

HLIB Research

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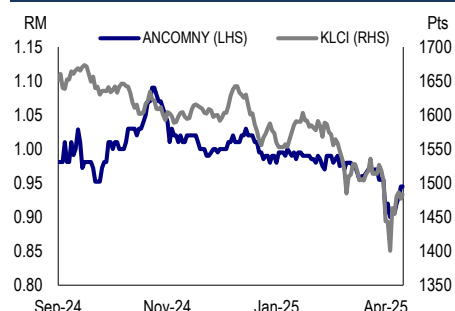
BUY (Maintain)

Target Price: **RM1.13**
Previously: **RM1.13**
Current Price: **RM0.95**

Capital upside	19.6%
Dividend yield	1.6%
Expected total return	21.2%

Sector coverage: Industrial Products & Services

Company description: Ancom Nylex manufactures and sells chemical products. The company is principally involved in offering agricultural and industrial chemicals.

Share price


Historical return (%)	1M	3M	12M
Absolute	-3.1	-4.1	-3.7
Relative	-0.2	1.3	0.3

Stock information

Bloomberg ticker	ANCOMNY MK
Bursa code	4758
Issued shares (m)	1,063
Market capitalisation (RM m)	1,005
3-mth average volume ('000)	2,341
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	★★

Major shareholders

HELM AG	16.7%
Siew Ka Wei	14.3%
Lee Cheun Wei	10.0%

Earnings summary

	FY24	FY25f	FY26f
FYE (May)			
PATMI - core (RMm)	81.7	60.4	85.9
EPS - core (sen)	8.0	5.3	7.5
P/E (x)	11.8	17.9	12.6

Ancom Nylex

Easing freight costs aids recovery

ANCOMNY recorded 9MFY25 core earnings of RM43.3m (-29% YoY), which was within our (72%) but below consensus (68%) expectations. Core net profit jumped 71% QoQ, mainly lifted by improved Agrichem segment's EBIT as the preceding quarter was hit by freight costs spike, given heightened geopolitical tensions, along with unfavourable forex movement. The international freight costs have continued to fall in 4QFY25. Despite geopolitical uncertainties, we gathered the overall demand for its Agrichem products remains intact so far. We anticipate FY26 earnings growth to be anchored by the commercialisation of Chemical T in 2QCY25. Maintain forecasts and BUY rating with unchanged TP of RM1.13, pegged to PE multiple of 15x on FY26f earnings.

Inline. ANCOMNY recorded 3QFY25 core earnings of RM18.7m (+71% QoQ, -0.3% YoY), bringing 9MFY25's sum to RM43.3m (-29% YoY); the latter was within our (72%) but below consensus (68%) full year estimates. 9MFY25 core net profit was arrived after adjusting for net EIs of -RM3.1m, mainly comprising of net reversal of impairment loss on receivables (-RM2.4m) and net forex gain (-RM0.7m).

Dividend. None.

QoQ. Core net profit jumped 71%, boosted by improved Agrichem segment's EBIT as the preceding quarter was hit by freight costs spike, given heightened geopolitical tensions, along with unfavourable forex movement. Meanwhile, there were reduction in both finance costs (-17%) and tax expenses (3%).

YoY. Core bottom line was flattish YoY as contributions from all segments remained broadly stable.

YTD. Core earnings declined 29% no thanks to weaker EBIT contribution from Agrichem (-9%; dragged by freight costs surge in 2QFY25 and unfavourable forex movement in 1HFY25) as well as higher tax expenses (+9%).

Outlook. The easing freight costs had contributed to the group's earnings recovery QoQ. Based on our observation, the international freight costs have continued to decline in 4QFY25, and thus should contribute positively to ANCOMNY's earnings in the coming quarter. Despite the ongoing trade war and geopolitical uncertainties, we gathered the overall demand for its Agrichem products remained intact thus far. This could be due to its low elasticity of demand and lack of substitutes for its key active ingredient offerings, in our view. Nonetheless, the US market only accounts for c.10% of its agrichem revenue. Separately, we anticipate FY26 earnings growth to be anchored by the commercialisation of Chemical T in 2QCY25, which will gradually be ramped up to a production capacity of 1k MT annually. Moreover, the MSMA label registration for soybean crop in Brazil is on track for approval in mid-2025. Its successful registration will allow the group to market MSMA products in the Brazil's soybean market, allowing ANCOMNY to tap on the tremendous addressable market that is five times larger than the sugar cane crops.

Forecast. Unchanged.

Maintain BUY; TP of RM1.13. We maintain BUY rating with unchanged TP of RM1.13, pegged to PE multiple of 15x on FY26f earnings. The ascribed valuation is at a slight discount to its global peers' average PE of 17.5x. We like ANCOMNY for its: (i) niche of being the sole large scale producer of AIs for herbicides in SEA as AI manufacturing commands extremely high barriers to entry and (ii) earnings growth potential driven by a pipeline of new AIs to be rolled out.

Financial Forecast

All items in (RM m)

Balance Sheet

FYE May	FY23	FY24	FY25f	FY26f	FY27f
PPE	221.3	246.5	271.3	256.5	244.5
Inventories	211.1	218.9	229.3	245.5	245.0
Receivables	369.5	382.9	401.2	429.5	428.6
Cash	168.2	137.3	141.3	157.3	224.6
Others	234.6	242.4	242.6	242.8	243.3
Assets	1,204.7	1,228.0	1,285.6	1,331.6	1,386.0
Debt	383.9	347.6	263.6	238.6	213.6
Payables	237.7	246.8	247.8	248.9	249.9
Others	59.2	51.4	51.4	51.4	51.4
Liabilities	680.8	645.8	562.9	538.9	514.9
Shareholder's equity	491.5	548.1	687.5	756.3	833.7
Minority interest	32.4	34.1	35.3	36.4	37.4
Equity	523.9	582.2	722.8	792.7	871.0

Cash Flow Statement

FYE May	FY23	FY24	FY25f	FY26f	FY27f
Profit before tax	95.8	110.5	81.0	114.5	133.2
D&A	38.4	40.6	45.2	49.8	47.1
Working capital	(20.7)	(12.5)	(27.6)	(43.4)	2.4
Taxation	(27.4)	(21.1)	(19.4)	(27.5)	(32.0)
Others	20.5	13.3	(0.2)	(0.2)	(0.5)
CFO	106.6	130.8	78.9	93.2	150.1
Capex	(19.8)	(48.2)	(70.0)	(35.0)	(35.0)
Others	6.6	(10.7)	-	-	-
CFI	(13.2)	(59.0)	(70.0)	(35.0)	(35.0)
Changes in debt	(37.3)	(37.6)	(84.0)	(25.0)	(25.0)
Shares issued	17.8	-	96.2	-	-
Dividends	-	(9.7)	(17.1)	(17.1)	(22.9)
Others	(30.3)	(55.8)	-	-	-
CFF	(49.8)	(103.1)	(4.9)	(42.1)	(47.9)
Net cash flow	43.6	(31.3)	4.0	16.0	67.3
Forex	0.1	-	-	-	-
Others	17.7	18.1	18.1	18.1	18.1
Beginning cash	106.8	150.5	119.2	123.2	139.2
Ending cash	168.2	137.3	141.3	157.3	224.6

Income Statement

FYE May	FY23	FY24	FY25f	FY26f	FY27f
Revenue	2,043.3	1,996.5	2,091.7	2,239.3	2,234.9
EBITDA	152.9	175.5	144.5	180.8	194.7
EBIT	114.5	134.9	99.3	131.0	147.7
Finance cost	(20.2)	(20.6)	(18.5)	(16.7)	(15.0)
Associates & JV	(0.0)	(0.0)	0.2	0.2	0.5
Profit before tax	95.8	110.5	81.0	114.5	133.2
Taxation	(19.0)	(29.6)	(19.4)	(27.5)	(32.0)
PAT	76.8	80.8	61.6	87.0	101.2
Minority interest	1.7	(0.6)	1.2	1.1	1.0
Reported PATMI	75.1	81.5	60.4	85.9	100.2
Exceptionals	(1.3)	0.2	-	-	-
Core PATMI	73.9	81.7	60.4	85.9	100.2
Consensus core PATMI			64.1	97.0	100.0
HLIB/ Consensus			94%	89%	100%

Valuation & Ratios

FYE May	FY23	FY24	FY25f	FY26f	FY27f
Core EPS (sen)	7.5	8.0	5.3	7.5	8.8
P/E (x)	12.6	11.8	17.9	12.6	10.8
DPS (sen)	1.0	1.0	1.5	1.5	2.0
Dividend yield	1.1%	1.1%	1.6%	1.6%	2.1%
BVPS (RM)	0.5	0.6	0.6	0.7	0.8
P/B (x)	1.8	1.6	1.5	1.4	1.2
EBITDA margin	7.5%	8.8%	6.9%	8.1%	8.7%
EBIT margin	5.6%	6.8%	4.7%	5.9%	6.6%
PBT margin	4.7%	5.5%	3.9%	5.1%	6.0%
PATMI margin	3.7%	4.1%	2.9%	3.8%	4.5%
Core PATMI margin	3.6%	4.1%	2.9%	3.8%	4.5%
ROE	14%	14%	8%	11%	12%
ROA	6%	7%	5%	6%	7%
Net gearing (x)	44%	38%	18%	11%	CASH

Figure #1 **Quarterly results comparison**

FYE May (RM m)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	516.8	450.7	449.0	-0.4%	-13.1%	1,509.3	1,415.3	-6.2%
Agricultural Chemicals	138.1	135.0	137.7	2.0%	-0.3%	404.7	409.3	1.1%
Industrial Chemicals	335.7	267.9	263.2	-1.7%	-21.6%	963.8	870.6	-9.7%
Logistics	12.2	11.6	11.6	-0.5%	-4.9%	36.6	35.4	-3.0%
Others	30.8	36.2	36.6	1.0%	18.5%	104.3	100.0	-4.1%
EBITDA	43.9	37.3	38.8	4.0%	-11.6%	132.8	110.0	-17.2%
D&A	10.1	8.0	8.1	1.8%	-19.3%	31.3	24.0	-23.2%
EBIT	33.8	29.3	30.7	4.6%	-9.3%	101.5	86.0	-15.3%
Agricultural Chemicals	27.6	23.6	26.3	11.4%	-4.7%	79.3	72.1	-9.1%
Industrial Chemicals	5.8	5.6	6.0	5.6%	2.9%	17.3	19.1	10.6%
Logistics	3.3	3.5	2.8	-20.7%	-15.1%	8.8	9.6	9.4%
Others	-2.9	-3.5	-4.4	26.7%	53.2%	-3.9	-14.9	276.6%
Finance costs	-5.3	-5.0	-4.1	-16.8%	-22.4%	-15.6	-14.4	-7.9%
Associates / JV	0.0	0.0	0.0	NM	NM	0.0	0.0	NM
Pretax profit	28.5	24.3	26.5	9.0%	-6.9%	85.8	71.6	-16.6%
Taxation	-8.1	-8.6	-8.3	-3.4%	2.1%	-21.9	-23.9	9.1%
Profit after tax	20.4	15.7	18.2	15.8%	-10.5%	63.9	47.7	-25.4%
MI	0.3	0.6	0.2	-69.0%	-27.4%	0.9	1.3	43.8%
Net profit	20.1	15.2	18.0	19.1%	-10.3%	63.0	46.4	-26.4%
Core net profit	18.7	10.9	18.7	71.1%	-0.3%	60.7	43.3	-28.7%
Basic EPS (sen)	2.1	1.3	1.8			6.6	4.4	
Basic core EPS (sen)	2.0	0.9	1.8			6.4	4.1	
EBITDA margin	8.5%	8.3%	8.6%			8.8%	7.8%	
EBIT margin	6.5%	6.5%	6.8%			6.7%	6.1%	
Pretax margin	5.5%	5.4%	5.9%			5.7%	5.1%	
Net profit margin	3.6%	2.4%	4.2%			4.0%	3.1%	
Effective tax rate	28.6%	35.3%	31.3%			25.5%	33.4%	

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Stock rating definitions

BUY	Expected absolute return of +10% or more over the next 12-months.
HOLD	Expected absolute return of -10% to +15% over the next 12-months.
SELL	Expected absolute return of -10% or less over the next 12-months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
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OVERWEIGHT	Sector expected to outperform the market over the next -12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next -12 months.
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