

# Mercury Securities values ACE Market-bound AGX Group at 57 sen

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1. [Home](#)
2. Mercury Securities values ACE Market-bound AGX Group at 57 sen

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By [Surin Murugiah](#) / [theedgemaalaysia.com](https://theedgemaalaysia.com)

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KUALA LUMPUR (Jan 22): Mercury Securities Sdn Bhd has a “subscribe” recommendation on ACE Market-bound AGX Group Bhd at an initial public offering (IPO) price of 35 sen and fair value of 57 sen.

AGX Group 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.

In a note on Monday, the research house said it likes 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.

It said the target price represents a potential return of 62.9% over AGX’s IPO price.

Mercury said AGX's aerospace logistics services, a unique offering since 2005, distinguish it in the logistics landscape.

It said specialisation in this sector has cultivated strong client loyalty, with aerospace logistics becoming the top revenue contributor at 37.06% in the financial period ended (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,” it said.

Mercury said 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,” it said.