

Investment Review / Investment Manager's Report continued

CUCKOO HOLDINGS

Investing Off the Beaten Track

In South Korean homes, there's a sound which marks the moment when rice has reached cooking completion and dinner is ready to be served: the distinctive two-note call of the Cuckoo bird.

Founded in 1978 as SungKwang Electronics, Cuckoo was originally an OEM supplier to LG, Phillips and Panasonic, building up deep manufacturing expertise and quality, before launching its own "Cuckoo" rice cooker product range in 1998. Cuckoo's rice cookers have become synonymous with the bird's memorable call to the dinner table, and the company has transformed itself into one of South Korea's most iconic appliance brands.

AVI first invested into Cuckoo Holdings (Cuckoo) in July 2025, a Korean-listed, electronics-appliance focused holding company, controlled by the Koo family.

Cuckoo offers many of the qualities that AVI looks for in holding companies, with significant asset backing through a net cash position and investment property, a listed stake in an equity affiliate – Cuckoo Homesys – worth 24% of market cap, and a lowly implied valuation on its stub – Cuckoo Electronics – a high-quality, unlisted home appliance business.

Today, Cuckoo Electronics continues to manufacture its iconic rice cookers, boasting an extraordinary 80% domestic volume market share, competing only against small South Korean and Chinese

manufacturers, having displaced all other major competitors. Crucially, Cuckoo's premium rice cookers (£300–800) make up c. 60% of the company's rice cooker sales volumes and generate an impressive 15%+ operating margin. The company's successful premiumisation strategy has spurred revenue growth of +10% YoY over the last five years. Cuckoo's Electronics' financial track-record is enviable, with minimal capex requirements leading to high free-cash flow generation and a strong return on invested capital.

Outside of its domestic stronghold, Cuckoo Electronics has been delivering strong international growth, now representing 25% of company revenues, with 30%+ YoY growth in Vietnam and USA, as the company's strong brand equity spreads overseas.

Despite the company's underlying quality, Cuckoo has just one local broker covering the name and zero English disclosure. With a complex holding company structure and low investor awareness, Cuckoo Electronics trades at just 4x EBIT*, versus close peers at 12x.

We believe that the ongoing Value-Up corporate governance reforms in South Korea will drive a direct incentive for the Koo family to close the discount at which its shares trade. Until this occurs, we take comfort in the company's stable profitability and free cash conversion, affording us patience while we wait for the corporate governance reforms of the current government administration to take effect.

* Refer to Glossary on pages 110 to 114.