Inari Amertron

RF Headwind

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OUTPERFORM ↔

Price : **RM1.51**

Target Price : **RM2.20** ↔

INARI's 1HFY26 results came in below expectation, weighed down by softer turnover and margins. Looking ahead, management expects FY26 performance to stay positive but uneven across segments, with key risks stemming from potential parts shortages, higher gold/raw material costs and a weaker USD, alongside a flat-to-soft smartphone backdrop (IDC global smartphones shipment forecast: -0.9% in 2026), despite a stronger global semiconductor upcycle (WSTS: +26.3% YoY to c.USD975b in 2026) driven by AI-led logic and memory. We keep our FY26-27F forecasts unchanged pending further clarity from today's briefing, and maintain OUTPERFORM with an unchanged TP of RM2.20 (CY26 target PER of 29.3x).

INARI's 1HFY26 core net profit of RM54m (-28% YoY, after excluding RM19.8m unrealised forex losses and RM3.0m reversal of slow-moving inventory) came in below expectations, achieving only 43% of our, and 37% of consensus, full-year forecast, mainly on weaker-than-expected turnover and margin. The group declared a dividend of 1.0 sen (vs. 2.0 sen a year ago).

YoY, revenue declined 14% to RM632m, mainly due to weaker loading volumes in the RF segment which revenue fell 21% to RM386m as its US smartphone customer continued pivoting away from low- and mid-band discrete RF modules, and concentrating demand on premium, higher-band modules. The softer topline, coupled with unfavourable forex movements, led to a 25% drop in core net profit to RM110m.

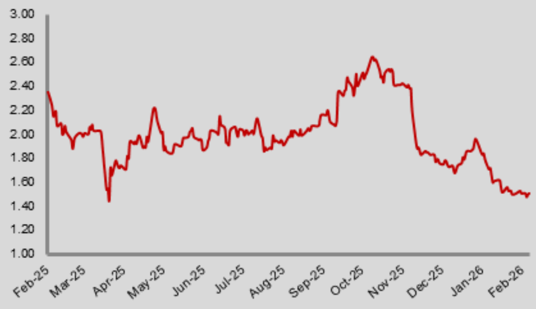
QoQ, revenue declined 6% on weaker volume loading across all segments, with RF, opto-electronics and generic revenue each down 6% to RM187m, RM101m and RM18m, respectively. Meanwhile, PBT fell 18% as margins softened to 14.4% (from 16.6% in the preceding quarter), primarily due to unfavourable FX movements—resulting in a RM16.8m forex loss versus a RM28.0m gain previously.

Outlook. World Semiconductor Trade Statistics' (WSTS) December 2025 update forecasts the global semiconductor market to grow 26.3% YoY to c.USD975b in 2026, largely driven by AI-led logic and memory demand. Separately, IDC's 7 January 2026 revision now expects global smartphone shipments to decline 0.9%, signalling a flat-to-soft handset backdrop. Against this, the Group guides for positive but mixed FY26 performance across segments, with risks from potential parts shortages, higher gold/raw material costs and a weaker US dollar, while stepping up new partnerships and realigning existing ones to strengthen positioning and unlock new revenue streams.

Forecasts. We leave our FY26-27F estimates unchanged for now, pending further clarity from today's briefing.

Valuations. We keep our TP at RM2.20, based on an unchanged CY26 target PER of 29.3x, in line with OSAT peers. Our TP also factors in a 5% valuation premium to reflect its 4-star ESG rating (see Page 4). We maintain our OUTPERFORM rating.

Share Price Performance



KLCI	1,740.94
YTD KLCI chg	3.6%
YTD stock price chg	-10.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	INRI MK EQUITY
Market Cap (RM m)	5,745.7
Shares Outstanding	3,805.1
52-week range (H)	2.67
52-week range (L)	1.42
3-mth avg. daily vol.	13,338,040
Free Float	74%
Beta	1.3

Major Shareholders

EPF	14.1%
Insas Bhd	12.1%
KWSP	9.9%

Summary Earnings Table

FYE Jun (RM m)	2025A	2026A	2027F
Turnover	1,352	1,313	1,391
EBIT	155	201	230
PBT	220	265	297
Core Net Profit	255	258	287
Consensus	-	248	296
Earnings Revision	-	-	-
Core EPS (sen)	-6%	-4%	97%
EPS Growth (%)	6.7	6.8	7.6
NDPS (sen)	-18	1	11
BV/Share (RM)	5.5	6.7	7.4
Core PER (x)	0.73	0.73	0.73
P/BV (x)	22.4	22.1	20.0
Gearing (x)	2.1	2.1	2.1
Net Dvd. Yield (%)	N.Cash	N.Cash	N.Cash

Investment case. We like INARI for: (i) being the closest proxy to 5G adoption, (ii) being highly responsive to 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.

Results Highlights

FYE Jun (RM m)	2Q26	1Q26	QoQ Chg	2Q25	YoY Chg	6M26	6M25	YoY Chg
Turnover	306.8	325.8	-5.8%	349.0	-12.1%	632.6	737.0	-14.2%
Gross Profit	70.7	66.3	6.7%	82.0	-13.8%	137.0	165.5	-17.2%
EBIT	29.8	39.8	-25.0%	78.1	-61.8%	69.6	84.0	-17.1%
Interest Exp.	14.5	14.3	1.4%	15.5	-6.3%	28.8	33.5	-14.0%
PBT/(LPT)	44.3	54.1	-18.0%	93.6	-52.6%	98.4	117.5	-16.2%
Taxation	(4.0)	(3.7)	6.4%	(5.5)	-28.1%	(7.7)	(7.4)	4.5%
Net Profit	41.9	51.5	-18.7%	90.0	-53.5%	93.4	114.1	-18.2%
Core NP*	55.9	54.2	3.1%	70.9	-21.1%	110.2	146.3	-24.7%
EPS (sen)	1.1	1.4	-18.9%	2.4	-53.6%	2.5	3.0	-18.3%
DPS (sen)	1.0	1.3	-24.8%	2.0	-50.0%	2.3	3.0	-22.3%
Gross Margin	23.0%	20.3%		23.5%		21.7%	22.5%	
EBIT Margin	9.7%	12.2%		22.4%		11.0%	11.4%	
PBT Margin	14.4%	16.6%		26.8%		15.6%	15.9%	
NP Margin	13.6%	15.8%		25.8%		14.8%	15.5%	
Tax Rate	-9.0%	-6.9%		-5.9%		-7.9%	-6.3%	

Source: Kenanga Research
**Exclude unrealised forex loss/(gain), ESOS exp. & provision of slow moving inventories*

Segmental Revenue Breakdown

Revenue (RM m)	2Q26	1Q26	QoQ Chg	2Q25	YoY Chg	6M26	6M25	YoY Chg
RF	187.2	198.7	-5.8%	237.3	-21.1%	385.9	489.5	-21.2%
Opto	101.2	107.5	-5.8%	90.7	11.6%	208.8	199.4	4.7%
Generic	18.4	19.5	-5.8%	20.9	-12.1%	38.0	48.1	-21.1%
Total	**306.8**	**325.8**	**-5.8%**	**349.0**	**-12.1%**	**632.6**	**737.0**	**-14.2%**

Source: Company

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 26 Feb. (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	0.495	0.810	63.6%	613.5	Y	12/2025	1.1	2.7	-66.1%	149.3%	45.8	18.4	0.8	-19.5%	1.0	2.0%
INARI AMERTRON BHD	OP	1.51	2.20	45.7%	5,745.7	Y	06/2026	6.8	7.6	1.5%	10.9%	22.1	20.0	2.1	9.3%	7.0	4.6%
KELINGTON GROUP BHD	OP	5.21	6.15	18.0%	4,088.4	Y	12/2026	20.5	21.9	23.4%	6.8%	25.4	23.8	5.8	26.1%	13.0	2.5%
LGMS BHD	MP	0.515	0.650	26.2%	234.8	Y	12/2026	2.2	2.7	-18.7%	23.0%	23.5	19.1	2.4	10.3%	2.0	3.9%
M'SIAN PACIFIC INDUSTRIES BHD	MP	32.14	35.30	9.8%	6,408.7	Y	06/2026	104.4	120.3	35.2%	15.2%	30.8	26.7	2.9	9.7%	35.0	1.1%
NATIONGATE HOLDINGS BHD	MP	0.895	0.850	-5.0%	2,025.1	Y	12/2026	4.7	5.7	7.8%	21.1%	19.0	15.7	1.9	10.2%	2.0	2.2%
OPPSTAR BHD	MP	0.260	0.280	7.7%	166.8	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	26.4	1.3	-8.0%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.64	2.54	54.9%	629.8	Y	12/2025	7.9	14.8	-42.7%	86.5%	20.7	11.1	0.9	4.7%	0.0	0.0%
SKP RESOURCES BHD	MP	0.505	0.530	5.0%	789.0	Y	03/2026	5.7	4.4	-24.4%	-22.5%	8.9	11.5	0.7	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	3.17	2.22	-30.0%	5,113.5	Y	12/2026	7.6	9.2	94.1%	21.8%	41.9	34.4	2.4	5.8%	6.0	1.9%
UWC BHD	OP	4.11	4.38	6.6%	4,533.9	Y	07/2026	10.0	13.9	172.6%	38.8%	41.0	29.6	7.6	22.6%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.22	4.25	32.0%	2,290.4	Y	12/2026	12.1	13.1	39.0%	8.1%	26.6	24.6	2.7	10.4%	2.0	0.6%
INFOMINA BHD	OP	1.20	1.90	58.3%	721.5	Y	05/2026	5.6	7.6	60.7%	34.8%	21.3	15.8	3.6	18.3%	1.0	0.8%
Simple Average					**33,361.1**					**17.9%**	**18.4%**	**26.8**	**22.6**	**2.7**	**8.3%**		**1.5%**

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	★	
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★	★	
	Carbon-Neutral Initiatives	★	★	★	☆	
SPECIFIC	Foreign Worker Welfare	★	★	★	★	
	Supply Chain Auditing	★	★	★	☆	
	Waste disposal / pollution control	★	★	★		
	Energy Efficiency	★	★	★	☆	
	Work Site Safety	★	★	★	★	
	Digital Transformation	★	★	★	☆	
	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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