Inari Amertron Berhad

(0166 | INRI MK) Technology | Semiconductors

Maintain BUY

Mixed Performance

***Revised* Target Price: RM3.53**

(Previously: RM3.65)

KEY INVESTMENT HIGHLIGHTS

- **Supply constraints dragged 4Q22 normalized earnings lower by -20.7%yoy**
- **The Group's FY22 revenue was marginally higher by +8.3%yoy**
- **Dividend payout for FY22 is at 10.0sen per share**
- **Maintain BUY with revised TP of RM3.53**

Mixed Performance. Inari Amertron Bhd's (Inari) 4QFY22 normalised earnings fell by -20.7%yoy to RM69.2m. Moreover, revenue in 4QFY22 declined by -7.0%yoy to RM336.2m. Despite the drop in 4Q22 figures, Inari's full year earnings for FY22 was stronger than that of FY21. The Group recorded RM367.9m (+8.9%yoy) in normalised earnings for FY22. Earnings increased primarily due to greater cumulative revenue of RM1.5b (+8.3%yoy) as all business segments recorded positive growth, with the RF business segment continuing to be the leading contributor to revenue growth. Nevertheless, the Group FY22 financial performance fell short of both our and the consensus's forecast, accounting for 88% and 94% of full-year FY22 earnings estimates respectively. The negative deviation could be attributed to reduced loading volume in the Optoelectronics and Generic business categories owing to raw material supply restrictions.

Dividend. The Group declared a fourth interim dividend of 2.2sen (ex-date: 9 September 2022), bringing the total dividend for FY22 to 10.0sen per share. That translates into a dividend yield of 3.9%.

Earnings forecast revised downwards. As earnings came in below our expectation, we tweak our earnings estimates for FY23 downwards by -3.0%. Note that we also introduce our earnings forecast for FY24. Corresponding to the downward revision in earnings, our target price is revised to RM3.53 from RM3.65. Note that we maintain our PER of 24.2x (5-year PE mean) by pegging it to the revised FY23 EPS of 14.6sen.

Maintain BUY. Inari performance remained relatively robust and insulated despite continuous global supply chain challenges owing to cautious inventory management. We believe that the Group's volume loadings will continue to grow, particularly in the RF market, which is critical for 5G technology adoption. We also expect operational profit margins to improve as a result of various cost-cutting and CAPEX actions. Taking everything into account, we are keeping our **BUY** recommendation with a **revised target price of RM3.53**.

RETURN STATISTICS	
Price @ 19th August 2022 (RM)	2.56
Expected share price return (%)	+37.9
Expected dividend yield (%)	+5.4
Expected total return (%)	+43.3

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	5.9	3.2
3 months	8.3	15.5
12 months	-15.9	-15.1

KEY STATISTICS	
FBM KLCI	1504.44
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	3707.67
Estimated free float (%)	62.22
Market Capitalisation (RM'm)	10,609.29
52-wk price range (RM)	RM2.36 – RM4.3
Beta vs FBM KLCI (x)	0.51
Monthly velocity (%)	1.89
Monthly volatility (%)	19.16
3-mth average daily volume (m)	10.27
3-mth average daily value (RM'm)	27.66
Top Shareholders (%)	
Insas Bhd	13.98
Kumpulan Wang Persaraan Diperbandan	9.46
Employees Provident Fund	8.88

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INVESTMENT STATISTICS

Financial year ending 30th June (in RM'm, unless otherwise stated)	2020A	2021A	2022A	2023F	2024F
Revenue	1058.0	1428.7	1547.9	1923.3	2212.1
EBIT	184.2	360.1	471.1	499.47	540.3
PBT	172.4	352.2	446.1	527.6	568.3
PATANCI	157.1	331.0	391.5	474.5	511.8
Normalised PATANCI	**148.3**	**337.8**	**367.9**	**474.5**	**511.8**
Normalised EPS (sen)	4.6	10.2	10.0	14.6	15.76
Normalised EPS Growth (%)	-19.4	120.7	18.2	21.4	7.7
PER (x)	55.4	25.1	21.2	17.5	16.2
Dividend Per Share (sen)	4.4	11.0	10.0	13.9	15.0
Dividend yield (%)	1.7	4.3	3.9	5.4	5.9

Source: Company, MIDFR

INARI AMERTRON BHD: 4QFY22 RESULTS SUMMARY

Financial year ending 30th June (in RM'm, unless otherwise stated)	Quarterly Results			Cumulative		
	4Q22	% YoY	% QoQ	2022	2021	% YoY
Revenue	336.2	-7.0	-6.7	1547.9	1428.7	8.3
EBITDA	135.0	10.6	-1.8	572.1	462.8	23.6
Depreciation and amortisation	-18.1	-30.8	-37.1	-100.9	-102.7	-1.7
EBIT	116.8	21.9	7.6	471.1	360.1	30.8
Finance costs	-1.0	216.4	-4876.2	-1.0	-0.5	97.7
Interest income	-8.0	262.4	49.3	-23.9	-7.1	236.4
Share of loss of associate	0.1	37.1	-183.2	-0.1	-0.2	-65.7
PBT	108.0	15.6	4.8	446.1	352.2	26.6
Taxation	-22.0	366.3	72.1	-54.9	-21.5	155.0
MI	-0.3	-180.2	31.4	0.3	0.2	14.0
PATANCI	85.7	-3.7	-4.9	391.5	331.0	18.3
Normalised PATANCI	69.2	-20.7	-20.1	367.9	337.8	8.9
Normalised EPS (sen)	1.9	-28.6	-20.2	10.0	10.2	-1.5
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	40.1	6.4	2.0	37.0	32.4	4.6
EBIT margin (%)	34.8	8.2	4.6	30.4	25.2	5.2
Normalised PATANCI margin (%)	20.6	-3.6	-3.4	23.8	23.6	0.1
Effective tax rate (%)	20.4	15.3	8.0	12.3	6.1	6.2

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology