

# The Startup Journey

Advice for Korean startups

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# Lead VC Role – Trusted Guide

## First Climbers of Mount Everest



The Founder  
New Zealander Edmund Hillary

The VC Guide  
Nepalese Tenzing Norgay

# Advice #1 – for founders selecting a lead VC

## Trust

- Hard to underestimate

## Respect

- Add Value (Relevant experience & business judgment)

## Passion

- For your vision

# The Startup Journey



The Platform

Ecosystem

Category Leader

GTM Strategy

Happy Customers

First customers

Founding

Hiring Founders

# Founding – Hiring Founders

Develop Thesis → Hire Founders → Close other investors → Active Board Member



WiFi for enterprise  
\$500k **first** check

Hire 24 employees  
(Founding CEO)

Raise \$55M

Bob Friday,  
Cofounder

“Airespace started as a vision at Storm Ventures around wireless in the enterprise and the incubation of four founders in their offices. **I was fortunate enough to be one those founders....** Tae Hea Nahm ... was our founding CEO and provided us key leadership in the early days of the company,... provided the leadership, industry contacts and time necessary to understand the problem and define the product that allowed us to successfully raise money and ultimately deliver the solution that the market was looking for.”

Cisco, Wireless  
CTO



Smartphone for ent.  
\$500k **first** check

Hire 3 founders

Raise \$145M

Bob Tinker,  
Cofounder/CE

“I know I’ve said it verbally, but a big thanks to you. You work hard for us, and it shows. **We wouldn’t be here today without you.**”

O

# First Happy Customers – Early Explorers

Resembles Christopher Columbus looking for the Indies



*Follow the Coast*

Cheaper, better, faster (iML)



*Follow the birds*

Teaching customer (AireSpace)



*Go for true north*

Growth Hacker/user data (Echosign)



*Follow an old chart*

Proven GTM strategy (Airespace/Xylan)

# Category Leader – GTM in US

- 2004
  - Storm invests in Com2uS
  - **US Revenue < 1% of Com2uS revenues**
  - Com2uS has one person in USA
- 2007
  - KOSDAQ IPO
- 2007
  - **Apple opens the AppStore**
  - Com2uS prioritizes smartphone games
- 2008
  - Com2uS launches first smartphone game, Chronicles of Inotia. Becomes #1 RPG game
  - Form relationship with Platforms (Apple and Google)
  - **Com2uS moves US office to Storm Ventures**
- 2009
  - Homerun Battle 3D becomes #2 game with unique gameplay optimized for iPhone
- 2013
  - **US Revenue > 30% of Com2uS revenues**



## Help Com2uS Build US Business

# Advice #2 – for Korean companies going to US

Ready for US?

- Strong founder commitment (ie, frequent travel)
- Opening in US (eg, new market, new platform)

Right GTM Help?

- Find the right guide
- Execute the right GTM strategy for you
- Do as much in Korea as possible

## Requires Many Trips



# The Platform – **Marketo**



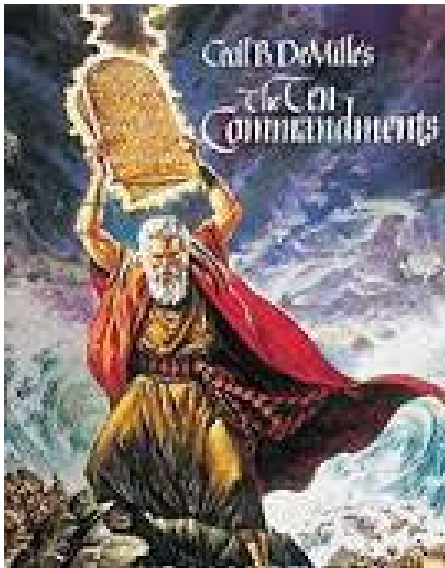
	2010		2014
Attendees	50		6,000
Speakers	Manager Level	➔	Hillary Clinton
Partners	2		250

Partners building their businesses on the Marketo platform

# The Startup Journey



# CEO Advisor – Lonely Split Personality

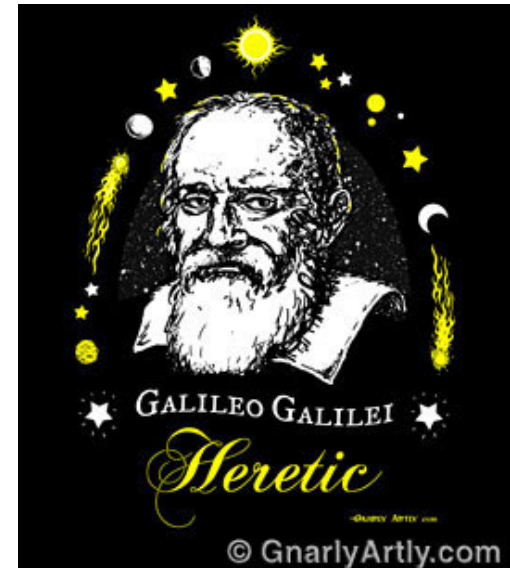


## External Personality

Faith/Passion → Leader & Closer

But, open to doubt/truth against faith?  
Change company direction

**Faith**





## Internal Personality

Doubt/Truth → Business Decision

But, will people follow a doubter?

# Building an Investor Syndicate

	\$ raised before exit	US Investors	Non-US Investors
	\$55m	Battery, Fidelity, Morgan Stanley, Norwest	Hotung, KTB
	\$33m	Miramar	Authosis, Hansol, Hotung, KTB, UMC
	\$100m	Battery, Interwest, IVP, Mayfield	
 MobileIron	\$145m	Foundation, IVP, Norwest, Sequoia	Adveq, CBC, Singtel
	\$65m	Canaan, DCM, EMC, Seagate, Translink	UMC
 SILEGO	\$36m	USVP, Weston	Aju

Our Goal – Investors make money following us

# Exits – M/A



*Transaction*

Sold to Cisco for \$450m

Sold to LSI for \$400m

*Storm Role*

Founded Airespace.  
Close relationship with Cisco

Provided Founding term sheet.  
Help close LSI investment

*Prior Relationship*

Cisco was a major  
competitor

LSI was a strategic investor

*Key Driver*

Beat Cisco at key customers

LSI saw Sandforce's customer  
traction

*Chemistry*

Knew many Airespace team  
and board members

Knew Sandforce team as a  
strategic investor

*Today*

>\$1b business @ Cisco

>\$100m business @ LSI

**Companies are bought, not sold.**

# Exits – IPO



*Exchange*

KOSDAQ

NASDAQ

*Storm Role*

Active board member for 8 years.  
Help US GTM

Active board member for 6 years  
Chairman of N&G Committee  
Close banker relationships

*IPO Value*

12,000 krw, \$120m

\$13/share, \$540M

*Today Value*

38,500 krw, \$380m

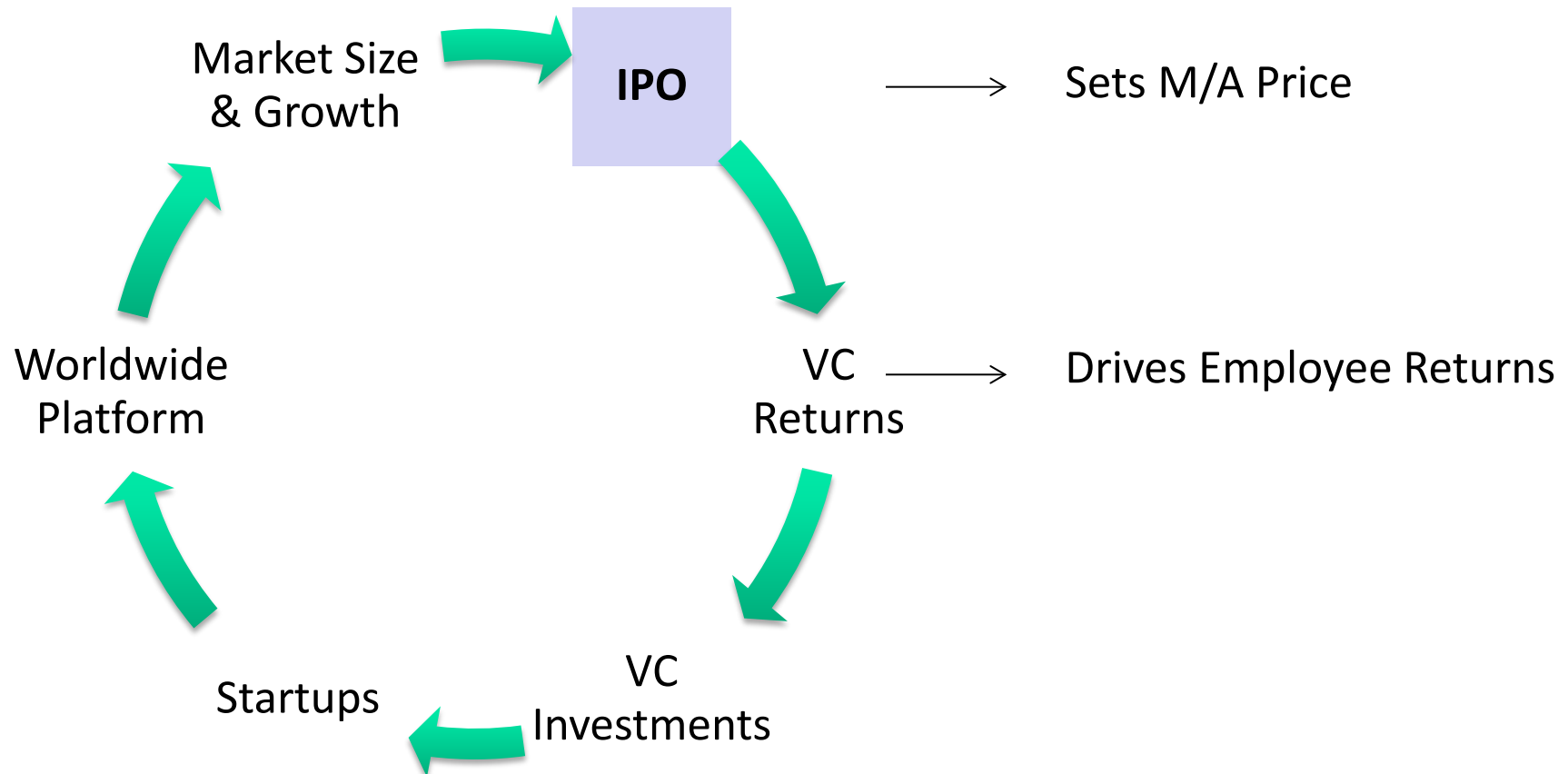
\$31/share; \$1.3B

## Help Create Shareholder Value Post-IPO

# Thoughts on Korean VC Market



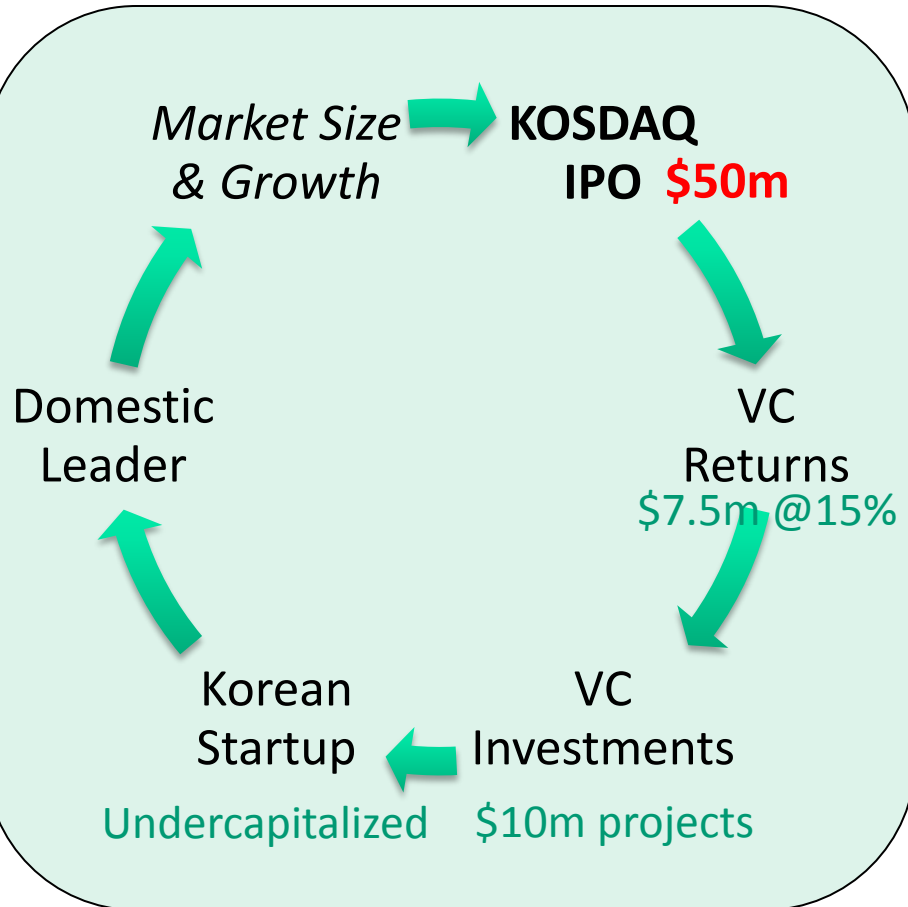
# IPO's Drive the VC Business Model



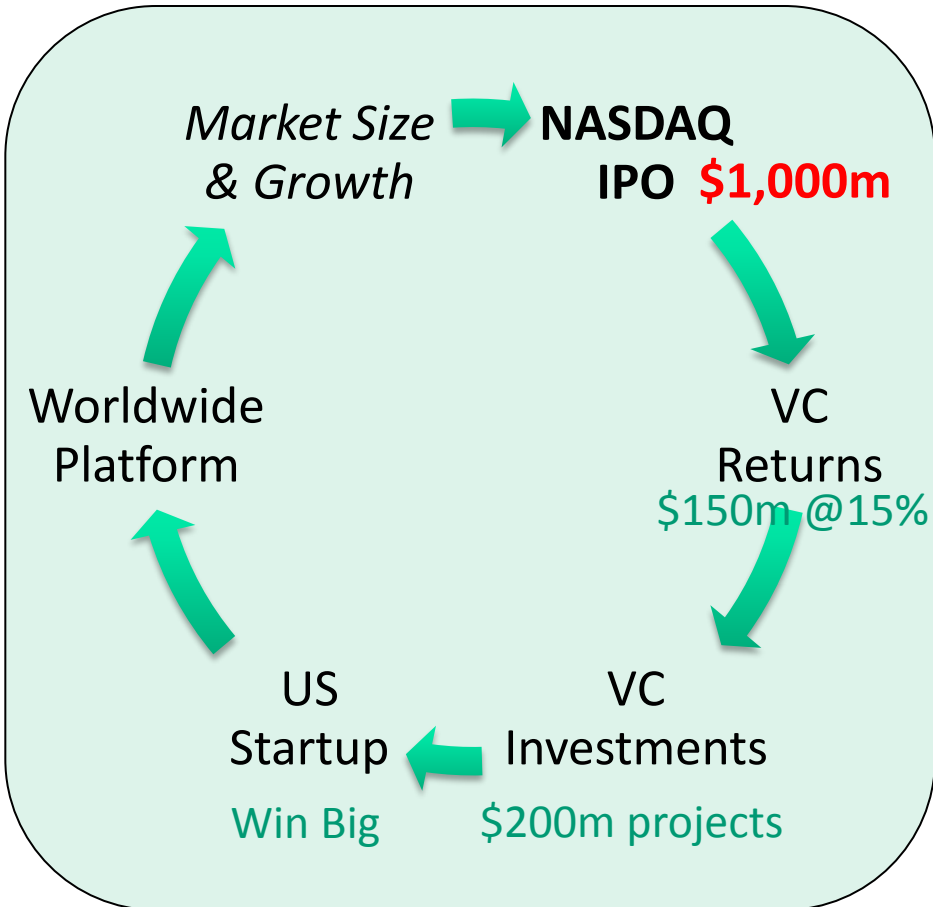


# Comparing Korean and US VC Markets

## Korea



## United States



# Comparing Korean and US VC Markets

Korea

*Market Size  
& Growth* → **KOSDAQ**  
**IPO \$50m**

United States

*Market Size  
& Growth* → **NASDAQ**  
**IPO \$1,000m**

Why is the Market Size & Growth smaller  
for Korean startups?

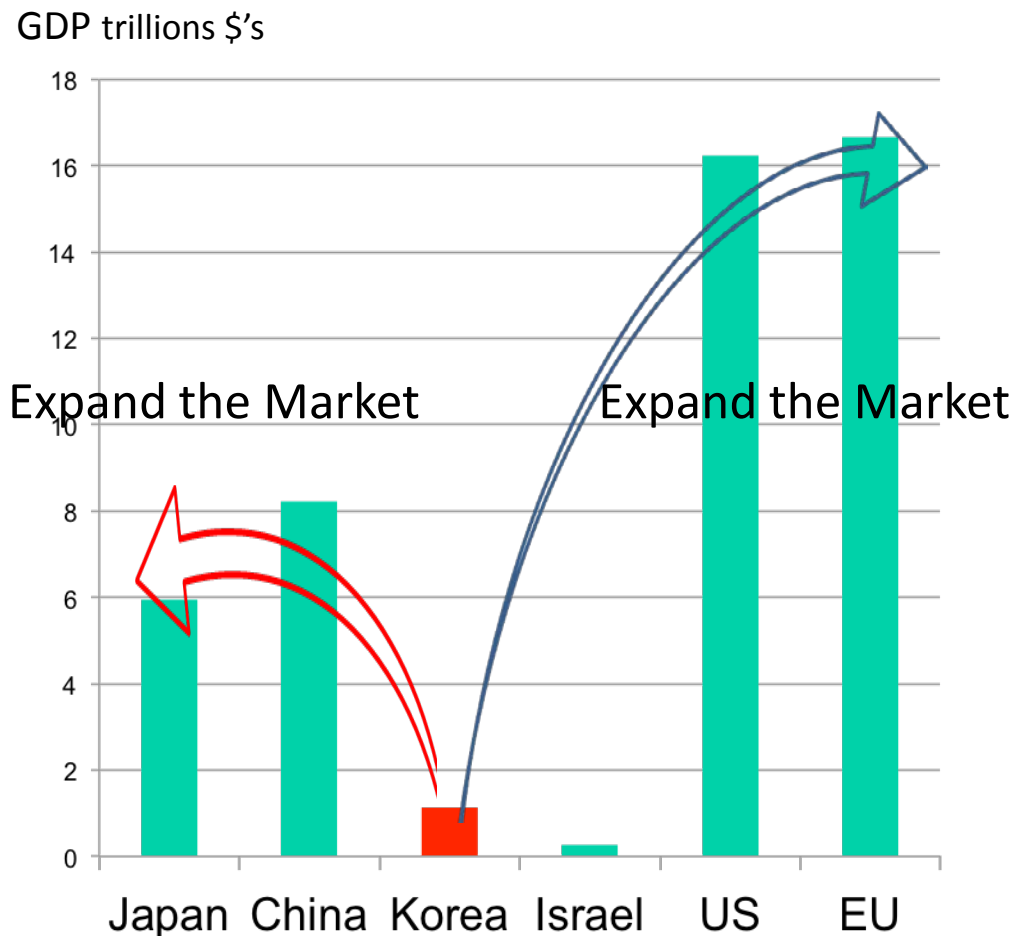
# Korean Domestic Market

Market	B2C		B2B
End Customer	Consumers		Enterprise (Chaebol)
Distribution	Open (internet or mobile)	Controlled (Chaebol or major leader)	Controlled (Chaebol; vertical integration)
Startup (product or service)		Captive	Captive
Examples	Games Ecommerce New Internet service		Semi's Enterprise software

## Korean startups focus on the “open” market

– where neither customer nor distribution are controlled by major companies

# Expanding Outside Korea

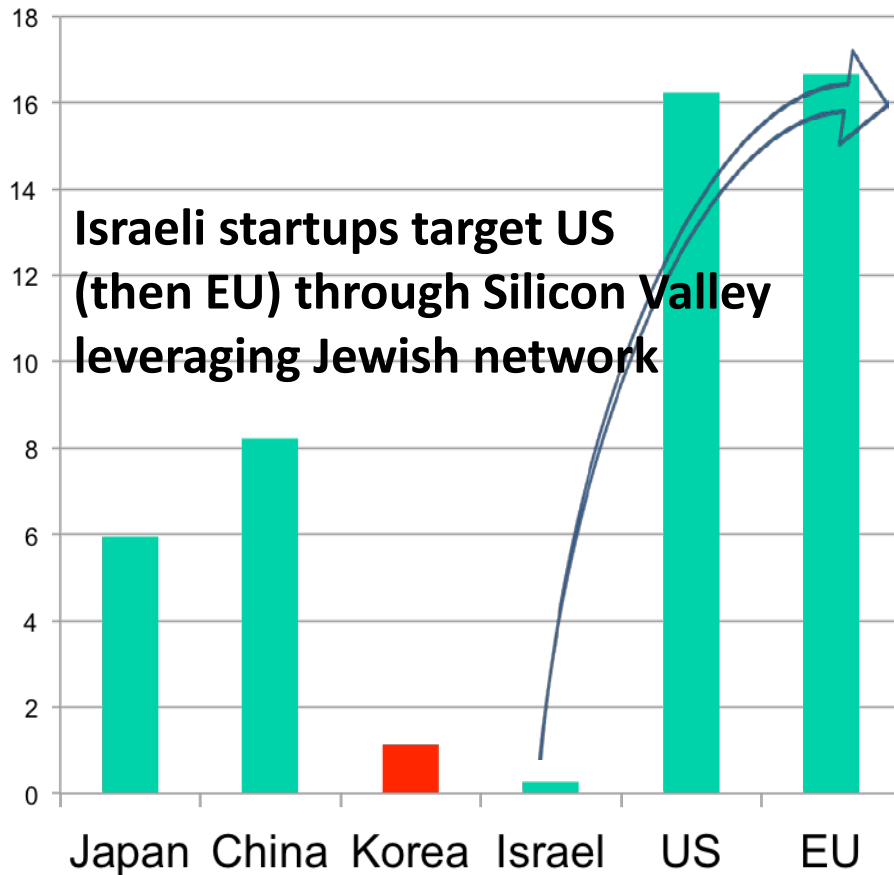


## Where First?

- Expand to China/Japan
  - Physically and Culturally Close
  - Comfortable for Koreans
- Expand to US/EU
- Expand to Rest of World

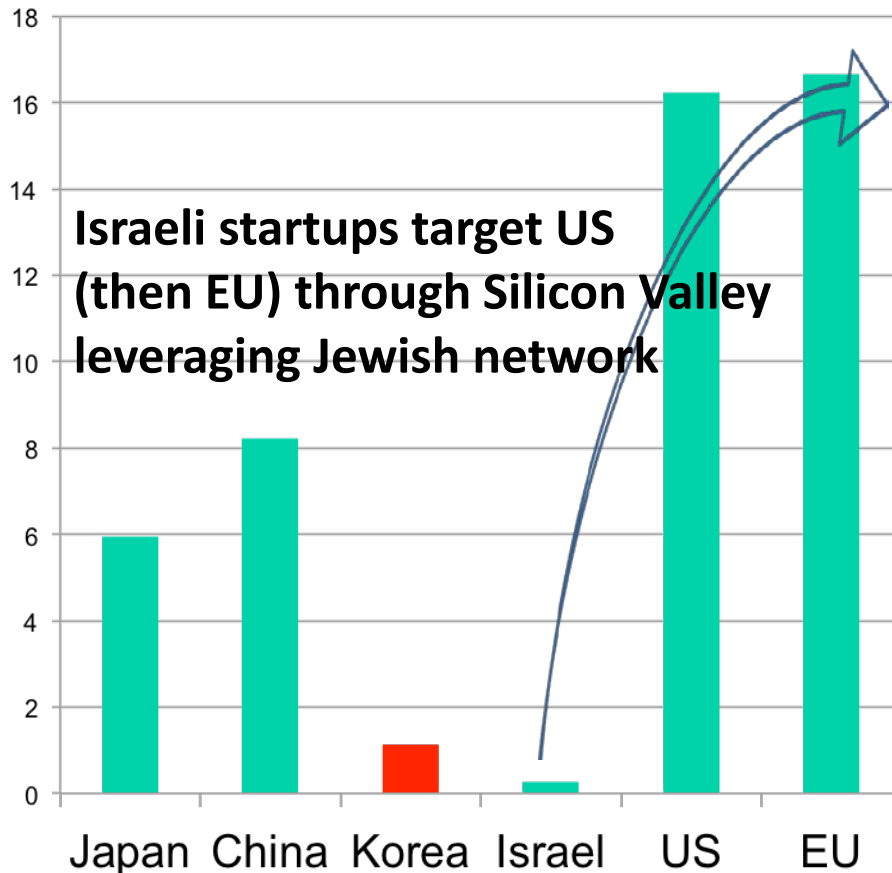
# Israeli GTM – Leverage Silicon Valley

GDP trillions \$'s



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GDP trillions \$'s



This GTM Strategy has a major side benefit:  
US Buyers get to know the Israeli Seller

Resulting in US Exits

(**bolded** occurred in 2012 and 2013)

- **NDS (founded in 1988). Acq by Cisco for approximately \$5B in March 2012**
- Chromatis: Acq by Lucent for \$4.5 billion in 2000
- **Waze: Acq by Google for \$966M in 2013**
- **Trusteer: Acq by IBM for \$800M in 2013**
- **Retalix (founded in 1982). Acq by NCR for \$800M in 2013**
- **Objet: Merged with Stratasys for \$634M in 2012**
- MediaMind Technologies: Acq by DG for \$517M in 2011
- Zoran Corporation: Acq by CSR for \$484M in 2011
- **XtremIO: Acq by EMC for \$450M in 2012**
- Omrix Biopharmaceuticals (founded in 1995). Acq by Johnson & Johnson for \$438M in 2008

# Korea was the first in.....



**But, others become Worldwide Leaders**

## Barrier to Going Global

**Invented in Korea First**



Social Networking



Free to play games

Korean  
2002 election

Mass SMS  
rebroadcast

Mobile payment  
with a dongle

Mobile payment

# Korean Startups can do the Same

Worldwide Leader

Major Customers: AT&T, VZ,  
Amazon, Google, Netflix

Major Partners: Apple, ...

US Go-To-Market Strategy

Target right customers and partners

Recruit right people

## Integrate Korea with Silicon Valley

Prove in Korea: First Happy Customers

First Deployment in the world (KT) – build and test product

Founding in Korea

Passionate Founders

Great New Technology (first in the world)

Large Potential Market (mobile video)



# Our Goal – Be the Trusted Guide in this Journey

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With a US VC  
as a Trusted Guide

# Advice #3 – for policy makers

## People

- Work Visas
- Small support for many Korean-SV networks

## Ideas

- Collaboration with Bay Area universities

## Money

- Cross investment

## GTM Platform

- Korean section at Platform conferences

Integrate Korea with Silicon Valley