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Mercury Securities positive on AGX Group earnings profile

KUALA LUMPUR: Mercury Securities Sdn Bhd is positive about AGX Group Bhd's direction, despite the company being cautiously optimistic about its earnings outlook amid US President Donald Trump's ongoing tantrums.

The research firm said AGX Group's earnings profile continues to be underpinned by resilient intra-Asia trade flows, particularly within Southeast Asia, where economic activity remains supported by a relatively accommodative interest rate environment.

Further, the lower borrowing costs across the region are conducive to trade financing, inventory replenishment, and consumer demand, which in turn supports logistics volumes.

Coupled with AGX's limited exposure to Europe-US trade lanes, this provides a stable demand backdrop and reinforces earnings visibility despite ongoing global geopolitical uncertainties.

Mercury Securities said while Vietnam and Penang have some US-bound volumes, intra-Asia trade remains dominant, cushioning external shocks.

Further, Mercury Securities noted that AGX Group's aerospace logistics continues to be the key differentiator, underpinned by its 21-year track record and 24/7 control tower capabilities.

The onboarding of new airline customers in Vietnam – new airline clients in Vietnam (e.g. VietJet-equivalent and Sun Phu Quoc Airlines) – and the expansion of supported aircraft fleets (+~51% to 365 aircraft) provide strong medium-term visibility for MRO (maintenance, repair and overhaul) and AOG (Aircraft-on-Ground) - related demand, with AGX Group targeting aerospace logistics to account for ~50% of group revenue over time.

"Expansion by existing airlines and new regional wins should drive strong MRO and AOG demand," Mercury Securities noted.