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AGX Group to expand in Malaysia, South Korea

Company to build warehouses in Johor, Busan post-IPO

LOGISTICS

PETALING JAYA: ACE Market-bound AGX Group Bhd aims to raise RM33.78mil from its initial public offering (IPO) next month.

The third-party logistics (3PL) service provider's IPO entails a public issue of 96.5 million new ordinary shares priced at 35 sen per share.

It is slated to debut on the ACE Market on Feb 7, 2023.

AGX has issued 96.5 million new shares and is expected to gain a market capitalisation of RM151.5mil upon listing, based on an enlarged issued share capital of 432.87 million shares.

From the new shares, 68.53 million will be allocated for selected investors, 21.65 million shares will be for the Malaysian public, and the remaining 6.32 million shares will be set aside for eligible directors and employees of the group.

In addition, AGX has brought out an offer for sale of 30 million existing shares for selected investors, which is expected to raise RM10.5mil.

Executive director and chief executive officer Datuk Ponnudurai Periasamy said the majority of the proceeds gained from the IPO will be utilised for working capital, with an allocation of RM16.44mil or 48.7%.

AGX also intends to utilise the proceeds to work on expansion plans, amounting to RM8.7mil or 25.8%, with the remainder of the proceeds going towards repayment of bank borrowings and estimated listing expenses at RM4.14mil and RM4.5mil, respectively.

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"The PTP warehouse and office will allow us to support our business and coverage in both Malaysia and Singapore," Ponnudurai said after the launch of AGX's prospectus yesterday.

He added that the group is confident the expansion plan will be beneficial and pos-

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itive for AGX's revenue growth.

In regards to the Red Sea crisis, he said there will be a definite impact on both importers and exporters as rates are going up and delays are becoming evident.

"This is especially when it comes to turnaround time, shortages of containers as well as longer transit times."

When asked regarding expected rate hikes for logistics services, Ponnudurai said he believes that the group's cost-plus business model will back up AGX's operations.

"In my opinion, whenever risk goes up, we will still have our margins. When it comes to managing clients, sometimes we pass on the full costs but sometimes we do still want to support them through difficult times," he added.

On a brighter note, he stated that the group remains confident about the outlook for the logistics service industry in 2024, despite the recent rise in geopolitical tensions.

Year-to-date, AGX has recorded revenue of RM138.16mil and a net profit of RM9.17mil for its third quarter of the financial year 2023 ended Sept 30.

According to Ponnudurai, the company's operations in the Philippines provided the largest contribution to the groups' revenue at RM69.79mil, representing 50.51% of revenue year-to-date.

This was followed by Malaysia, contributing RM31.24mil or 22.61%, Singapore with RM15.80mil or 11.44%, followed by

South Korea and Myanmar at RM13.37mil (9.68%) and RM7.95mil (5.76%), respectively.

Meanwhile, its aerospace logistics services segment had the highest contributions to the groups' revenue, at RM51.67mil or 37.4%.

Ponnudurai said AGX will be able to leverage growth in the aerospace industry with two maintenance, repair and operations facilities scheduled to begin operations in 2024 and Asia Digital Engineering Sdn Bhd developing its own hangars.

"This will give more growth and opportunities to AGX in 2024," he said, when asked about how the group will maintain its earnings within the segment.

The company's sea freight forwarding segment contributed RM49.78mil to revenue, followed by air freight forwarding with RM23.59mil, warehousing and other 3PL services RM8.12mil and road freight transportation RM5mil.

AGX has a dividend policy of distributing a dividend of at least 30% of its annual profits to its shareholders.

When asked regarding the high percentage, the company said it has always been on track for the past few years and is confident about maintaining the dividend distribution target.

As of Dec 22, 2023, AGX has not declared any dividend and does not intend to do so prior to its listing.

TA Securities Holdings Bhd is the principal adviser, sponsor, sole underwriter and placement agent for the IPO.