

# ANCOM NYLEX BERHAD DETAILED ANSWERS

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Questions raised by  
Minority Shareholders Watch Group  
53rd Annual General Meeting

# OPERATIONAL AND FINANCIAL MATTERS

## MSWG Question – Q1

The group introduced two new active ingredients into its agrichemical product range in FY2022.

- i) What were the 2 new active ingredients that were introduced in FY2022?
- ii) What are the main target markets for the two new active ingredients?
- iii) Were the two new active ingredients developed internally?
- iv) At last year's AGM, the group was looking to increase 5 active ingredients in the next 3 years with 3 to be added into production throughout 2023 and 2024. Is the group on track to achieve the target?
- iv) On average, how much does the agrichemical division spend each year on research and development activities?

## Company's response

The two new Active Ingredients ("AI") launched in FY2022 were Bromacil and Ester.

New AI	Target markets
Bromacil	Mexico, Thailand, Indonesia and South Africa
Ester	Australia and potentially United States

The two new active ingredients are off-patent products with only few other producers in the world. These products have niche markets.

Active ingredients have been increased from four (4) to six (6) in FY2022 with the introduction of Bromacil and Ester. We are working towards one (1) new AI each in FY2024 and FY2025.

The agrichemical division spend approximately 1% of its annual revenue on R&D. Our R&D comprise product registrations, trials and field tests.

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## MSWG Question – Q2

The group has completed factories to house production lines with an additional capacity of 4,000MT for new agrichemicals. Apart from the new plant, the group is expanding its existing facility by about 25% to increase the MSMA-based production.

i) What will be the new total production capacity for the agricultural chemicals division after the new 70,000 sq ft plant in Klang is operational and the expansion of the existing facilities?

ii) What is the average capacity utilization rate for the agricultural chemicals division for FY2022?

## Company's response

<b>Annual capacity</b>	<b>MT</b>
Existing capacity	
- Shah Alam	43,000
- Klang	15,000
<b>Total</b>	<b>58,000</b>
New plant capacity (up to)	4,000
Upgrade of existing plant for MSMA	3,000
<b>Total (New + Upgrade)</b>	<b>65,000</b>

Average capacity utilization is 70% to 80%.

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## MSWG Question – Q3

“The Proposed Acquisition of Nylex Business was completed on 26 January 2022. With full control of Nylex’s businesses, Ancom Nylex Berhad is able to recognize 100% of the profit compared to approximately 50% before this. The Group also stands to benefit from synergies via economies of scale and cost savings with all its chemical businesses under one roof” (page 30 of Annual Report FY2022).

Ancom Berhad held a controlling stake of 50.27% in Nylex (Malaysia) Berhad before the completion of the proposed acquisition of Nylex Business. What are the synergies that the group stands to benefit after obtaining full control of Nylex’s businesses but not before the proposed acquisition?

## Company’s response

Some of the synergies that the Company stand to benefit would include

- More effective handling of treasury functions as the operating companies are now 100% owned subsidiaries.
- More effective central procurement management and better deployment of group resources allocations.
- Creation of a much stronger group balance sheet and better cash position to weather adverse conditions in the market

# OPERATIONAL AND FINANCIAL MATTERS

## MSWG Question – Q4

The company has not paid any cash dividend since the last cash dividend paid on 23 January 2015.

When a question about the possibility of dividend payment was raised at the 52nd AGM last year, the company replied that the group saw the opportunities to strengthen its financial performance, going forward, the group would maintain its focus on cost reduction and conserve cash flow for capital investments for future business growth in the next 2 years.

Why did the company spend RM15.898m in net purchase of treasury shares of the company in FY2022 and why is the company seeking shareholders' approval for the proposed renewal of authority for share buy-back mandate at this AGM when

i) the group's net gearing ratio jumped from 0.55x as at 31 May 2021 to 0.75x as at 31 May 2022;

ii) no cash dividend has been declared since the previous payment on 23 January 2015; and

iii) the group would maintain its focus on conserving cash flow for capital investments for future business growth?

## Company's response

- During the year, share buy-back took place because the board and management believe that the Company share price is under valued.
- In addition, although there was no cash dividend declared, the company distributed dividend in specie twice via distribution of ALB and Nyex shares
- For information, treasury shares as at 31 May 2022 stands:
  - 16.1 million shares (ex split 48.3m shares)
  - RM1.91 per share (or RM0.64 per share).
  - Current price of ANB is around RM0.96, treasury shares is in the money
- Net gearing ratio increased to 0.75x (2021: 0.55x) mainly due to:
  - Increase of working capital requirement in tandem with increase in revenue;
  - RM50 million - acquisition of Nylex business.
  - RM19 million - acquisition of Shennong and Vemedim
- The Group remains focus to bring down our debts at company level. The Group to conserve cash and raising debts to garner for growth opportunities