



Company Report

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INARI AMERTRON

(INRI MK EQUITY, INAR.KL)

2 Sep 2025

In transition

HOLD

(Maintained)

Rationale for report: Company Result

Price RM1.98
Fair Value RM1.70
52-week High/Low RM3.43/RM1.42

Key Changes

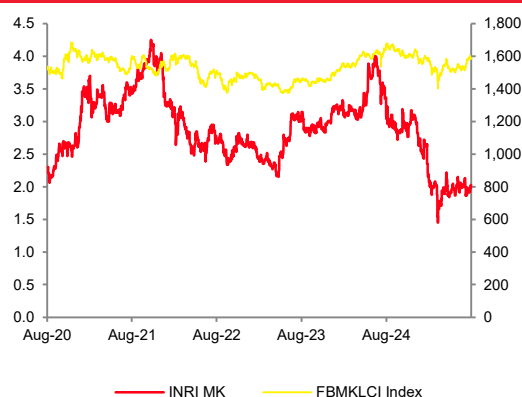
Fair value ⓘ
EPS ⓘ

YE to June	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	1,351.9	1,382.5	1,513.5	1,660.5
Core net profit (RM mil)	261.2	237.9	286.6	307.9
FD Core EPS (sen)	6.9	6.3	7.6	8.1
FD Core EPS growth (%)	(13.6)	(8.9)	20.5	7.4
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	6.3	6.3	7.6	8.1
PE (x)	28.7	31.5	26.2	24.4
EV/EBITDA (x)	16.0	14.7	12.8	12.2
Div yield (%)	3.1	3.1	3.7	4.0
ROE (%)	7.9	8.6	10.4	11.1
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	3,789.0
Market Cap (RMmil)	7,502.2
Book Value (RM/Share)	0.73
P/BV (x)	2.7
ROE (%)	7.9
Net Gearing (%)	-
Major Shareholders	EPF (13.5%) Insas Bhd (12.9%) KWAP (10.2%)
Free Float	74.3
Avg Daily Value (RMmil)	27.6

Price performance	3mth	6mth	12mth
Absolute (%)	7.0	(4.3)	(36.1)
Relative (%)	2.7	(5.1)	(32.6)



Investment Highlights

As its core RF business hits a ceiling, Inari is deploying its cash in pursuit of new growth. A 14% YoY drop in FY25 earnings was expected and highlights the stagnation in RF revenues. Plans to acquire a 25.5% stake in Lumileds signals a bold ambition to diversify revenues. However, as the acquisition target is currently loss making, execution risks are high and could weigh on future earnings. Being cautious, we maintain our Hold call, albeit at a higher TP of RM1.70/share (from RM1.50), as we roll our valuation base year forward.

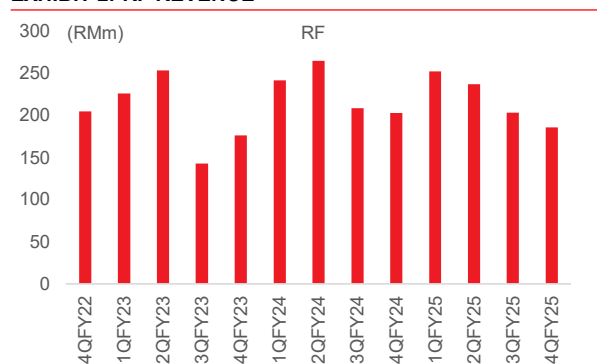
- Retain HOLD at higher TP.** Rolling forward our valuation base year, we raise our TP from RM1.50 to RM1.70/share. This is based on an unchanged target PE of 21.5x and FY27F EPS. Our target PE is pegged to 1sd below its 5-year average, to reflect the maturation of its RF business and lingering uncertainties around external tariffs.
- Within expectations.** Adjusting for forex losses, FY25 core profit declined 14% YoY to RM261mil. This formed 104% and 101% of ours and consensus estimates. Weaker revenues were across the board, at RF (-4% YoY), Fibre and opto (-17% YoY) and Generic (-9% YoY). Due to operating leverage, net profit margins contracted 1.1pp YoY to 19%.
- Management guiding for flattish RF revenues.** We raise FY26F earnings by 7%. We had previously conservatively assumed a 10% decline in FY26F RF revenues, due to potential US tariffs on smartphones. However, with its end customer's commitment to manufacturing in the US, we now anticipate a more lenient treatment. That said, RF still represents a mature segment and for the group to re-enter a growth trajectory, contributions from new customers and products will be essential.
- Investment in Lumileds is a bold acquisition.** Inari's capital outlay is USD71.4mil (RM307mil) for a 25.5% stake. While the investments offers diversification and long term growth potential, execution risks are high. We estimate a potential insourcing opportunity of up to RM285mil, which could lift FY27F revenues by +19%. However, Lumileds is loss making and on a full year basis, could dilute Inari's FY27F earnings by 25%. The acquisition is expected to be completed by 1QCY26 and we have yet to incorporate it into our forecasts.

EXHIBIT 1: 4QFY25 EARNINGS SUMMARY

FYE Jun (RMm)	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	FY25	FY24	YoY (%)
Revenue	307	333	(7.9)	308	(0.5)	1,352	1,479	(8.6)
Ebitda	76	77	(0.8)	79	(3.8)	335	373	(10.2)
Depreciation	-33	-35	(5.3)	-35	(4.3)	-138	-123	12.0
Ebit	43	42	3.0	45	(3.5)	197	250	(21.1)
Finance income	18	19	(2.8)	15	17.8	68	67	1.6
Finance costs	-1	-1	(15.4)	-1	28.9	-2	-2	(1.2)
JV/Associates	0	0	n.m.	0	n.m.	0	0	(100.0)
EI	-15	-5	230.1	-2	519.4	-42	-2	1,864.9
Pbt	46	55	(17.6)	57	(20.4)	220	312	(29.4)
Taxation	4	-1	(480.7)	-4	(205.9)	-7	-12	(40.5)
MI	0	0	(176.9)	2	(116.8)	6	0	4,173.3
Patami	49	55	(10.1)	55	(11.4)	219	300	(27.1)
Core net profit	64	59	8.5	58	11.0	261	302	(13.6)
Base EPS (sen)	1.3	1.5	(10.3)	1.5	(11.0)	5.8	8.0	(27.8)
DPS (sen)	1.2	1.4	(14.3)	1.3	(7.7)	5.5	7.7	(28.6)
Profitability ratios (%)			pp	pp		pp		
Ebitda margin	24.9	23.1	1.8	25.8	(0.9)	24.8	25.2	(0.4)
Ebit margin	14.1	12.6	1.5	14.5	(0.4)	14.6	16.9	(2.3)
Pbt margin	14.9	16.6	(1.7)	18.6	(3.7)	16.3	21.1	(4.8)
Tax rate	(8.6)	1.9	(10.5)	6.5	(15.1)	3.3	3.9	(0.6)
Net profit margin	21.0	17.8	3.2	18.8	2.2	19.3	20.4	(1.1)
Revenue breakdown								
RF	186	203	(8.6)	203	(8.7)	879	919	(4.3)
Fibre and optoelectronics	103	110	(6.0)	89	15.6	392	471	(16.8)
Generic	18	20	(11.9)	15	14.2	81	89	(8.6)

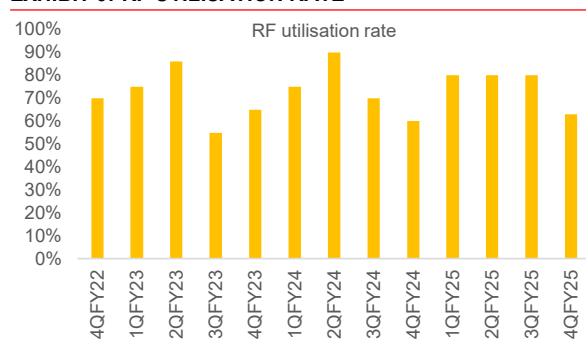
Source: Inari Amertron, AmlInvestment Bank

EXHIBIT 2: RF REVENUE

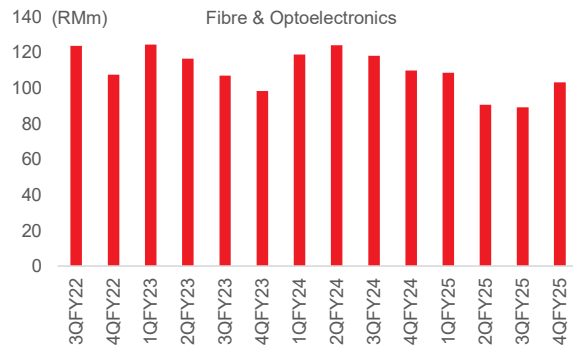


Source: Inari Amertron, AmlInvestment Bank

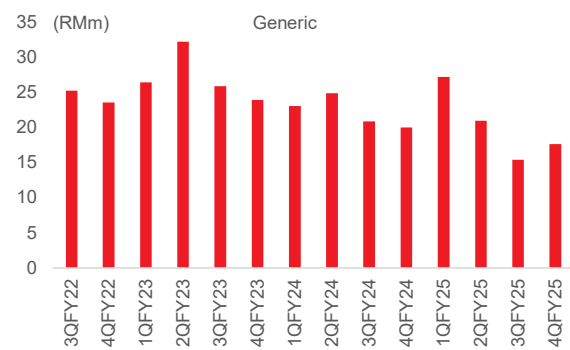
EXHIBIT 3: RF UTILISATION RATE



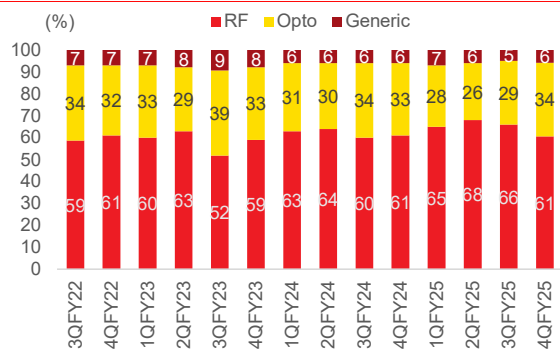
Source: Inari Amertron, AmlInvestment Bank

EXHIBIT 4: FIBRE & OPTOELECTRONICS REVENUE

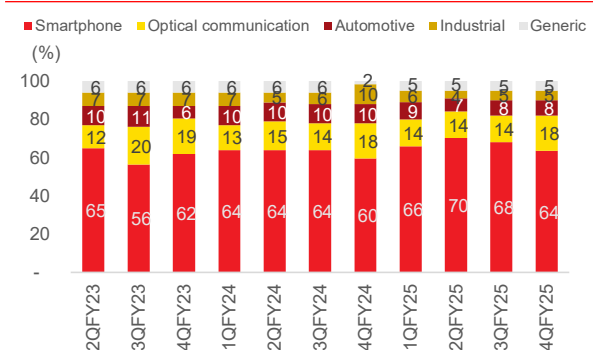
Source: Inari Amertron, AmlInvestment Bank

EXHIBIT 5: GENERIC REVENUE

Source: Inari Amertron, AmlInvestment Bank

EXHIBIT 6: REVENUE BREAKDOWN BY PRODUCT

Source: Inari Amertron, AmlInvestment Bank

EXHIBIT 7: REVENUE BREAKDOWN BY SEGMENT

Source: Inari Amertron, AmlInvestment Bank

EXHIBIT 8: CHANGE IN EARNINGS

RMmil	FY26F			FY27F		
	Old	New	%	Old	New	%
Revenue	1,291	1,382	-	1,514	1,514	-
RF revenues	796	888	+11.6	919	919	-
Earnings	222	238	+7.4	288	287	(0.6)

Source: AmlInvestment Bank

EXHIBIT 9: VALUATIONS

Target PE (x)	21.5x
FY27 EPS	7.6sen (from 6.7sen)
4-star ESG premium	x3% premium
12-month target price	RM1.70 (from RM1.50)

Source: AmlInvestment Bank

Company profile

Inari is a professionally run OSAT (outsourced semiconductor assembly and test) company. It has one of the largest RF (radio frequency) test sites in the world, with more than 1k testers. Its main customer contributed to 91% of FY24 revenues.

Apart from RF, some of the other products the group is involved in includes fibre optic transceivers, optoelectronics, memory modules, sensors and custom ICs (integrated circuits).

Total built-up production floor space stands at 1.8m sqft across its facilities in Malaysia, Philippines and China. Its capabilities include wafer probe & processing, assembly, package test and back end.

Investment thesis and catalysts

Most liquid Malaysia Technology name. Three-month average daily turnover stands at US\$6mil. As the majority of its peers trade below US\$1mil a day, the group is generally favoured as a quick way to build an exposure to Malaysia Technology.

Normalising RF growth. Due to mature smartphone penetration rates and until 6G arrives, we expect RF revenue growth to normalise to mid-single digit levels going forward. However, there are still opportunities for above average growth, if AI enabled smartphones trigger a new smartphone replacement cycle.

Bold acquisition of 25.5% stake in Lumileds. While the deal could boost FY27F revenue by 19%, Lumileds' losses may drag earnings by up to 25%. Completion is expected by 1QCY26, with forecasts yet to reflect the impact.

New customer contributions have been slow. As RF growth normalises, the group has to secure new customers/products to sustain its historical growth rate. While it is well positioned to benefit from supply chain relocation activities, new customer contributions have been slow to translate.

Valuation methodology

We value Inari based on a target PE of 21.5x and FY27F EPS. Our target PE is 1sd below the group's 5-year average. This is to reflect the maturation of its RF business and lingering uncertainties around external tariffs.

Our target PE remains at a premium to its OSAT (outsourced semiconductor assembly and test) peers, which we believe is fair, due to its liquidity, less volatile earnings and strong track record.

Risk factors

Given its high major customer and smartphone dependency, any order reduction or terminations could substantially hinder the group's performance.

The group is also susceptible to currency fluctuations, where every 1% increase/decrease in the USD/MYR rate, increases/decreases earnings by 3%.

EXHIBIT 10: FINANCIAL DATA

Income Statement (RMmil, YE 31 June)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1,478.7	1,351.9	1,382.5	1,513.5	1,660.5
EBITDA	370.8	334.9	367.4	422.8	447.7
Depreciation/Amortisation	(123.1)	(137.9)	(145.7)	(146.5)	(147.1)
Operating income (EBIT)	247.6	196.9	221.8	276.4	300.6
Other income & associates	(0.2)	-	-	-	-
Net interest	64.7	65.8	42.6	42.0	41.5
Exceptional items	(2.2)	(42.4)	-	-	-
Pretax profit	310.1	220.3	264.3	318.4	342.1
Taxation	(10.0)	(7.2)	(26.4)	(31.8)	(34.2)
Minorities/pref dividends	0.1	5.6	-	-	-
Net profit	300.2	218.7	237.9	286.6	307.9
Core net profit	302.4	261.2	237.9	286.6	307.9
Balance Sheet (RMmil, YE 31 June)	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	779.4	726.2	730.5	734.1	737.0
Intangible assets	10.9	9.9	9.9	9.9	9.9
Other long-term assets	19.9	24.0	24.0	24.0	24.0
Total non-current assets	810.3	760.1	764.4	767.9	770.8
Cash & equivalent	2,260.7	2,141.4	2,114.2	2,089.4	2,062.8
Stock	181.0	179.1	170.3	186.4	204.5
Trade debtors	253.6	254.5	310.7	340.1	373.1
Other current assets	48.5	66.9	66.9	66.9	66.9
Total current assets	2,743.8	2,641.8	2,662.0	2,682.9	2,707.3
Trade creditors	274.7	233.0	257.5	281.9	309.2
Short-term borrowings	-	-	-	-	-
Other current liabilities	73.4	50.5	50.5	50.5	50.5
Total current liabilities	348.1	283.4	307.9	332.3	359.7
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	31.8	28.1	28.1	28.1	28.1
Total long-term liabilities	31.8	28.1	28.1	28.1	28.1
Shareholders' funds	2,793.8	2,763.7	2,763.7	2,763.7	2,763.7
Minority interests	380.4	326.7	326.7	326.7	326.7
BV/share (RM)	0.74	0.73	0.73	0.73	0.73
Cash Flow (RMmil, YE 31 June)	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	310.1	220.3	264.3	318.4	342.1
Depreciation/Amortisation	123.1	137.9	145.7	146.5	147.1
Net change in working capital	122.6	(47.1)	(22.9)	(21.2)	(23.8)
Others	(40.0)	10.6	(26.4)	(31.8)	(34.2)
Cash flow from operations	515.7	321.8	360.6	411.8	431.2
Capital expenditure	(180.7)	(112.4)	(150.0)	(150.0)	(150.0)
Net investments & sale of fixed assets	287.5	-	-	-	-
Others	(299.0)	(117.6)	-	-	-
Cash flow from investing	(192.3)	(230.1)	(150.0)	(150.0)	(150.0)
Debt raised/(repaid)	(0.7)	(1.6)	-	-	-
Equity raised/(repaid)	103.3	39.7	-	-	-
Dividends paid	(292.1)	(238.3)	(237.9)	(286.6)	(307.9)
Others	299.3	80.8	-	-	-
Cash flow from financing	109.9	(119.4)	(237.9)	(286.6)	(307.9)
Net cash flow	433.3	(27.7)	(27.2)	(24.7)	(26.7)
Net cash/(debt) b/f	1,831.0	2,260.7	2,141.4	2,114.2	2,089.4
Net cash/(debt) c/f	2,260.7	2,141.4	2,114.2	2,089.4	2,062.8
Key Ratios (YE 31 June)	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	9.2	(8.6)	2.3	9.5	9.7
EBITDA growth (%)	(6.1)	(9.7)	9.7	15.1	5.9
Pretax margin (%)	21.0	16.3	19.1	21.0	20.6
Net profit margin (%)	20.3	16.2	17.2	18.9	18.5
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	3.2	3.3	10.0	10.0	10.0
Dividend payout (%)	97.3	108.9	100.0	100.0	100.0
Debtors turnover (days)	82	69	75	78	78
Stock turnover (days)	45	49	46	43	43
Creditors turnover (days)	68	69	65	65	65

Source: Company, AmlInvestment Bank Bhd estimates

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