

AGX sets IPO price at 35 sen per share, remains confident amid rising geopolitical tensions

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IPO

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(From left) AGX Singapore executive director/managing director Mark Penu, AGX Malaysia executive director/MD Jayasielan Gopal, AGX Group Bhd Group CEO Datuk Ponnudurai Periasamy and AGX Myanmar MD Peter Neo Lip Pheng at the launch of AGX Group Bhd's prospectus on Tuesday. (Photo by Mohd Izwan Mohd Nazam/The Edge)

KUALA LUMPUR (Jan 16): ACE Market-bound freight forwarding and aerospace logistics provider AGX Bhd has set its initial public offering (IPO) price at 35 sen per share, and remains confident of logistics service industry outlook in 2024 amid rising geopolitical tensions as it intends to adopt a cost-plus pricing strategy.

Its IPO price of 35 sen per share would translate to a market capitalisation of RM151.5 million upon the company's listing on Bursa Securities with an enlarged share capital of 432.87 million shares.

At its IPO price, the group is valued at about 11 times its price-earnings ratio based on a net profit of RM13.54 million for FY2022.

The group's IPO comprises a public issuance of 96.5 million new shares and an offer for sale of 30 million existing shares. It expects to raise RM44.26 million, of which RM33.78 million will be from the issuance of new shares and RM10.5 million from the offer for sale shares. It is set to be listed on Feb 7.

Under the public issue portion, 21.65 million shares will be made available to the Malaysian public through balloting, of which 50% or 10.83 million shares will be set aside for Bumiputera investors. Some 6.32 million shares will be allocated to eligible directors and employees of the group.

The remaining 68.53 million shares will be made available for private placement to selected investors.

The majority of proceeds of RM16.44 million will be used for working capital and RM8.7 million for business expansion in Malaysia and South Korea by setting up new warehouses and offices in Penang and Johor Bahru, as well as a new office in Busan, South Korea. The remaining proceeds of RM4.14 million and RM4.5 million will be utilised for repayment of bank borrowings and listing expenses respectively.

At the prospectus launch on Tuesday, AGX Bhd explained its cost-plus pricing strategy.

"Our business is mainly cost-plus, so whenever the rates go up, we will still have our margin. Definitely, this Red Sea [crisis] will have an impact on the importers and exporters because the rates are definitely going up, and the shortage will be there, especially container turnaround time and shortage of containers. This will definitely happen, and also longer transit," said AGX Group CEO Datuk Ponnudurai Periasamy.

In 2022, AGX generated RM234.43 million in revenue, of which 54% came from sea freight forwarding services (RM126.58 million), 27% from air freight forwarding services (RM63.65 million), and 13% from aerospace logistics (RM29.68 million).

The company has a physical presence in five countries with its customer portfolio comprising the likes of AirAsia, Batik Air, Malaysia Airlines and several other maintenance, repair and overhaul (MRO) companies in the Philippines.

AGX has adopted a dividend policy with a payout ratio of up to 30% of its profits attributable to owners of the company, subject to the approval by the board of directors of AGX Bhd at each of the financial year.