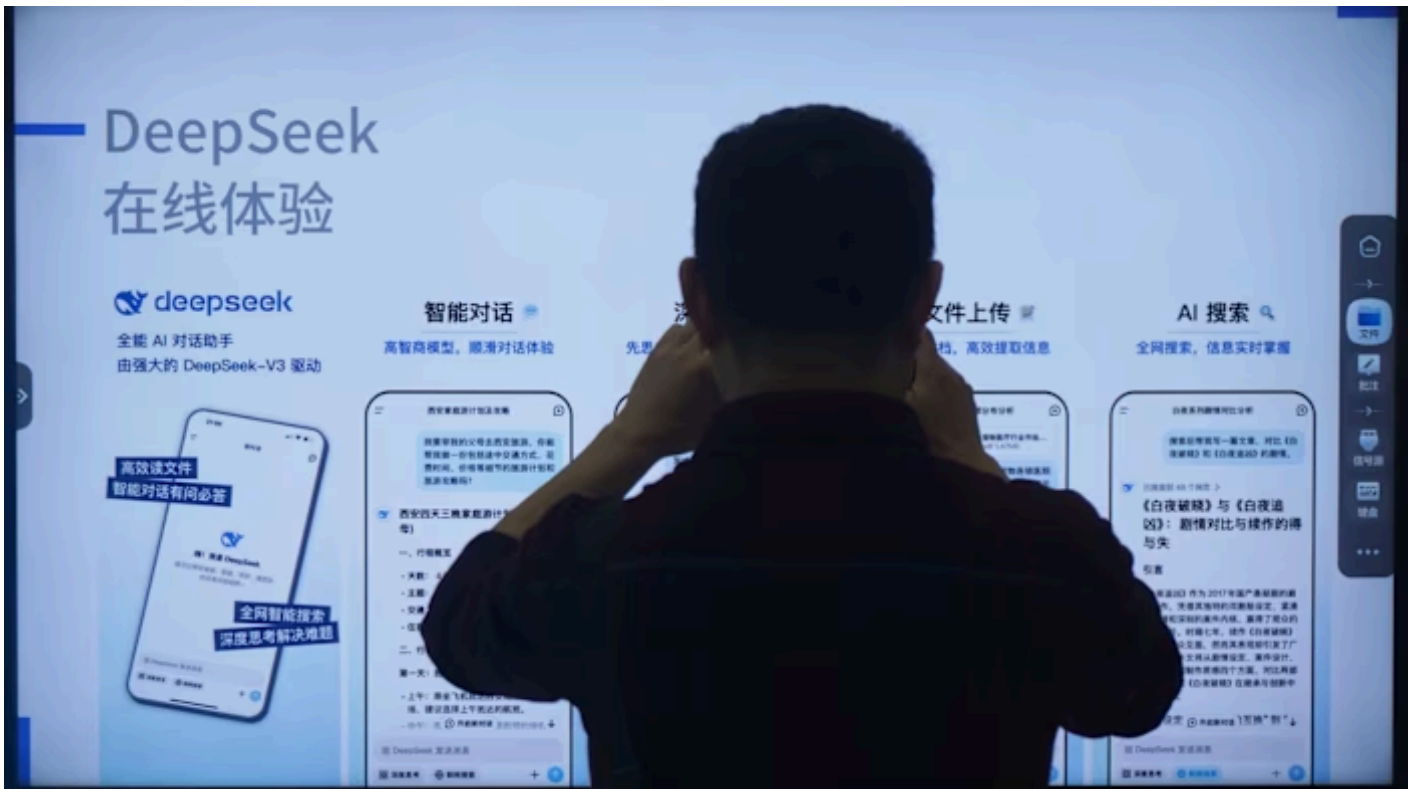


DeepSeek

DeepSeek targets \$20bn valuation to stop poaching of staff

Chinese AI start-up is raising funds for first time to keep researchers after several defections to rivals



DeepSeek has not raised any outside capital, instead relying on funding from founder Liang Wenfeng's quantitative trading firm © CFOTO/Future Publishing via Getty Images

Zijing Wu in Hong Kong

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Chinese AI start-up DeepSeek is raising funds for the first time in an effort to retain employees being paid with stock options and ensure they are not poached by rivals.

The Hangzhou-based [AI](#) model developer is speaking to a small group of strategic investors about a fundraising that could value it at more than \$20bn, according to two people with knowledge of the discussions.

While [DeepSeek](#) did not have as much free cash flow as its bigger competitors, there had not been an urgent or significant need for outside capital, said the people.

Instead, the fundraising is mainly to assuage the company's researchers, some of whom have left for rivals whose valuations have soared in the past year. Stock options typically comprise a large part, if not the majority, of an AI researcher's salary.

The amount raised was expected to be a nominal figure in the low hundreds of millions of dollars, less than the billions typically raised by peers, the people said.

DeepSeek's founder Liang Wenfeng was also considering other options to establish a valuation, including a share buyback or a valuation method based on the company's performance, in case fundraising terms could not be reached, said one of the people.

The company stunned the world last year when it released its R1 model, touting capabilities close to those of its US peers such as ChatGPT but at a much lower cost.

Despite the sudden fame, Liang had turned down outside investors, choosing to [focus on research instead of commercialisation](#), the FT reported last year. He has been funding the company with money from his quantitative trading firm.

For financial institutions, DeepSeek's lack of a business model could inhibit fundraising. For strategic investors, who typically seek synergies with their own operations in a deal, Liang's unwillingness to share information beyond bare-minimum financial figures also posed a challenge, said one of the people familiar with the talks.

"It's not a typical investment. It would make the most sense to bring in partners with strong cloud and compute capabilities" to feed DeepSeek's demand for computing power, said the person. "Otherwise state-backed funds with no performance pressure may be the most suited investors."

In the past few months, DeepSeek has lost a number of key researchers. Guo Daya, a leading author of the R1 paper, joined TikTok owner ByteDance, while a veteran of DeepSeek's model training team, Wang Bingxuan, had left for Tencent, said people familiar with the moves.

While DeepSeek's cash-based pay was competitive, said one of the people, the lack of a clear valuation had put it at a disadvantage not only against tech giants including Alibaba and Tencent but against start-up peers too.

Moonshot, operator of the Kimi AI models, was valued at \$18bn in its last fundraising round, according to people with knowledge of its valuation. Two Hong Kong-listed developers, MiniMax and Zhipu, are valued at \$34bn and \$58bn respectively.

Nonetheless, the people familiar with DeepSeek's fundraising efforts said only a small number of researchers had left and most of the staff were dedicated to Liang's idealistic approach. The company provides a flexible work environment and the linear reporting structure of a research lab, which is difficult to find elsewhere.

"If more valuation certainty is provided, DeepSeek should be able to continue what it does best: pursue the ultimate artificial intelligence despite all the noise," said one of the people.

DeepSeek did not respond to a request for comment. The Information first reported on the company's fundraising plans.

Additional reporting by Cheng Leng in Beijing

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