

## Research Team

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<b>Recommendation:</b>	↓	<b>SELL</b>
Current Price:		RM 1.98
Previous Target Price:		RM 1.41
Target Price:	↔	RM 1.41
Capital Upside/Downside:		-28.8%
Dividend Yield (%):		2.3%
<b>Total Upside/Downside</b>		<b>-26.5%</b>

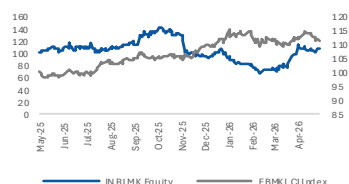
## Stock information

Board	MAIN
Sector	Technology
Bursa / Bloomberg Code	0166 / INRIMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	3,807.8
Market Cap (RM' m)	7,539.5
52-Week Price Range (RM)	2.67-1.21
Beta (x)	1.3
Free float (%)	75.2
3M Average Volume (m)	21.3
3M Average Value (RM' m)	35.7

## Top 3 Shareholders (%)

Employees Provident Fund Board	15.6
InsasBhd	12.9
Kumpulan Wang Persaraan	8.5

## Share Price Performance



	1M	3M	12M
Absolute (%)	8.8	32.0	6.5
Relative (%)	9.5	34.5	-4.4

## 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)	29.6	41.1	35.2

Source: Company, Apex Securities

## Inari Amertron Berhad

## Earnings in line but downgrade to Sell on Valuation

- Inari recorded 9MFY26 core net profit of RM143.4m (-28% YoY), broadly in line with both our (79%) and consensus (71%) forecasts. 3QFY26 core earnings of RM30.8m (-49% YoY, -47% QoQ) were arrived after adjusting for Eis comprising an unrealised forex gain (RM0.7m) and allowance for slow moving inventories (RM3.5m).
- GP margin compressed sharply to a multi-year low of 15.7% (from 23.0% in 2QFY26) on weaker RF utilisation and unfavourable product mix. On a more constructive note, Inari was named a founding member of the government-backed MAPC, while Customer B is targeting 2x order volume growth in datacom photonics over FY27-FY28.
- No changes to FY26/27/28F forecasts. Downgrade to SELL (from HOLD) following the share price run-up to RM1.98, with TP maintained at RM1.41 based on 25x PE on FY27F core EPS of 5.6 sen.

**Earnings in line.** Inari recorded 3QFY26 core net profit of RM30.8m (-49% YoY, -47% QoQ), bringing 9MFY26 core earnings to RM143.4m (-28% YoY) – broadly in line with both our forecast (79% of FY26F) and consensus (71% of FY26F) as we foresee a seasonally weaker 4QFY26 compounded by the CK1 fire disruption. 3QFY26 core earnings were arrived after adjusting for Eis comprising an unrealised forex gain of RM0.7m and allowance for slow moving inventories of RM3.5m.

**QoQ.** Revenue declined 13.4% QoQ to RM265.7m, driven by lower RF loading volume heading into a seasonally softer period following the lapse of peak handset sales in the preceding quarter. More critically, GP margin compressed sharply to 15.7% (from 23.0% in 2QFY26), its lowest level in at least two years. We attribute this to the combination of weaker RF assembly utilisation, unfavourable product mix as the proportion of higher-margin testing revenue diminished, and persistent RM/USD headwinds. The margin deterioration drove core earnings down 47% QoQ despite administrative expenses declining to RM27.9m (from RM42.7m in 2QFY26).

**YoY.** Core net profit plunged 49% YoY, with the revenue contraction of 13.8% amplified by a 460bp GP margin compression (15.7% vs 20.3% in 3QFY25). The structural driver remains unchanged: Customer B continues to optimise its RF portfolio by phasing out lower-value discrete and mid-band products while shifting focus to premium high-band modules, which are predominantly assembled by Inari's Taiwanese peers. For 9MFY26, core earnings of RM143.4m declined 28% YoY, with the cumulative GP margin of 19.9% reflecting the progressive margin dilution across each successive quarter.

**Dividend.** Declared third interim dividend of 1.0 sen per share, bringing 9MFY26 total DPS to 3.66 sen (vs 9MFY25: 4.30 sen). The entitlement and payment dates are 15 June 2026 and 10 July 2026 respectively.

**Cashflow and Balance Sheet.** Operating cash flow for 9MFY26 was a healthy RM250.1m (+4.4% YoY), supported by favourable working capital releases from lower receivables (-RM30.6m) and inventories (-RM15.7m), while capex was restrained at RM57.9m (vs RM83.0m in 9MFY25). The group's balance sheet remains in pristine condition with net cash of RM2.18bn (RM0.57/share), zero borrowings and RM339.5m in unutilised private placement proceeds earmarked for capex and acquisitions (deadline: July 2027). Capital commitments stood at RM30.4m. The fortress balance sheet provides significant optionality supporting the advanced packaging pivot.

**Outlook.** The near-term outlook remains challenging. The fire at Philippines plant CK1 on 10 May has temporarily shut down the entire 125,000 sq ft facility (c.10% physically damaged), with resumption contingent on power line reinstallation within 2-4 weeks, and we expect some delivery slippage into 4QFY26 despite management redirecting wafer processing to Penang and relocating equipment to CK2. The proposed Lumileds joint acquisition was formally terminated in April 2026 after CFIUS objections relating to Sanan's 74.5% stake, enabling management to refocus on core operations. On a more constructive note, Inari Technology was named a founding member of the

government-backed Malaysia Advanced Packaging Consortium (MAPC) on 8 May, backed by RM92m in Mosti R&D grants and RM93.8m in industry matching contributions over 24 months, directly aligned with Inari's c.RM70m pilot line investment and providing a de-risked pathway into advanced packaging assembly, a segment commanding 40-50% profit margins versus traditional OSAT. Furthermore, beyond near-term RF headwinds the datacom photonics segment (c.17% of revenue) is emerging as a compelling growth vector, with Inari undertaking back-end processing of InP wafers and chip-on-carrier assembly for Customer B's EML/DFB laser products used in 800G/1.6T optical transceivers for AI data centres. Our channel checks indicate Customer B is targeting a 2x increase in order volumes to Inari over FY27-FY28 amid structurally tight global laser supply, and management expects optoelectronics to contribute more than a third of group revenue by FY27-FY28. The FY27 handset cycle remains the key near-term re-rating catalyst, with management guiding c.30-35% revenue growth toward RM1bn.

**Forecast.** We make no changes to our FY26/27/28F core NP forecasts of RM182.6m/RM213.2m/RM217.3m as 9MFY26 results came in broadly in line with our expectations. We continue to bake in conservative RF volume assumptions and a cautious margin outlook amidst the prevailing forex headwinds and near-term CK1 fire disruption. However, we note that the MAPC consortium participation and the 2x order volume growth guided by Customer B in datacom photonics over FY27-FY28 represent upside risks to our forecasts.

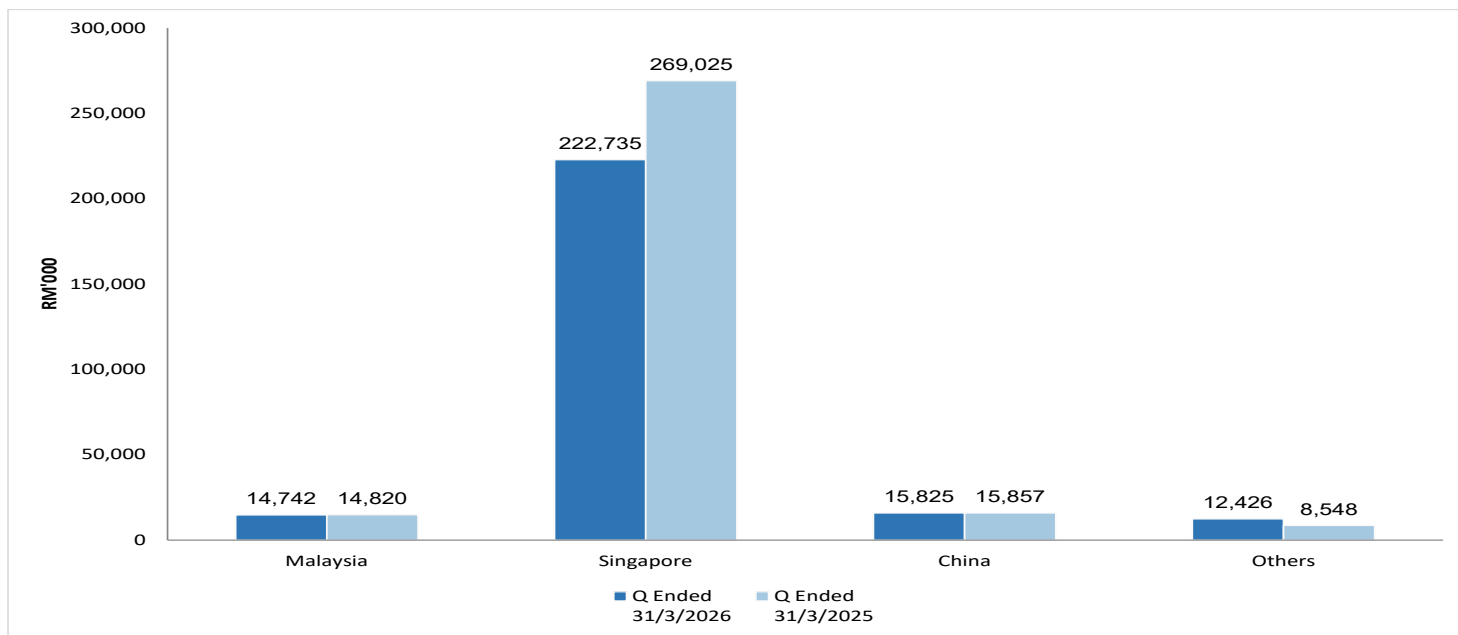
**Valuation.** We downgrade the stock to a SELL (from HOLD) following the recent share price run-up to RM1.98, which we view as unjustified against the current earnings backdrop. Our TP is maintained at RM1.41, based on unchanged 25x PE applied to FY27F core EPS of 5.6 sen. Our target multiple represents c.-0.5SD to its five-year historical mean PE, which we view as appropriate given the soft near-term earnings trajectory, CK1 fire disruption and execution risks. At RM1.98, the stock trades at c.35.2x FY27F PE, implying a total return of -26.5% (including c.2.3% dividend yield), well beyond our -10% threshold for a SELL rating. We see limited catalyst for the current valuation premium to sustain until there is greater clarity on the FY27 handset cycle outcome and Inari's advanced packaging customer wins. That said, the datacom photonics segment, where Customer B is targeting a 2x increase in order volumes over FY27-FY28 amid structurally tight optical laser supply, and the MAPC consortium participation provide credible medium-term growth vectors that could warrant a re-rating if the optoelectronics revenue mix shifts materially above one-third of group revenue as we expect.

## Results Comparison

FYE Jun (RM m)	3 QFY26	3 QFY25	yoy (%)	2 QFY26	qoq (%)	9 MFY26	9 MFY25	yoy (%)
Revenue	265.7	308.3	(13.8)	306.8	(13.4)	898.3	1,045.2	(14.1)
Grossprofit	41.8	62.7	(33.3)	70.7	(40.9)	178.8	228.1	(21.6)
Pre-tax profit	28.7	57.2	(49.8)	44.3	(35.2)	127.2	174.8	(27.2)
Profit after tax	28.0	55.5	(49.6)	41.9	(33.2)	117.3	163.7	(28.3)
Corenet profit	30.8	60.7	(49.2)	57.7	(46.6)	143.4	199.6	(28.1)
Core EPS (sen)	0.8	1.6	(49.2)	1.5	(46.6)	3.8	5.2	(28.1)
DPS (sen)	1.0	1.3	(23.1)	1.3	(24.8)	3.7	4.3	(14.9)
GP margin (%)	15.7	20.3		23.0		19.9	21.8	
PBT margin (%)	10.8	18.6		14.4		14.2	16.7	
Corenet profit margin (%)	11.6	19.7		18.8		16.0	19.1	

Source: Company, Apex Securities

### Figure 1: Individual Quarter Geographical Breakdown



Source: Company, Apex Securities

# Results Note

Tuesday, 26 May, 2026

## Financial Highlights

### Income Statement

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

### 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)	24.2	29.6	41.1	35.2	34.5
BVPS	0.86	0.83	0.83	0.82	0.82
P/B(x)	2.3	2.4	2.4	2.4	2.4
EV/EBITDA(x)	20.4	25.7	30.2	26.2	25.3
DPS (sen)	7.7	6.4	4.6	5.3	5.4
Dividend Yield (%)	3.9%	3.2%	2.3%	2.7%	2.8%
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	Net Cash	Net Cash	Net Cash	Net Cash

### Assumptions

RM/USD	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
<b>Fair Value (RM)</b>	<b>1.41</b>
ESG premium/discount	0.0%
<b>Implied Fair Value (RM)</b>	<b>1.41</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
<b>Cash</b>	<b>2260.7</b>	<b>2141.4</b>	<b>2174.9</b>	<b>2141.5</b>	<b>2180.1</b>
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
<b>Total Current Assets</b>	<b>2743.8</b>	<b>2641.8</b>	<b>2570.2</b>	<b>2593.5</b>	<b>2652.2</b>
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
<b>Total Non-current assets</b>	<b>810.3</b>	<b>760.1</b>	<b>779.3</b>	<b>795.2</b>	<b>758.1</b>
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
<b>Total Current Liabilities</b>	<b>348.1</b>	<b>283.4</b>	<b>227.0</b>	<b>257.4</b>	<b>268.2</b>
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
<b>Total Non-current Liabilities</b>	<b>31.8</b>	<b>28.1</b>	<b>28.1</b>	<b>28.1</b>	<b>28.1</b>
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
<b>Total Equity</b>	<b>3174.2</b>	<b>3090.4</b>	<b>3094.5</b>	<b>3103.2</b>	<b>3114.0</b>

### Cash Flow

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
<b>Pre-tax profit</b>	<b>310.1</b>	<b>220.3</b>	<b>186.9</b>	<b>222.3</b>	<b>228.7</b>
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
<b>Operating cash flow</b>	<b>515.5</b>	<b>321.8</b>	<b>356.9</b>	<b>319.2</b>	<b>345.0</b>
Net capex	99.5	-112.4	-150.0	-150.0	-100.0
Others	-291.8	-117.7	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-192.3</b>	<b>-230.1</b>	<b>-150.0</b>	<b>-150.0</b>	<b>-100.0</b>
Dividends paid	-292.1	-238.3	-173.5	-202.5	-206.4
Others	102.7	38.1	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>-189.4</b>	<b>-200.2</b>	<b>-173.5</b>	<b>-202.5</b>	<b>-206.4</b>
<b>Net cash flow</b>	<b>133.8</b>	<b>-108.5</b>	<b>33.5</b>	<b>-33.4</b>	<b>38.6</b>
Forex impact	-3.3	-91.6	0.0	0.0	0.0
Beginning cash & cashequivalent	1803.5	1933.9	1733.9	1767.3	1734.0
<b>Ending cash &amp; cash equivalent</b>	<b>1933.9</b>	<b>1733.9</b>	<b>1767.3</b>	<b>1734.0</b>	<b>1772.5</b>
Fixed deposits	326.8	407.5	407.5	407.5	407.5
<b>Ending cash</b>	<b>2260.7</b>	<b>2141.4</b>	<b>2174.9</b>	<b>2141.5</b>	<b>2180.1</b>

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	Solar panels reduced 2,333 tCO <sub>2</sub> e in FY2025; total GHG emissions rose to 100,079 tCO <sub>2</sub> e due to higher NPI activities, with net-zero by 2050 commitment intact.
Waste & Effluent	★★★	3R Programme achieved 91.8% diversion rate in Malaysia, exceeding the 90% target.
Energy	★★★	Total energy consumption rose to 487,384 GJ but energy intensity improved to a 6-year low of 0.0000271 GJ/FOU.
Water	★★★★	Water intensity held steady at 0.000041 m <sup>3</sup> /FOU despite higher absolute consumption of 742,812 m <sup>3</sup> , supported by rainwater harvesting and RM1.7M in storage investments.
Compliance	★★★	Fully compliant with all environmental regulations across Malaysia, Philippines, and China with zero sanctions.

### Social

Diversity	★★★	Board remains 15% female (2/13), with a commitment to reach 30% within 2 years; global workforce is 63% female.
Human Rights	★★★	Zero corruption incidents and zero whistleblowing cases in FY2025; Corruption-Free Pledge signed with MACC.
Occupational Safety and Health	★★	Recorded 8 minor workplace injuries (6 Malaysia, 2 Philippines); zero-injury target remains in progress.
Labour Practices	★★★	78,694 training hours delivered, 100% performance review completion, and zero forced/child labour cases reported.

### Governance

CSR Strategy	★★★	Group CEO leads sustainability strategy supported by SRMC and SIWG, with Board KPIs and executive remuneration now linked to ESG performance. RM223,079 contributed to CSR initiatives with 6,208 employee volunteer hours.
Management	★★	13-member board with 15% female representation; majority-independent board remains a noted MCGG departure with a 2-year remediation target.
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.