Inari Amertron

Overhang Removed, Upside Intact

OUTPERFORM ↔

Price : **RM1.65**
Target Price : **RM2.02** ↑

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We view the cancellation of Inari's proposed Lumileds acquisition positively, as it removes an immediate key overhang linked to potential earnings dilution and Lumileds' loss-making profile. Coupled with a more constructive RF outlook and sustained confidence in the group's opto-electronics growth prospects gleaned from our recent company visit, we believe Inari's business outlook has improved. As these developments are already largely reflected in our model, we keep our FY26–27F earnings forecasts unchanged. In view of the removal of Lumileds-related concerns and the improved outlook, we raise our TP to RM2.02 from RM1.80 by increasing our target CY26F PER to 29x, and maintain OUTPERFORM.

Lumileds acquisition called off. Inari and China's Sanan Optoelectronics Co Ltd have mutually agreed to terminate their proposed joint acquisition of Lumileds Holding BV after the Committee on Foreign Investment in the United States (CFIUS) identified unresolved national security concerns. CFIUS had requested both parties to withdraw their filing and abandon the transaction, which effectively halted the deal as regulatory approvals were a key condition under the share purchase agreement. Accordingly, both parties submitted the withdrawal to CFIUS on 17 April and will proceed to withdraw the related filings with other regulators. Inari also clarified that the termination does not constitute a breach of the SPA, with no consideration paid and no shares transferred to date. We view the termination positively, as it could serve as a near-term re-rating catalyst for the stock by removing market concerns over Lumileds' loss-making profile and the risk of near-term earnings dilution associated with a potentially lengthy turnaround.

RF content upside back in focus. Inari struck a more constructive tone on Inari's RF outlook during our recent visit. RF accounted for c.61% of group turnover in 1HFY26, and management suggested that the segment could see better content traction in the next flagship smartphone refresh cycle in September, supported by higher RF content wins in the upcoming model versus the earlier generation. While no formal volume guidance was provided, the broader message was that replacement demand and a gradual normalisation in content could support the upcoming product cycle, reinforcing RF as a resilient earnings pillar with scope for cyclical upside.

Opto-electronic remains a key growth pillar. Management also remained upbeat on the medium-term outlook for Inari's opto-electronics segment, supported by rising demand for higher-speed optical interconnect solutions driven by AI-related data traffic growth. The group is moving deeper into the higher-value portion of the optical value chain, particularly in sub-assembly, precision packaging and process integration. While some programmes are still at the RFQ, prototype, or qualification stage, ongoing capability expansion should place Inari in a better position to capture future ramps and raise the segment's revenue contribution to 38% in FY27–28, from 33% in 1HFY26.

Forecasts. We keep our FY26–27F net profit unchanged, as we had not previously factored in any contribution from the proposed Lumileds deal. In addition, our earnings estimates, which remain 6%–13% above consensus, have already largely captured the developments in the group's RF and opto-electronics segments.

Valuations. We raise our TP to RM2.02 (from RM1.80) after increasing our target CY26 PER to 29x, from 26x previously, which implies 1SD above its 5-year mean. We believe the re-rating is justified following the removal of market concerns over the Lumileds deal, alongside an improving business outlook. Our TP continues to incorporate a 5% premium to reflect Inari's 4-star ESG rating (see Page 4). We maintain **OUTPERFORM.**

Share Price Performance

KLCI	1,695.21
YTD KLCI chg	0.9%
YTD stock price chg	-1.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	INRI MK EQUITY
Market Cap (RM m)	6,278.5
Shares Outstanding	3,805.1
52-week range (H)	2.67
52-week range (L)	1.21
3-mth avg. daily vol.	14,623,170
Free Float	74%
Beta	1.3

Major Shareholders

EPF	14.6%
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	-	205	251
Earnings Revision	-	-	-
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)	24.5	28.7	22.0
P/BV (x)	2.3	2.2	2.2
Gearing (x)	N.Cash	N.Cash	N.Cash
Net Dvd Yield (%)	3.3	2.9	4.1

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

FY Jun (RM m)	2023A	2024A	2025A	2026F	2027F
Revenue	1,354	1,479	1,352	1,230	1,460
EBITDA	410	369	292	278	368
Depre & Amor	107	123	138	131	140
Operating Profit	303	245	155	147	228
Other Income	53	21	38	9	15
Interest Exp	-51	-65	-66	-61	-64
PBT	356	310	220	208	293
Taxation	-31	-10	-7	-13	-15
MI	-1	0	6	6	6
Net Profit	324	301	165	201	284
Core Net Profit	323	307	255	218	284

Balance Sheet

FY Jun (RM m)	2023A	2024A	2025A	2026F	2027F
Fixed Assets	509	779	726	709	707
Intangible Assets	2.5	10.9	9.9	9.1	8.1
Other FA	7	-	-	-	-
Inventories	183	181	179	165	196
Receivables	411	254	254	253	301
Other CA	23	68	91	111	116
Cash	1,831	2,261	2,141	2,161	2,142
Total Assets	**2,967**	**3,554**	**3,402**	**3,408**	**3,470**
Payables	276	275	233	214	255
ST Borrowings	0	1	0	0	0
Other ST Liability	55	73	50	52	51
LT Borrowings	15	16	14	13	13
Other LT Liability	14	16	14	23	25
MI	3	380	327	321	315
Net Assets	**2,603**	**2,794**	**2,764**	**2,785**	**2,810**
Shr. Equity	2,033	2,144	2,187	2,187	2,187
Reserves	569	650	577	598	623
Total Equity	**2,603**	**2,794**	**2,764**	**2,785**	**2,810**

Cashflow Statement

FY Jun (RM m)	2023A	2024A	2025A	2026F	2027F
Operating CF	419	516	322	312	377
Investing CF	-250	-192	-230	-113	-137
Financing CF	-300	-189	-200	-180	-260

Financial Data & Ratios

FY Jun	2023A	2024A	2025A	2026F	2027F
Growth (%)					
Turnover	-12.5	9.2	-8.6	-9.0	18.7
EBITDA	-21.8	-10.1	-20.7	-4.9	32.3
Operating Profit	-28.3	-19.1	-37.1	-4.6	55.0
PBT	-20.1	-12.8	-29.0	-5.5	40.5
Adj. Net Profit	-17.1	-5.1	-17.0	-14.6	30.6
Profitability (%)					
EBITDA Margin	30.3	24.9	21.6	22.6	25.2
Operating Margin	22.4	16.6	11.4	12.0	15.6
PBT Margin	26.3	21.0	16.3	16.9	20.0
Core Net Margin	23.9	20.8	18.8	17.7	19.5
Effective Tax Rate	-8.6	-3.2	-3.3	-6.3	-5.0
ROA	10.9	8.6	7.5	6.4	8.2
ROE	12.4	9.7	8.2	7.0	9.1
DuPont Analysis					
Net Margin (%)	23.9%	20.8%	18.8%	17.7%	19.5%
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	7.0	9.1
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	2,146	2,128
Net Debt/Equity (x)	-0.7	-0.8	-0.8	-0.8	-0.8
Valuations					
Core EPS (sen)	8.7	8.2	6.7	5.7	7.5
DPS (sen)	8.2	7.7	5.5	4.7	6.8
BVPS (RM)	0.70	0.75	0.73	0.74	0.74
PER (x)	19.0	20.1	24.5	28.7	22.0
Div. Yield (%)	5.0%	4.7%	3.3%	2.9%	4.1%
P/BV (x)	2.4	2.2	2.3	2.2	2.2
EV/EBITDA (x)	19.4	22.9	28.7	30.2	22.8

Source: Kenanga Research

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 17 Apr (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	0.510	0.470	-7.8%	632.1	Y	12/2026	2.1	2.3	132.7%	39.9%	24.0	22.4	0.9	3.8%	1.0	2.0%
FRONTKEN BHD	OP	4.30	4.70	9.3%	7,111.1	Y	12/2026	11.7	13.6	21.0%	16.0%	36.7	31.6	6.1	17.6%	4.0	0.9%
INARI AMERTRON BHD	OP	1.65	2.02	22.4%	6,278.5	Y	06/2026	5.7	7.5	-14.6%	30.6%	28.7	22.0	2.2	7.2%	5.0	3.0%
KELINGTON GROUP BHD	OP	5.66	6.15	8.7%	4,821.8	Y	12/2026	20.5	21.9	23.4%	6.8%	27.6	25.9	6.3	26.1%	13.0	2.3%
LGMS BHD	OP	0.530	0.580	9.4%	241.7	Y	12/2026	2.9	3.6	30.4%	21.8%	18.2	14.9	1.8	10.5%	2.0	3.8%
M'SIAN PACIFIC INDUSTRIES BHD	MP	34.00	31.30	-7.9%	6,779.5	Y	06/2026	104.4	120.3	35.2%	15.2%	32.6	28.3	3.1	9.7%	35.0	1.0%
NATIONGATE HOLDINGS BHD	MP	0.770	0.660	-14.3%	1,742.2	Y	12/2026	4.7	5.7	7.8%	21.1%	16.3	13.5	1.6	10.2%	2.0	2.6%
OPPSTAR BHD	MP	0.290	0.230	-20.7%	186.0	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	29.5	1.5	-8.0%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.64	1.28	-22.0%	629.8	Y	12/2026	8.1	8.8	37.6%	8.0%	20.2	18.7	0.9	4.8%	0.0	0.0%
SKP RESOURCES BHD	MP	0.390	0.500	28.2%	609.3	Y	03/2026	5.7	4.4	-24.4%	-22.5%	6.9	8.9	0.5	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	3.02	1.97	-34.8%	4,871.5	Y	12/2026	7.6	9.2	94.1%	21.8%	39.9	32.8	2.3	5.8%	6.0	2.0%
UWC BHD	OP	4.47	4.70	5.1%	4,931.0	Y	07/2026	9.0	14.3	143.3%	59.0%	49.9	31.4	8.5	18.7%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.80	3.65	-3.9%	2,703.0	Y	12/2026	12.1	13.1	39.0%	8.1%	31.4	29.0	3.1	10.4%	2.0	0.5%
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					**42,259.1**					**21.5%**	**20.0%**	**30.1**	**25.1**	**3.0**	**10.2%**		**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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