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AGX turns turbulence into tailwinds

By DOREENN LEONG
doreenn@thestar.com.my

WHEN AGX Group Bhd made its debut on Bursa Malaysia's ACE Market in February 2024 at 35 sen a share, few could have anticipated the speed of its ascent.

Less than two years later, its share price has surged almost 50% to 52 sen, valuing the company at RM225mil.

In an industry where global freight forwarders are wrestling with trade disruptions, tariff volatility, and shifting supply chains, AGX has carved out a distinctive niche – anchored by its aerospace logistics business and a regional strategy that softens the blow of geopolitical shocks.

The logistics company has been strengthening its competitive edge through strategic contracts and diversification.

In November 2023, it signed a two-year agreement to provide round-the-clock freight forwarding and customs brokerage services to Asia Digital Engineering (ADE), Capital A Bhd's wholly-owned maintenance, repair and overhaul (MRO) unit.

As ADE expanded with its 14-line hangar at Kuala Lumpur International Airport and a two-line hangar in Senai, AGX positioned itself as the logistics backbone behind AirAsia's fleet maintenance.

"The ADE aerospace logistics contract is highly resilient, underpinned by recurring demand for MRO services, which requires high-margin, technically complex logistics where time sensitivity is far more critical than price.

"This ensures stable, recurring revenue and resilience against broader freight market volatility," group chief executive officer Datuk Ponnudorai Periasamy tells *StarBiz 7*.

This is no small advantage in an industry battered by external shocks.

The US-China trade war has already reshaped global supply chains, with clients frontloading cargoes ahead of tariff deadlines and rerouting trade flows.

Yet, AGX has managed to stay agile. Chief financial officer Chang Poh Sheng explains, "While US tariff uncertainty temporarily slowed shipments in the first half of this financial year (1H25), the second quarter (2Q25) to 3Q25 trends indicate normalisation, despite elevated tariff levels.

"AGX's largest exposure remains intra-Asia trade, particularly Asean, which continues to show good performance.

Ponnudorai: The aerospace logistics segment is likely to become the group's core earnings driver.

Chang: The 2Q25 and 3Q25 trends indicate normalisation despite elevated tariff levels.

"European and US market exposure provide a balance but are smaller relative to our core Asia markets."

That intra-Asia tilt has worked in AGX's favour. With operations spanning eight countries – including Malaysia, Singapore, the Philippines, Vietnam, and South Korea – the group benefits from diversification.

The Philippines and South Korea alone contribute half of group revenue, while Malaysia, its home base, accounts for just 12%.

The US-China trade war has benefited the Philippines and Vietnam as many Chinese companies have been relocating their operations to these two countries," Chang notes, highlighting how AGX has capitalised on these structural shifts.

Still, the company's most exciting story lies in aerospace logistics. Once contributing just 13% of revenue in financial year 2022 (FY22), it surged to 28% in FY24 and accounted for 26.2% of total revenue in 2Q25.

Ponnudorai believes the segment could soon become the group's core earnings driver.

"The outlook is promising, as this segment is poised for continued growth. We're seeing strong momentum in the aerospace sector, with airlines making significant investments in MRO capacity and demand for maintenance continuing to rise.

"This naturally drives more Aircraft-on-Ground (AOG) shipments, and the trend is amplified by the ongoing fleet expansion and order backlogs at Airbus and Boeing."

Importantly, aerospace logistics delivers stronger profitability, with gross margins ranging between 30% and 40%, compared with 20% to 30% for sea and air freight forwarding.

The structural drivers are clear: a rebound in global air travel, record aircraft backlogs, and the pressure on airlines to keep fleets flying longer due to a shortage of new planes.

"With the ongoing recovery in the aviation sector, aerospace is not only lifting earnings momentum but also increasing its share of the group's overall revenue base," Ponnudorai adds.

- AGX's largest exposure remains intra-Asia trade, particularly Asean, which continues to show good performance
- Aerospace logistics segment could soon become the group's core earnings driver
- With operations spanning eight countries, the group benefits from diversification

Clear rebound

Financially, AGX has already turned the corner after a tough FY24, when initial public offering-related expenses and warehouse expansion dragged profits.

In the quarter ended June 30, 2025, the group reported revenue of RM70.1mil, gross profit of RM19mil with a 27% to 29% margin, and profit before tax of RM5.2mil. This was driven by stronger sea, air, and road freight contributions, as well as higher associate income.

As Chang puts it, "Yes, the rebound is already visible.

"Compared to last year, results are already showing improvement, though the first half was partly affected by tariff-related issues.

"With recurring contracts making up around 60% to 70% of revenue, AGX is well positioned to sustain this recovery in the coming quarters."

Expansion has been a key theme since listing. The company has grown its warehouses from nine to 15, added new offices in Vietnam and Thailand, and plans to open in Indonesia.

Importantly, it has done so while maintaining a lean, asset-light model. This flexibility, explains Ponnudorai, shields AGX from asset concentration risks that plague traditional logistics players.

Healthy balance sheet

Such discipline has also allowed AGX to keep its balance sheet in check.

The balance sheet remains sound, with RM18mil in cash against RM20mil in borrowings as at June 30, 2025, manageable levels given its scale.

Chang is confident: "Yes, our balance sheet remains healthy with a manageable gearing level and strong operating cash flow.

"This gives us sufficient headroom to fund our planned regional expansion, including new warehouses and offices, through internal resources and bank facilities. At this stage, we do not see the need for external equity raising."

For investors, one question lingers: can AGX sustain its valuation premium?

Phillip Capital Research thinks so, initiating coverage with a "buy" call and an 84 sen target, a 20% premium to peers.

Chang is equally bullish: "We believe our valuation premium is justified by three key factors: earnings growth, our diversified model, and the upside from high-margin aerospace contracts.

"Importantly, our associate company All-Link is benefiting from structural shifts as global manufacturers diversify out of China into South-East Asia.

"This trend is creating new trade lanes and logistics requirements, where All-Link's strong presence and relationships uniquely position AGX to capture incremental opportunities."

While geopolitical tensions and freight-rate volatility remain unavoidable, AGX's mix of resilience and adaptability stands out. Its aerospace logistics edge offers protection against rate-driven swings, while its regional spread across Asean hedges against single-market shocks.

In a freight world often dictated by uncertainty, AGX has crafted a model that thrives on complexity. As global trade lanes rewire and airlines scramble to keep fleets in the air, AGX looks set to turn turbulence into tailwind.