TECHNOLOGY

AmInvestment Bank

Company Report

INARI AMERTRON

(INRI MK EQUITY, INAR.KL) **03 Aug 2025**

Acquiring 25.5% stake in Lumileds

HOLD

Price: RM2.13
Target price: RM1.50

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Rationale for report: Company Update

Quick Take

YE to June	FY24	FY25F	FY26F	FY27F
FD Core EPS (sen)	8.0	6.6	5.8	7.6
PE (x)	26.7	32.2	36.4	28.0

Source: AmInvestment Bank Bhd

Inari's investment in Lumileds is a bold strategic acquisition. It offers diversification and long-term growth potential, but execution risks are high. With China's Sanan taking the lead as a majority partner, operational burden is shared, but Inari's financial exposure remains meaningful. The deal is likely to be earnings dilutive in the short term, while ultimate success hinges on Lumiled's turnaround and Inari's ability to capture insourcing opportunities.

- **Inari is co-investing with China's San'an Optoelectronics to acquire 100% of Lumileds Holding B.V. for USD239mil (RM1.0bil), via a Hong Kong SPV.** Given Lumileds' loss-making status, the deal implies a PBV of 1.1x, which we view as fair, as it is reflects a valuation close to book value.

- **Total investment of USD280mil.** The total investment, including working capital, amounts to USD280mil (RM1.2bil), with Inari holding 25.5% and Sanan 74.5% in the SPV. Inari's capital outlay of USD71.4mil (RM307mil), comprises USD61mil in enterprise value and USD10.5mil in working capital. There are no funding constraints, with the group previously raising RM1.0bil from a private placement back in July 2021. Existing net cash stands at RM2.1bil. No shareholder approvals are required and the deal is targeted to be completed by end 1Q26.

- **Lumileds is a global LED company with a focus on automotive, specialty and illumination lighting.** In ranks no. 2 in traditional Auto lamps/bulbs and no. 3 in Auto emitters. Financially, Lumileds posted a net loss of USD67mil in FY24 and USD17mil in 1Q25, on revenues of USD589mil and USD141mil respectively. The company was founded in 1999 as a JV between Philips Lighting and Agilent Technologies, before becoming a wholly owned subsidiary of Philips in 2005. In 2017, Apollo Global Management acquired an 80% stake. After years of financial strain, Lumileds filed for Chapter 11 bankruptcy in 2022 and later restructured under new ownership led by its debt investors.

- **What's in it for Inari?** The deal offers two clear motivations: 1) Securing a new insourcing customer for its OSAT business and 2) Capital upside upon successful turnaround. Lumileds' packaging and test activities are fully based in Penang, creating an opportunity for Inari to internalise backend services. We estimate a potential insourcing opportunity of up to RM285mil (+19% to FY27F revenues). This will help diversify the group's revenue exposure beyond RF and grow its automotive revenue base. Moreover, Sanan's participation as a partner adds credibility, being one of China's leading LED chipmakers, with an annual revenue of USD2.2bil and market cap of USD8.4bil. If the turnaround is successful, there may be future monetisation opportunities.

- **Execution risks amid industry headwinds.** Lumileds is loss making and on a full year basis, we estimate a 25% dilution to Inari's FY27F earnings, as losses are recognised at an associate level. Structurally, the automotive LED market itself is under pressure from commoditisation, OEM cost down pressures and slowing EV momentum. Global peers in the LED space also report thin profitability, with low single digit margins or losses in their latest FY.

TABLE 1 : VALUATION MATRIX

YE 31 June	FY23	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	1,354.0	1,478.7	1,409.6	1,290.6	1,513.5
Core net profit (RM mil)	308.2	302.4	250.7	221.6	288.4
FD Core EPS (sen)	8.1	8.0	6.6	5.8	7.6
FD Core EPS growth (%)	(16.1)	(1.9)	(17.1)	(11.6)	30.2
Consensus Net Profit (RM mil)	-	-	-	-	-
DPS (sen)	9.2	7.7	6.6	5.8	7.6
PE (x)	26.2	26.7	32.2	36.4	28.0
EV/EBITDA (x)	15.8	15.7	15.1	16.4	13.7
Div yield (%)	5.3	4.4	3.8	3.4	4.4
ROE (%)	12.7	11.1	9.0	7.9	10.3
Net Gearing (%)	nm	nm	nm	nm	nm

Source: Company, AmInvestment Bank Bhd estimates

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