

22 May 2025

Inari Amertron

RF Holds, Datacom Builds

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INARI remains cautiously optimistic on its growth prospects, supported by resilient demand for RF testing and increasing traction in the data communications segment, particularly for 800G transceivers. Despite ongoing macro and tariff-related uncertainties, the Group revealed that it is targeting RM1.3b–RM1.4b in FY25 revenue, driven by ongoing NPI programmes for its key customer's upcoming flagship devices and stronger momentum in data-centric applications. While its China JV has yet to secure meaningful customer wins, INARI remains well-positioned for long-term opportunities in supply chain localisation. We maintain our forecasts and target price of RM2.00, and reiterate our MARKET PERFORM rating.

We came away from INARI's 3QFY25 briefing with the following key takeaways:

1. INARI's 9MFY25 revenue declined 9% YoY to RM1.05b, with core net profit contracting 23% YoY to RM201m. The weaker performance was primarily due to softer loading volumes across key segments and forex losses amounting to RM27m (vs. a RM2m gain in 9MFY24). RF remained the largest contributor, accounting for 66% of total revenue, followed by opto-electronics (28%) and generic products (6%). In terms of end-markets, smartphones made up 68% of YTD revenue, while data communications, automotive, industrial, and generic segments contributed 14%, 8%, 5%, and 5%, respectively.
2. INARI remains cautiously optimistic, anticipating selective growth in the semiconductor sector driven by the expanding adoption of generative AI across industries, despite ongoing tariff uncertainties. The Group targets RM1.3b–RM1.4b in revenue for FY25, supported by expected improvements in its data communications segment (14% of YTD revenue), particularly for 800G transceivers, although 400G demand has moderated. While smartphone-related (68% of sales) and other semiconductor segments are expected to remain soft, RF testing continued to show resilience, backed by active NPI (new product introduction) engagements for upcoming flagship smartphone models by its key customer. Current overall utilisation stands at 60%–65%. In parallel, Inari is investing in advanced packaging capabilities - including Edge AI, 2.5D, and SiP solutions - while advancing the development of complex test platforms for flip chip and wirebond hybrid modules.
3. Its 54.5%-owned YSIC JV, which operates a 500k sq. ft facility in Yiwu, China, continues to scout for new customers, though market traction remains limited due to subdued demand conditions. The plant specialises in Chip Scale Packaging, Wafer Level Packaging, and SiP assembly and testing. Despite the slow progress, the Group remains committed to its China strategy as part of a broader long-term play to serve localised and diversified supply chains.

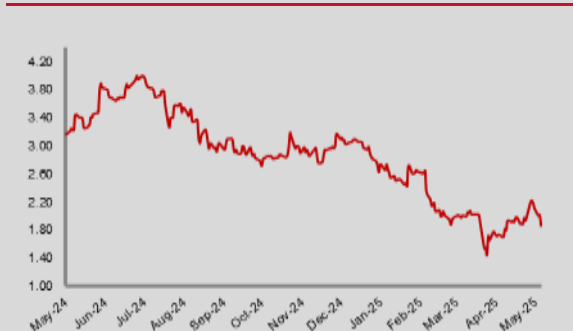
Forecasts. Maintained.

Valuations. We maintained our TP at RM2.00 (vs. RM2.39 previously) based on an unchanged FY26F PER of 25.3x. Our valuation reflects a 10% premium on peer's forward mean, justified by the company's superior double-digit net margins vs. peers of single digit. Our TP imputes a 5% premium to reflect its 4-star ESG rating as appraised by us (see Page 4).

MARKET PERFORM ↔

Price : RM1.87
Target Price : RM2.00 ↔

Share Price Performance



KLCI 1,544.80
YTD KLCI chg -5.9%
YTD stock price chg -38.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	INRI MK EQUITY
Market Cap (RM m)	7,085.3
Shares Outstanding	3,788.9
52-week range (H)	4.03
52-week range (L)	1.42
3-mth avg. daily vol.	25,472,490
Free Float	74%
Beta	1.5

Major Shareholders

Insas Bhd	13.0%
EPF	12.5%
KWAP	10.5%

Summary Earnings Table

FYE Jun (RM m)	2024A	2025F	2026F
Turnover	1,479	1,331	1,351
EBIT	245	164	220
PBT	310	229	291
Core Net Profit	307	254	284
Consensus		266	319
Earnings Revision	-	-	-
Core EPS (sen)	8.2	6.8	7.6
EPS Growth (%)	-6	-17	12
NDPS (sen)	7.7	6.3	7.4
BV/Share (RM)	0.75	0.72	0.73
Core PER (x)	22.8	27.6	24.7
P/BV (x)	2.5	2.6	2.6
Gearing (x)	N.Cash	N.Cash	N.Cash
Net Dvd Yield (%)	4.1	3.4	4.0



Investment case. We like INARI for: (i) being the closest proxy to 5G adoption, (ii) being highly responsive to the market demand with the roll-out of new technologies such as double-sided moulding (DSM) and system-on-module (SOM), and (iii) its significant expansion in China, capitalising on the superpower's aggressive push for semiconductor self-sufficiency.

Risks to our call include: (i) a soft global smartphone market, (ii) new offerings not well-received by key customers, (iii) supply-chain disruptions, and (iv) escalating trade tensions.

Income Statement						Financial Data & Ratios					
FY Jun (RM m)	2022A	2023A	2024A	2025F	2026F	FY Jun	2022A	2023A	2024A	2025F	2026F
Revenue	1,548	1,354	1,479	1,331	1,351	Growth (%)					
EBITDA	524	410	369	304	368	Turnover	8.3	-12.5	9.2	-10.0	1.5
Depre & Amor	101	107	123	140	148	EBITDA	16.9	-21.8	-10.1	-17.6	21.2
Operating Profit	423	303	245	164	220	Operating Profit	22.4	-28.3	-19.1	-33.4	34.3
Other Income	33	53	21	37	14	PBT	26.9	-20.1	-12.8	-26.2	27.1
Interest Exp	-22	-51	-65	-65	-71	Adj. Net Profit	20.7	-17.1	-5.1	-17.2	11.8
PBT	446	356	310	229	291						
Taxation	-55	-31	-10	-14	-15	Profitability (%)					
MI	-0	-1	0	8	8	EBITDA Margin	33.9	30.3	24.9	22.8	27.2
Net Profit	390	324	301	170	284	Operating Margin	27.3	22.4	16.6	12.3	16.3
Core Net Profit	390	323	307	254	284	PBT Margin	28.8	26.3	21.0	17.2	21.5
						Core Net Margin	25.2	23.9	20.8	19.1	21.0
						Effective Tax Rate	-12.3	-8.6	-3.2	-6.0	-5.0
						ROA	13.5	10.9	8.6	7.4	8.2
						ROE	15.5	12.4	9.7	8.2	9.2
						DuPont Analysis					
						Net Margin (%)	25.2%	23.9%	20.8%	19.1%	21.0%
						Assets Turnover (x)	0.5x	0.5x	0.4x	0.4x	0.4x
						Leverage Factor (x)	1.2x	1.1x	1.1x	1.1x	1.1x
						ROE (%)	15.5	12.4	9.7	8.2	9.2
						Leverage					
						Debt/Asset (x)	0.0	0.0	0.0	0.0	0.0
						Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
						Net Cash/(Debt)	1,956	1,815	2,244	2,193	2,193
						Net Debt/Equity (x)	-0.8	-0.7	-0.8	-0.8	-0.8
						Valuations					
						Core EPS (sen)	10.6	8.7	8.2	6.8	7.6
						DPS (sen)	10.0	8.2	7.7	6.3	7.4
						BVPS (RM)	0.68	0.70	0.75	0.72	0.73
						PER (x)	17.6	21.5	22.8	27.6	24.7
						Div. Yield (%)	5.3%	4.4%	4.1%	3.4%	4.0%
						P/BV (x)	2.7	2.7	2.5	2.6	2.6
						EV/EBITDA (x)	16.8	21.4	25.1	30.4	25.1
Cashflow Statement											
FY Jun (RM m)	2022A	2023A	2024A	2025F	2026F						
Operating CF	505	419	516	299	416						
Investing CF	-86	-250	-192	-112	-135						
Financing CF	648	-300	-189	-239	-280						

Source: Kenanga Research

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Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 21 May (RM)	Target Price (RM)	Upside	Mkt Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) – Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net. Div. Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
D&O GREEN TECHNOLOGIES BHD	MP	1.34	1.20	-10.4%	1,660.9	Y	12/2025	5.4	5.6	69.4%	3.3%	24.8	24.0	1.7	7.1%	1.0	0.7%
INARI AMERTRON BHD	MP	1.87	2.00	7.0%	7,085.3	Y	06/2025	6.8	7.6	-17.2%	11.8%	27.6	24.7	2.6	6.1%	6.0	3.2%
KELINGTON GROUP BHD	OP	3.42	4.33	26.6%	2,500.9	Y	12/2025	20.4	19.9	25.4%	13.4%	16.8	17.2	3.8	26.6%	10.0	2.9%
LGMS BHD	MP	0.935	1.00	7.0%	426.4	Y	12/2025	2.9	3.3	7.3%	15.2%	32.3	28.1	4.2	13.5%	2.0	2.1%
M'SIAN PACIFIC INDUSTRIES BHD	OP	18.20	22.80	25.3%	3,629.0	Y	06/2025	83.6	99.1	32.0%	18.6%	21.8	18.4	1.7	7.8%	35.0	1.9%
NATIONGATE HOLDINGS BHD	OP	1.57	2.21	40.8%	3,574.4	Y	12/2025	9.2	9.4	19.5%	2.3%	17.0	16.6	3.3	21.1%	2.0	1.3%
OPPSTAR BHD	MP	0.515	0.560	8.7%	329.9	Y	03/2025	(1.0)	1.5	-141.3%	53.1%	N.A.	33.5	2.3	-4.4%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	4.19	4.60	9.8%	1,609.1	Y	12/2025	17.8	21.3	28.4%	19.8%	23.6	19.7	2.3	10.2%	0.0	0.0%
SKP RESOURCES BHD	OP	0.980	1.24	26.5%	1,531.1	Y	03/2025	7.6	8.6	22.4%	13.9%	12.9	11.3	1.4	11.4%	0.0	0.0%
UNISEM (M) BHD	UP	2.04	1.05	-48.5%	3,290.7	Y	12/2025	4.5	5.3	19.8%	18.2%	45.3	38.3	1.5	3.3%	8.0	3.9%
Simple Average					25,637.8					10.7%	13.4%	22.9	20.2	2.5	10.3%		1.6%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★	★	
	Emissions Management	★	★	★	☆	
SPECIFIC	Technology & Innovation	★	★	★	★	
	Supply Chain Management	★	★	★	☆	
	Energy Efficiency	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★	★	
	Ethical Practices	★	★	★	☆	
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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