>△1.9</b>	<b>△15.0</b>

## Trends in Foreign Investment in South Korea

### GLOBAL PRIVATE EQUITY ENTRY INTO SOUTH KOREA

- ▶ South Korea's private equity market is classified as an advanced market by leading global private equity research firms such as Preqin. Among advanced markets in the Asia-Pacific region, South Korea, along with Japan and Australia, is considered an attractive market for investment due to its large domestic market with economies of scale.
- Most major global private equity firms already have offices in South Korea. For instance, KKR (USA), Carlyle (USA), and CVC Capital (Europe) have operated investment offices in Seoul for years, while Blackstone Group (USA) and Brookfield (Canada) opened offices in Seoul in 2022. In 2023, EQT Partners (Europe's largest private equity firm) and Keppel Infrastructure Trust (Singapore) opened offices in Seoul, and in 2024, Apollo (USA) plans to open an office, showing continued interest from global private equity firms in the South Korean market.

### CONCENTRATION OF LARGE FUNDS

- ▶ With increasing competition among domestic general partners (GPs), the concentration of funds in large GPs has risen, intensifying competition among mid- and small-sized GPs. In 2023, 64.6% of the total domestic private equity committed capital was concentrated in 37 large GPs, up 4.2 percentage points from 60.4% in 2022.
- On the other hand, the concentration of funds in small GPs has decreased, with only 4.9% of the total domestic private equity committed capital going to 228 small GPs in 2023 (compared to 5.2% going to 220 small GPs in 2022). This has resulted in a "rich-get-richer, poor-get-poorer" phenomenon.
- This trend is due to the growing preference of institutional investors for mid- to large-sized GPs with excellent track records, causing funds to be concentrated in a small number of private equity firms with strong assets under management.

## Investment Strengths

- ▶ Due to decreased liquidity in financial markets and a decline in asset markets, the valuation of potential investment assets in South Korea has dropped to a level that is attractive to global investors.
- ▶ The sale of non-core subsidiaries by large South Korean conglomerates has led to an increase in large investment deals preferred by foreign financial investors.
- ▶ Increased investment in industries related to the Fourth Industrial Revolution (e-commerce, AI, etc.) is happening at a rapid pace.
- ▶ The retirement of founders from various traditional industries that were the driving force behind South Korea's economic development has led to companies selling management rights, expanding the spectrum of investment opportunities for private equity firms.
- ▶ Leading domestic private equity firms with excellent track records are attracting funds from overseas financial investors.

## Incentives/Regulatory Status

- ❏ The PEF system in the Korean market has been restructured and is in effect since October 2021. The key difference is the shift from the previous classification of “Professional investment-type, Management participation-type” PEFs to “General, Institution-only” PEFs. This change has led to a rationalization of regulations, allowing for a wider range of investment strategies beyond just management participation.

\* Source: Financial Services Commission

PEF System Improvement		Before Improvement		After Improvement	
		Professional Investment Type	Management Participation Type	General	Institution-Only
Managed by		Professional PEF operator (Financial investor)	Managing member (Non-financial investor)	General PEF operator (Financial investor)	Managing member(Non-financial investor)
Scope of Investors		Financial investor + General investor investing above minimum investment amount(KRW 300 million)		Same as before	Institutional investor and equivalent entities
PEF Formation/Establishment Reporting		Post-reporting (within 2 weeks)	Post-reporting (within 2weeks)	Post-reporting (within 2 weeks)	
Investor Protection		Relaxed investor protection measures compared to public funds		① General investors : Strengthened investor protection ② Professional investor protection : same as before	Same as before
Operational Purpose		Non-Management Participation	Management Participation	Both allowed (Management Participation or Not)	
Operation System	Borrowing	Up to 400%	Up to 10%	Up to 400%	
	Loans	Allowed (however, personal loans prohibited)	Not allowed	Allowed (however, personal loans are prohibited)	
	Voting Right	Restricted for shares exceeding 10%	N/A	Voting fight restrictions abolished	
	Equity Investment	N/A	Investment in more than 50% of the fund's assets, acquiring voting shares(10% or more) and holding them for more than 6 months	Equity investment obligations abolished	



## Key Examples

### SK GROUP'S BUSINESS RESTRUCTURING

- SK Group is undergoing a rebalancing process to focus its capabilities on core business areas and is selling off non-core subsidiaries and business units.

Divested subsidiary	Acquiring Entity (PEF)
SK Shieldus (2023)	EQT Equity Partners
SK rent-a-car (2024)	Affinity Equity Partners
SK Specialty (2024)	Hahn&Company Co.

### ACQUISITION OF DOMESTIC MANUFACTURING COMPANIES

- In November 2024, U.S. Blackstone announced the acquisition of JJ Tools Co., a leading manufacturer of industrial cutting tools in South Korea, for around KRW 300 billion. Blackstone plans to use its global network, strategic insights, and expertise in corporate operations to support the company's global expansion and increase its enterprise value.
- In March 2024, U.S. Morgan Stanley Private Equity (MSPE) acquired the South Korean cosmetics company Skin Idea for approximately KRW 100 billion.

