

Jayden Tan
 (603) 7890 8888 (ext 2069)
kdtan@apexsecurities.com.my

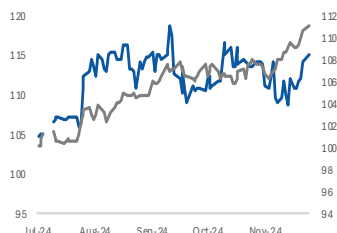
Recommendation:	BUY
Current Price:	RM2.97
Previous Target Price:	-
Target Price:	RM3.76
Capital Upside/Downside:	26.6%
Dividend Yield (%):	3.7%
Total Upside/Downside:	30.3%

Stock information

Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	0166 / INRI MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	3,788.6
Market Cap (RM' m)	11,252.2
52-Week Price Range (RM)	4.03-2.71
Beta (x)	0.9
Freefloat (%)	75.1
3M Average Volume (m)	9.0
3M Average Value (RM' m)	26.3

Top 3 Shareholders	(%)
InsasBhd	12.1
Employees Provident Fund Board	11.2
Kumpulan Wang Persaraan Diperbadan	9.7

Share Price Performance



	1M	3M	12M
Absolute (%)	-5.1	0.0	4.9
Relative (%)	-4.4	2.6	-6.0

Inari Amertron Berhad

Riding the 5G and AI wave

Executive Summary

- A leading OSAT provider specialising in RF components, optoelectronics, ASIC and semiconductor assembly and testing.
- Inari is poised for strong growth driven by the replacement cycle of AI capable smartphone, rising AI-related investments, and its strategic diversification into new products segment.
- We initiate coverage on Inari with a BUY recommendation and a target price of RM3.76, by pegging a P/E multiple of 32.0x on FY26F EPS of 11.8 sen and appraised with three-stars ESG rating, reflecting optimism on the Group's strong fundamentals and exposure to high-growth markets.

Key Investment Highlights

Strong Exposure to 5G and RF Markets. The Group's assembly & test expertise in Radio Frequency (RF) components positions it well to capitalise onto the growing demand for high-frequency RF solutions driven by the ongoing 5G smartphone upgrade cycle. Additionally, the introduction of AI-powered smartphones by leading US phone manufacturers is expected to spur a new replacement cycle, further supporting RF chip demand in the short to medium term.

Strategically positioned for AI Market growth and Data Center investments. Inari is well-positioned to benefit from the rapid expansion of the AI market and rising investments in data centers. The Group is scaling up production of 800G fiber optic transceivers for its customers, which are essential for high-speed data transmission and processing within AI backend infrastructure. Additionally, four production lines have been installed at its Penang P34 plant for a new memory US customer, with mass production slated to begin by the end of CY2024.

JV capitalising on China's semiconductor self-sufficiency ambitions. Inari is leveraging onto its 54.5%-owned JV - Yiwu Semiconductor International Corporation (YSIC), which commenced operations in recently mid-CY2024, to capitalise on China's push for semiconductor self-sufficiency and the growth of local smartphone brands. This partnership strategically positions Inari to access the world's largest consumer electronics market, reinforcing its role in China's semiconductor ambitions while ensuring sustainable growth and diversification.

Proxy of Malaysia Technology Beta play with anticipated FY25 upcycle. Inari stands out as a prominent technology beta play in Malaysia, set to benefit from the expected recovery in the technology sector by FY25. A turnaround is projected in FY25, with the World Semiconductor Trade Statistics (WSTS) forecasting a 12.5% growth in global semiconductor sales to USD687.0bn in CY25.

Valuation & Recommendation. We initiate coverage on Inari Amertron Berhad with a **BUY** recommendation with a fair value of **RM3.76**, by ascribing a P/E multiple of 32.0x assigned to FY26F EPS of 11.8 sen, reflecting +1 standard deviation of its 5-year historical forward P/E mean.

Earnings Summary

FYE Sep (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1354.0	1478.7	1682.7	1952.3	2146.6
EBITDA	463.0	435.3	599.7	657.4	701.3
Pre-tax profit	355.8	310.1	423.4	485.5	529.2
Net profit	323.5	300.2	388.2	442.3	481.0
Core net profit	323.5	300.2	388.2	442.3	481.0
Core EPS (sen)	8.6	8.0	10.3	11.8	12.8
P/E (x)	34.3	37.0	28.6	25.1	23.1
P/B (x)	4.3	3.5	3.4	3.4	3.3
EV/EBITDA (x)	20.0	21.2	15.4	14.0	13.1
Dividend Yield (%)	2.8%	2.6%	3.2%	3.7%	4.1%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Company Overview

Inari Amertron Berhad (Inari) is one of the leading providers of outsourced semiconductor assembly and test (OSAT) services, headquartered in Malaysia.

Established in 2006, the Group has rapidly evolved into a key player in the semiconductor industry, specialising in the assembly and testing of radio frequency (RF) components, optoelectronic devices, and sensors. Listed on Bursa Malaysia's Main Market since 2011, Inari has consistently delivered strong financial performance, driven by its focus on innovation, operational efficiency, and strong customer relationships.

Inari serves a diversified industries such as telecommunications, automotive, consumer electronics, and industrial applications.

The Group operates through its network of advanced manufacturing facilities located in Malaysia, the Philippines, and China, with 11 factories of a total production floor area of over 2.15m sqf Inari's strategic focus on leveraging cutting-edge technologies and automation has enabled it to maintain a competitive edge in the high-growth RF and semiconductor markets, where precision, quality, and scalability are critical.



Source: Inari

A key driver of Inari's growth has been its long-standing partnership with Customer B, a global leader in semiconductor solutions.

Business Overview

Inari is known for its expertise in assembling and testing high-quality semiconductor components, especially in radio frequency (RF) technologies. With a strong emphasis on technological excellence and operational efficiency, Inari provides solutions for a broad range of industries, including telecommunications, automotive, consumer electronics, and industrial applications.

Services Provided

Radio Frequency (RF) Component Assembly and Testing: Inari's core business lies in the assembly and testing of RF components, which are essential in mobile devices and wireless networks. The Group's close relationship with Customer B Inc., a global leader in semiconductor solutions, has cemented its position as a critical supplier of RF chips for mobile communication devices and 5G infrastructure.

Wafer Probe & Processing: Inari offers advanced wafer processing services, including wafer bumping, probing, and thinning, utilizing cutting-edge technologies such as fine print wafer screen-printing bumping and various probe contact methodologies. These processes ensure high-quality outputs for its customers.

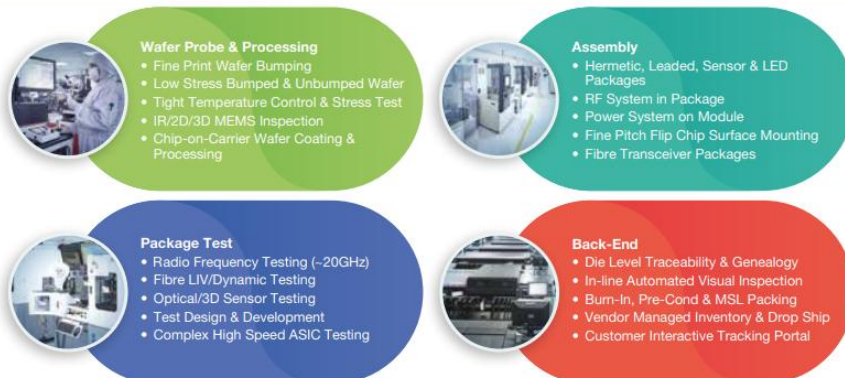
Assembly: The Group specialises in assembling a wide array of semiconductor packages, including: System-in-Package (SiP), Flip Chip Ball Grid Array (FCBGA), Hermetic packages and etc. Inari also employs advanced processes like 2.5D packaging, double-sided molding, and System-on-Module (SOM) assembly. These services cater to sectors such as smart mobile devices, automotive, and optical communication, ensuring precision, reliability, and scalability for next-generation technologies.

Test: Inari provides comprehensive package testing solutions, ensuring products meet stringent quality and performance standards. Its capabilities include: Radio Frequency (RF) testing up to 20GHz, Fiber Lightwave Component (LIV) testing, Optical and 3D sensor testing and etc.

Other Services: In addition to core assembly and testing, Inari offers a range of value-added services including New Product Introduction (NPI) to support early-stage product development, failure analysis and reliability testing for improved quality assurance, customized process automation systems to streamline manufacturing operations, a proprietary Inari Manufacturing Execution System (iMES) for customers to monitor data management and operational control, enhancing productivity and efficiency.

MANUFACTURING CAPABILITIES

High-Mix Low-Volume & Low-Mix High-Volume Operations



RF device for Smart Mobiles

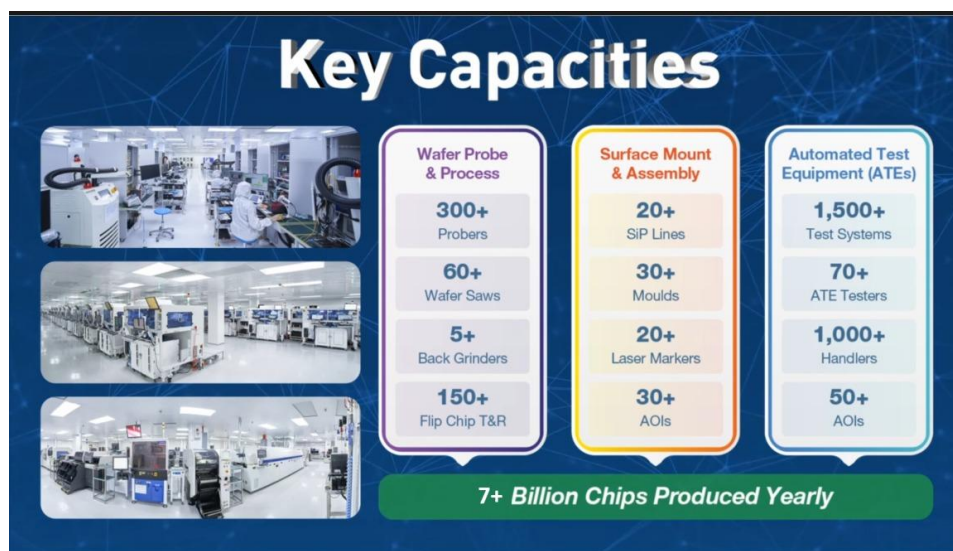


Sensors for Automotive & Industrial



Fibre and ASICs for Communications & Storage

Source: Inari



Source: Inari

Presence and facilities: Inari operates 11 manufacturing facilities strategically located in Malaysia, the Philippines, and China, with a combined built-up production floor space of 2.15m sqf.

Their business revolves around three main product categories: Radio Frequency (RF), Optoelectronics (Opto), and Generic Semiconductors:

RF products: The Group's RF expertise includes high-frequency applications for mobile devices, wireless networks, and telecommunications infrastructure. Inari positions itself as a key player in producing RF chips for a major US customer. RF components assembled by Inari enable high-speed data transmission, efficient signal processing, and robust connectivity, making them essential for advanced communication systems and IoT devices.

Optoelectronics products: The Optoelectronics segment addresses the growing demand for light-based semiconductor components used in fiber optics, sensors, and display technologies. Key offerings include: Fiber optic transceivers, LEDs, and sensors, which are vital for data centers, autonomous vehicles, and industrial automation. These components meet stringent quality and performance standards, ensuring precision in high-demand applications like signal transmission and detection.

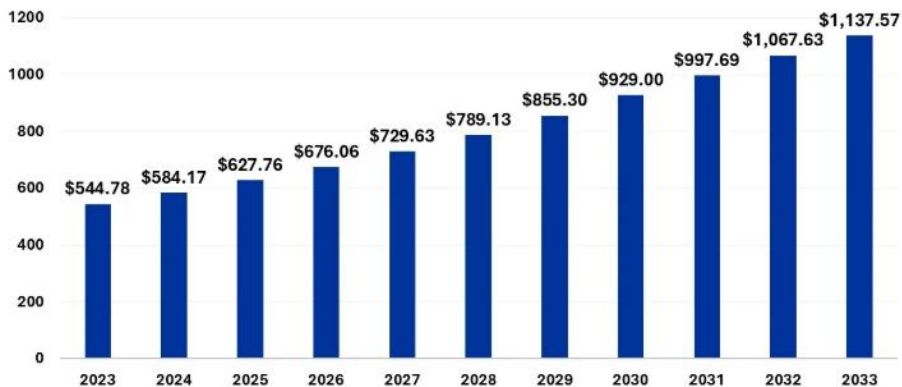
Generic semiconductor: This category encompasses a broad range of standardised semiconductor components, including Analog IC, discrete components, and sensors for diversified applications. Inari's flexible production capabilities allow the Group to serve industries such as automotive electronics, consumer devices, and industrial machinery. The Group ensures reliability and performance through advanced packaging and testing processes, offering cost-effective solutions tailored to client needs.

New products. Inari is actively expanding its product portfolio to diversify its customer base and address new high-growth markets. Recent developments include: Memory Modules: High-performance memory products catering to AI-driven infrastructure and data centers; High-Power LEDs: Used in applications such as billboards, stage lighting, curing processes, and horticulture; System-on-Modules (SoM): Power management modules for high-power servers and industrial applications; Edge AI Packages: Designed for two customers from Japan and the U.S., targeting AI-powered devices and advanced computing applications. By broadening its product offerings and capabilities, Inari is positioning itself to capture new market opportunities while strengthening its role in the global semiconductor ecosystem.

Industry Overview

The global semiconductor industry is fundamental to the players operating in the industry. Semiconductor sales are projected to grow from USD529bn in 2023 to USD1.0trn by 2030, propelled by transformative trends such as the 5G rollout, artificial intelligence (AI), electric vehicles (EVs), and the Internet of Things (IoT). As demand for semiconductors accelerates, the need for efficient and high-quality Outsourced Semiconductor Assembly and Testing (OSAT) services is also on the rise. The growing reliance on OSAT services provides significant growth opportunities for industry players like Inari, which is well-positioned to meet the evolving demands of the global semiconductor ecosystem.

Precedence **Semiconductor Market Size 2023 to 2033 (USD Billion)**
RESEARCH



Source: Precedence Research

Outsourced Semiconductor Assembly and Test (OSAT)

OSAT companies are vital in the semiconductor manufacturing value chain, taking charge of the assembly, packaging, and testing of semiconductor components after wafer fabrication. By outsourcing these labor-intensive and capital-intensive processes to OSAT providers, semiconductor manufacturers can focus onto chip design and wafer production, enhancing operational efficiency and reducing costs.

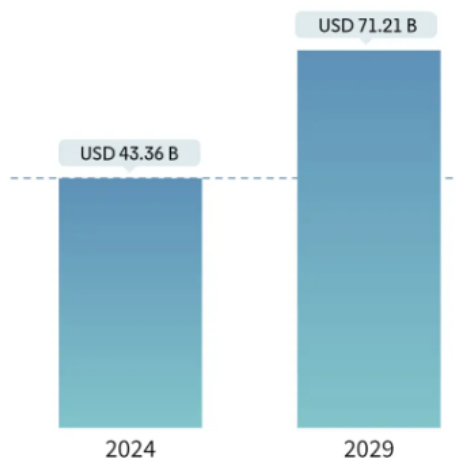
The future of the semiconductor industry points to greater dependency on OSAT providers as devices become more complex, requiring advanced packaging technologies like System-in-Package (SiP) and 3D packaging. OSAT companies offer the specialised expertise and cutting-edge technologies needed to meet these evolving demands. These players provide scalable solutions that allow fabs to focus on core competencies such as wafer fabrication and design and adapt to changing production volumes without heavy infrastructure investments, enabling manufacturers to remain competitive in a dynamic market.

Global OSAT market, valued at approximately USD34bn in 2023, is projected to grow at a CAGR of 8% to reach USD71bn by 2029. Future expansion is driven by strong semiconductor demand from emerging markets such as 5G, AI, IoT, and automotive applications. Inari will leverage onto ongoing 5G rollout, rising adoption of AI technologies, and rapid growth in automotive and IoT markets are expected to fuel demand for OSAT services.

OSAT Market

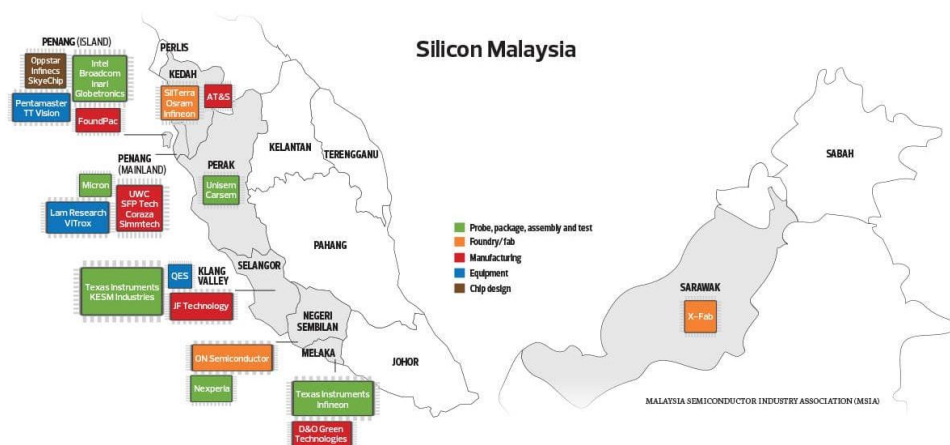
Market Size in USD Billion

CAGR 8.62%



Source: Mordor Intelligence research

The Asia-Pacific region dominates the OSAT industry, with key players concentrated in China, Taiwan, and Malaysia. Malaysia, in particular, has become a significant hub for semiconductor supply value chain as well for assembly and testing, bolstered by robust infrastructure and government incentives. As one of the leading OSAT providers in Malaysia, Inari is well-positioned to leverage this regional strength to drive growth and cater to global market demands.



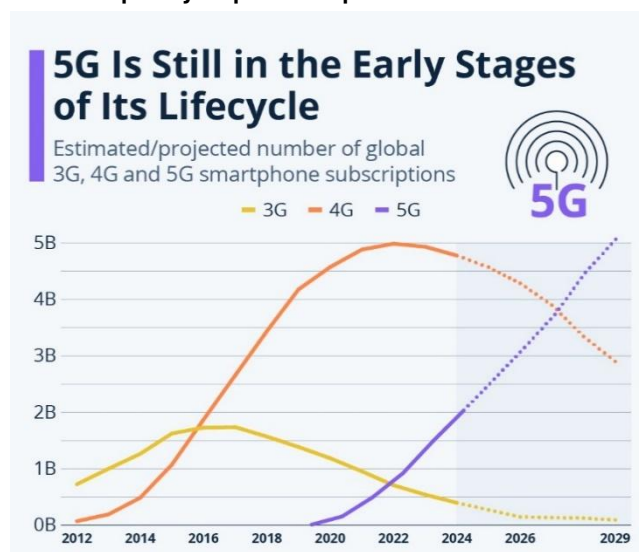
Source: Mordor Intelligence research

Radio Frequency market

RF components remain a major contributor to Inari's earnings, the development and demand for RF chips a critical driver of the company's growth trajectory.

The rollout of 5G networks globally is a primary growth catalyst. 5G technology demands advanced RF front-end modules capable of handling higher frequencies, wider bandwidths, and faster data transmission. This has significantly increased the number of RF filters in devices, further driving demand for these components.

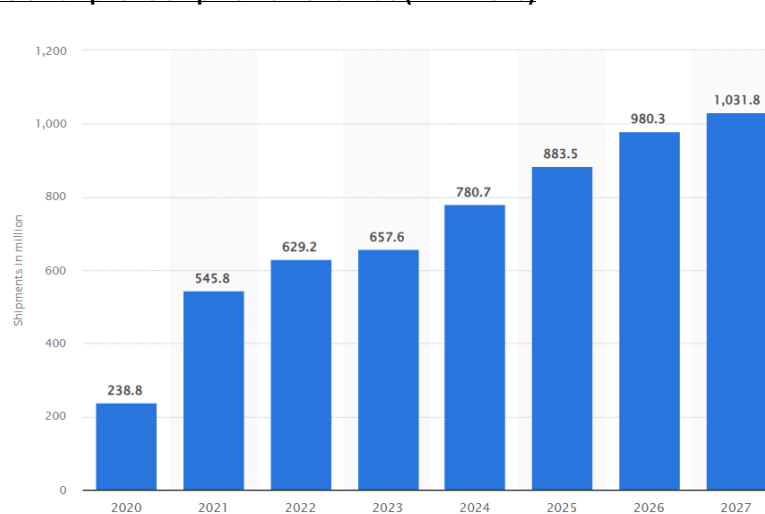
Radio Frequency chip in smartphone



Source: Ericsson Mobility Report

Modern 5G smartphones integrate 70+ RF filters, a significant jump from the 40–50 RF filters used in 4G devices. The rise in frequency bands and enhanced RF content in smartphones requires higher-performance RF filters to: minimize signal interference, maintain efficient network performance and support advanced features such as carrier aggregation and MIMO (Multiple Input Multiple Output).

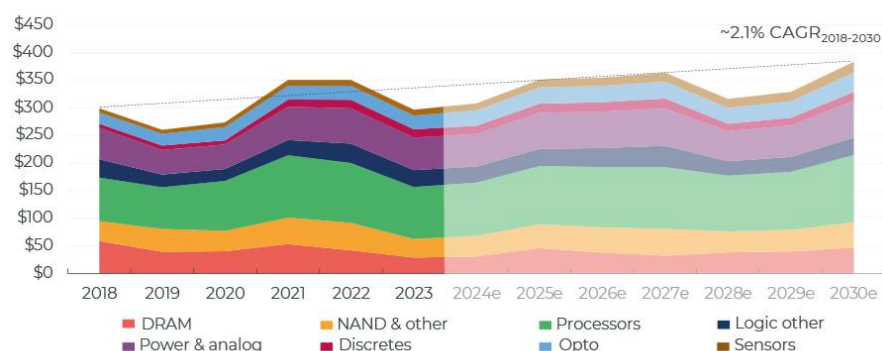
This growing trend underscores the long-term growth potential for RF chips, fueled by the increasing complexity of 5G-enabled devices. Moreover, the global shipment of 5G smartphones is expected to grow from 657.6m units in 2023 to over 1.0bn units in 2027, at a four-year CAGR of 9.4%.

5G smartphone shipments worldwide (in millions)

Source: Statista

2018-2023 semiconductor device revenue for mobile and consumer (in \$B)

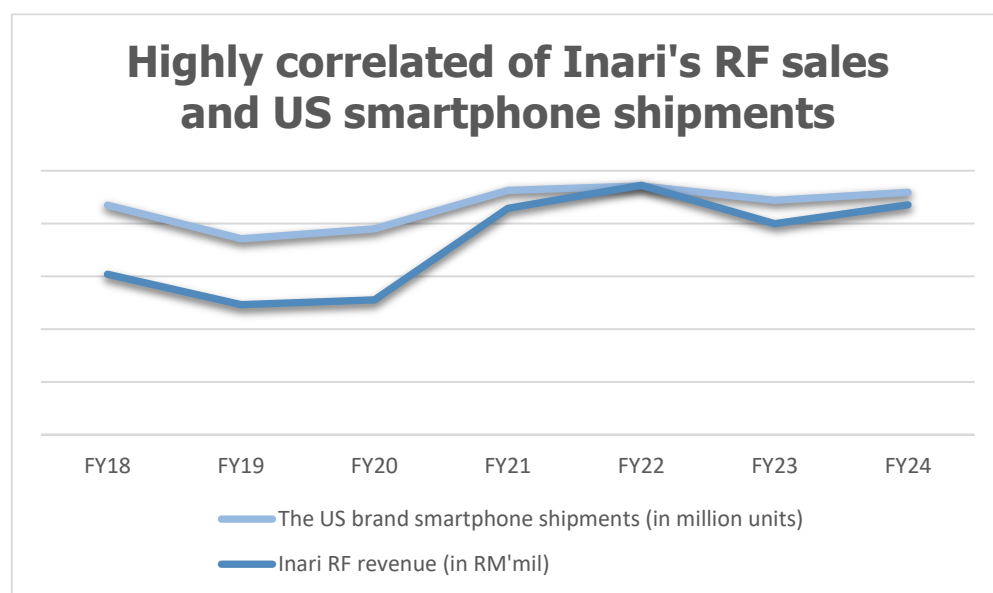
(Source: Semiconductor Trends in Mobile and Consumer 2024, Yole Intelligence, March 2024)



Source: Yole Intelligence

We envisaged Inari's RF components are integral parts of Smartphones. Understanding the sales trajectory of these smartphones is critical, as it directly impacts the demand for Inari's RF chips.

Highly correlated of Inari's RF sales and US smartphone shipments



Source: US smartphone player, Inari, Apex Securities

While global smartphone shipments grew by 6.2% yoy in 2024F, the US smartphone brand's shipments saw modest growth of 0.4% yoy during the same period, hindered by slower sales in China and underwhelming user interest in new features.

However, the rollout of AI-capable smartphones marks the beginning of a new upgrade cycle. Inari's commitment to integrating advanced AI capabilities into future devices could drive stronger sales growth, which would likely boost demand for RF components. As one of the key suppliers, Inari stands to benefit significantly from this anticipated trend, further solidifying its role in the RF semiconductor ecosystem.

Investment Highlights

Strong Exposure to 5G and RF Markets. The Group's assembly & test expertise in Radio Frequency (RF) components positions it well to capitalize on the growing demand for high-frequency RF solutions driven by the ongoing 5G smartphone upgrade cycle with more content gain in the RF chip. Furthermore, the introduction of AI-powered smartphones by leading US phone manufacturers is expected to spur a new replacement cycle, further supporting RF chip demand in the short to medium term.

Beneficiary of the main US customer's growth. Its strong, decades partnership with the US customer (Customer B), a leading global technology company, allows the Group to leverage onto Customer B's developments. Customer B's renewed multi-year agreement last year to supply 5G RF components to top US smartphone player reinforces its market dominance, driving consistent demand for Inari's assembly and testing services. Furthermore, Customer B's advancements in AI-optimized products present additional growth prospects, enhancing Inari's revenue visibility and technological competitiveness. This partnership solidifies Inari's role within Customer B's supply chain, enabling it to benefit from the innovation and market growth.

Moving up the value chain. Inari is progressing within the semiconductor value chain through continuous capital investments and strategic advancements in advanced packaging technologies. Together with Customer B, Inari has strengthened its expertise in RF advanced packaging, incorporating innovations such as high-volume automated back-end wafer processing, advanced fine-pitch flip-chip assembly, electromagnetic interference (EMI) shielding, and other automated processes. These capabilities enable Inari to address the increasing complexity of next-generation semiconductor products. The joint venture with MIT Semiconductor Pte Ltd (51%-owned by Inari) further accelerates this progress, leveraging onto MIT's expertise in manufacturing and customizing niche OSAT equipment. Additionally, Inari is diversifying beyond its core focus on RF and optoelectronics by venturing into high-growth industries, expanding its portfolio to include memory chips, High power LED modules, automotive power modules, and Edge AI packages. Although contribution from these new product lines is currently modest, they hold substantial long-term growth potential, allowing Inari to tap into high-growth segments and maintain resilience in an evolving industry.

Strategically positioned for AI Market growth and Data Center investments. Inari is well-positioned to benefit from the rapid expansion of the AI market and rising investments in data centers. The company is scaling up production of 800G fiber optic transceivers for its customers, which are essential for high-speed data transmission and processing within AI backend infrastructure. Additionally, four production lines have been installed at its Penang P34 plant for a new memory US customer, with mass production slated to begin by the end of CY2024. These initiatives allow Inari to capitalise onto the escalating demand for AI-driven backend systems. As generative AI accelerates the pace of AI development, many data centers constructed last year are now transitioning into the hardware fit-out phase, driving near-term demand for fiber optic transceivers and memory modules—areas where Inari's capabilities are rapidly expanding. Looking forward, a gradual shift in revenue contribution is expected, with non-RF products increasingly accounting for a larger share compared to RF products, which currently contribute over 65% of revenue. The optoelectronics segment, in particular, is anticipated to grow, fueled by strong demand from the AI and data center markets.

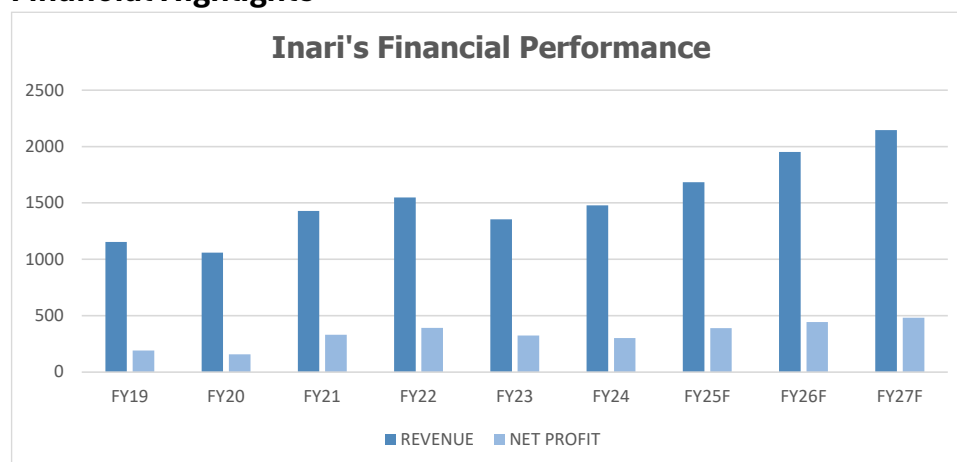
JV capitalising on China's semiconductor self-sufficiency ambitions. Inari is leveraging onto its 54.5%-owned JV - Yiwu Semiconductor International Corporation (YSIC), which commenced operations in mid-CY2024, to capitalise onto China's push for semiconductor self-sufficiency and the growth of local smartphone brands. Amid the ongoing US-China trade tensions, the Chinese government is accelerating efforts to localise its semiconductor supply chain, creating substantial long-term opportunities despite US sanctions. As the world's largest consumer electronics market, China's semiconductor ecosystem is rapidly expanding, fueled by robust domestic demand and government support. Operating a 350,000 sqf manufacturing plant, the JV provides advanced packaging services tailored to China's telecommunication industry. Inari's China JV aligns with the global "China for China" strategy, enabling it to mitigate trade risks while

benefiting from localised supply chain growth. Currently, the JV offers Chip Scale Packaging (CSP) and System-in-Package (SiP) solutions, with plans to expand into Wafer-Level Packaging (WLP) and Ball Grid Array (BGA) packaging by soon. This partnership strategically positions Inari to access the world's largest consumer electronics market, reinforcing its role in China's semiconductor ambitions while ensuring sustainable growth and diversification.

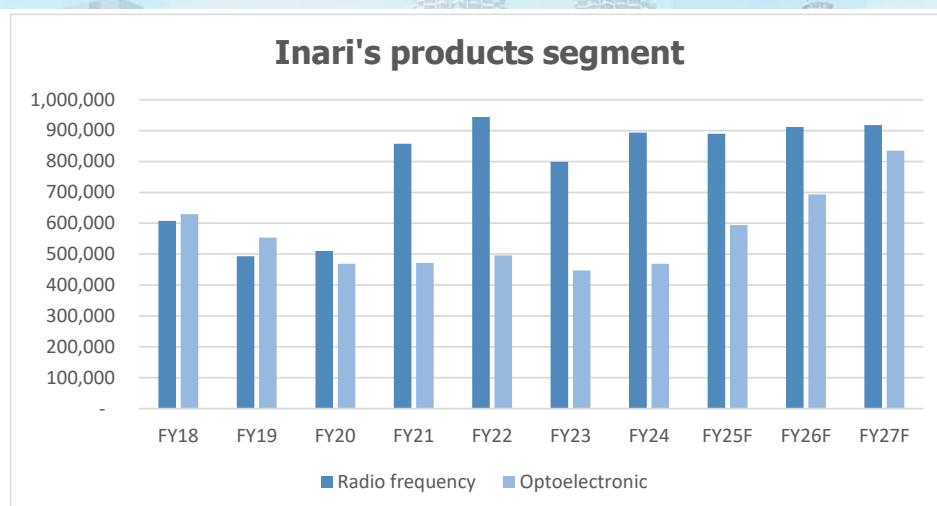
Robust balance sheet supporting continuous growth and capacity expansion. Inari's zero gearing and robust financial position provide a solid foundation for its ongoing capacity expansion efforts. To address rising demand from both existing and new customers, the Group is actively ramping up its factory capacity across operational hubs in Penang, China, and the Philippines. Inari plans to expand its total floor space from the current 2.15m sqf to approximately 4.0m sqf by CY2026, effectively doubling its capacity. This strategic expansion is designed to support the growing demand for advanced semiconductor products, including new offerings in high-growth segments such as memory chips and Edge AI-related components. Furthermore, the additional capacity enables Inari to capitalize on opportunities stemming from the global supply chain shifts driven by Sino-US trade tensions. These initiatives are expected to fuel earnings growth and strengthen Inari's leadership position in the semiconductor industry.

Proxy of Malaysia Technology Beta play with anticipated 2025 upcycle. Inari stands out as a prominent technology beta play in Malaysia, set to benefit from the expected recovery in the technology sector in 2025. Since 2022, the sector has grappled with cyclical challenges, including inventory corrections and macroeconomic pressures. However, a turnaround is projected in 2025, with the World Semiconductor Trade Statistics (WSTS) forecasting a 12.5% yoy growth in global semiconductor sales to USD687bn. As the largest semiconductor counter by market capitalisation and strong liquidity on Bursa Malaysia, Inari offers investors a compelling entry point to capitalise on this growth trend. The Malaysian technology sector, currently trading at 22x forward PER which is below its 5-year forward P/E mean (26x), is primed for an upcycle, supported by recovering global semiconductor demand, robust FDI inflows, and trade relocations prompted by the Sino-US trade tensions. Additionally, AI-driven demand, non-AI chip restocking, and heightened data center investments provide further growth tailwinds. Broader market sentiment is also expected to improve with anticipated global interest rate cuts and government-led initiatives to attract FDI. Historically, Bursa Malaysia's technology upcycles have lasted 12–20 months, and CY25 is likely to mark a critical inflection point. As a leading OSAT player in ASEAN, regarded as a strategic buffer zone amid the Sino-US trade war, Inari is well-positioned to benefit from the relocation of global supply chains under the China+1 strategy, solidifying its role as a key player in the regional semiconductor landscape.

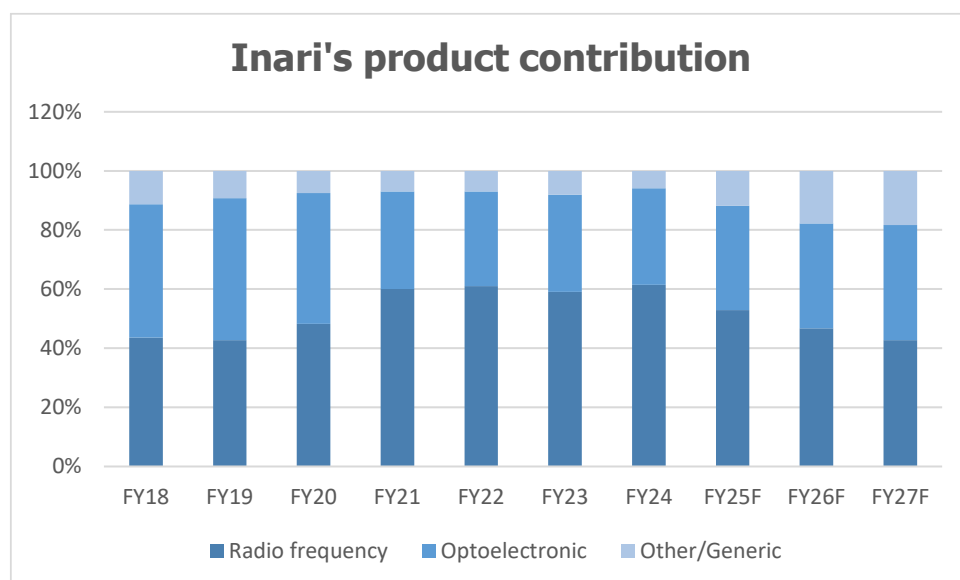
Financial Highlights



Source: Inari, Apex Securities



Source: Inari, Apex Securities



Source: Inari, Apex Securities

Inari's revenue and profit showcased a consistent growth trajectory from FY19 to FY22 (FY20 registered decline due to lower loading of optoelectronic products as affected by the supply chain disruption from Covid-19 pandemic) before moderating in FY23 and FY24:

FY19–FY22 Growth. Inari's revenue grew steadily from RM1,15bn in FY19 to RM1,55bn in FY22, representing a three-year CAGR of 10.3%. Growth was driven by strong demand for RF components, fuelled by the global rollout of 5G networks and increased orders from Customer B coupled with the expansion into adjacent markets such as IoT devices and optoelectronic products, contributing incremental revenue streams.

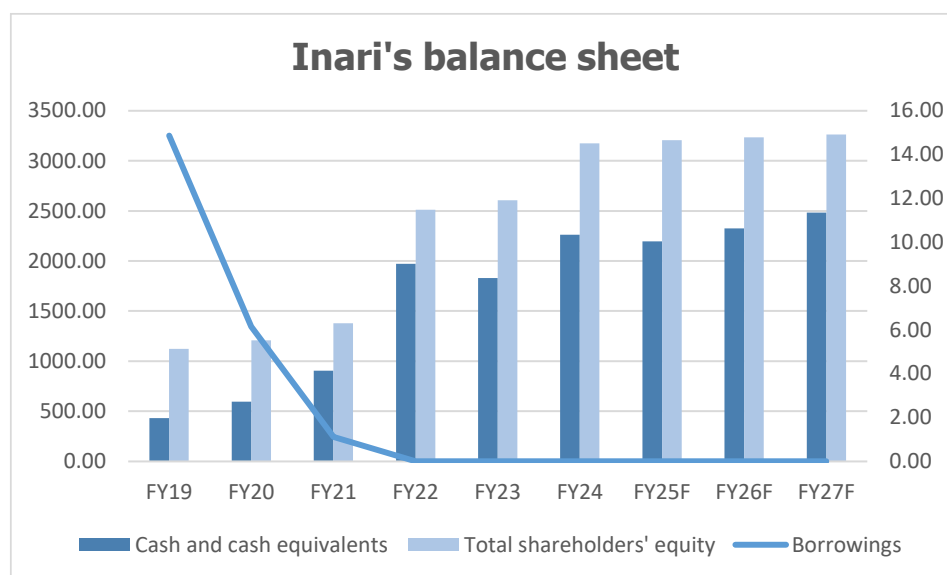
Moderation in FY23 and FY24. Revenue declined to RM1.35bn in FY23 (-12.5% yoy) and RM1.48bn in FY24, which was below FY19 levels. The decline was attributed to softening global semiconductor demand due to post-Covid-19 inventory adjustments; a high-interest rate environment dampening consumer spending and temporary slowdown in 5G smartphone sales and geopolitical tensions affecting consumer electronics markets.

Looking ahead, we anticipate Inari will achieve a robust rebound in FY25F, with projected net profit growth of 29.3% yoy, followed by increases of 13.9% yoy in FY26 and 8.8% yoy in FY27. Projected growth is expected to be driven by the i) recovery of the RF segment, supported by the smartphone replacement cycle and the introduction of AI-capable phones, (ii) significant

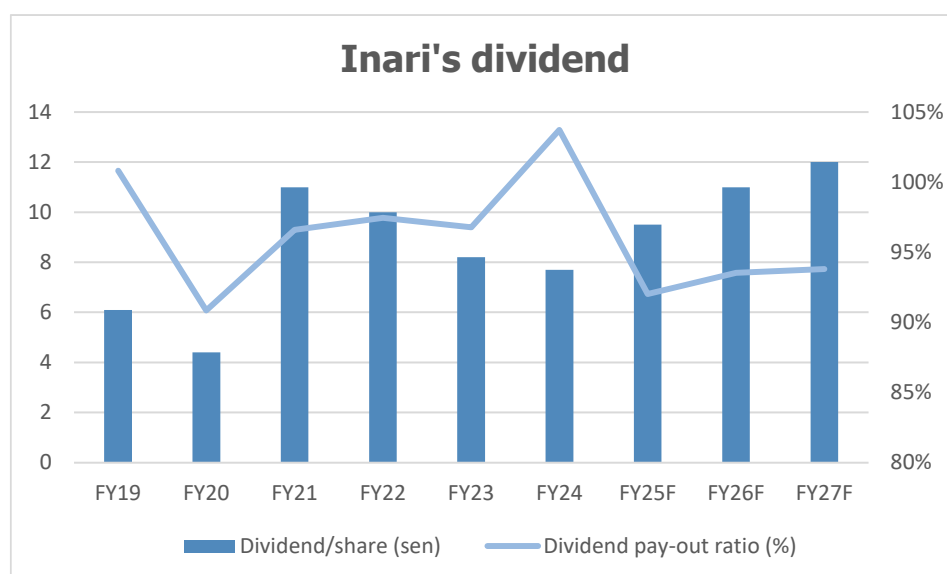
expansion in the optoelectronic products segment, propelled by advancements in AI and the timely fit-out phase of data centers. (iii) installation of four production lines for memory customers is also anticipated to contribute meaningfully to Inari's performance, aligning with ongoing AI developments.

Our forecasts are based on the current traction with existing customers and products; any successful efforts by Inari to secure new customers or products through global trade relocation, diversification, or M&A activities could lead to financial outcomes exceeding our expectations.

Longer-term revenue composition: RF products have accounted for approximately 65% of Inari's revenue since FY21, with optoelectronics at ~30%. While RF outlook is solid, growth may moderate until the transition from 5G to 6G due to limited growth of content in the RF front end module. Conversely, we anticipate non-RF products, including memory modules and high-speed transceivers to grow significantly, gradually increasing their revenue contribution over the RF products given that the strong traction of AI developments and the on-going management's efforts on products diversification with several new projects. In other sense, we are anticipating the optoelectronic segment is expected to expand at a faster pace than RF products over the coming years.



Source: Inari, Apex Securities



Source: Inari, Apex Securities

Cash rich, Debt-free. Inari's cash reserves grew from RM430m in FY19 to RM2.26bn in FY23, while maintaining a zero-debt status since FY22. This reflects its ability to generate strong operating cash flows through its relatively capital-light business model, as many customer-specific equipment (e.g., testers) are consigned. The robust balance sheet supports capacity expansion, technological upgrades, and continued high dividend payouts, with a payout ratio exceeding 90% in recent years. This solid financial strength positions Inari to capitalise onto new opportunities and maintain its dividend-friendly policies.

Valuation & Recommendation

Inari's 5 years historical forward PER



Source: Bloomberg

We initiate coverage on Inari Amertron Berhad with a **BUY** recommendation and a fair value of **RM3.76**, based on a P/E multiple of 32.0x assigned to the FY26F EPS of 11.8 sen, reflecting +1 standard deviation of its 5-year historical forward P/E mean and appraised with three-stars ESG rating. This valuation is supported by Inari's strong positioning to capitalize on 5G and AI growth, steady contributions from key RF client, and the expected recovery in the semiconductor sector by FY25, which will enhance capacity utilisation and revenue growth. Additionally, its strategic Yiwu JV offers access to China's semiconductor market, further boosting long-term growth potential. At RM3.76, the target price implies an upside of 26.6% from the current market price of RM 2.97, underpinned by robust fundamentals and exposure to high-growth segments.

Peers Comparison

Company	Market Group	FYE	Price	Market Cap	P/E (x)		Gross DY (%)	Last FY Revenue RM 'm	Last FY Net Income RM 'm
			(RM)	(RM 'm)	Trailing	Forward 12M			
Inari Amertron Bhd	MAIN	Jun	2.97	11252.2	46.7	26.5	2.7%	1478.7	300.2
Malaysian Pacific Industries Bhd	MAIN	Jun	25.36	4790.8	28.6	17.9	1.4%	2094.4	164.4
Unisem M Bhd	MAIN	Dec	2.97	4790.8	59.7	32.5	2.7%	1439.7	80.2
Globetronics Technology Bhd	MAIN	Mar	0.56	374.8	32.4	12.3	0.0%	131.8	26.4
Kesm Industries Bhd	MAIN	Jul	3.48	149.7	N/A	N/A	2.2%	243.0	0.2
Avg ex-Inari					40.3	20.9	1.6%	977.2	67.8

Source: Bloomberg, Apex Securities

Investment Risk

Heavily relied on single customer. A significant portion of Inari's revenue (~90%) comes from Customer B. Any reduction in orders, changes in the top customer's business strategy, or losing market share of this key customer could materially impact Inari's financial performance.

Exposure to global semiconductor cycles. As an OSAT provider, Inari's performance is closely tied to the cyclical nature of the semiconductor industry. A prolonged downturn or inventory adjustments in the sector could result in lower utilisation rates and revenue.

Foreign exchange risk. A significant portion of Inari's revenue is USD-denominated, while costs are partially incurred in MYR. Adverse movements in exchange rates could impact profitability.

Initiation Coverage

Tuesday, 10 Dec, 2024

Financial Highlights

Income Statement

FYE June (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1354.0	1478.7	1682.7	1952.3	2146.6
Gross Profit	355.0	323.7	437.5	507.6	558.1
Operating profit	356.3	312.2	424.4	485.5	529.2
EBITDA	463.01	435.28	599.65	657.39	701.30
Profit before tax	355.8	310.1	423.4	485.5	529.2
Tax	-30.8	-10.0	-35.1	-40.3	-43.9
Profit After Tax	323.5	300.2	388.2	442.3	481.0
Minority Interest	1.5	-0.1	0.0	2.9	4.3
Net Profit	323.5	300.2	388.2	442.3	481.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	323.5	300.2	388.2	442.3	481.0

Key Ratios

FYE June (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	8.6	8.0	10.3	11.8	12.8
P/E(x)	34.5	37.2	28.8	25.3	23.2
P/B(x)	4.3	3.5	3.5	3.4	3.4
EV/EBITDA(x)	20.2	21.3	15.5	14.1	13.2
DPS (sen)	8.2	7.7	9.5	11.0	12.0
Dividend Yield (%)	2.8%	2.6%	3.2%	3.7%	4.0%
EBITDA margin (%)	34.2%	29.4%	35.6%	33.7%	32.7%
Operating margin (%)	26.3%	21.1%	25.2%	24.9%	24.7%
PBTmargin (%)	26.3%	21.0%	25.2%	24.9%	24.7%
PATmargin (%)	23.9%	20.3%	23.1%	22.7%	22.4%
NP margin (%)	23.9%	20.3%	23.1%	22.7%	22.4%
CNP margin (%)	23.9%	20.3%	23.1%	22.7%	22.4%
ROE (%)	12.4%	9.5%	12.0%	13.5%	14.5%
ROA (%)	10.9%	8.4%	11.0%	12.2%	13.0%
Gearing (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F
Core EPS (RM)	0.12
P/E multiple (x)	32.0
Fair Value (RM)	3.76

Source: Company, Apex Securities

Balance Sheet

FYE June (RM m)	FY22	FY23	FY24	FY25F	FY26F	FY27F
Cash	1971.0	1831.0	2260.7	2245.3	2310.1	2365.4
Receivables	250.8	220.3	190.0	276.6	320.9	352.9
Inventories	147.0	183.2	181.0	202.4	186.1	173.8
Other current assets	16.7	204.1	112.1	50.5	59.6	66.4
Total Current Assets	2385.6	2438.6	2743.8	2774.7	2876.7	2958.4
Fixed Assets	499.5	509.0	779.4	738.8	723.1	722.7
Intangibles	2.3	2.5	10.9	11.0	11.0	11.0
Other non-current assets	7.1	16.6	19.9	14.9	17.4	16.2
Total Non-current assets	509.0	528.1	810.3	764.7	751.5	749.9
Short-term Debt	0.0	0.0	0.0	0.0	0.0	0.0
Payables	80.3	118.5	98.9	100.6	120.1	131.6
Other Current Liabilities	274.5	212.9	249.2	201.1	222.8	241.8
Total Current Liabilities	354.8	331.5	348.1	301.7	342.9	373.4
Long-term Debt	0.0	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	28.7	29.5	31.8	12.1	12.3	12.6
Total Non-current Liabilities	28.7	29.5	31.8	12.1	12.3	12.6
Shareholder's equity	2505.1	2602.6	2793.8	2824.8	2853.4	2883.1
Minority interest	6.0	3.2	380.4	400.8	419.6	439.2
Total Equity	2511.0	2605.8	3174.2	3225.5	3273.0	3322.4

Cash Flow

FYE June (RM m)	FY22	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	446.1	355.8	310.1	423.4	485.5	529.2
Depreciation & amortisation	100.9	106.7	123.1	175.3	171.9	172.1
Changes in working capital	-31.8	11.0	122.6	209.3	-12.4	-6.8
Others	-10.6	-54.5	-40.0	-13.2	-14.6	-14.9
Operating cash flow	504.7	419.0	515.7	794.8	630.4	679.6
Net capex	-110.6	-113.0	-181.6	-143.0	-165.9	-182.5
Others	25.1	-137.2	-11.6	0.0	0.0	0.0
Investing cash flow	-85.5	-250.3	-193.2	-143.0	-165.9	-182.5
Dividends paid	-433.2	-342.4	-292.1	-339.5	-399.6	-441.9
Others	1080.9	42.0	102.7	0.0	0.0	0.0
Financing cash flow	647.7	-300.4	-189.4	-339.5	-399.6	-441.9
Net cash flow	1066.9	-131.7	133.1	312.3	64.8	55.3
Forex	19.2	17.8	-3.6	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Beginning cash	831.2	1917.4	1803.5	1933.0	2245.3	2310.1
Ending cash	1917.4	1803.5	1933.0	2245.3	2310.1	2365.4

ESG Matrix Framework:**Environment**

Parameters	Rating	Comments
Climate	★★★	Installed solar panels and utilized green energy, reducing 1,407 tCO2e in FY2024; committed to achieving net-zero emissions by 2050
Waste & Effluent	★★★	Implemented a 3R Program (Reduce, Reuse, Recycle), increasing recycled material tonnage
Energy	★★★	Total energy consumption rose to 472,737 GJ in FY2024 due to higher production, with ongoing efforts to improve energy efficiency
Water	★★★★	Water consumption reduced by 7% YoY to 666,133 m ³ ; introduced rainwater harvesting systems
Compliance	★★★	Fully compliant with international and local environmental regulations; certified for Green Energy usage

Social

Diversity	★★★	Workforce comprises 63% female employees, reflecting strong diversity initiatives
Human Rights	★★★	Enforces a robust Code of Ethics and adopts non-discriminatory practices in line with international standards
Occupational Safety and Health	★★★	Recorded seven minor workplace incidents in FY2024; completed 87,936 total aux training hours across all programs, including safety and skill enhancement
Labour Practices	★★★★	Offers market-aligned pay scales and adheres to fair labour practices, ensuring compliance with industry standards; provided internships to over 5,000 students since 2015, supporting talent development and industry exposure.

Governance

CSR Strategy	★★★	Donated RM167,005 to community initiatives and participated in tree-planting programs
Management	★★	2 out of 9 board members are female; average board member age is 53 years
Stakeholders	★★★	Regular stakeholder engagement, including four analyst briefings and one AGM annually, ensures transparency

Overall ESG Scoring: ★★★**Recommendation Framework:****BUY:** Total returns* are expected to exceed 10% within the next 12 months.**HOLD:** Total returns* are expected to be within +10% to – 10% within the next 12 months.**SELL:** Total returns* are expected to be below -10% within the next 12 months.**TRADING BUY:** Total returns* are expected to exceed 10% within the next 3 months.**TRADING SELL:** Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.**ESG Rating Framework:**

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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As of **Tuesday, 10 Dec, 2024**, 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) nil.