

DATE : 20 JAN 2025
PUBLICATION : THE MALAYSIAN RESERVE
SECTION : INVESTMENT
HEADLINE : AGX TAKING OFF IN 2025
CATEGORY : COMPANY
MEASUREMENT : 48 CM²
TONE : NEUTRAL
REMARKS : N/A

AGX taking off in 2025

► **Recommendation: Buy**
Target Price: 84 sen
by Phillip Research Sdn Bhd
(Jan 15)

POSITIVE on 2025 outlook. Management expressed strong confidence in the 2025 outlook, driven by positive prospects of its aerospace segment and All-Link. The aerospace segment is expected to see strong revenue growth, thanks to a newly secured Philippines customer and the recent expansion of hangar capacity at Asia Digital Engineering Sdn Bhd (ADE; the Capital A maintenance, repair and overhaul (MRO) arm). AGX Group Bhd has been handling the trial shipment for this new Philippines customer and will officially handle their logistics starting in 2025. Furthermore, management is seeing a significant increase in aircraft maintenance volume for ADE following the operation of the new 14-line hangar in September 2024. ADE's CEO Mahesh Kumar is optimistic about doubling revenue in 2025, pointing out that the new hangar is fully booked for 2025, further validating its outlook. AGX has the competi-

AGX GROUP BHD				
FYE DEC	2023	2024F	2025F	2026F
REVENUE (RM mil)	186.8	251.3	348.3	396.4
CORE NET PROFIT (RM mil)	10.0	17.4	24.3	27.8
CORE EPS (sen)	2.3	4.0	5.6	6.4
CORE PER (x)	23.0	13.2	9.5	8.2

tive edge as the preferred logistics provider handling the bulk of ADE's volume. Additionally, with the major customer secured in 2024, All-Link benefits from the global e-commerce boom.

Potential new customers on the horizon as catalyst. AGX is actively pursuing a few major airlines' customers in Malaysia and globally. AGX is looking to secure a significant MRO logistic contract with a major local airline company. We understand that this airline's potential aircraft maintenance volume could be comparable to that of the current volume by ADE. Given that AGX already provides aircraft-on-ground services for this airline, we see a strong likelihood of securing the contract. With the

intensifying global trade tension, we believe AGX, through its partnership with All-Link, will benefit from ongoing global trade diversification, leading to higher shipment volume.

Maintain 'Buy' with 84 sen target price. We reiterate our 'Buy' rating and 84 sen target price, based on a target 15 times price-to-earnings ratio multiple on 2025E earnings per share. We like AGX for its niche exposure in the aerospace business, riding on ADE's ambitious growth prospects and benefiting from global trade tension. Key risks to our 'Buy' call include weaker-than-expected volume growth, lower-than-expected contribution from All-Link, and a sharp decline in freight rates.