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Inari Amertron Berhad

Results miss

- Inari recorded 1HFY26 core net profit of RM112.6m (-19% YoY), missing both our (55%) and consensus (46%) expectations as we foresee a seasonally weaker 2HFY26 due to the lapse of peak handset sales in 1HFY26.
- Despite weaker top line at -5.8% QoQ due to lower RF loading volume and unfavourable forex movement, 2QFY26 core earnings edged up by 5% QoQ. This was attributed to stronger GP margin at 23% (20% in 1QFY26) possibly supported by higher mix of testing revenue.
- Cut our FY26/27/28F forecasts by 10%/16%/24% and maintain HOLD rating with a lower TP of RM1.41 (from RM2.00), based on a lowered PE multiple of 25x (from 30x) applied to FY27F core EPS of 5.6 sen.

Earnings miss. Inari recorded 2QFY26 core net profit of RM57.7m (+5% QoQ, -10% YoY), bringing 1HFY26's sum to RM112.6m (-19% YoY) – missing both our (55%) and consensus (46%) expectations as we foresee a seasonally weaker 2HFY26 due to the lapse of peak handset sales in 1HFY26. 2QFY26 results were arrived after adjusting for EIs comprising forex loss (RM18.6m) and reversal for slow moving inventories (-RM2.8m).

QoQ. Despite weaker top line (-5.8%) due to lower RF loading volume and unfavourable forex movement, core earnings edged up by 5%. This was attributed to stronger GP margin at 23% (20% in 1QFY26) possibly supported by higher mix of RF testing revenue (typically command better margins) as management guided increased tester count in the previous analyst briefing.

YoY/YTD. Core net profit dropped 10% YoY/19% YTD, weighed down by softer RF loading volume. Despite encouraging sales for the latest smartphone models at its end-customer, RF segment saw shipment contraction because of distortion in RF assembly volume as Customer B optimises its RF portfolio by phasing out lower-value discrete and mid-band products while shifting its focus towards premium high-band modules.

Dividend. Declared second interim dividend of 1.0 sen per share (ex-date: 17 Mar), bringing 1HFY26 declared DPS to 2.33 sen (vs 1HFY25: 3 sen)

Outlook. Earnings are expected to trend sequentially weaker in 2HFY26, though this should be partially cushioned by a budget smartphone launch in March. The silver lining lies in the 2026 smartphone launch cycle, which may introduce a new form factor. This could potentially rekindle consumer interest in the refreshed lineup and support RF shipment volumes, provided Customer B and Inari can retain or expand their component share in the upcoming cycle. Despite the ongoing memory crunch, our channel checks reveal that the end-customer is in a favourable position to secure adequate supplies due to its immense leverage over memory vendors. We believe the end-customer is likely to keep pricing stable for its 2026 lineup, effectively absorbing higher component costs to undercut competitors who may be forced to raise prices. As a result, we think this may be supportive of Inari's RF volume arising from a possibly favourable handset shipment volume from its end-customer by prioritising market share gains, in our view. Nonetheless, we remain cautious regarding the group's near-term outlook due to the ongoing appreciation of the RM against the USD, coupled with an uncertain sales trajectory.

Forecast. We cut our FY26/27/28F forecasts by 10%/16%/24% after imputing more conservative RF volume assumptions and cautious margin outlook amidst the prevailing forex headwinds.

Valuation. Post-earnings adjustments, we maintain **HOLD** rating with a lower TP of **RM1.41** (from RM2.00), based on a lowered PE multiple of 25x (from 30x) applied to FY27F core EPS of 5.6 sen, with a 0% ESG premium/discount, reflecting its three-star ESG rating. Our revised target multiple represents c.-0.5SD to its five-year historical mean PE, implying a modest derating amid softer sales visibility and lingering earnings execution risks.

Recommendation:	HOLD
Current Price:	RM 1.51
Previous Target Price:	RM 2.00
Target Price:	↓ RM 1.41
Capital Upside/Downside:	-6.6%
Dividend Yield (%):	3.0%
Total Upside/Downside	-3.6%

Stock information	
Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	0166 / INRIMK
Syariah Compliant	Yes
ESGRating	***
Shares issued (m)	3,805.1
Market Cap (RM' m)	5,745.7
52-Week Price Range (RM)	2.67-1.42
Beta (x)	1.3
Free float (%)	73.8
3M Average Volume (m)	13.3
3M Average Value (RM' m)	23.9

Top 3 Shareholders		(%)
Employees Provident Fund Board		14.1
InsasBhd		12.1
Kumpulan Wang Persaraan		9.9

Share Price Performance



	1M	3M	12M
Absolute (%)	-11.7	-36.6	-30.1
Relative (%)	-10.2	-41.1	-36.3

Earnings summary

FYE (Jun)	FY25	FY26F	FY27F
Revenue (RM'm)	1351.9	1024.3	1200.9
PATAMI (RM'm)	218.7	182.6	213.2
CNP (RM'm)	253.4	182.6	213.2
EPS - core (sen)	6.7	4.8	5.6
P/E(x)	22.6	31.3	26.8

Source: Company, Apex Securities

Results Comparison

FYE Jun (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue	306.8	349.0	(12.1)	325.8	(5.8)	632.6	737.0	(14.2)
Gross profit	70.7	82.0	(13.8)	66.3	6.7	137.0	165.5	(17.2)
Pre-tax profit	44.3	93.6	(52.6)	54.1	(18.0)	98.4	117.5	(16.2)
Profit after tax	41.9	90.0	(53.5)	51.5	(18.7)	90.7	110.1	(17.6)
Core net profit	57.7	63.9	(9.8)	54.9	5.0	112.6	138.9	(18.9)
Core EPS (sen)	15	17	(9.8)	15	5.0	3.0	3.7	(18.9)
DPS (sen)	13	2.0	(33.5)	13	-	2.7	3.0	(11.3)
GP margin (%)	23.0	23.5		20.3		21.7	22.5	
PBT margin (%)	14.4	26.8		16.6		15.6	15.9	
Core net profit margin (%)	18.8	18.3		16.9		17.8	18.8	

Source: Company, Apex Securities

Results Note

Friday, 27 Feb, 2026

Financial Highlights

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1478.7	1351.9	1024.3	1200.9	1263.7
Gross Profit	323.7	293.0	194.6	240.2	252.7
Operating profit	245.5	154.5	117.7	152.1	159.6
EBITDA	368.6	292.4	248.4	286.3	296.7
PBT	310.1	220.3	186.9	222.3	228.7
Tax	-10.0	-7.2	-9.3	-11.1	-11.4
Profit After Tax	300.1	213.1	177.6	211.2	217.3
Minority Interest	-0.1	-5.6	-5.0	-2.0	0.0
Net Profit	300.2	218.7	182.6	213.2	217.3
Exceptionals	6.5	34.6	0.0	0.0	0.0
Core Net Profit	306.7	253.4	182.6	213.2	217.3

Key Ratios

FYE Jun	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	8.2	6.7	4.8	5.6	5.7
P/E (x)	18.5	22.6	31.3	26.8	26.3
BVPS	0.86	0.83	0.83	0.82	0.82
P/B (x)	1.7	1.8	1.8	1.8	1.8
EV/EBITDA (x)	15.5	19.6	23.0	20.0	19.3
DPS (sen)	7.7	6.4	4.6	5.3	5.4
Dividend Yield (%)	5.1%	4.2%	3.0%	3.5%	3.6%
EBITDA margin (%)	24.9%	21.6%	24.3%	23.8%	23.5%
Operating margin (%)	16.6%	11.4%	11.5%	12.7%	12.6%
PBT margin (%)	21.0%	16.3%	18.3%	18.5%	18.1%
PAT margin (%)	20.3%	15.8%	17.3%	17.6%	17.2%
NP margin (%)	20.3%	16.2%	17.8%	17.8%	17.2%
CNP margin (%)	20.7%	18.7%	17.8%	17.8%	17.2%
ROE (%)	9.7%	8.2%	5.9%	6.9%	7.0%
ROA (%)	8.6%	7.4%	5.5%	6.3%	6.4%
Net gearing (%)	Net Cash				

Assumptions

RMUSD	4.43	4.40	4.10	4.03	4.03
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Valuations FY27F

Core EPS (RM)	0.056
P/E multiple (x)	25.0
Fair Value (RM)	1.41
ESG premium/discount	0.0%
Implied Fair Value (RM)	1.41

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	2260.7	2141.4	2174.9	2141.5	2180.1
Receivables	190.0	254.5	192.8	226.0	237.8
Inventories	181.0	179.1	135.7	159.1	167.4
Other current assets	112.1	66.9	66.9	66.9	66.9
Total Current Assets	2743.8	2641.8	2570.2	2593.5	2652.2
PPE	779.4	726.2	745.5	761.3	724.3
Intangibles	11.0	9.9	9.9	9.9	9.9
Other non-current assets	19.9	24.0	24.0	24.0	24.0
Total Non-current assets	810.3	760.1	779.3	795.2	758.1
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	274.7	233.0	176.5	206.9	217.8
Other Current Liabilities	73.4	50.5	50.5	50.5	50.5
Total Current Liabilities	348.1	283.4	227.0	257.4	268.2
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	31.8	28.1	28.1	28.1	28.1
Total Non-current Liabilities	31.8	28.1	28.1	28.1	28.1
Shareholder's equity	2793.8	2763.7	2772.8	2783.5	2794.4
Minority interest	380.4	326.7	321.7	319.7	319.7
Total Equity	3174.2	3090.4	3094.5	3103.2	3114.0

Cash Flow

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	310.1	220.3	186.9	222.3	228.7
Depreciation & amortisation	123.1	137.9	130.7	134.2	137.0
Changes in working capital	122.6	-47.1	48.6	-26.2	-9.3
Others	-40.2	10.6	-9.3	-11.1	-11.4
Operating cash flow	515.5	321.8	356.9	319.2	345.0
Net capex	99.5	-112.4	-150.0	-150.0	-100.0
Others	-291.8	-117.7	0.0	0.0	0.0
Investing cash flow	-192.3	-230.1	-150.0	-150.0	-100.0
Dividends paid	-292.1	-238.3	-173.5	-202.5	-206.4
Others	102.7	38.1	0.0	0.0	0.0
Financing cash flow	-189.4	-200.2	-173.5	-202.5	-206.4
Net cash flow	133.8	-108.5	33.5	-33.4	38.6
Forex impact	-3.3	-91.6	0.0	0.0	0.0
Beginning cash & cash equivalent	1803.5	1933.9	1733.9	1767.3	1734.0
Ending cash & cash equivalent	1933.9	1733.9	1767.3	1734.0	1772.5
Fixed deposits	326.8	407.5	407.5	407.5	407.5
Ending cash	2260.7	2141.4	2174.9	2141.5	2180.1

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Installed solar panels, reducing 1,407 tCO ₂ 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 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

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.