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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 2.65
Previous Target Price:	-
Target Price:	RM 3.53
Capital Upside/ Downside:	33.2%
Dividend Yield (%):	4.2%
<b>Total Upside/ Downside:</b>	<b>37.4%</b>

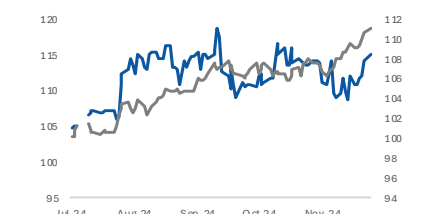
#### Stock information

Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	0166 / INRIMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	3,788.9
Market Cap (RM' m)	10,040.5
52-Week Price Range (RM)	4.03-2.41
Beta (x)	1.1
Free float (%)	74.3
3M Average Volume (m)	10.2
3M Average Value (RM' m)	28.5

#### 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 (%)	-3.3	-8.6	-18.5
Relative (%)	-3.1	-8.0	-19.8

## Inari Amertron Berhad

### Dragged by optoelectronics

#### Executive Summary

- Inari's 2QFY25 CNP dropped -33.9% yoy and -19.6% qoq to RM62.0m, bringing 6MFY25 CNP to RM139.1m (-22.6% yoy), came below expectations at 36% of our forecast of RM388.0m and 42% of consensus RM333.0m, due to lower volume loading in Optoelectronic products.
- Slashed FY25F CNP by -25% to RM290.9m, factoring in weaker optoelectronic volume loading. FY26F/FY27F forecasts remain unchanged.
- Maintain BUY with an unchanged TP of RM3.53, based on 30.0x P/E on FY26F EPS of 11.8 sen, reflecting confidence in Inari's value chain climb and advanced packaging expansion. Near-term volume headwinds persist, but long-term prospects remain strong.

**Results missed expectations.** 6MFY25 core net profit (CNP) of RM139.1m (-22.6% yoy), after excluding forex impact, came in below expectations – accounting for just 36% of our RM388m forecast and 42% of the consensus estimate of RM333m. The shortfall was primarily due to lower volume loading from Optoelectronic products.

**YoY.** Excluding RM28m in forex gains, 2QFY25 CNP dropped 33.9% yoy to RM62m, weighed down by lower volume loading in Optoelectronic products—particularly fibre optics. Customers are shifting focus from 400G to the next-generation 800G standard, and Inari is currently building capacity to meet 800G demand. Revenue fell 15.7% yoy to RM349m.

**QoQ.** CNP declined 19.6% qoq due to the declining of 400G product deliveries as project ending and shifting focus to 800G, while revenue slipped 10.1% qoq.

**Dividend.** A dividend of 2 sen/share was declared, payable on 28 March 2025.

**Outlook.** Radio frequency volume was flattish as expected, due to lacklustre end-product sales. In the optoelectronic segment, volume loading is likely to remain low until new 800G capacity becomes operational in the Philippines sometime in June CY25. We favour in Inari's effort to climb the value chain through new products and advancements in advance packaging technology.

**Earnings Revision.** Given the weaker-than-expected results under reviewed, we have slashed our FY25F earnings forecast by 25% to RM290.9m to factor in softer optoelectronic volume loading. Our FY26F and FY27F forecasts remain unchanged.

**Valuation.** We reiterate our **BUY** recommendation on Inari with a target price of RM3.53, based on a 30.0x P/E multiple applied to FY26f EPS of 11.8 sen and a 0% ESG premium/discount, reflecting its three-star ESG rating.

**Risk.** Lingering tariff threats under the Trump administration could introduce uncertainty in customer demand and business volume.

#### Earnings Summary

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1354.0	1478.7	1300.7	1952.3	2146.6
EBITDA	463.0	435.3	487.2	652.8	697.5
Pre-tax profit	355.8	310.1	317.1	485.5	529.2
Net profit	323.5	300.2	290.8	442.3	481.0
Core net profit	323.5	300.2	290.8	442.3	481.0
Core EPS (sen)	8.6	8.0	7.7	11.8	12.8
P/E (x)	34.5	37.2	38.4	25.3	23.2
P/B (x)	4.3	3.5	3.6	3.6	3.5
EV/EBITDA (x)	20.2	21.3	19.2	14.2	13.3
Dividend Yield (%)	2.8%	2.6%	3.2%	3.7%	4.0%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

# Results Note

Friday, 21 Feb, 2025

## Results Comparison

FYE Jun (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	349.0	414.1	(15.7)	388.0	(10.1)	737.0	798.0	(7.6)	Lower sales from optoelectronics
Gross profit	82.0	97.9	(16.2)	83.4	(1.7)	165.5	190.2	(13.0)	
Pre-tax profit	93.6	90.3	3.6	23.9	291.7	117.5	180.0	(34.7)	
Net profit	90.0	86.8	3.6	24.1	273.0	110.1	171.9	(36.0)	
Core net profit	62.0	93.8	(33.9)	77.1	(19.6)	139.1	179.8	(22.6)	
Core EPS (sen)	1.7	2.5	(33.9)	2.1	(19.6)	3.7	4.8	(22.6)	
GP margin (%)	23.5	23.6		21.5		22.5	23.8		
PBT margin (%)	26.8	21.8		6.2		15.9	22.6		
Core net profit margin (%)	17.8	22.7		19.9		18.9	22.5		

Source: Company, Apex Securities

# Results Note

Friday, 21 Feb, 2025

## Financial Highlights

### Income Statement

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1354.0	1478.7	1300.7	1952.3	2146.6
Gross Profit	355.0	323.7	312.2	507.6	558.1
Operating profit	356.3	312.2	318.1	485.5	529.2
EBITDA	463.01	435.28	487.24	652.75	697.54
Profit before tax	355.8	310.1	317.1	485.5	529.2
Tax	-30.8	-10.0	-26.3	-40.3	-43.9
Profit After Tax	323.5	300.2	290.8	442.3	481.0
Minority Interest	1.5	-0.1	0.0	2.9	4.3
Net Profit	323.5	300.2	290.8	442.3	481.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	323.5	300.2	290.8	442.3	481.0

### Key Ratios

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	8.6	8.0	7.7	11.8	12.8
P/E (x)	34.5	37.2	38.4	25.3	23.2
P/B (x)	4.3	3.5	3.6	3.6	3.5
EV/EBITDA (x)	20.2	21.3	19.2	14.2	13.3
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%	37.5%	33.4%	32.5%
Operating margin (%)	26.3%	21.1%	24.5%	24.9%	24.7%
PBT margin (%)	26.3%	21.0%	24.4%	24.9%	24.7%
PAT margin (%)	23.9%	20.3%	22.4%	22.7%	22.4%
NP margin (%)	23.9%	20.3%	22.4%	22.7%	22.4%
CNP margin (%)	23.9%	20.3%	22.4%	22.7%	22.4%
ROE (%)	12.4%	9.5%	9.5%	14.2%	15.2%
ROA (%)	10.9%	8.4%	8.8%	12.5%	13.3%
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)	30.0
Fair Value (RM)	3.53
ESG premium/discount	0.0%
Implied Fair Value (RM)	3.53

Source: Company, Apex Securities

### Balance Sheet

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	1831.0	2260.7	2132.8	2236.4	2285.9
Receivables	220.3	190.0	213.8	320.9	352.9
Inventories	183.2	181.0	177.4	186.1	173.8
Other current assets	204.1	112.1	39.0	59.6	66.4
Total Current Assets	2438.6	2743.8	2563.0	2803.0	2878.9
Fixed Assets	509.0	779.4	714.4	703.3	706.7
Intangibles	2.5	10.9	11.0	11.0	11.0
Other non-current assets	16.6	19.9	14.9	17.4	16.2
Total Non-current assets	528.1	810.3	740.3	731.7	733.9
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	118.5	98.9	81.5	118.0	131.6
Other Current Liabilities	212.9	249.2	145.7	293.0	307.9
Total Current Liabilities	331.5	348.1	227.3	411.0	439.5
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	29.5	31.8	12.1	12.3	12.6
Total Non-current Liabilities	29.5	31.8	12.1	12.3	12.6
Shareholder's equity	2602.6	2793.8	2727.4	2756.0	2785.7
Minority interest	3.2	380.4	336.6	355.4	375.0
Total Equity	2605.8	3174.2	3063.9	3111.4	3160.8

### Cash Flow

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	355.8	310.1	317.1	485.5	529.2
Depreciation & amortisation	106.7	123.1	169.1	167.3	168.3
Changes in working capital	11.0	122.6	168.0	31.0	-8.8
Others	-54.5	-40.0	-4.4	-14.6	-14.9
Operating cash flow	419.0	515.7	649.8	669.2	673.8
Net capex	-113.0	-181.6	-110.6	-165.9	-182.5
Others	-137.2	-11.6	0.0	0.0	0.0
Investing cash flow	-250.3	-193.2	-110.6	-165.9	-182.5
Dividends paid	-342.4	-292.1	-339.5	-399.6	-441.9
Others	42.0	102.7	0.0	0.0	0.0
Financing cash flow	-300.4	-189.4	-339.5	-399.6	-441.9
Net cash flow	-131.7	133.1	199.8	103.6	49.5
Forex	17.8	-3.6	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	1917.4	1803.5	1933.0	2132.8	2236.4
Ending cash	1803.5	1933.0	2132.8	2236.4	2285.9

# Results Note

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## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	Installed solar panels, reducing 1,407 tCO <sub>2</sub> e 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 <sup>3</sup> ; 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 conducts regular audits to ensure compliance
Occupational Safety and Health	★★	Recorded seven minor workplace incidents in FY2024; completed 87,936 training hours to enhance safety practices
Labour Practices	★★★	Offers market-aligned pay scales and adheres to fair labour practices, ensuring compliance with industry standards

### 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

## 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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(a) nil.