

HEXTAR GLOBAL BERHAD



Main Market | Industrial Products & Services

Started in 1990, Hextar Global Bhd (HGB) is principally involved in trading and distribution of agrochemicals, manufacturing and trading of consumer products and agro-based technology. It is a leading crop management solutions provider with over 600 products successfully registered domestically and globally. Hextar has a team of over 500 personnel to serve customers and suppliers from more than 30 countries.

Stock Code	5151
Market Cap (RM m)	2468.6
Share Outstanding (m)	1313.09
Current Price (RM)	1.88
52-week range (H)	2.00
52-week range (L)	0.8

[Company profile](#)

1. Give us a brief background and history of your company and key milestones.

HGB was incorporated in Malaysia on 13 October 1990 as Halex Holdings Sdn Bhd and has been principally involved in trading and distribution of agrochemicals, manufacturing and trading of consumer products and agro-based technology. Halex was subsequently listed on the Main Market of Bursa Malaysia Securities Berhad on 16 September 2009. On 30 April 2019, Halex completed the merger of its business with Hextar Chemicals Limited group of companies following which it officially changed its name to Hextar Global Berhad.

Over the past 30 years, the Group has grown and diversified its business operations and is now a leading crop management solutions provider in Malaysia with a strong global presence. The Group's revenue segments are agriculture, consumer products and specialty chemicals, which is newly acquired. The Group's offerings include: pesticides, fertilisers, specialty chemicals, research and development, consumer products and biogas processing systems.

2. What are your competitive strength?

- **Strong underlying sector fundamentals providing sustainable growth** - Indonesia and Malaysia are the two largest palm oil producers in the world accounting for over 80% of the world's total palm oil production. Oil palm accounts for over 5.8 million hectares of planted area in Malaysia and over 15 million hectares Indonesia. Over the past 10 years from 2010 to 2020, planted area for oil palm grew by a CAGR of about 2% in Malaysia and about 6% in Indonesia. Other crops such as rice, fruits, vegetables, coconuts, herbs and spices and other cash crops account for over 1 million hectares of planted area in Malaysia.
- **Wide range of registered products** - Based on the Department of Agriculture, Malaysia, HGB has the highest number of product registrations amongst 168 companies as at March 2021. Product registration is a requirement for regulatory control by the authorities in various countries and is a process which takes two to three years per product. The lengthy process creates a moat for our business. Other than our own products, we also distribute complementary products of other multinational brands. Our portfolio provides complete solution to all crops in Malaysia, including oil palm, cocoa, pepper, rice, fruits and vegetables.

- **Research and development (R&D) capabilities** - Products engineered by our R&D team will be sold under Hextar brands and hence we do not have to pay royalties. We have the key accreditations including ISO, OHSAS and OECD GLP to provide our customers with the assurance of quality.
- **Extensive regional distribution and procurement network** - We are able to source pesticides and chemical products at competitive prices through bulk purchasing. Long established relationship with key suppliers to ensure reliable support, allocation and the best prices of raw materials of pesticides and chemical products.
- **Highly scalable business model to maximise returns** - The Group's production commencement is based on received orders, resulting in minimal storage period for finished products. HGB's procurement policy of raw materials is structured to capitalise on favourable prices. Moreover, the raw materials used are not susceptible to expiry, thus allowing for prolonged storage and greater optimisation in our inventory management. Our business model is based on the cost-plus model so that we can pass on cost increases as market price fluctuates.

3. Describe your recent financial performance.

We expect the Group's top and bottom line growth to be sustainable at least in the near-term.

The Agriculture Segment, which is currently the largest contributor to the Group's financial performance, is a mature sector which has grown steadily over the years and represents the bedrock of the Group.

Our newly acquired Specialty Chemicals Segment, however, is expected to be the catalyst for our growth over the next few years. The companies we acquired come with profit guarantees, produce niche, proprietary and customised products for their clients. Notwithstanding the completion of the acquisition of a majority of these companies that occurred mainly in the 4th quarter of 2021, the contribution from Specialty Chemicals Segment was already evident. The revenue contribution from this segment increased from RM15.5 million in the third quarter of FY2021 to RM30.6 million in the fourth quarter of FY2021.

Meanwhile, we are reviewing the operations of our Consumer Products Segment and are working towards turning the business around in the current financial year.

[Announcement on consolidated result for the first quarter ended 31 December 2021](#)

4. Do you have a dividend policy?

HGB currently does not have a dividend payout policy. However, we have paid regular dividends to our shareholders since the merger exercise between Halex Holdings Berhad and Hextar Chemical Limited, which took place in 2019. We practice a regular and healthy dividend payout as recognition for the continuous support by our loyal shareholders. Our dividend payment is dependent on factors such as our performance during the year, our funding needs and our strategic objectives in the coming years.

5. Which segment of the business do you see growing fastest and why?

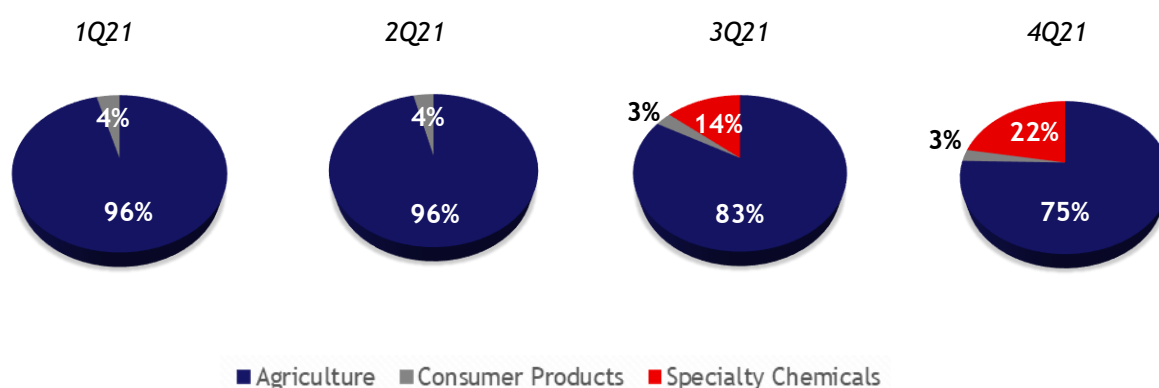
We expect our Specialty Chemicals Segment to see the fastest growth following our acquisitions of three companies in the fourth quarter of 2021. Chempro Group produces high-quality and cost-effective niche specialty chemical products for the rubber glove industry, cleaning, hygiene and food industry. The acquisition comes with a profit guarantee of RM13 million a year until 30 June 2024. The specialty cleaning chemicals industry is expected to grow at a CAGR of 8.8% from RM9.5 billion in 2020 to RM14.3 billion in 2025.

Meanwhile, the acquisition of Nobel Group gives us exposure into the rubber industry through the manufacturing and supply of chemical derivatives, coating and related products. Customers in the segment include some of the world’s largest rubber glove companies. The profit guarantee for Nobel Group is no less than RM14 million per annum until 31 December 2023.

On top of that, the Group is also exposed to the oil and gas sector through the acquisition of 49% in Enra Kimia for RM24.5 million. Enra Kimia is licensed to conduct business with the Petronas Group of companies as well as other refining companies.

As the acquisitions had been completed in the fourth quarter of 2021, we expect the overall Specialty Chemicals segment to drive the Hextar Group’s growth going forward due to the expanding market of the respective specialty chemicals. The full year contribution from our acquisitions of the specialty chemical companies is expected to start from financial year 2022 and onwards.

Revenue Contribution by Segment



6. What are your plans to grow the company going forward and can you share your merger and acquisition strategies? Any plans with Hextar Industries Bhd (HIB)?

We are always on the lookout for opportunities that will contribute towards the growth of our business. Our recent acquisitions are reflective of the key parameters that we use in our deliberation. Ultimately, the investment must be value accretive. HIB is a separate listed company with common shareholders. HGB, however, does not hold any shares in HIB.

7. Your gearing level is about 1.2x, what would be an optimum level and why?

Our high gearing is due mainly to term loans taken to acquire the companies in our Specialty Chemicals Segment. These companies are profitable and generate strong cashflows. Hence, we are quite comfortable with our current gearing level. We do not want to limit ourselves in terms of our gearing. In the event an investment opportunity arises, we will evaluate all aspects of the transaction including the viability of increasing our gearing level.

8. Tell us more about your efforts in the area of sustainability.

We recognise the increasing importance of sustainability and Environment, Social and Governance (ESG) issues and the emphasis placed on ESG by institutional investors. We have been working on increasing the integration of ESG considerations into our governance structure, corporate strategies and business operations. We have also set up an ESG Committee to steer the ESG initiatives in the Group. We have initiated setting up of targets/goals such as increasing the use of renewable energy in our manufacturing facilities as well as revising our product portfolio to increase the percentage of products with lower toxicity. In respect of the social area, we have set goals such as zero tolerance for discrimination, harassment, violence, forced labour and child labour in the workplace. It is an ongoing process and we are committed to meeting our targets.

9. At current level, the stock is trading at a trailing price-to-earnings of more than 40x, how should an investor interpret this?

We are not too concerned about our trading multiples as the Group is still evolving and we are more focused on optimising and growing our existing operations. We believe that the value creation we have generated for investors since Halex Holdings Berhad merged with Hextar Chemicals Limited in April 2019 is a testament of our ability to grow our business and hope that investors would recognise our track record.

10. Lastly, what is your value proposition and why should investors invest in your company?

We would like investors to recognise the growth we have achieved and the returns we have generated. When you invest in HGB, you are investing into a highly experienced and sound management with a proven track record on delivery. The Group is still evolving and we are still looking at investment opportunities to accelerate our growth with a focus on opportunities in sectors which will complement our existing businesses and generate synergies.



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