

## Research team

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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 1.95
Previous Target Price:	RM 2.94
Target Price:	RM 2.23
Capital Upside/ Downside:	14.4%
Dividend Yield (%):	3.6%
<b>Total Upside/ Downside</b>	<b>18.0%</b>

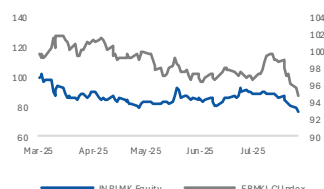
## Stock information

Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	0166 / INRIMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	3,789.0
Market Cap (RM' m)	7,388.5
52-Week Price Range (RM)	3.54-1.42
Beta (x)	1.5
Free float (%)	74.4
3M Average Volume (m)	14.2
3M Average Value (RM' m)	27.9

## Top 3 Shareholders

	(%)
Employees Provident Fund Board	13.5
InsasBhd	12.9
Kumpulan Wang Persaraan	10.2

## Share Price Performance



	1M	3M	12M
Absolute (%)	-4.4	-3.5	-43.1
Relative (%)	-8.3	-6.0	-41.3

## Earnings summary

FYE (Dec)	FY24	FY25F	FY26F
Revenue (RM'm)	1478.7	1356.0	1481.6
PATAMI (RM'm)	302.6	243.1	282.0
CNP (RM'm)	302.6	243.1	282.0
EPS - core (sen)	8.1	6.4	7.4
P/E(x)	24.2	30.4	26.2

Source: Company, Apex Securities

## Inari Amertron Berhad

## Poised for RF rebound in 1HFY26

- We project Inari's 4QFY25 core earnings to come in at the range of RM50-60m (-16.4% to flat QoQ), bringing FY25F forecast to RM243m-253m (-20% to -16% YoY).
- The anticipated earnings softness in 4QFY25 is attributed to a seasonal lull in anticipation of new product launches in September, coupled with forex headwinds.
- Edge AI handset requires real-time inferencing and robust wireless connectivity, in turn driving RF demand through increased frequency bands and tighter filtering. This is poised to spur an upcycle in RF content per device.
- We have revamped our financial model and reintroduced FY25/26/27F earnings at RM243/RM282/RM313m. Maintain BUY rating but with a lower TP of RM2.23, based on 5-year historical average PE multiple of 30x on revised FY26F core EPS of 7.4 sen.

**Expecting a flattish closing for FY25.** We project Inari's 4QFY25 core earnings to come in at the range of RM50-60m (-16.4% to flat QoQ), bringing FY25F forecast to RM243m-253m (-20% to -16% YoY) – representing 91-95% of our current FY25F forecast. The anticipated earnings softness in 4QFY25 is attributed to a seasonal lull (typically in 1H of calendar year) in anticipation of new product launches in September, coupled with forex headwinds from appreciation of MYR against USD (4QFY25: RM4.31/USD vs 3QFY25: RM4.45/USD; FY25: RM4.43/USD vs FY24: RM4.70/USD).

**RF segment to stay muted in the near term...** We expect the RF content gain for the new product cycle in 2HCY25 to remain stable as the 5G-driven upcycle has largely played out in recent years. Although RF chip loading volume is expected to pick up sequentially in 2HCY25 as the key US customer will launch its new flagship model in Sep-25, we expect flattish showing from Inari's smartphone segment in FY26 due to "innovation fatigue" and minimal form factor change.

**...but could be lifted by Edge AI in the longer term.** Our channel checks indicate that the flagship handset model lineup to be introduced in 2026 will usher in both a new form factor and realisation of on-device AI (Edge AI). Handsets with Edge AI require real-time inferencing and robust wireless connectivity, which will drive RF demand through increased frequency bands and tighter filtering. As such, this is poised to spur an upcycle in RF content per device and bolster Inari's RF segment through higher packaging and test intensity. Although uncertainties on US semiconductor tariffs still linger, we believe the impact on Inari would be neutral or minimal given that its key end-customer's substantial investment pledge in the US may shield its supply chains from tariffs.

**Joint acquisition of Lumileds with Sanan.** Despite investor concerns over Lumileds' loss-making position (CY2024:-USD67m) and exposure to the competitive LED market, we see several merits in this acquisition (26% stake), such as: (i) potential turnaround of Lumileds led by Sanan's debottlenecking efforts and restoration of customers' confidence following its Chapter 11 episode should result in positive contribution to Inari's share of associate profit, (ii) instant access to branded customers by leveraging on Lumileds IP portfolio and leading product performance in the LED market and (iii) potential revenue stream of RM250m p.a. for Inari as an insourced assembly and test (ISAT) partner for Lumileds, based on our estimates.

**Forecasts.** With the change in analyst, we have revamped our financial model and reintroduced FY25/26/27F earnings at RM243/RM282/RM313m, representing adjustments of -9%/-23%/-32% versus our previous forecasts. Our forecast has yet to factor in the proposed Lumileds acquisition, pending approval from Sanan's shareholders and the relevant regulatory authorities.

**Valuation.** Post-earnings revisions, we maintain our **BUY** rating but with a lower TP of **RM2.23**, based on 5-year historical average PE multiple of 30x on revised FY26F core EPS of 7.4 sen.

**Risks.** Delays in its turnaround plan for Lumileds, and US semiconductor tariff uncertainties.

# Company Update

Wednesday, 20 Aug, 2025

## Financial Highlights

### Income Statement

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1354.0	1478.7	1356.0	1481.6	1632.6
Gross Profit	355.0	323.7	271.2	311.1	375.5
Operating profit	303.4	245.5	183.1	222.2	272.7
EBITDA	410.08	368.59	338.95	361.48	413.83
PBT	355.8	310.1	255.9	296.8	346.3
Tax	-30.8	-10.0	-12.8	-14.8	-17.3
Profit After Tax	325.0	300.1	243.1	282.0	329.0
Minority Interest	1.5	-0.1	0.0	0.0	0.0
Net Profit	323.5	300.2	243.1	282.0	329.0
Exceptionals	-16.4	2.4	0.0	0.0	0.0
Core Net Profit	307.1	302.6	243.1	282.0	329.0

### Key Ratios

FYE Jun	FY23	FY24	FY25F	FY26F	FY27F
Core EPS (sen)	8.2	8.1	6.4	7.4	8.7
P/E (x)	23.7	24.2	30.4	26.2	22.5
BVPS	0.79	0.86	0.85	0.85	0.85
P/B (x)	2.5	2.3	2.3	2.3	2.3
EV/EBITDA (x)	18.0	20.0	21.8	20.4	17.9
DPS (sen)	8.2	7.7	6.1	7.1	8.2
Dividend Yield (%)	4.2%	3.9%	3.1%	3.6%	4.2%
EBITDA margin (%)	30.3%	24.9%	25.0%	24.4%	25.3%
Operating margin (%)	22.4%	16.6%	13.5%	15.0%	16.7%
PBT margin (%)	26.3%	21.0%	18.9%	20.0%	21.2%
PAT margin (%)	24.0%	20.3%	17.9%	19.0%	20.2%
NP margin (%)	23.9%	20.3%	17.9%	19.0%	20.2%
CNP margin (%)	22.7%	20.5%	17.9%	19.0%	20.2%
ROE (%)	11.8%	9.5%	7.6%	8.8%	10.2%
ROA (%)	10.4%	8.5%	6.8%	7.9%	9.1%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

### Assumptions

RMUSD	4.70	4.43	4.35	4.35	4.35
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### Valuations FY26F

Core EPS (RM)	0.074
P/E multiple (x)	30.0
Fair Value (RM)	2.23
ESG premium/discount	0.0%
Implied Fair Value (RM)	2.23

### Balance Sheet

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	1831.0	2260.7	2301.3	2281.6	2261.4
Receivables	220.3	190.0	174.2	190.3	209.7
Inventories	183.2	181.0	166.0	181.4	199.8
Other current assets	204.1	112.1	112.1	112.1	112.1
Total Current Assets	2438.6	2743.8	2753.6	2765.4	2783.1
PPE	509.0	779.4	773.5	784.3	793.1
Intangibles	2.5	11.0	11.0	11.0	11.0
Other non-current assets	16.6	19.9	19.9	19.9	19.9
Total Non-current assets	528.1	810.3	804.4	815.2	824.0
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	276.1	274.7	266.4	274.8	284.9
Other Current Liabilities	55.3	73.4	73.4	73.4	73.4
Total Current Liabilities	331.5	348.1	339.9	348.3	358.4
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	29.5	31.8	31.8	31.8	31.8
Total Non-current Liabilities	29.5	31.8	31.8	31.8	31.8
Shareholder's equity	2602.6	2793.8	2806.0	2820.1	2836.5
Minority interest	3.2	380.4	380.4	380.4	380.4
Total Equity	2605.8	3174.2	3186.3	3200.4	3216.9

### Cash Flow

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	355.8	310.1	255.9	296.8	346.3
Depreciation & amortisation	106.7	123.1	155.9	139.2	141.2
Changes in working capital	11.0	122.6	22.6	-23.1	-27.8
Others	-54.5	-40.2	-12.8	-14.8	-17.3
Operating cash flow	419.0	515.5	421.5	398.1	442.4
Net capex	-277.7	99.5	-150.0	-150.0	-150.0
Others	27.5	-291.8	0.0	0.0	0.0
Investing cash flow	-250.3	-192.3	-150.0	-150.0	-150.0
Dividends paid	-346.6	-292.1	-230.9	-267.9	-312.6
Others	46.2	102.7	0.0	0.0	0.0
Financing cash flow	-300.4	-189.4	-230.9	-267.9	-312.6
Net cash flow	-131.7	133.8	40.6	-19.8	-20.2
Forex impact	17.8	-3.3	0.0	0.0	0.0
Beginning cash & cash equivalent	1917.4	1803.5	1933.9	1974.6	1954.8
Ending cash & cash equivalent	1803.5	1933.9	1974.6	1954.8	1934.6
Fixed deposits	27.49	326.78	326.78	326.78	326.78
Ending cash	1831.0	2260.7	2301.3	2281.6	2261.4

## 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 + 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 **Wednesday, 20 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.