Inari Amertron

Steady Into FY26

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MARKET PERFORM ↔

Price : **RM2.03**

Target Price : **RM2.25** ↑

INARI's near-term setup is mixed but improving – Gen-AI should continue to lift data-communications, smartphones to stay broadly flat, while industrial demand should remain soft amid tariff realignments. Execution in FY26 hinges on RF NPIs for upcoming flagships (higher RF-in-module content), stronger 800G transceiver orders in the Philippines on AI-led data-centre spend, and a step-up in automotive testing following equipment transfers. The Lumileds acquisition (EV USD239m; INARI's outlay at USD71.4m for 25.5% equity) broadens OSAT capabilities, customer reach and product IP, and will have minimal FY26 P&L impact but longer-term earnings accretion potential. We nudge FY26F NP up 0.8%, introduce FY27 numbers. Aligned with recalibrated OSAT sector valuation, we lift TP to RM2.25 on a higher 28.5x FY26F PER (10% premium to peers plus 5% ESG uplift). Maintain MARKET PERFORM.

We came away from INARI's 4QFY25 briefing with the following key takeaways:

1. INARI's FY25 revenue declined 8% YoY to RM1.35b, with core net profit contracting 21% YoY to RM255m. The weaker performance was primarily due to softer loading volumes across key segments and forex losses amounting to RM42m (vs. a RM2m loss in FY24). RF remained the largest contributor, accounting for 65% of total revenue, followed by opto-electronics (29%) and generic products (6%). In terms of end-markets, smartphones made up 67% of FY25 revenue, while data communications, automotive, industrial, and generic segments contributed 15%, 8%, 5%, and 5%, respectively.

2. Operationally, its RF production and NPIs (new product introduction) for upcoming flagship smartphones are underway with rising RF-in-module content; management is also testing multiple RF chips including wearables, where it sees scope to win additional components as competitors are booked out for capacity. Opto/photonics in Malaysia is pivoting toward ChipFab with volumes expected to more than double from 1Q25 to 1Q26, while its Philippines plant is seeing higher 800G transceiver orders for data-centre AI demand. In automotive segment, testers transferred from a peer, making INARI the sole tester for certain SKUs under a core customer in Malaysia; testing volumes are guided to double near term.

3. Looking ahead, management characterizes the backdrop as mixed: tariff-driven supply-chain realignment, China onshoring and FX volatility have pressured revenue and gross-margin resilience, even as Gen-AI demand underpins data-communications. Nevertheless, it plans to deepen partnerships (Lumileds with Sanan; YSIC) and accelerate advanced packaging, while prioritising high utilisation, operational efficiency and profitability into FY26.

4. On Lumileds, INARI and Sanan executed a SPA on 1 Aug 2025 to acquire 100% of Lumileds Holding B.V. for an enterprise value of USD239m (cash and debt-free), alongside an estimated USD41m working-capital injection at completion. INARI's 25.5% stake entails a total outlay of USD71.4m, funded from its 2021 private-placement proceeds. Completion is targeted by end-3QFY26, with no material FY26 P&L impact or impairments expected. Strategically, the transaction aligns with INARI's in-house semiconductor assembly and test ambitions, expanding and enhancing its OSAT capabilities and customer base, and enhances its product IP portfolio.

Share Price Performance

KLCI	1,575.12
YTD KLCI chg	-4.1%
YTD stock price chg	-33.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	INRI MK EQUITY
Market Cap (RM m)	7,691.6
Shares Outstanding	3,789.0
52-week range (H)	3.25
52-week range (L)	1.42
3-mth avg. daily vol.	13,992,110
Free Float	74%
Beta	1.4

Major Shareholders

EPF	13.5%
Insas Bhd	12.9%
KWAP	10.2%

Summary Earnings Table

FYE Jun (RM m)	2025A	2026F	2027F
Turnover	1,352	1,365	1,441
EBIT	155	235	259
PBT	220	303	327
Core Net Profit	255	286	309
Consensus		302	343
Earnings Revision	-	0.8	NEW
Core EPS (sen)	6.7	7.6	8.2
EPS Growth (%)	-18	12	8
NDPS (sen)	5.5	7.4	7.4
BV/Share (RM)	0.73	0.73	0.73
Core PER (x)	30.2	26.8	24.9
P/BV (x)	2.8	2.8	2.8
Gearing (x)	N.Cash	N.Cash	N.Cash
Net Dvd Yield (%)	2.7	3.6	3.6

Forecasts. We have raised our FY26 NP by 0.8% after incorporating the 4QFY25 result and recalibrating margin assumptions to current run-rates. We also take this opportunity to introduce our FY27 numbers, which have yet to factor in contribution from Lumileds.

Valuations. We raise our TP to RM2.25 (from RM2.00) on a higher targeted FY26F PER of 28.5x (from 25.3x). The multiple uplift also reflects improved industry visibility following recent U.S. tariff arrangements with major trading partners, which, in our view, tilt the cycle towards recovery. For further context, our prior 23x anchor tracked OSAT peer averages during the first Trump administration amid escalating trade frictions, and we move away from this valuation in FY19 into a blend of FY19/FY20 to also capture some potential early- stage cycle upturn, which we now apply for valuation of OSAT players under coverage, including INARI. (see Exhibit 1). Our 28.5x PER for INARI embeds a 10% premium to the peers' forward mean of 25.9x, supported by INARI's superior double-digit net margins versus its peers which are recording single-digit margins. We also accord a 5% premium to reflect its 4-star ESG rating as appraised by us (see Page 5). Maintained MARKET PERFORM.

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.

Exhibit 1: OSAT's Fwd PER (Average)

Semiconductor Players' Forward PER (Average)				
	FY17	FY18	FY19	FY20
Inari	21.0	25.1	25.8	36.7
MPI	15.1	14.1	14.0	16.1
Unisem	15.5	25.2	27.0	35.1
Simple average			**22.5**	**29.3**
Blended average				**25.9**

Source: Bloomberg, Kenanga Research

Exhibit 2: OSAT's Fwd PER (Low)

Semiconductor Players' Forward PER (Low)				
	FY17	FY18	FY19	FY20
Inari	18.1	18.1	15.2	17.2
MPI	8.8	8.1	11.6	12.4
Unisem	10.8	7.8	14.6	31.7
Simple average			**13.8**	**20.4**
Blended average				**17.1**

Source: Bloomberg, Kenanga Research

Income Statement

FY Jun (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	1,354	1,479	1,352	1,365	1,441
EBITDA	410	369	292	375	407
Depre & Amor	107	123	138	139	147
Operating Profit	303	245	155	235	259
Other Income	53	21	38	14	14
Interest Exp	-51	-65	-66	-68	-68
PBT	356	310	220	303	327
Taxation	-31	-10	-7	-15	-16
MI	-1	0	6	-1	-1
Net Profit	324	301	165	286	309
Core Net Profit	323	307	255	286	309

Balance Sheet

FY Jun (RM m)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	509	779	726	725	722
Intangible Assets	2.5	10.9	9.9	8.9	7.9
Other FA	7	-	-	-	-
Inventories	183	181	179	182	190
Receivables	411	254	254	261	277
Other CA	23	68	91	117	122
Cash	1,831	2,261	2,141	2,132	2,127
Total Assets	2,967	3,554	3,402	3,426	3,446
Payables	276	275	233	236	247
ST Borrowings	0	1	0	0	0
Other ST Liability	55	73	50	51	51
LT Borrowings	15	16	14	14	14
Other LT Liability	14	16	14	26	28
MI	3	380	327	328	329
Net Assets	**2,603**	**2,794**	**2,764**	**2,770**	**2,776**
Shr. Equity	2,033	2,144	2,187	2,187	2,187
Reserves	569	650	577	583	589
Total Equity	**2,603**	**2,794**	**2,764**	**2,770**	**2,776**

Cashflow Statement

FY Jun (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	419	516	322	407	443
Investing CF	-250	-192	-230	-136	-144
Financing CF	-300	-189	-200	-280	-303

Financial Data & Ratios

FY Jun	2022A	2023A	2024A	2025F	2026F
Growth (%)					
Turnover	-12.5	9.2	-8.6	1.0	5.6
EBITDA	-21.8	-10.1	-20.7	28.1	8.6
Operating Profit	-28.3	-19.1	-37.1	52.4	10.2
PBT	-20.1	-12.8	-29.0	37.5	7.9
Adj. Net Profit	-17.1	-5.1	-17.0	12.5	7.9
Profitability (%)					
EBITDA Margin	30.3	24.9	21.6	27.4	28.2
Operating Margin	22.4	16.6	11.4	17.2	18.0
PBT Margin	26.3	21.0	16.3	22.2	22.7
Core Net Margin	23.9	20.8	18.8	21.0	21.5
Effective Tax Rate	-8.6	-3.2	-3.3	-5.0	-5.0
ROA	10.9	8.6	7.5	8.4	9.0
ROE	12.4	9.7	8.2	9.2	10.0
DuPont Analysis					
Net Margin (%)	23.9%	20.8%	18.8%	21.0%	21.5%
Assets Turnover (x)	0.5x	0.4x	0.4x	0.4x	0.4x
Leverage Factor (x)	1.1x	1.1x	1.1x	1.1x	1.1x
ROE (%)	12.4	9.7	8.2	9.2	10.0
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)	1,815	2,244	2,127	2,117	2,113
Net Debt/Equity (x)	-0.7	-0.8	-0.8	-0.8	-0.8
Valuations					
Core EPS (sen)	8.7	8.2	6.7	7.6	8.2
DPS (sen)	8.2	7.7	5.5	7.4	7.4
BVPS (RM)	0.70	0.75	0.73	0.73	0.73
PER (x)	23.4	24.8	30.2	26.8	24.9
Div. Yield (%)	4.0%	3.8%	2.7%	3.6%	3.6%
P/BV (x)	2.9	2.7	2.8	2.8	2.8
EV/EBITDA (x)	22.9	26.7	33.6	26.2	24.1

Source: Kenanga Research

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 29 Aug (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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
D&O GREEN TECHNOLOGIES BHD	MP	1.33	1.18	-11.3%	1,648.5	Y	12/2025	2.5	5.4	-22.3%	116.6%	53.7	24.8	1.8	3.3%	1.0	0.8%
INARI AMERTRON BHD	MP	2.03	2.25	10.8%	7,691.6	Y	06/2026	7.6	8.2	12.4%	8.0%	26.8	24.9	2.8	10.4%	7.0	3.4%
KELINGTON GROUP BHD	OP	5.16	5.15	-0.2%	3,915.8	Y	12/2025	21.1	20.5	29.6%	17.1%	24.5	25.2	5.7	27.5%	11.0	2.1%
LGMS BHD	MP	0.690	0.860	24.6%	314.6	Y	12/2025	2.3	2.9	-15.4%	25.0%	30.3	24.2	3.2	10.8%	2.0	2.9%
M'SIAN PACIFIC INDUSTRIES BHD	MP	26.86	24.50	-8.8%	5,355.8	Y	06/2026	88.1	100.3	14.0%	13.8%	30.5	26.8	2.4	8.2%	35.0	1.3%
NATIONGATE HOLDINGS BHD	OP	1.30	1.62	24.6%	2,960.4	Y	12/2025	7.2	7.7	-6.1%	6.7%	17.9	16.8	2.8	16.9%	2.0	1.5%
OPPSTAR BHD	MP	0.475	0.500	5.3%	304.7	Y	03/2026	0.9	1.4	-51.6%	50.0%	50.7	33.8	2.2	4.4%	1.0	2.1%
P.I.E. INDUSTRIAL BHD	MP	3.12	3.85	23.4%	1,198.2	Y	12/2025	14.1	17.8	1.7%	26.9%	22.2	17.5	1.7	8.2%	0.0	0.0%
SKP RESOURCES BHD	OP	0.900	1.24	37.8%	1,406.1	Y	03/2026	8.6	9.2	13.9%	6.3%	10.4	9.8	1.2	12.0%	0.0	0.0%
UNISEM (M) BHD	UP	2.66	1.23	-53.8%	4,290.8	Y	12/2025	3.8	5.3	2.0%	38.8%	69.3	50.0	2.0	2.8%	8.0	3.0%
Simple Average					**29,086.5**					**10.7%**	**16.0%**	**26.8**	**23.1**	**2.6**	**10.4%**		**1.7%**

Source: Kenanga Research

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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