

HLIB Research

PP 9484/12/2012 (031413)

Thye May Ting
thyemt@hlib.hongleong.com.my

(603) 2083 1717

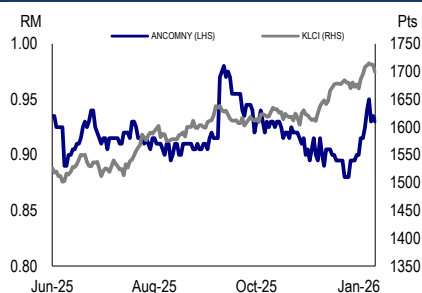
BUY (Maintain)

Target Price: **RM1.13**
Previously: **RM1.13**
Current Price: **RM0.93**

Capital upside	21.5%
Dividend yield	1.6%
Expected total return	23.1%

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	2.8	-2.6	-5.1
Relative	0.8	-7.9	-12.2

Stock information

Bloomberg ticker	ANCOMNY MK
Bursa code	4758
Issued shares (m)	1,077
Market capitalisation (RM m)	998
3-mth average volume ('000)	1,175
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	★★

Major shareholders

HELM AG	16.8%
Siew Ka Wei	14.2%
Lee Cheun Wei	10.1%

Earnings summary

FYE (May)	FY25	FY26f	FY27f
PATMI - core (RMm)	60.7	85.9	100.2
EPS - core (sen)	5.7	7.5	8.8
P/E (x)	16.2	12.4	10.6

Ancom Nylex

Expecting sequential recovery ahead

ANCOMNY posted a 2QFY26 core net profit of RM17.9m (-10.6% QoQ, +63.9% YoY), accounting for 44% of our full-year forecast and 43% of consensus. We deem the results within expectations, as the softer 1H performance was seasonally driven, with earnings expected to recover sequentially in 2HFY26. Positively, MSMA has received approval for use in Brazil's soybean crop, significantly expanding its addressable market. We maintain our forecasts and BUY rating with an unchanged TP of RM1.13, based on 15x PE on core EPS of 7.5 sen.

Earnings deemed within expectations. ANCOMNY reported 2QFY26 core net profit of RM17.9m (-10.6% QoQ, +63.9% YoY), bringing 1HFY26 sum to RM37.8m (+53.4% YoY). 1HFY26 core net profit was arrived after adjusting mainly for forex loss and net reversal on impairment loss on receivables. The results accounted for 44% of our full-year forecast and 43% of consensus' estimate. Nevertheless, we view the performance within expectations, as the shortfall was largely attributable to seasonality, with 1H typically being weaker, and we expect sequential earnings recovery in 2HFY26.

Dividend. None.

QoQ. Core net profit declined -10.6% QoQ to RM17.9m, primarily due to weaker contributions from its key segments, including Agricultural Chemicals (-2.3%) and Industrial Chemicals (-4.4%). The softer performance in the Agricultural Chemicals segment was mainly driven by weaker ASPs, while the Industrial Chemicals segment was impacted by lower ASP amid a softer oil price environment. Consequently, core net profit margin narrowed to 4.2% in 2QFY26, from 4.5% in 1QFY26.

YoY/YTD. Core net profit rose +63.9% YoY/+53.4% YTD despite a -4.9% YoY/-9.3% YTD declined in revenue, underpinned by margin expansion in the Industrial Chemicals segment on improved operational efficiency within the distribution business, lower finance costs, and a turnaround in associates to a profit of RM0.4m in 2QFY26 from a marginal loss in 2QFY25.

Outlook. While the industrial chemicals segment is expected to remain subdued amid lower ASPs and margin pressure in a weaker oil price environment, we believe the Group's outlook will be underpinned by the Agricultural Chemicals segment. We are encouraged by ANCOMNY's recent milestone, with monosodium methanearsonate (MSMA) receiving approval for use in Brazil's soybean crop. Brazil's soybean planted area of c.45m hectares is approximately 5x larger than its sugarcane area of c.9m hectares, significantly expanding the addressable market for MSMA. Distribution of MSMA into the soybean segment will be undertaken via ANCOMNY's established distributor network in Brazil. In FY25, ANCOMNY sold c.2m litres of MSMA into Brazil, primarily for sugarcane applications, and the Group is targeting a gradual volume growth of c.20-30% over FY26f-27f. We believe this development represents a meaningful scalable opportunity for ANCOMNY's active ingredient portfolio going forward.

Forecast. Unchanged.

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

Financial Forecast

All items in (RM m)

Balance Sheet

FYE May	FY24	FY25	FY26f	FY27f	FY28f
PPE	246.5	259.9	261.2	262.4	263.4
Inventories	218.9	183.5	219.2	222.7	226.4
Receivables	382.9	369.7	441.7	448.7	456.0
Cash	137.3	151.1	86.9	128.1	171.9
Others	242.4	285.2	285.4	285.9	286.4
Assets	1,228.0	1,249.5	1,294.5	1,347.9	1,404.1
Debt	347.6	323.1	298.1	273.1	248.1
Payables	246.8	193.2	194.4	195.4	196.4
Others	51.4	96.1	96.1	96.1	96.1
Liabilities	645.8	612.4	588.6	564.6	540.6
Shareholder's equity	548.1	600.5	669.2	746.6	826.8
Minority interest	34.1	36.7	36.7	36.7	36.7
Equity	582.2	637.1	705.9	783.3	863.5

Cash Flow Statement

FYE May	FY24	FY25	FY26f	FY27f	FY28f
Profit before tax	110.5	99.1	113.1	131.9	135.6
D&A	40.6	31.9	33.6	33.8	34.0
Working capital	(12.5)	(9.3)	(106.4)	(9.5)	(10.0)
Taxation	(21.1)	(27.9)	(27.1)	(31.7)	(32.5)
Others	13.3	13.2	(0.2)	(0.5)	(0.5)
CFO	130.8	107.0	12.9	124.1	126.6
Capex	(48.2)	(24.3)	(35.0)	(35.0)	(35.0)
Others	(10.7)	(7.2)	-	-	-
CFI	(59.0)	(31.5)	(35.0)	(35.0)	(35.0)
Changes in debt	(37.6)	(27.2)	(25.0)	(25.0)	(25.0)
Shares issued	-	96.2	-	-	-
Dividends	(9.7)	(10.1)	(17.1)	(22.9)	(22.9)
Others	(55.8)	(114.9)	-	-	-
CFF	(103.1)	(56.0)	(42.1)	(47.9)	(47.9)
Net cash flow	(31.3)	19.4	(64.2)	41.2	43.7
Forex	0.0	(3.2)	-	-	-
Others	18.1	15.7	15.7	15.7	15.7
Beginning cash	150.5	119.2	135.4	71.2	112.4
Ending cash	137.3	151.1	86.9	128.1	171.9

Income Statement

FYE May	FY24	FY25	FY26f	FY27f	FY28f
Revenue	1,996.5	1,874.6	2,239.3	2,274.9	2,312.0
EBITDA	175.5	144.3	167.4	184.3	186.5
EBIT	134.9	112.4	133.7	150.5	152.5
Finance cost	(20.6)	(19.5)	(20.9)	(19.1)	(17.4)
Associates & JV	(0.0)	0.0	0.2	0.5	0.5
Profit before tax	110.5	99.1	113.1	131.9	135.6
Taxation	(29.6)	(34.0)	(27.1)	(31.7)	(32.5)
PAT	80.8	65.2	85.9	100.2	103.1
Minority interest	(0.6)	1.7	-	-	-
Reported PATMI	81.5	63.5	85.9	100.2	103.1
Exceptionals	0.2	(2.7)	-	-	-
Core PATMI	81.7	60.7	85.9	100.2	103.1
Consensus core PATMI			88.8	103.0	NA
HLIB/ Consensus			97%	97%	NA

Valuation & Ratios

FYE May	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	8.0	5.7	7.5	8.8	9.0
P/E (x)	11.6	16.2	12.4	10.6	10.3
DPS (sen)	1.0	-	1.5	2.0	2.0
Dividend yield	1.1%	0.0%	1.6%	2.2%	2.2%
BVPS (RM)	0.6	0.6	0.6	0.7	0.8
P/B (x)	1.6	1.5	1.5	1.4	1.2
EBITDA margin	8.8%	7.7%	7.5%	8.1%	8.1%
EBIT margin	6.8%	6.0%	6.0%	6.6%	6.6%
PBT margin	5.5%	5.3%	5.0%	5.8%	5.9%
PATMI margin	4.1%	3.4%	3.8%	4.4%	4.5%
Core PATMI margin	4.1%	3.2%	3.8%	4.4%	4.5%
ROE	14%	10%	12%	13%	12%
ROA	7%	5%	7%	7%	7%
Net gearing (x)	38%	29%	32%	19%	9%

Figure #1 **Quarterly results comparison**

FYE May (RM m)	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1H FY25	1H FY26	YoY (%)
Revenue	450.7	447.4	428.8	-4.1%	-4.9%	966.3	876.2	-9.3%
Agricultural Chemicals	135.0	137.2	134.0	-2.3%	-0.7%	271.6	271.2	-0.2%
Industrial Chemicals	267.9	268.0	256.2	-4.4%	-4.3%	607.3	524.2	-13.7%
Logistics	11.6	12.0	11.5	-4.9%	-1.6%	23.9	23.5	-1.5%
Others	36.2	30.1	27.1	-10.0%	-25.1%	63.4	57.2	-9.8%
EBITDA	37.3	42.3	38.3	-9.5%	2.8%	71.2	80.7	13.3%
D&A	8.0	8.8	9.4	6.9%	17.8%	15.9	18.2	14.8%
EBIT	29.3	33.5	28.9	-13.8%	-1.4%	55.3	62.4	12.9%
Agricultural Chemicals	23.6	24.9	21.1	-15.1%	-10.7%	45.8	46.0	0.5%
Industrial Chemicals	5.6	10.2	8.1	-20.7%	42.8%	13.2	18.2	38.3%
Logistics	3.5	3.3	2.3	-30.2%	-34.8%	6.8	5.5	-18.8%
Others	-3.5	-4.8	-2.6	-46.6%	-26.8%	-10.5	-7.3	-29.9%
Finance costs	-5.0	-4.9	-4.7	-5.2%	-6.0%	-10.3	-9.6	-6.8%
Associates / JV	-0.0	0.4	0.4	-1.3%	NM	0.0	0.8	NM
Pretax profit	24.3	29.0	24.6	-15.1%	1.2%	45.0	53.6	19.1%
Taxation	-8.6	-8.9	-6.6	-25.9%	-23.1%	-15.6	-15.5	-0.4%
Profit after tax	15.7	20.1	18.0	-10.3%	14.4%	29.5	38.1	29.4%
MI	0.6	0.0	0.0	NM	NM	1.1	0.0	-98.7%
Net profit	15.2	20.1	18.0	-10.2%	18.9%	28.4	38.1	34.3%
Core net profit	10.9	20.0	17.9	-10.6%	63.9%	24.7	37.8	53.4%
Basic EPS (sen)	1.3	1.9	1.7			2.7	3.5	
Basic core EPS (sen)	0.9	1.8	1.7			2.3	3.5	
EBITDA margin	8.3%	9.5%	8.9%			7.4%	9.2%	
EBIT margin	6.5%	7.5%	6.7%			5.7%	7.1%	
Pretax margin	5.4%	6.5%	5.7%			4.7%	6.1%	
Net profit margin	2.4%	4.5%	4.2%			2.6%	4.3%	
Effective tax rate	35.3%	30.7%	26.8%			34.6%	28.9%	

HLIB Research

Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represent a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, is under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to, websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 21 January 2026, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -

2. As of 21 January 2026, the analyst(s) whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) -

Published & printed by:**Hong Leong Investment Bank Berhad (10209-W)**

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

Stock rating definitions

BUY	Expected absolute return of +10% or more over the next 12-months.
HOLD	Expected absolute return of -10% to +10% 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.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating definitions

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.
UNDERWEIGHT	Sector expected to underperform the market over the next -12 months.