

02 March 2026

Inari Amertron

Tough FY26, Brighter FY27

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INARI's near-term outlook remains challenging, with key swing factors centred on RF content/mix, FX volatility and substrate/material tightness. Longer term, management continues to position and project opto-electronics as the next growth engine into FY27–FY28, underpinned by AI-led transceiver demand. The Lumileds acquisition is still on track for end-3QFY26 completion, pending US/Europe regulatory clearances largely related to IP and security considerations. Reflecting the 2QFY26 result performance, we cut our FY26-27F net profit forecasts by 16-1% and lower our TP to RM2.05 (from RM2.20) on an unchanged CY26F PER of 29.3x, while maintaining OUTPERFORM.

We came away from INARI's 2QFY26 briefing cautious on its near-term FY26 outlook, but constructive on FY27 as key growth drivers begin to gain traction. Key takeaways are as follows:

- RF assembly content is the key swing factor; recovery tied to the next phone cycle.** INARI reiterated that RF remains its earnings anchor (61% of group revenue), but emphasised that recent volatility is largely concentrated in the assembly/module layer, rather than wafer processing or test. The weaker 1HFY26 (-21% YoY to RM386m) trend was attributed to the loss of some mid-/low-band assembly scope (i.e., "socket"), which weighed more heavily on revenue and margins given the higher material content in module build, while wafer processing and testing were described as largely intact. Looking ahead, management is cautiously more constructive into the next premium smartphone cycle (around September), citing a likely content normalisation on the next design, with mid- and high-band content potentially returning—supporting a rebound in assembly contribution from current trough levels.
- Opto-electronics – the next growth engine.** Management struck a more upbeat tone on Opto-electronics, positioning it as the next growth engine going into FY27–FY28, underpinned by a pick-up in transceiver orders driven by AI-led datacentre demand. FY26 is expected to be a "preparation" year, ahead of a more visible ramp in the coming months as customers accelerate front-end readiness to c.9 months (vs. the typical ~2 years). With ChipFab volumes slated to double from FY27 onwards, management expects the Opto-electronics segment's revenue contribution to rise from c.30% currently to 38% in FY27–FY28. In tandem, the RF segment's contribution is projected to ease to c.55% (from ~60% currently), with the balance coming from the generic division.
- Lumileds acquisition update – on track for end-3QFY26 completion, pending overseas regulatory clearances.** Management indicated the transaction remains on schedule to complete in 3QFY26. Malaysia-side approvals have been secured, with the remaining regulatory clearances primarily from US and Europe. Management noted that regulators' focus centres on IP protection and broader security sensitivities, with approvals likely contingent on specific undertakings—such as clear boundaries around sensitive end-uses (i.e., avoiding restricted applications) and compliance-related organisational conditions.
- Rebalancing the revenue mix.** While RF remains important near term, the medium-term growth trajectory is expected to be increasingly driven by datacom/photronics and selected new programmes, with FY27–FY28 framed as the period where the mix could look "very different". Management acknowledged FY26 will be challenging amid the RF transition, FX volatility and material constraints, but guided that FY27–

OUTPERFORM ↔

Price : RM1.42
Target Price : RM2.05 ↓

Share Price Performance



KLCI	1,716.61
YTD KLCI chg	2.2%
YTD stock price chg	-15.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	INRI MK EQUITY
Market Cap (RM m)	5,403.3
Shares Outstanding	3,805.1
52-week range (H)	2.67
52-week range (L)	1.41
3-mth avg. daily vol.	13,774,220
Free Float	74%
Beta	1.4

Major Shareholders

EPF	14.1%
Insas Bhd	12.1%
KWAP	9.9%

Summary Earnings Table

FYE Jun (RM m)	2025A	2026F	2027F
Turnover	1,352	1,230	1,460
EBIT	155	147	228
PBT	220	208	293
Core Net Profit	255	218	284
Consensus	-	224	280
Earnings Revision	-	-16%	-1%
Core EPS (sen)	6.7	5.7	7.5
EPS Growth (%)	-18	-15	31
NDPS (sen)	5.5	4.7	6.8
BV/Share (RM)	0.73	0.74	0.74
Core PER (x)	21.1	24.7	18.9
P/BV (x)	1.9	1.9	1.9
Gearing (x)	N.Cash	N.Cash	N.Cash
Net Dvd Yield (%)	3.9	3.3	4.8

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FY28 should see a more meaningful revenue progression as new ramps kick in and facility utilisation improves, underpinned by targeted investments and disciplined capital deployment. That said, Inari flagged substrate/material tightness—linked to the broader AI/datacentre build-out—as a potential operational bottleneck that could cap the pace of downstream scaling even with supportive demand.

Forecasts. We cut our FY26-27F net profit forecasts by 16-1% after factoring in the 2QFY26 results and recalibrating margin assumptions to reflect current run-rates. We have not yet incorporated any potential contribution from Lumileds.

Valuations. We lower our TP to RM2.05 (from RM2.20), based on an unchanged CY26F target PER of 29.3x (in line with OSAT peers). Our TP continues to include a 5% premium to reflect INARI's 4-star ESG rating (see Page 5). We maintain **OUTPERFORM**.

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.

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Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 27 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.				
D&O GREEN TECHNOLOGIES BHD	MP	0.470	0.810	72.3%	582.6	Y	12/2026	1.1	2.7	-66.1%	149.3%	43.5	17.4	0.8	-19.5%	1.0	2.1%
INARI AMERTRON BHD	OP	1.42	2.05	44.4%	5,403.3	Y	06/2026	5.7	7.5	-14.6%	30.6%	24.7	18.9	1.9	7.2%	5.0	3.5%
KELINGTON GROUP BHD	OP	5.47	6.15	12.4%	4,292.5	Y	12/2026	20.5	21.9	23.4%	6.8%	26.7	25.0	6.1	26.1%	13.0	2.4%
LGMS BHD	MP	0.510	0.650	27.5%	232.6	Y	12/2026	2.2	2.7	-18.7%	23.0%	23.3	18.9	2.3	10.3%	2.0	3.9%
M'SIAN PACIFIC INDUSTRIES BHD	MP	31.96	35.30	10.5%	6,372.8	Y	06/2026	104.4	120.3	35.2%	15.2%	30.6	26.6	2.9	9.7%	35.0	1.1%
NATIONGATE HOLDINGS BHD	MP	0.865	0.850	-1.7%	1,957.2	Y	12/2026	4.7	5.7	7.8%	21.1%	18.4	15.2	1.8	10.2%	2.0	2.3%
OPPSTAR BHD	MP	0.250	0.280	12.0%	160.3	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	25.4	1.3	-8.0%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.54	2.54	64.9%	591.4	Y	12/2026	7.9	14.8	-42.7%	86.5%	19.5	10.4	0.9	4.7%	0.0	0.0%
SKP RESOURCES BHD	MP	0.490	0.530	8.2%	765.6	Y	03/2026	5.7	4.4	-24.4%	-22.5%	8.7	11.2	0.7	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	3.14	2.22	-29.3%	5,065.1	Y	12/2026	7.6	9.2	94.1%	21.8%	41.5	34.1	2.4	5.8%	6.0	1.9%
UWC BHD	OP	4.50	4.38	-2.7%	4,964.1	Y	07/2026	10.0	13.9	172.6%	38.8%	44.9	32.4	8.3	22.6%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.30	4.25	28.8%	2,347.3	Y	12/2026	12.1	13.1	39.0%	8.1%	27.2	25.2	2.7	10.4%	2.0	0.6%
INFOMINA BHD	OP	1.19	1.90	59.7%	715.5	Y	05/2026	5.6	7.6	60.7%	34.8%	21.1	15.7	3.6	18.3%	1.0	0.8%
Simple Average					33,450.1					14.1%	22.2%	27.8	22.7	2.7	8.1%		1.4%

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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