



HANKOOK TIRE CO. LIMITED

Hankook Tire is a Korean tyre manufacturer ranked 9th in the World with a global market share of 2.6% in 2004.

We have outlined below why this company is interesting to us at a time when the global auto industry is only growing at 2-3% a year.

Quality at a competitive price

- Hankook operates very large production plants (one in Korea is the largest in the World) and is therefore able to capture significant unit cost benefits of scale;
- As a result, whilst the quality of its tyres is comparable with that of the top tier manufacturers, it is able to sell them at around 30-40% less, while achieving good returns on sales and assets.

Building brand awareness

- Currently categorized as a third tier tyre manufacturer, Hankook is continuing to invest in building brand

awareness from a low base. We believe over time this will allow the company to narrow the price gap between its products and those of the top tier players.

Korean car manufacturers an important source of growth

- Korean car manufacturers, in particular the Hyundai Motor Group, are the largest customers of Hankook. We believe Hankook will directly benefit from any gain in global market share achieved by Korean car manufacturers like Hyundai and Kia.

Strong and growing markets overseas

- Hankook has positioned itself well in capturing the growth potential of emerging auto markets. For instance, it has the largest market share (approx. 30%) of passenger car tyres in China – a market growing at a much higher rate than the global industry;

- The company has announced plans to build an Eastern European plant, giving it a manufacturing presence in this important market. Europe currently represents 24% of Hankook’s sales.

Diversification

- Given that around 60% of car owners replace their tyres with the same brand, any gain in market share of OEM should provide impetus to the replacement market for Hankook;
- Hankook is also strong in producing ultra high performance tyres, which have larger margins.

Finally, whenever we visit the offices of Hankook we can not help but be impressed by the company’s focused passion in what they affectionately call ‘tireship’.

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