APEX SECURITIES 鼎峰证券有限公司

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Inari Amertron Berhad

Joint acquisition of Lumileds

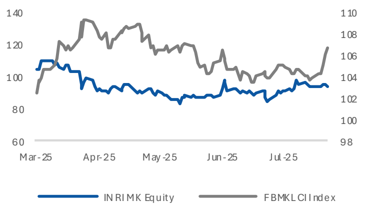
Recommendation:		BUY
Current Price:		RM 2.13
Previous Target Price:		RM 2.94
Target Price:	↔	RM 2.94
Capital Upside/Downside:		38.0%
Dividend Yield (%):		5.2%
Total Upside/Downside		**43.2%**

Stock information

Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	0166 / INRI MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	3,789.0
Market Cap (RM' m)	8,070.5
52-Week Price Range (RM)	3.66-1.42
Beta (x)	1.6
Free float (%)	74.4
3M Average Volume (m)	14.5
3M Average Value (RM' m)	29.1

Top 3 Shareholders	(%)
Employees Provident Fund Board	13.4
Insas Bhd	12.9
Kumpulan Wang Persaraan	8.5

Share Price Performance



	1M	3M	12M
Absolute (%)	2.4	7.0	-40.5
Relative (%)	3.5	7.7	-37.5

Earnings summary

FYE (Dec)	FY24	FY25F	FY26F
Revenue (RM'm)	1478.7	1300.7	1684.5
PATAMI (RM'm)	300.2	267.0	367.9
CNP (RM'm)	300.2	267.0	367.9
EPS - core (sen)	8.0	7.1	9.8
P/E (x)	23.4	26.3	19.1

Source: Company, Apex Securities

- **Inari and Sanan to jointly acquire 100% of Lumileds for USD239m (RM1.03bn) with the stake of Sanan 74.5% and Inari 25.5%. Inari's RM307mil share will be fully funded by existing cash.**
- **We view this acquisition positively. The joint acquisition strengthens Inari's ties with Sanan, enhances its captive business strategy, and broadens its product portfolio into automotive lighting, camera flash, and specialty illumination, thereby creating new revenue streams.**
- **Maintain FY25F and FY26F earnings forecasts unchanged, while FY27F CNP is raised by 1% to reflect a higher contribution from Sanan post-acquisition.**
- **Reiterate BUY call with an unchanged TP of RM2.94, derived from applying a 30x P/E multiple to FY26F EPS of 9.8 sen.**

Acquisition details. Inari, together with Sanan Optoelectronics (Inari's existing customer), has entered into a SPA to jointly acquire 100% equity interest in Lumileds Holding B.V. and its 11 subsidiaries for an enterprise value of USD239m (RM1.03bn). A Hong Kong SPV will be formed (Sanan 74.5%, Inari 25.5%) to undertake the acquisition, bringing the total investment, including working capital, to USD280m (RM1.2bn). Inari's share amounts to RM307m, which will be funded entirely by its cash-rich balance sheet (RM2.1bn), with no fund-raising required.

Lumileds' strategic position in the LED market. The target company, Lumileds, is a global leader in mid- to high- end LED products. Headquartered in Amsterdam, the company serves a broad international customer base across key segments, including automotive lighting, camera flash, and specialty illumination.

Synergies expected from the acquisition. We view this acquisition **positively**. Led by Sanan, the corporate exercise is part of its horizontal expansion strategy to broaden regional presence and diversify its customer base through the integration of Lumileds' operations and clientele, with Inari invited to jointly participate. For Inari, the partnership deepens its relationship with Sanan, strengthens its captive business strategy, and broadens its product portfolio into automotive lighting, camera flash, and specialty illumination to creating new revenue streams.

Fair acquisition price. We think the acquisition price is fair, reflecting Lumileds' established market position, diversified customer base, and the operational synergies expected with Sanan and Inari. The acquisition price of USD239m represents a modest premium of approximately 14% to Lumileds' net assets of USD210m, aligning closely with its book value. This implies an EV/revenue multiple of ~0.4x based on FY24 revenue of USD589m, which is below the typical trading range of 1.0x–2.5x for comparable global LED and semiconductor component players (e.g., Nichia, Osram). The pricing is further supported by an independent valuation of USD287m.

Earnings revision. The acquisition is expected to be completed by March CY26. Although Lumileds is currently loss-making (net loss of USD67m in FY24), management anticipates a turnaround with significant margin improvements through shared resource allocation and synergies with Sanan. We are maintaining our FY26F and FY27F share of profit from associates for now and will revisit our forecasts post-acquisition. However, we have raised FY27F CNP by 1%, to reflect a higher contribution from Sanan, on the back of expanded product offerings and secured volumes via this acquisition.

Valuation. We reiterate our **BUY** call on Inari with an unchanged TP of **RM2.94,** derived from applying a 30x P/E multiple to FY26F EPS of 9.8 sen. Our valuation incorporates a 0% ESG adjustment, reflecting its three-star ESG rating.

Risks. Lumileds' current loss-making position, potential delays in its turnaround, and exposure to global economic conditions, tariffs, and policy changes.

KDN PP13226/06/2024 (035469)

Financial Highlights

Income Statement

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	**1354.0**	**1478.7**	**1300.7**	**1684.5**	**2172.0**
Gross Profit	**355.0**	**323.7**	**292.7**	**412.7**	**564.7**
Operating profit	**356.3**	**312.2**	**292.1**	**404.0**	**534.6**
EBITDA	**463.01**	**435.28**	**461.23**	**566.90**	**700.03**
Profit before tax	**355.8**	**310.1**	**291.1**	**404.0**	**534.6**
Tax	-30.8	-10.0	-24.2	-33.5	-44.4
Profit After Tax	**325.0**	**300.1**	**267.0**	**370.4**	**490.2**
Minority Interest	1.5	-0.1	0.0	2.5	4.3
Net Profit	**323.5**	**300.2**	**267.0**	**367.9**	**485.9**
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	**323.5**	**300.2**	**267.0**	**367.9**	**485.9**

Key Ratios

FYE Jun	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	8.6	8.0	7.1	9.8	12.9
P/E (x)	21.7	23.4	26.3	19.1	14.5
P/B (x)	2.7	2.2	2.3	2.4	2.3
EV/EBITDA (x)	11.2	11.8	11.3	9.8	7.9
DPS (sen)	8.2	7.7	9.5	11.0	12.0
Dividend Yield (%)	4.4%	4.1%	5.1%	5.9%	6.4%
EBITDA margin (%)	34.2%	29.4%	35.5%	33.7%	32.2%
Operating margin (%)	26.3%	21.1%	22.5%	24.0%	24.6%
PBT margin (%)	26.3%	21.0%	22.4%	24.0%	24.6%
PAT margin (%)	24.0%	20.3%	20.5%	22.0%	22.6%
NP margin (%)	23.9%	20.3%	20.5%	21.8%	22.4%
CNP margin (%)	23.9%	20.3%	20.5%	21.8%	22.4%
ROE (%)	12.4%	9.5%	8.8%	12.5%	16.2%
ROA (%)	10.9%	8.4%	8.1%	11.2%	14.5%
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)	0.098
P/E multiple (x)	30.0
Fair Value (RM)	**2.94**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**2.94**

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	1831.0	2260.7	2125.5	1787.2	1818.8
Receivables	220.3	190.0	213.8	415.4	357.0
Inventories	183.2	181.0	196.9	13.2	86.4
Other current assets	204.1	112.1	39.0	51.5	67.2
Total Current Assets	**2438.6**	**2743.8**	**2575.2**	**2267.2**	**2329.5**
Fixed Assets	509.0	779.4	714.4	686.2	694.5
Intangibles	2.5	10.9	11.0	11.0	11.0
Other non-current assets	16.6	19.9	14.9	324.4	323.2
Total Non-current assets	**528.1**	**810.3**	**740.3**	**1021.6**	**1028.7**
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	118.5	98.9	81.5	119.6	126.1
Other Current Liabilities	212.9	249.2	197.5	208.4	213.7
Total Current Liabilities	**331.5**	**348.1**	**279.0**	**328.0**	**339.7**
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	2703.5	2657.8	2692.4
Minority interest	3.2	380.4	320.8	290.7	313.5
Total Equity	**2605.8**	**3174.2**	**3024.4**	**2948.5**	**3005.8**

Cash Flow

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	**355.8**	**310.1**	**291.1**	**404.0**	**534.6**
Depreciation & amortisation	106.7	123.1	169.1	162.9	165.5
Changes in working capital	11.0	122.6	184.5	-47.6	-26.5
Others	-54.5	-40.0	-2.2	-7.8	-15.3
Operating cash flow	**419.0**	**515.7**	**642.5**	**511.4**	**658.2**
Net capex	-113.0	-181.6	-110.6	-143.2	-184.6
Others	-137.2	-11.6	0.0	-307.0	0.0
Investing cash flow	**-250.3**	**-193.2**	**-110.6**	**-450.2**	**-184.6**
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**	**192.5**	**-338.3**	**31.7**
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	2125.5	1787.2
Ending cash	**1803.5**	**1933.0**	**2125.5**	**1787.2**	**1818.8**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Installed solar panels, 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 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 + 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

As of **Monday, 04 Aug, 2025**, 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.