

# Ancom Nylex

## A Strategic Partnership Is Taking Shape

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Helm AG (Helm), which ranks among the largest independent chemical distributor globally, has emerged in ANCOMNY as a key shareholder, signalling commitment towards more strategic and collaborative efforts. Over time, better earnings can be expected thanks to: (a) interest cost savings, (b) wider agrichemical roll out, and (c) stronger industrial chemical distribution. Near term, however, substantially higher freight cost is likely to keep a lid on FY25 earnings growth potential, and we lower FY25 core net profits by 24%. TP is toned down by 7% to RM1.40 but OUTPERFORM call is maintained.

**Helm ranks among the largest independent chemical distributor globally.** The 120 years old German group was taken over by Hermann Schnabel in 1950 which grew it into an international chemical trading giant. Dieter Schnabel then pushed the group into distribution and product development. Currently, Helm is still privately held by the 3<sup>rd</sup> generation Schnabel family with Stephan Schnabel as the CEO.

**Helm is emerging as key shareholder and strategic partner.** Helm is already the second largest shareholder with 173m shares (15% equity holding) accumulated from a combination of: (a) open market purchases which has been ongoing up to November, (b) 30m treasury shares from ANCOMNY, and (c) one-off issuance of 96m new shares by ANCOMNY. Despite our back of envelope calculation revealing that ANCOMNY's revenue is around 5% of HELM's size, the appointment by the latter of two directors onto ANCOMNY's board suggests strong commitment towards more strategic and collaborative efforts. More importantly, we believe Helm is welcomed by current key shareholders due to its strategic fit with ANCOMNY.

**Increasing prospects for re-rating.** Helm's investment is not only a vote of confidence for ANCOMNY but a partnership that could have long-term positive strategic implications. Among others (see below), the partnership is positively viewed for ANCOMNY's earnings (especially post FY25). As a recognised global chemical player, Helm also brings new products, access to markets and expertise.

- a) **Financially, potential debt savings.** ANCOMNY will be halving its RM250m net debt with the RM126m proceeds from reselling 30m treasury shares and issuance of 96m new shares to Helm, saving RM4-5m in annual interest expense.
- b) **Geographical coverage.** Almost 80% of Helm's business is from Europe and North America while SE Asia and exports to Americas, Africa and Australia made up ANCOMNY's revenue.
- c) **Operational fit that can be leveraged upon.** Most of ANCOMNY's profit (>95%) is from manufacturing agri-chemical active ingredients (AIs) while Helm's strength is in marketing and distributing industrial chemicals with some agri-chemicals involved.
- d) **Complementary agri-chemical products.** Helm is active in fertilisers whereas ANCOMNY is not. The former was also the second largest distributor of paraquat in Brazil until the herbicide was banned. Meanwhile ANCOMNY sells a paraquat alternative, MSMA, but to sugarcane farmers in Brazil so far. Come April-June 2025, ANCOMNY plans to start selling MSMA for soyabean and, with Helm's fertiliser and old paraquat distribution network, ANCOMNY can probably roll out faster and penetrate deeper into Brazil's soyabean territory.

# OUTPERFORM ↔

Price : RM1.04  
Target Price : RM1.40 ↓

### Share Price Performance



KLCI 1,604.04  
YTD KLCI chg 10.3%  
YTD stock price chg -3.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	ANCOMNY MK EQUITY
Market Cap (RM m)	1,191.3
Shares Outstanding	1,145.5
52-week range (H)	1.14
52-week range (L)	0.89
3-mth avg. daily vol.	2,741,780
Free Float	62%
Beta	0.4

### Major Shareholders

Helm Ag	15.1%
Siew Ka Wei	12.8%
Lee Cheun Wei	8.7%

### Summary Earnings Table

FY May (RM m)	2024A	2025F	2026F
Turnover	1,996.3	2,132.6	2,346.0
EBIT	130.1	124.9	171.7
PBT	110.5	116.0	167.2
<b>Net Profit</b>	<b>82.8</b>	<b>85.2</b>	<b>127.7</b>
<b>Core Net Profit</b>	<b>79.0</b>	<b>85.1</b>	<b>127.7</b>
Consensus (NP)	-	98.6	118.0
Earnings Revision	-	-24%	0%
<b>Core EPS (sen)</b>	<b>7.8</b>	<b>7.1</b>	<b>10.7</b>
CNP Growth (%)	9%	-8%	50%
NDPS (sen)	2.0	2.0	2.0
BVPS (RM)	0.6	0.6	0.7
PER (x)	13.4	14.6	9.7
PBV (x)	1.8	1.9	1.6
Net Gearing (x)	0.3	0.2	0.0
Net Div. Yield (%)	1.9%	1.9%	1.9%

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**Forecasts.** Lowered FY25 core net profit by 24% on c.70% higher freight charges as well as 14% EPS dilution while keeping FY26 core net profit intact in view of a likely faster MSMA roll-out to Brazilian soyabean farmers, helping to cushion tapering but still higher-than-usual freight charges.

**Valuations. Our TP is lowered by 7% from RM1.50 to RM1.40 as we** roll forward FY25 core EPS to FY26 while still adopting a 13x target PER. This valuation level takes into account: (a) about half the forward PER of much larger regional agriculture chemical peers, (b) of no upward re-rating despite the emergence of Helm as the new major shareholder of ANCOMNY, and (c) no change to TP from ESG angle, where it enjoys 3-star ESG rating as appraised by us (see page 4).

**Investment case.** In spite of earnings downgrade and dilution, we continue to like ANCOMNY for: (i) its position as the largest herbicide active ingredients producer in South-East Asia, (ii) being a beneficiary of the widening ban on Paraquat use, (iii) being a proxy to global food production and as (iv) having potential upside from its strategic partnership with Helm. Maintain **OUTPERFORM**.

**Risks to our call include:** (i) downturn in crop production in key markets, (ii) regulatory risk on AI, and (iii) foreign exchange translation risk.

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## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>MANUFACTURING</b>																	
ANCOM NYLEX BHD	OP	1.04	1.40	34.6%	1,191.3	Y	05/2025	7.1	10.7	7.7%	50.1%	14.6	9.7	1.8	13.1%	2.0	1.9%
BM GREENTECH BHD	UP	1.84	1.30	-29.3%	1,265.5	Y	03/2025	8.0	9.0	22.3%	13.1%	23.1	20.4	3.5	15.8%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	OP	1.21	1.42	17.4%	340.6	Y	12/2024	12.1	14.1	1.5%	16.8%	10.0	8.6	1.2	12.5%	6.5	5.4%
HPP HOLDINGS BHD	UP	0.445	0.390	-12.4%	172.9	Y	05/2025	2.2	3.0	107.3%	38.8%	20.3	14.6	1.4	6.8%	1.5	3.4%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.660	0.450	-31.8%	354.7	Y	12/2024	2.0	4.4	158.5%	125.5%	33.5	14.8	0.3	1.0%	2.0	3.0%
SCIENTEX BHD	MP	4.47	4.15	-7.2%	6,956.5	Y	07/2025	37.5	40.5	8.1%	7.9%	11.9	11.0	1.6	13.9%	13.0	2.9%
SLP RESOURCES BHD	OP	0.900	1.00	11.1%	285.3	Y	12/2024	4.8	5.4	39.4%	12.5%	18.8	16.7	1.5	8.0%	4.8	5.3%
TECHBOND GROUP BHD	OP	0.405	0.540	33.3%	273.2	Y	06/2025	4.3	5.3	34.9%	23.2%	9.5	7.7	1.1	12.4%	1.3	3.1%
THONG GUAN INDUSTRIES BHD	OP	1.54	2.80	81.8%	618.5	Y	12/2024	21.9	25.4	8.1%	15.8%	7.0	6.1	0.6	9.1%	5.5	3.6%
<b>Sector Aggregate</b>					<b>11,458.6</b>					<b>22.7%</b>	<b>15.5%</b>	<b>12.9</b>	<b>11.2</b>	<b>1.4</b>	<b>10.8%</b>		<b>3.3%</b>

Source: Bloomberg, Kenanga Research

**STOCK ESG RATINGS**

	Criterion	Rating		
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	☆
	Community Investment	★	★	
	Workers Safety & Wellbeing	★	★	☆
	Corporate Governance	★	★	★
	Anti-Corruption Policy	★	★	★
	Emissions Management	★	★	
<b>SPECIFIC</b>	Product Quality & Safety	★	★	★
	Effluent/Waste Management	★	★	
	Digitalisation & Innovation	★	★	
	Material/Resource Management	★	★	★
	Supply Chain Management	★	★	★
Energy Efficiency	★	★	☆	
<b>OVERALL</b>		★	★	★

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**Stock Ratings are defined as follows:**

**Stock Recommendations**

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%  
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%  
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%  
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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