AUTHOR: Kamarul Azhar SECTION: CORPORATE PAGE: 18 PRINTED SIZE: 954.00cm² REGION: KL
MARKET: Malaysia PHOTO: Full Color ASR: MYR 16,426.00 ITEM ID: MY0058709942

06 MAY, 2024

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The Edge, Malaysia

Ancom Nylex to decarbonise via RTO of Ancom Logistics

BY **KAMARUL AZHAR**

The reverse takeover (RTO) of Ancom Logistics Bhd by Green Lagoon Technology Sdn Bhd, a company that is involved in the development of palm oil mill effluent (POME) anaerobic lagoon biogas-to-power projects, will result in the total decarbonisation of the former's holding company Ancom Nylex Bhd.

This is because upon completion of the takeover of Green Lagoon by Ancom Logistics, Ancom Nylex will be able to recognise about one-fifth of the captured carbon that Green Lagoon has.

Ancom Nylex managing director and group CEO Lee Cheun Wei tells *The Edge*: "Based on Green Lagoon's representation and early discussions, its operations absorb around 500,000 tonnes of carbon dioxide equivalent (CO_2e), of which it has an effective ownership of 370,000 tonnes of CO_2e.

"As Ancom Nylex will hold at least 21% of the shares in Ancom Logistics post-Green Lagoon acquisition, we will be totally decarbonised, as our carbon emissions last year, including Scope 3 emissions, totalled less than 40,000 tonnes of CO_2e."

Lee also sits on Ancom Logistics' board as a non-independent, non-executive director.

Ancom Nylex is in the business of the manufacturing and sale of agricultural and industrial chemicals, animal health products, polymer products as well as the provision of digital and out-of-home advertising media space.

Meanwhile, Ancom Logistics is involved in the transportation of liquid chemical business in Malaysia and Singapore, and owns 51% equity interest in Ancom ChemQuest Terminals Sdn Bhd, a company involved in building, owning, operating, leasing and managing a chemical tank farm in West Port, Port Klang.

The largest shareholder of Ancom Nylex is Datuk Siew Ka Wei, with a total shareholding of 19.17%. Siew is executive chairman of Ancom Nylex and executive vice-chairman of Ancom Logistics.

Meanwhile, Lee owned an 8.41% stake in Ancom Nylex as at Sept 5, 2023.

On April 22, loss-making Ancom Logistics announced that it had entered into a heads of agreement with Greenheart Sdn Bhd, Choong Wee Keong and How Yoon For for the proposed acquisition of the entire share capital of Green Lagoon for a total consideration of RM120 million.

The consideration will be fully satisfied via the issuance of a billion new ordinary shares in Ancom Logistics at an issue price of 12 sen each. The shareholders of Greenheart are Chiah Wai Chun @ Cheah Wai Chun, Cheh Koon Chee and Chan Sow Keong, with Chiah and Cheh holding a 30% stake each.

SHAHRIN YAHYA/THE EDGE

As at Sept 5, 2023, Ancom Logistics had 473.3 million outstanding shares, with Ancom Nylex owning a total direct and indirect shareholding of 33.96%, or 160.73 million shares.

With the issuance of a billion shares to the vendors of Green Lagoon, Ancom Nylex's shareholding in Ancom Logistics is expected to be diluted to 10.9%. Ancom Logistics will then place out 183.33 million shares to Ancom Nylex for RM22 million, or 12 sen apiece.

With the placement shares, Ancom Logistics' share base will increase to 1.657 billion units. As a result, Ancom Nylex's shareholding in Ancom Logistics will rise to 20.8% of the new share base, or 344.06 million shares, making Ancom Logistics an associate company of Ancom Nylex.

Meanwhile, the vendors of Green Lagoon will be the new largest shareholders of Ancom Logistics, with 60.4% interest, the largest of which is Greenheart, which will own 30.9%. Chan is the largest shareholder of Greenheart, with a 40% stake.

As the vendors of Green Lagoon will collectively own 60.4% of the shares in Ancom Logistics post-acquisition, they would have to undertake a mandatory offer for the remaining shares not already owned by them pursuant to the proposed acquisition.

However, Ancom Logistics had also proposed an exemption for the vendors to undertake the mandatory offer, under subparagraph 4.08(1)(a) of the Rules on Take-overs, Mergers and Compulsory Acquisition.

As to why Ancom Logistics did not place out a greater number of shares to Ancom Nylex so that it could still be the largest shareholder of the company, Lee says the group is happy to allow the vendors to run the business, as they are industry experts.

"It is also a pre-condition for the acquisition: that the existing shareholders of Green Lagoon become the largest shareholder so that they can continue to run the company," says Lee.

Green Lagoon has two major revenue sources — concession revenue from producing electricity through biogas, as well as engineering, procurement, construction and commissioning (EPCC) contracts of biogas capture installations at palm oil mills.

For the concession business, Green Lagoon entered into a 21-year concession with Tenaga Nasional Bhd to produce electricity from the captured biogas from POME. The company has about 20 biogas installations capturing methane from the fermentation of POME, says Lee.

"Malaysia and Indonesia are the biggest palm oil producers in the world; therefore, the growth potential of Green Lagoon is huge," says Lee, adding that the other large-scale company in the biogas power plant scene is Khazanah Nasional Bhd's Cenergi SEA Bhd.

While Malaysia is still the group's largest market, Green Lagoon has ventured into Indonesia. The group is currently undertaking an EPCC job for a 1.6MW biogas power plant in South Kalimantan. It has also completed a 2MW biogas power plant in Jambi.

The company has also provided consultancy services for a 1.4MW biogas power plant project in Central Kalimantan and another one in South Kalimantan.

Besides the 370,000 tonnes of carbon captured, Green Lagoon has also been building up its renewable energy certificates (RECs), says Lee. The company has RECs that represent about 29,000 tonnes of CO_2e a year, from 16 biogas capturing plants.

"Businesses are re-evaluating their carbon emissions, and those companies that could not meet their carbon emissions targets will require RECs," says Lee.

RECs are expected to be valuable, as Malaysia has committed to carbon neutrality by 2050 and reducing CO2 intensity against gross domestic product by 45% by 2030.

The National Energy Transition Roadmap (NETR) aims to leverage Malaysia's strong bioenergy potential, focusing on two key segments: agriculture-related bioenergy; and non-agriculture waste such as used cooking oil and municipal solid waste.

"Palm oil-related residues consist of the majority of potential bioenergy generation potential in Malaysia ... Hence, the NETR will place its focus on addressing challenges relating to palm oil biomass in agriculture-related bioenergy," the document states.

Under the NETR, the government aims to increase biomass and biogas power generation capacity to 1.4GW by 2050.

The acquisition of Green Lagoon is considered an RTO of Ancom Logistics, or a backdoor listing of the green energy company. With a profit guarantee of RM8 million in the first year after acquisition and RM10 million in the second year, Green Lagoon is valued at between 12 and 15 times its potential earnings.

In comparison, renewable energy companies listed on Bursa Malaysia such as Solarvest Holdings Bhd, Samaiden Group Bhd, Sunview Group Bhd and Pekat Group Bhd are trading at historical price-earnings ratios (PERs) of between 21.81 (Sunview) and 51.3 times (Samaiden).

In time, will Ancom Logistics be valued around the same PER as the publicly listed renewable energy companies on Bursa Malaysia?

So far this year, Ancom Nylex's share price has trended downwards, falling 8.04% to settle at RM1.03 last Thursday, for a market capitalisation of RM1.04 billion. Meanwhile, Ancom Logistics' share price has risen 15.38% so far this year, ending at 15 sen as at Thursday, for a market capitalisation of RM68.77 million. ■

SUHAIMI YUSUF/THE EDGE

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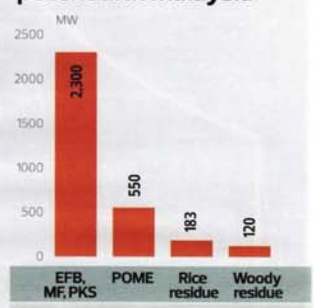
MALAYSIA RENEWABLE ENERGY ROADMAP

Bioenergy generation potential in Malaysia



Note:
EFB: empty fruit bunch; MF: mesocarp fibre;
PKS: palm kernel shell; POME: palm oil mill effluent

GREEN LAGOON TECHNOLOGY

Highlights of Green Lagoon's financial performance