AGX Group Berhad

Company Update
HOLD (↓)
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Wednesday, July 22, 2026

Price: RM 0.485
Target Price: RM 0.485 (↔)

Aerospace Logistics to Drive a Stronger 2HFY26

We remain cautiously optimistic on AGX Group's outlook, supported by resilient freight volumes and its expanding regional footprint across ASEAN. Airfreight and aerospace logistics are expected to lead growth, with new contracts from Malaysia Airlines, VietJet Air and Sun PhuQuoc Airways progressively contributing from 2HFY26. Management expects 2QFY26 revenue to improve sequentially, while 2HFY26 should outperform 1HFY26 as the new airline accounts ramp up. The Group may also benefit from Middle East aviation disruptions, which have redirected selected cargo flows towards Asian carriers and increased aerospace logistics requirements. Its 30% associate All-Link remains a strategic long-term investment, with its proposed SGX listing expected to fund regional expansion and acquisitions despite diluting AGX's stake from approximately 30% to 23%. We expect All-Link's FY26 contribution to remain broadly stable at around FY25's RM9 million, supported by new customers and stronger second-half activity. No change to our FY26E/FY27E earnings estimates of RM14.7m/RM16.0m. Target price remained at RM0.48, based on an unchanged 13.0x target P/E, as near-term earnings catalysts are largely reflected in the current valuation. Demanding valuations currently we lower our call to HOLD.

We recently held a meeting with AGX Group Berhad's management. Our key takeaways from the update are as follows:

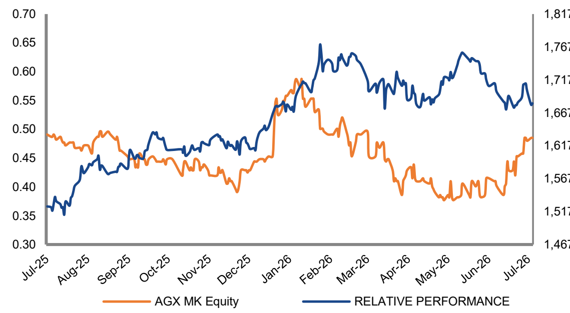
1. All-Link remains a long-term strategic investment

AGX established its partnership with All-Link in 2021 to capture the structural shift of Chinese manufacturers and technology companies expanding overseas. AGX currently owns approximately 30%, but its stake is expected to be diluted to around 23% following All-Link's proposed listing on the SGX (Singapore Stock Exchange). AGX does not intend to sell its shares in the listing, as the investment is strategic rather than a short-term monetisation exercise. The proposed listing was expected around early August 2026, subject to final scheduling. Listing proceeds are intended to support All-Link's regional expansion and potential acquisitions.

All-Link is benefiting from two major trends: i) Chinese companies expanding internationally due to excess capacity and intense domestic competition; and ii) Global brands diversifying supply chains and production away from excessive dependence on China. Its customer base is concentrated in technology, e-commerce and international consumer-technology brands. TikTok-related logistics was highlighted as an earlier key account, while All-Link has since added other global technology customers, reducing dependence on any single account. Management expects All-Link to pursue double-digit growth, supported by new customer wins, regional expansion and acquisitions.

All-Link contributed approximately RM9 million to AGX in FY25. Management expects the FY26 contribution to remain around the previous year's level, with potential upside from new customers and stronger second-half activity. Although AGX's ownership will be diluted after the listing, this should be partially offset by: i) Higher All-Link revenue and earnings, ii) New international customer contracts, iii) Stronger 2Q–4Q contributions, and iv) Potential regional expansion following the listing. All-Link's 2Q contribution is expected to be higher than 1Q, as the first quarter is seasonally weaker.

Share Price Performance



Business Overview

Integrated third-party logistics service provider with presence in seven Southeast Asian countries, China and South Korea with diversified offerings across air, sea, road, warehousing, and aerospace logistics. Listed on the ACE market.

Return Information			
KLCI (pts)			1,720.37
YTD KLCI chg.			2.4%
YTD Stock Price chg.			8.1%
Price Performance	**1M**	**3M**	**12M**
Absolute (%)	16.9%	27.0%	-0.4%
Relative to KLCI (%)	16.4%	26.3%	-13.3%

Stock Information	
Market Cap (RM m)	209.9
Issued Shares (m)	432.9
52-week High (RM)	0.60
52-week Low (RM)	0.37
Est. Free Float (%)	26%
Beta vs FBM KLCI	0.3
3-month Avg Vol. (m)	161,579
Shariah Compliant	Yes
Bloomberg Ticker	AGX MK Equity

Top 3 Shareholders	%
Mark Penu	18.8%
Neo Lip Pheng	18.7%
Jayasielan Gopal	11.3%

FY Mar (RM m)	FY25A	FY26E	FY27E
Revenue	**290.7**	**320.1**	**352.1**
Gross Profit	**61.0**	**70.0**	**77.5**
EBITDA	31.1	30.2	33.1
PBT	17.2	18.7	20.4
Net Profit	**14.5**	**14.8**	**16.1**
Core Net Profit	**14.3**	**14.7**	**16.0**
Core EPS (sen)	0.04	0.04	0.04
Consensus Net Profit	19.4	*23.3*	*26.6*
Earnings Revision (%)		*0.0%*	*0.0%*
Core EPS Growth (%)	14.1%	2.9%	8.7%
Net DPS (sen)	-	1.0	1.1
Net Div. Yield (%)	0.0%	2.1%	2.3%
BV Per Share (sen)	23.4	28.7	32.3
PER (x)	14.9	14.6	13.5
PBV (x)	2.1	1.7	1.5
ROE (%)	14.3%	11.9%	11.5%

2. Airfreight and aerospace logistics are still the main growth engines

Airfreight is expected to record stronger growth than sea freight during FY26, while aerospace logistics remains one of AGX's key competitive strengths. New airline accounts, including VietJet and Malaysia Airlines-related business, require lengthy vendor-registration and onboarding processes across multiple locations. Revenue contribution is therefore expected to build progressively rather than immediately. The ramp-up of these airline contracts should become more visible in the second half of FY26. Management also indicated that it has commenced handling additional engine shipments, which should support higher-value aerospace logistics revenue. **Sea freight continues growing, but at a slower pace than airfreight.** Management still expects sea-freight volumes and revenue to increase, supported by existing customers and regional trade flows. Nevertheless, the growth rate should be lower than airfreight because the current geopolitical environment has created stronger demand for faster and more flexible air-cargo services. Only selected time-sensitive or high-value cargo is shifting from sea to air. Management does not expect a broad-based migration comparable with the disruption experienced during the pandemic.

3. Geopolitical disruptions have created opportunities for AGX

The Middle East conflict and disruptions involving Middle Eastern airlines have not been entirely negative for AGX. Reduced cargo capacity and flight cancellations by Middle Eastern carriers have redirected some air-cargo demand towards Asian airlines. This potentially benefits AGX through:

- Higher airfreight forwarding volumes;
- Increased aircraft utilisation among Asian airline customers;
- Greater aerospace maintenance and logistics requirements; and
- Selected cargo switching from sea freight to airfreight.

Longer sea routes and higher freight costs have affected the industry, but management indicated that AGX can pass through a substantial portion of the incremental costs to customers, although not necessarily 100%.

4. Overall earnings outlook remains constructive

Management expects 2QFY26 revenue to be higher than 1QFY26, supported by stronger airfreight, aerospace logistics and contributions from regional operations. The second half should outperform the first half as recently secured airline contracts progressively ramp up, with 4QFY26 potentially the strongest quarter. **Gross profit margin expected to remain around 24%–25%.** Management indicated that the group's gross profit margin should remain broadly within the 24%–25% range. Potential upside would come from a higher contribution from aerospace logistics, which carries better margins. Conversely, rapid growth in Vietnam could dilute the blended margin because AGX is adopting competitive pricing to establish market share in a relatively new market.

Outlook. Looking ahead, the Group maintains a cautiously optimistic outlook for the remainder of FY26, underpinned by an expected 3.1% global economic growth and broadly stable trade momentum across the Asia-Pacific region. In Malaysia, macroeconomic conditions remain resilient, with growth projected at around 4.8% – 5.2% (2QCY26 GDP: 5.8%) and inflation projected to be average between 1.5 - 2%, supported by sustained domestic demand and continued investment activity. The Group is poised to benefit from several near-term growth catalysts, including the expected materialization of revenue contributions from the three secured aerospace service agreements with Malaysia Airlines Berhad, VietJet Air, and Sun PhuQuoc Airways from 2HFY26 onwards, which are anticipated to drive stronger performance in the aerospace logistics division. Demand from AirAsia has reportedly recovered and is now stronger following the airline's operational normalisation. Management remains comfortable with the commercial relationship, given AGX's long operating history with the airline, including support provided during the pandemic. The Philippines remains one of AGX's major regional contributors. However, Malaysia and Vietnam are growing more rapidly and are expected to become increasingly meaningful. Vietnam is particularly strong in revenue growth, although its current market-entry pricing strategy means that revenue growth may initially be accompanied by lower margins. Over time, margins could improve as volumes scale and AGX establishes stronger customer relationships. Notwithstanding near-term headwinds from geopolitical uncertainties, foreign exchange volatility, and global trade policy shifts, the Group remains confident in its ability to deliver satisfactory financial performance for FY2026, anchored by its diversified revenue streams, expanding regional footprint across key ASEAN markets, and continued focus on operational efficiency and strategic partnerships.

Post Update, we make no changes to our FY26E/FY27E earnings of RM14.7m/RM16.0m. Our GP margins assumption remained at 24.2%. **Valuation.** Our **TP remained at RM0.48 based on unchanged target P/E multiple of 13x**. We resist on making changes to our target P/E multiple as macro factors remained volatile with uncertainties still prevailing thus we maintained this valuation for now. Valuations demanding, we **maintained our HOLD call** for now.

Investment Merit. We remain cautiously optimistic on AGX, premised on its growing regional presence across key ASEAN markets and resilient freight volumes underpinning its core operations. We are constructive on AGX's long-term outlook, supported by i) an asset-light, scalable business model that provides financial agility and supports margin expansion, ii) deepening niche strength in aerospace logistics, with revenue contributions from secured service agreements with Malaysia Airlines Berhad, VietJet Air, and Sun PhuQuoc Airways expected to materialise from 2HFY26 onwards, iii) strong growth momentum in Vietnam, where revenue more than tripled YoY, reflecting AGX's successful penetration into high-growth ASEAN markets, and iv) a structural beneficiary of ongoing supply chain diversification and rising cross-border trade flows across the region.

Key risks include; i) Changes in local and international regulations, ii) Decline in demand for sea and freight services, iii) Fluctuations in sea and air freight rates, iv) Escalation of current geo-political tensions and v) Dependence on a major local carrier.

Key Financial Data

Income Statement

FY Dec (RM m)	2023A	2024A	2025A	2026E	2027E
Revenue	**186.8**	**238.4**	**290.7**	**320.1**	**352.1**
EBITDA	19.4	22.8	31.1	30.2	33.1
Depreciation & Amortz	(6.6)	(9.7)	(11.3)	(10.9)	(12.7)
Operating Profit	**12.9**	**13.1**	**19.9**	**19.3**	**20.3**
Interest Inc/(Exp)	(1.4)	(2.2)	(2.6)	(0.5)	0.0
Assoc Earnings	1.5	11.8	9.1	7.5	8.3
Profit Before Tax	**14.3**	**15.3**	**17.2**	**18.7**	**20.4**
Taxation	(4.5)	(2.5)	(2.7)	(3.9)	(4.3)
Net Profit	9.8	12.7	14.5	14.8	16.1
PATAMI	**9.8**	**12.5**	**14.3**	**14.7**	**16.0**

Balance Sheet

	2023A	2024A	2025A	2026E	2027E
Fixed Assets	3.6	5.9	10.7	14.2	16.5
Intangible Assets	9.5	26.6	21.0	23.2	27.8
ROU Assets	1.2	1.1	0.9	0.8	0.7
Other Fixed Assets	4.6	14.5	23.3	23.5	23.5
Inventories	52.9	60.6	74.5	74.5	82.1
Receivables	12.7	14.1	15.5	17.7	18.7
Other Current Assets	2.0	8.2	13.8	8.3	(1.1)
Cash	12.6	21.1	16.2	12.9	33.5
Total Assets	**99.0**	**152.1**	**176.0**	**175.2**	**201.7**
Payables	21.1	23.5	30.0	31.0	34.2
ST Borrowings	13.8	15.1	17.3	0.0	0.0
Other ST Liability	0.1	0.8	0.1	0.1	0.1
LT Borrowings	0.2	19.7	3.2	16.9	16.9
Other LT Liability	12.5	3.0	24.0	3.1	3.1
Net Assets	**51.4**	**90.0**	**101.4**	**124.1**	**147.3**
Shareholders' Equity	51.3	89.5	101.1	124.0	139.6
Minority Interests	0.1	0.2	0.4	0.1	0.1
Total Equity	**51.4**	**89.7**	**101.5**	**124.1**	**139.7**

Cashflow Statement

FY Mar (RM m)	2023A	2024A	2025A	2026E	2027E
Operating CF	2.9	4.2	7.3	18.1	16.6
Investing CF	2.7	(2.4)	(1.1)	6.0	9.0
Financing CF	(10.7)	16.4	(1.9)	(22.2)	(4.9)
Change In Cash	(5.1)	18.6	4.3	1.9	20.7
Free CF	5.4	3.9	5.6	18.8	17.7

Financial Data & Ratios

FY Dec	2023A	2024A	2025E	2026E	2027E
Growth	-20.3%	27.6%	21.9%	10.1%	10.0%
Turnover	-17.8%	17.2%	36.6%	-2.9%	9.5%
EBITDA	-28.7%	1.8%	51.6%	-2.9%	5.6%
Operating Profit	-14.9%	6.9%	13.0%	8.6%	8.7%
PBT	-27.7%	30.0%	13.9%	1.9%	8.7%
Core Net Profit	-27.9%	28.5%	14.1%	2.9%	8.7%
Profitability					
Gross Profit Margin	30.7%	25.6%	24.1%	24.2%	24.2%
EBITDA Margin	10.4%	9.5%	10.7%	9.4%	9.4%
Operating Margin	6.9%	5.5%	6.8%	6.0%	5.8%
PBT Margin	7.6%	6.4%	5.9%	5.8%	5.8%
Core Net Margin	5.2%	5.3%	4.9%	4.6%	4.5%
Effective Tax Rate	13.0%	13.0%	13.0%	13.0%	13.0%
ROA	9.9%	8.4%	8.2%	8.4%	8.0%
ROE	19.1%	14.2%	14.3%	11.9%	11.5%
Leverage					
Debt/Asset (x)	0.14	0.23	0.12	0.10	0.08
Debt/Equity (x)	0.27	0.39	0.20	0.14	0.12
Net (Cash)/Debt	1.42	13.66	4.27	4.01	(16.62)
Net Debt/Equity (x)	0.03	0.15	0.04	0.03	(0.12)
Valuations					
Core EPS (sen)	2.9	2.9	3.4	3.4	3.7
NDPS (sen)	0.7	0.9	-	1.0	1.1
BV/sh (RM)	15.3	20.7	23.4	28.7	32.3
PER (x)	21.5	16.7	14.9	14.6	13.5
Div. Yield (%)	1.4%	1.9%	0.0%	2.1%	2.3%
PBV (x)	3.2	2.3	2.1	1.7	1.5
EV/EBITDA (x)	8.5	9.8	6.9	7.1	5.8

Source: Mercury Securities, Company

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