

28 May 2026

Inari Amertron

RF Reset, Optics Rise

By Cheow Ming Liang | cheowml@kenanga.com.my

INARI's medium-term outlook remains constructive, anchored by RF recovery from the upcoming September flagship cycle, AI-driven opto-electronics/ISL photonics growth, and longer-term optionality in advanced packaging and AI server power regulators. We cut FY26F net profit by 16% to RM183m to reflect the weak 3Q, but raise FY27F net profit by 3% to RM293m on higher RF loading assumptions. Rolling forward our valuation base to FY27, we raise our TP to RM2.42 from RM2.02, based on an unchanged 29x PER. Maintain OUTPERFORM.

RF remains INARI's core earnings base, with recovery expected from September. Management views the current RF weakness as cyclical and content-driven rather than structural, as the existing flagship model carries only one circuit, resulting in weak loading/utilisation rate of around 50%. However, recovery appears more visible from the upcoming September flagship smartphone cycle, where INARI has secured a step-up to four circuits, potentially lifting RF utilisation above 75% in FY27. While revenue will not scale proportionately due to customer-consigned materials, the recovery is largely dependent on execution and ramp timing. Looking ahead, further content expansion, potentially to as many as nine circuits and supported by advanced packaging and double-sided mould SiP capabilities, could make FY28 a stronger year for the RF segment.

Opto-electronics/ISL photonics is emerging as a key growth pillar. The group remains upbeat on its opto-electronics outlook, underpinned by rising demand for higher-speed optical interconnect solutions driven by AI-related data traffic growth. Within this segment, ISL photonics/chip-pack is moving beyond legacy product support into a multi-year growth phase. INARI is also moving deeper into the higher-value optical value chain, particularly in sub-assembly, precision packaging and process integration, while ongoing capacity expansion at P13/P34, automation, hiring and equipment ordering should strengthen its readiness for future ramps. This should place the group in a stronger position to lift opto-electronics' revenue contribution to 38% in FY27-FY28, from 34% in 9MFY26.

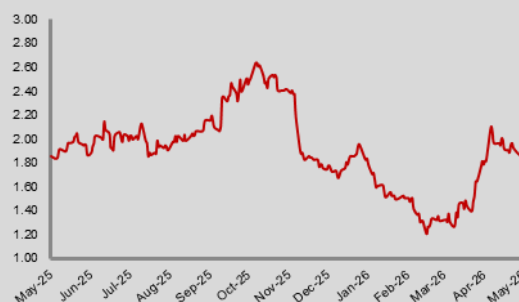
Advanced packaging provides another medium-term growth lever. Management highlighted advanced packaging as an important growth pillar, supported by its participation in MAPC and around RM70m of investments in capabilities such as double-sided mould, advanced SiP, front-end modules, power amplifiers, duplexers, PA modules and potential flip-chip BGA applications. The group is also building C4 bumping capability, which supports chip-to-substrate and chip-on-chip integration, while its established testing capability helps complete the value chain. Although double-sided mould SiP is more relevant for the next model cycle rather than the immediate one, it could provide additional RF content upside and support a stronger FY28 outlook.

Power regulator remains an early-stage AI server opportunity. INARI is exploring opportunities in power regulator components for AI data centre cards, as higher-power GPUs, microprocessors and AI hardware require more advanced power voltage and intelligent switching regulators. The group has acquired and set up a production line at CK1 in the Philippines with a China partner, while also evaluating a non-China production setup in Penang to support customers seeking supply chain diversification. The programme is still at a small-build/qualification stage with no meaningful revenue contribution yet, but could develop into a medium-term opportunity if customer validation progresses successfully.

OUTPERFORM ↔

Price : RM2.22
Target Price : RM2.42 ↑

Share Price Performance



KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	0.55%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	INRI MK EQUITY
Market Cap (RM m)	7,539.5
Shares Outstanding	3,807.8
52-week range (H)	2.67
52-week range (L)	1.21
3-mth avg. daily vol.	21,551,510
Free Float	75%
Beta	1.3

Major Shareholders

Employees Provident	15.6%
Insas Bhd	10.8%
Kumpulan Wang Persar	10.1%

Summary Earnings Table

FYE Jun (RM m)	2025A	2026F	2027F
Turnover	1,352	1,167	1,528
EBIT	155	112	248
PBT	220	170	311
Core Net Profit	255	183	301
Consensus	-	204	247
Earnings Revision	-	-	-
Core EPS (sen)	6.7	4.8	8.0
EPS Growth (%)	-18	-28	65
NDPS (sen)	5.5	4.5	6.8
BV/Share (RM)	0.73	0.73	0.74
Core PER (x)	33.0	45.9	27.9
P/BV (x)	3.0	3.1	3.0
Gearing (x)	N.Cash	N.Cash	N.Cash
Net Dvd Yield (%)	2.5	2.0	3.1

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RF recovery and AI optics to drive next growth phase. INARI expects near-term operations to remain mixed, amid uneven semiconductor demand, Middle East geopolitical risks, emerging supply chain disruptions, rising gold and raw material costs, and a weaker USD. Nonetheless, the medium-term outlook remains constructive, supported by an expected RF recovery from the upcoming flagship smartphone cycle, alongside growth opportunities in opto-electronics/photonics, ISL chip-pack, AI data centre connectivity, power regulator components and advanced packaging, which could potentially lift group revenue towards the RM1.8b–RM2.0b range by FY28.

Forecasts. We cut our FY26 net profit forecast by 16% to RM183m to reflect the softer-than-expected 3Q performance. However, we raise our FY27 net profit forecast by 6% to RM301m after lifting our RF loading assumption to 75% from 72%, in line with management's guidance.

Valuations. Correspondingly, we raise our TP to RM2.42 from RM2.02 after rolling forward our valuation base to FY27, while maintaining our target PER at 29x, equivalent to 1SD above its 5-year mean. Our TP continues to incorporate a 5% premium to reflect INARI's 4-star ESG rating. 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 @ 26 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.					1-Yr. Fwd.	1-Yr. Fwd.
D&O GREEN TECHNOLOGIES BHD	MP	0.440	0.470	6.8%	545.4	Y	12/2026	2.1	2.3	132.7%	39.9%	20.7	19.3	0.8	3.8%	1.0	2.3%		
FRONTKEN BHD	OP	4.85	5.10	5.2%	8,792.7	Y	12/2026	12.8	13.9	31.9%	8.7%	38.0	34.9	6.8	19.1%	4.0	0.8%		
INARI AMERTRON BHD	OP	2.22	2.42	9.0%	8,453.3	Y	06/2026	4.8	8.0	-28.1%	64.6%	45.9	27.9	3.1	5.9%	5.0	2.3%		
KELINGTON GROUP BHD	OP	7.32	9.05	23.6%	6,301.0	Y	12/2026	21.4	24.5	29.1%	14.1%	34.1	29.9	8.3	27.5%	15.0	2.0%		
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	49.14	38.90	-20.8%	9,798.4	Y	06/2026	104.7	134.1	35.6%	28.0%	46.9	36.7	4.4	9.7%	40.0	0.8%		
NATIONGATE HOLDINGS BHD	MP	0.725	0.660	-9.0%	1,640.4	Y	12/2026	4.7	5.7	7.8%	21.1%	15.4	12.7	1.5	10.2%	2.0	2.8%		
OPPSTAR BHD	MP	0.670	0.230	-65.7%	431.1	Y	03/2027	(1.6)	1.0	-184.7%	-40.0%	N.A.	68.1	3.4	-8.0%	0.0	0.0%		
P.I.E. INDUSTRIAL BHD	MP	1.42	1.45	2.1%	545.3	Y	12/2026	5.9	8.4	0.4%	42.3%	24.0	16.9	0.8	3.5%	0.0	0.0%		
SKP RESOURCES BHD	MP	0.355	0.500	40.8%	554.6	Y	03/2026	5.7	4.4	-24.4%	-22.5%	6.3	8.1	0.5	8.0%	0.0	0.0%		
SKYECHIP BHD	OP	2.89	2.00	-30.8%	5,190.4	Y	03/2027	2.6	3.4	30.1%	32.1%	111.1	84.1	29.9	31.2%	70.0	24.2%		
UNISEM (M) BHD	UP	5.10	2.47	-51.6%	8,226.7	Y	12/2026	5.4	9.5	39.6%	74.6%	93.7	53.7	3.8	4.1%	0.0	0.0%		
UWC BHD	OP	5.89	4.70	-20.2%	6,498.6	Y	07/2026	9.0	14.3	143.3%	59.0%	65.7	41.3	11.3	18.7%	0.0	0.0%		
PENTAMASTER CORP BHD	MP	4.60	3.95	-14.1%	3,272.1	Y	12/2026	12.1	13.1	39.0%	8.1%	38.0	35.1	3.8	10.4%	2.0	0.4%		
INFOMINA BHD	OP	1.08	1.90	75.9%	649.4	Y	05/2026	5.6	7.6	60.7%	34.8%	19.2	14.2	3.3	18.3%	1.0	0.9%		
Simple Average					61,141.2					17.5%	30.2%	43.7	33.6	5.6	11.5%		2.7%		

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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KENANGA INVESTMENT BANK BERHAD (15678-H)
 Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
 Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

