



AGX Group Bhd

IPO Note - "Aerospace leadership, global footprint, and strategic licensing"

ACE Market
Transportation & Logistics Services Sector
SUBSCRIBE
IPO Price: RM0.35
Fair Value: RM0.57

Valuation / Recommendation

We have a SUBSCRIBE recommendation on AGX Group Bhd with a target price of RM0.57 based on FY25F EPS of 8.2 sen and a 20% discount to the peer average PE of 9x.

We like the stock for its attractive growth prospect on the back of a growing real GDP of the transport and storage sector in Malaysia, which grew at a CAGR of 15.2% from 2020-2022 (Vital Factor). The target price represents a potential return of 62.9% over the IPO price.

Investment Highlights

Niche business in aerospace logistics. AGX's aerospace logistics services, a unique offering since 2005, distinguish it in the logistics landscape. Specialisation in this sector has cultivated strong client loyalty, with aerospace logistics becoming the top revenue contributor at 37.06% in FPE 2023. Despite a temporary dip in FYE 2021 due to COVID-19 restrictions, FYE 2022 and FPE 2023 show a robust resurgence, reflecting increased demand for transporting aircraft components as air travel rebounds.

Physical presence in five countries. AGX boasts a physical presence in five countries through its subsidiaries, including Malaysia, the Philippines, Korea, Myanmar, and Singapore. This widespread network allows AGX to effectively represent its clients in negotiations with logistics service providers, customs, and port authorities. The strategically located warehouses play a crucial role, offering services such as storage, distribution management, e-fulfillment, and container stuffing and unstuffing as needed. AGX's decision to operate in these diverse markets not only fuels business growth but also provides geographical market diversity, safeguarding against the risks associated with regulatory changes and industry trends. This approach mitigates the company's reliance on any single market or economy.

Holds essential permits and licenses that empower strategic expansion into high-profit-margin routes. Through its subsidiary, AGX Philippines, AGX is certified as a Non-vessel Operating Common Carrier (NVOCC) and an IATA Cargo Agent, granting direct engagement with common carriers. Registered since June 2022, AGX Philippines, as an NVOCC, can issue bills of lading and manage sea freight cargo shipments to the United States, offering significant advantages in securing container space. Additionally, being an accredited IATA Cargo Agent enables AGX Philippines to issue bills of lading and rent cargo space directly from air freight common carriers, fostering flexibility and potential revenue streams. This status empowers AGX to negotiate favorable sea and air freight rates and secure cargo or container space efficiently, reducing reliance on third-party intermediaries.

Risk factors. (1) Breach of regulatory requirements. (2) Fluctuations in sea and air freight rates. (3) Reduction in international trade levels.

Investment Statistics	FY21	FY22	FY23F	FY24F	FY25F
Revenue	193.4	234.4	183.3	250.6	291.1
EBITDA (RM m)	14.1	24.0	30.1	42.3	45.7
PATMI (RM m)	5.9	13.5	12.5	33.4	35.6
Profit Margin (%)	3.1	5.8	6.8	13.3	12.2
EPS (sen)	1.4	3.1	2.9	7.7	8.2
EPS Growth (%)	1272.2	128.0	-7.5	167.1	6.6
BV Per Share (sen)	8.5	10.2	14.6	45.2	50.8
PE (x)	25.5	11.2	12.1	4.5	4.3
Net Gearing (%)	6.5	Cash	Cash	Cash	Cash
ROA	6.6	15.6	11.8	14.0	13.4
ROE	16.2	30.8	19.8	17.1	16.2

Business Overview

AGX Group Bhd primarily operates as a third-party logistics (3PL) provider, offering services such as sea and air freight forwarding, aerospace logistics, warehousing, other 3PL services, and road freight transportation.

Listing Details

Listing date	7 Feb 2024
New shares (m)	96.5
Offer for sale (m)	30.0
Funds raised	33.8

Post Listing

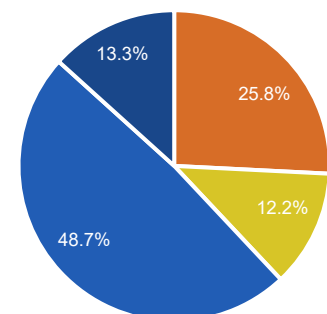
Ordinary shares (m)	432.9
Market cap (RM M)	151.05
Free float	22.3
P/E (FY22)	11.2

Top 3 Shareholders

Penu Mark	17.6%
eo Lip Pheng, Peter	17.6%
Dato' Ponnudurai A/L Periasamy	11.5%

Utilisation of Proceeds

	(RM m)
Business expansion	8.7
Repayment of bank borrowings	4.1
Working capital	16.4
Estimated listing expenses	4.5



• Business expansion
• Working capital
• Repayment of bank borrowings
• Estimated listing expenses

Source: Mercury Securities, Bloomberg

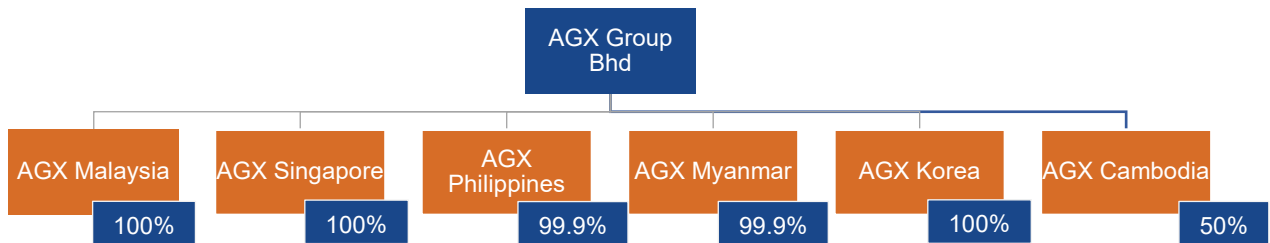


IPO Details

	Offer for sale (m)	Public issue (m)	Total (m)	(%)
Malaysian public		21.65	21.65	5.0
Pink form allocations		6.32	6.32	1.5
Private placement to Bumiputera investors approved by MITI	-	-	-	-
Private placement to selected investors	30.0	68.53	98.53	22.8
Total				29.3

Source: Company

Group Structure Post Listing



Source: Company

Peer Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM m)	P/E (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
FM Global Logistics Holdings Bhd	FM MK	0.59	329.5	8.4	7.4	7.0	8.1	-8.1%	15.4%	0.8	0.8
Tasco Bhd	TASCO MK	0.81	648.0	8.4	7.4	10.0	11.0	-11.9%	10.0%	1.0	0.9
Swift Haulage Bhd	SWIFT MK	0.6	528.4	11.3	11.4	4.70	5.26	46.9%	11.9%	0.75	N/A
Average					8.7						

Source: Mercury Securities, Bloomberg



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Published & Printed By:

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