RESULTS UPDATE

ANCOM NYLEX

Paving The Way For Earnings Recovery

BLOOMBERG: ANCOMNY MK | BURSA: ANCOMNY (4758)

BUY (Maintained)

Closing Price	**RM 0.945**
Target Price	**RM 1.28**
Consensus Price	**RM 1.21**

Stock Return Information

KLCI	1,483.3
Expected share price return (%)	35.4
Expected dividend return (%)	1.3
Expected total return (%)	36.7

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	1,063.2
Market Capitalisation (RM m)	1,004.7
52 Week High/Low Price	1.135/0.875
Avg Trading Volume (3-mth)	2,304,494
Est Free Float (%)	58.5
YTD Returns (%)	(6.4)
Beta (x)	0.5

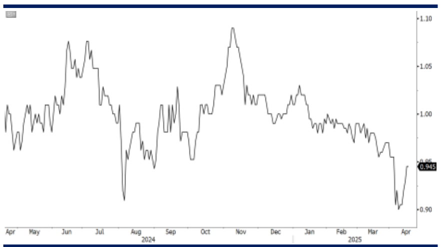
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(3.08)	(0.16)
3 mth	(4.06)	1.27
12 mth	(7.26)	(3.28)

Major Shareholders (%)

HELM AG	16.7
Siew Ka Wei	14.3
Lee Cheun Wei	10.0

1-Year Share Price Performance



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Ancom Nylex's 9MFY25 results missed our expectations, primarily due to softer performance in the industrial chemicals segment amid weak global commodity prices. Nevertheless, earnings have shown gradual Q-o-Q improvement, supported by easing freight costs for agricultural chemical products. We remain positive on the group's growth outlook, driven by the anticipated approval of MSMA label registration for soybean crops in Brazil by mid-2025, and the launch of a new active ingredient (AI) product in FY26. The management also noted that current tariff policies will have minimal impact on the agricultural chemicals segment at this stage with further clarity anticipated following the 90-day pause on U.S.' reciprocal tariffs. As a result, we maintain our **BUY** recommendation on Ancom Nylex but with the higher **TP** of **RM1.28 (+RM0.06)**, derived from ascribing an unchanged target PER of 13.0x to our FY26F EPS after factoring in the proposed dividend-in-specie and the share buyback during the quarter. We continue to favour Ancom Nylex due to: 1) its position as the sole large-scale producer of herbicide AI in Southeast Asia, 2) increasing demand for agricultural chemical products, 3) continuous launch of new AI products, and 4) a beneficiary of the paraquat ban. Key downside risks include: 1) unfavourable global weather patterns, 2) changes in regulations and government policies, and 3) supply chain disruptions and fluctuation in input costs.

Below expectations. Ancom Nylex's 9MFY25 revenue was broadly within our expectations at 71.4% of our full year forecast, but PATAMI fell short, making up only 68.6% of our previous FY25 forecast. The earnings miss was attributed to weaker-than-expected contributions from the industrial chemicals segment, dragged down by softer global commodity prices.

Y-o-Y. Revenue declined by 13.1% to RM449.0m in 3QFY25, from RM516.8m in 3QFY24, mainly due to a 21.6% drop in the industrial chemicals segment resulted from lower selling prices and sales volumes, though revenue from the agricultural chemicals segment was relatively flat. In line with the lower revenue, PATAMI fell 10.3% to RM18.0m, from RM20.1m, weighed down by the weaker profitability in the agricultural chemicals segment which continued to be affected by USD fluctuations, leading to higher import cost and pricing pressure, despite improved margins in the industrial chemicals segment.

Q-o-Q. Revenue was largely stable across all segments compared to the preceding quarter. Nevertheless, PATAMI improved by 19.1%, supported by better profitability in the manufacturing division of the industrial chemicals segment, coupled with lower operating expenses and finance costs.

Table 1: Historical Earnings and Forecasts

FYE May (RM m)	FY22	FY23	FY24	FY25(F)	FY26(F)
Revenue	2,013.1	2,043.3	1,996.3	1,877.5	2,248.7
EBITDA	140.7	152.4	139.9	126.7	179.7
EBITDA margin (%)	7.0	7.5	7.0	6.7	8.0
PBT	78.2	95.8	110.5	86.1	141.4
PAT	29.1	76.8	80.8	65.4	107.5
PATAMI	68.2	75.1	81.5	64.9	106.1
PATAMI margin (%)	3.4	3.7	4.1	3.5	4.7
EPS (sen)*	6.3	7.0	7.6	6.0	9.9
Earnings growth (%)	187.0	10.2	8.4	(20.4)	63.5
PER (x)	14.9	13.5	12.5	15.6	9.6
DPS (sen)	-	1.0	1.0	1.2	1.2
Dividend yield (%)	-	1.1	1.1	1.3	1.3
ROE (%)	17.6	15.3	14.9	8.9	12.6
Net gearing ratio	0.7	0.5	0.4	0.0	Net Cash
P/B (x)	2.6	2.1	1.9	1.4	1.2

Source: Company, Inter-Pacific Research
**EPS is based on the number of shares outstanding of 1,073.9m after factoring in the dividend-in-specie of 1:100.*

Dividend. Ancom Nylex has proposed a second interim dividend by way of dividend-in-specie on the basis of 1 share-for-every 100 shares held.

Forecast. We reduced our FY25 earnings forecasts by 4.1% after slightly scaling back our revenue assumptions for the industrial chemicals segment, while maintaining our FY26 earnings estimates as we anticipate the group's earnings to pick up next year.

Outlook. The group's softer YTD earnings performance in FY25 was mainly weighed down by elevated freight costs during 1HFY25 due to the frontloading of shipments ahead of U.S. tariff implementation. Encouragingly, freight costs have started to normalise amid ongoing trade policy uncertainties where we believe should help minimise further earnings impact.

While the industrial chemicals segment is likely to remain soft due to the subdued global commodity market, the outlook for the agricultural chemicals segment remains intact, underpinned by several key growth drivers. The group is currently waiting for the third and final regulatory approval for the expansion of its MSMA product into Brazil's soybean market, which is expected by mid-2025. Successful entry into the large soybean market could significantly boost earnings, especially by leveraging on HELM AG's extensive distribution network in Brazil to accelerate market penetration.

In addition, the commercialisation of AI T is also progressing well with the installation of machinery for its in-house tri-phosgenation process that has been completed and trial production is set to commence soon. Commercial production is slated for 2Q2025 with FY26 output targeted at about 50% of its annual capacity of 1,000 MT.

The management also noted that the group's current exposure to the U.S. tariffs is minimal and manageable. Exports to the U.S. are limited to timber preservatives and MSMA, which together account for around 10%–11% of its total agricultural chemicals' revenue. Of this, about 60% comprises timber preservatives which are classified under the pharmaceutical category and are exempt from tariffs for now, while the remaining 40% MSMA is subject to a 10% base tariff. The group has already completed its FY25 delivery cycle for MSMA (typically October to May). With the next delivery cycle scheduled to begin in November, the management is taking a watchful approach and awaiting further clarity on the evolving U.S. tariff landscape. Nonetheless, the group remains competitively positioned as one of only two global producers of MSMA, with the other based in Israel, where supply cost remains elevated due to the ongoing conflict.

Table 2: Quarterly Results Comparison

FYE May (RM m)	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
			%		%			%
Revenue	449.0	516.8	(13.1)	450.7	(0.4)	1,415.3	1,509.3	(6.2)
Gross profit	78.9	83.1	(5.1)	75.0	5.2	230.2	235.5	(2.2)
PBT	26.5	28.5	(6.9)	24.3	9.0	71.6	85.8	(16.6)
PAT	18.2	20.4	(10.5)	15.7	15.8	47.7	63.9	(25.4)
PATAMI	18.0	20.1	(10.3)	15.2	19.1	46.4	63.0	(26.4)
			Ppt		ppt			ppt
GP margin (%)	17.6	16.1	1.5	16.6	0.9	16.3	15.6	0.7
PBT margin (%)	5.9	5.5	0.4	5.4	0.5	5.1	5.7	(0.6)
PAT margin (%)	4.1	3.9	0.1	3.5	0.6	3.4	4.2	(0.9)
PATAMI margin (%)	4.0	3.9	0.1	3.4	0.7	3.3	4.2	(0.9)

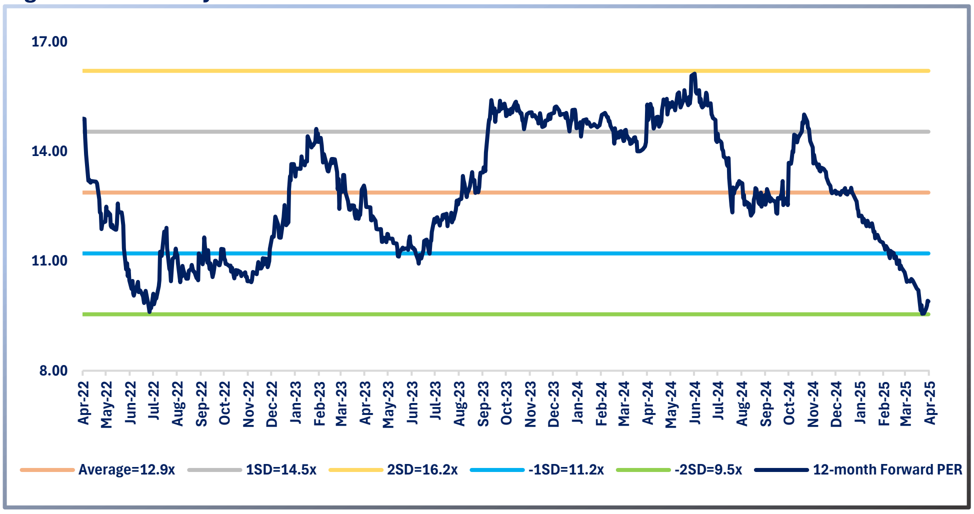
Source: Company, Inter-Pacific Research

Table 3: Segmental Revenue Breakdown

FYE May (RM m)	3QFY25	3QFY24	YoY	2QFY25	QoQ	9MFY25	9MFY24	YoY
			%		%			%
Industrial Chemicals	263.2	335.7	(21.6)	267.9	(1.7)	870.6	963.8	(9.7)
Agricultural Chemicals	137.7	138.1	(0.3)	135.0	2.0	409.3	404.7	1.1
Polymer	21.3	19.0	11.9	21.3	(0.0)	58.0	58.6	(1.0)
Logistics	11.6	12.2	(4.9)	11.6	(0.5)	35.4	36.6	(3.0)
Investment Holdings & Others	15.3	11.9	29.0	14.9	2.4	42.0	45.7	(8.2)

Source: Company, Inter-Pacific Research

Figure 1: Ancom Nylex's 12-Month Forward PER



Source: Bloomberg, Inter-Pacific Research

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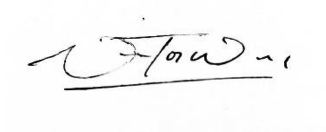
Signed



Victor Wan Kum Seng
Head of Research
Inter-Pacific Research Sdn Bhd

Stock Ratings are defined as follows:

Stock Recommendations

BUY	Total return is expected to exceed 15% in the next 12 months
TRADING BUY	Total return is expected to exceed 10% in the next 3 months
NEUTRAL	Total return is expected to be between -15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months
TRADING SELL	Total return is expected to be below -10% in the next 3 months
NOT RATED	The stock is not within regular research coverage

Abbreviation

PER	Price Earnings Ratio	**CAGR**	Compounded Annual Growth Rate
PEG	PER to Growth	**CAPEX**	Capital Expenditure
EPS	Earnings per Share	**DPS**	Dividend per Share
FYE	Financial Year End	**ROA**	Return on Asset
FY	Financial Year	**ROE**	Return on Equity
CY	Calendar Year	**PBT**	Profit Before Tax
MoM	Month-on-Month	**PAT**	Profit After Tax
QoQ	Quarter-on-Quarter	**EV**	Enterprise Value
YoY	Year-on-Year	**EBIT**	Earnings Before Interest and Tax
YTD	Year-to-Date	**EBITDA**	EBIT Depreciation & Amortisation
p.a.	Per Annum	**WACC**	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	**NTA**	Net Tangible Asset
FCF	Free Cash Flow	**BV**	Book Value
NAV	Net Asset Value		

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