



Ancom Nylex Berhad

“Sustainable growth on new products”

Bloomberg: ANC:MK | Stock Code: 4758

Main Board

Industries

Hold

TP : RM1.20

Price: RM1.18

Valuation / Recommendation

Based on the past 3-year P/E of 13x, **Ancom Nylex** is valued at RM1.20 with an expected net profit of RM90m for FY24. The valuation is deemed fair given the Group’s steady progress in revenue and profit growth, driven by the introduction of new products and expansion plans. However, the recent price appreciation has reflected its potential growth. Hence, a HOLD call is in order.

Investment Highlights

The group's restructuring efforts since FY17, which involved divesting some loss-making businesses and refocusing on higher-margin agriculture chemicals, have resulted in a broader and stronger income base with less volatile earnings. Looking forward, earnings are expected to continue strengthening due mainly to the paraquat bans and the introduction of new Active Ingredients (AI) to serve different crops and markets.

Ancom Nylex has established itself as the largest producer of herbicide AI in Southeast Asia and reported a yoy revenue growth of 15.3% to RM1.08 bn in 1HFY23. The growth was largely driven by two newly introduced AIs, Ester and Bromacil, targeting cereal crops in Australia and non-crop usage in the US, Mexico, Japan, and Indonesia. These new products have yielded higher average selling prices (ASPs) and larger market volume. The Group is planning to introduce another two to three more AIs in the near future, with T & S AI set to be launched in 2023 and 2024, to continue driving revenue growth.

Ancom Nylex's capacity expansion is on track, with two new reactors recently commercialized in the Shah Alam plant to meet increasing demand for MSMA-related products. It also acquired a livestock chemical business in December 2021, further boosting its product offerings. Management expects a 15% growth in MSMA-related products in FY23, while nine reactors have arrived at the Klang new plant to be commercialized in FY23. We believe **Ancom Nylex** is well-positioned for future growth in the agricultural and chemical industries. Its strong performance in 1HFY23 is a testament to its resilience and ability to seize opportunities in new markets.

Risk factors. Key risks include i) a decline in crop production in critical markets ii) revisions in regulations for the acceptance of AI iii) risk of foreign exchange translation and iv) high inflation rate resulted high raw materials costs

Business Overview

Ancom started as a manufacturer of agricultural chemicals and herbicides in 1969. After acquiring Nylex (Malaysia) Berhad, the company changed its name to Ancom Nylex Berhad in April 2022. ANB is now involved in manufacturing and selling agricultural and industrial chemicals, animal health products, polymer products, providing logistics and transportation services, and IT services.

Stock Return Information

FBM KLCI (pts)	1,458.67
Expected Share Return (%)	1.4%
Expected Dividend Yield (%)	0.0%
Expected Total Return (%)	1.4%

Share Information

Market Cap (RM m)	1,141
Issued Shares (m)	967
52W High (RM)	1.306
52W Low (RM)	0.835
Estimated Free Float (%)	48.1
Beta vs FBM KLCI	0.94
3-month Average Vol. (m)	1.6

Top 3 Shareholders (%)

Siew Ka Wei	11.1%
Kenanga Growth Fund	4.0%
Siew Nim Chee & Sons Sdn Bhd	4.0%

Price Performance

	1M	3M	12M
Absolute (%)	-4.8%	17.4%	6.8%
Relative to Index (%)	-3.6%	17.9%	1.0%



Source: Bloomberg

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INVESTMENT STATISTICS (May)	FY21	FY22	FY23	FY24F	FY25F
Revenue (RM m)	1,538	2,013	2,161	2,224	2,237
EBITDA (RM m)	107	131	170	185	200
EBITDA Margin (%)	7.0	6.5	7.9	8.3	8.9
Net profit (RM m)	33	30	83	90	104
EPS (sen)	8.6	22.7	8.5	9.2	10.6
EPS growth (%)	n.m	163.9	-62.6	8.6	14.6
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
BVPS (sen)	131.1	129.0	48.6	57.8	68.3
P/E (X)	13.7	5.2	13.9	12.8	11.2
P/BV (X)	0.9	0.9	2.4	2.0	1.7
Net gearing (%)	-39.0	-53.4	-46.8	-36.7	-28.8
ROE (%)	6.6	17.6	17.5	15.9	15.4
ROA (%)	3.0	3.0	7.7	7.7	8.1

Sources: Mercury Securities, Company



Earnings Forecast (RM m) May	FY21	FY22	FY23	FY24F	FY25F
Agricultural Chemicals	332	463	608	669	736
Industrial Chemicals	1042	1391	1360	1356	1300
Logistics	40	41	59	65	67
Polymer	92	85	77	76	77
Others	33	33	57	58	57
Revenue	1,538	2,013	2,161	2,224	2,237
Gross profit	248	291	322	360	365
Adjusted EBITDA	106	141	170	185	200
Other Losses	1	(10)	0	0	0
EBITDA	107	131	170	185	200
Depreciation & Amortisation	(42)	(41)	(43)	(44)	(44)
EBIT	65	90	127	141	156
Interest income	1	1	1	1	1
Interest expenses	(13)	(14)	(18)	(20)	(19)
Share of results in Associate	(2)	1	(2)	(2)	0
Pre-tax profit	51	78	108	120	138
Taxation	(18)	(48)	(25)	(30)	(35)
Net Profit	33	30	83	90	104
Net Profit after MI	24	68	82	89	102
Enlarged Shares (m)	276	300	967	967	967
EPS (sen)	8.6	22.7	8.5	9.2	10.6
DPS (sen)	0.0	0.0	0.0	0.0	0.0
BVPS (sen)	131.1	129.0	48.6	57.8	68.3
Margin Ratio					
Gross margin	16.1%	14.4%	14.9%	16.2%	16.3%
Adjusted EBITDA margin	6.9%	7.0%	7.9%	8.3%	8.9%
EBITDA margin	7.0%	6.5%	7.9%	8.3%	8.9%
EBIT margin	4.3%	4.5%	5.9%	6.3%	7.0%
Pre-tax margin	3.3%	3.9%	5.0%	5.4%	6.2%
Net Margin	1.5%	3.4%	3.8%	4.0%	4.6%
Ratio Analysis					
Asset Turnover (x)	1.44	2.02	2.00	1.90	1.76
Financial leverage (x)	2.95	2.57	2.30	2.09	1.92
Gearing	-39.0%	-53.4%	-46.8%	-36.7%	-28.8%
ROE	6.6%	17.6%	17.5%	15.9%	15.4%
ROA	3.0%	3.0%	7.7%	7.7%	8.1%

Source: Mercury Securities, Company

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Published and printed by:

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