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AGX enters transformative growth with aerospace logistics push

PETALING JAYA: Mercury Research believes AGX Group Bhd is entering a transformative growth phase as it strengthens its logistics footprint across the Asean region.

The company has several strategic measures driving this expansion, especially its high performing aerospace logistics division, which specialises in handling aircraft parts for maintenance, repair and overhaul (MRO) and urgent aircraft-on-ground situations, the research house's latest report on AGX stated.

AGX has expanded its coverage by securing new airline clients, including AirBorneo, Firefly, and SEAIR, while ramping up services for established accounts like MAS and VietJet Air.

"This has expanded its aircraft coverage, with the current fleet coverage of 451 aircraft across four airlines providing a pathway towards 1,516 aircraft by 2035, supported by rising air travel demand and MRO requirements across South-East Asia.

"Expansion into Indonesia is also being explored to drive further growth," Mercury Research noted.

The segment is further propelled by the rapid 10.6% projected cumulative average growth rate of South-East Asia's MRO market and partnerships with Capital A Bhd's MRO unit, Asia Digital Engineering.

To expand its addressable market, AGX is also exploring defence aviation opportunities in military and government aircraft.

Mercury Research said the listing of AGX's associate, All-Link Air and Sea Ltd on the SGX has also unlocked fresh growth avenues.

The corporate exercise provides All-Link with the financial flexibility to accelerate customer acquisition and regional expansion into Vietnam and Thailand.

The research house said by combining All-Link's established Chinese client base with AGX's robust Asean network, the group is positioned to capture cross-border freight opportunities.

Additionally, AGX is actively evaluating strategic mergers and acquisitions of air and sea freight businesses to increase its volumes and broaden its network.

In its latest financial results filing with Bursa Malaysia, AGX reported a revenue surge of 41% year-on-year (y-o-y) to RM186mil for the six months ended June 30, driven by strong growth across its sea freight, air freight and aerospace logistics segments.

Earnings however, grew more modestly by 5% y-o-y to RM9.1mil due to margin compression, whereby gross profit margins narrowed to 22.4% from 28.5%, primarily due to a lower-margin revenue mix and strategic fee-cutting in Vietnam to capture market share, the report said.

Despite the margin pressures, Mercury Research maintained a "buy' rating on the stock with a target price (TP) of 64 sen a share based on an unchanged TP earnings multiple of 13 times.

"We remain constructive on AGX's second half 2026 outlook, underpinned by expanding aerospace logistics coverage, resilient air and sea freight demand and All-Link's regional expansion," the research house said.