# Inari Amertron Berhad

(0166 | INRI MK) Technology | Semiconductors

**_Maintain_ BUY**

## Stay Resilient

***Revised* Target Price: RM3.20**

*(Previously: RM3.53)*

## KEY INVESTMENT HIGHLIGHTS

- **1QFY23 normalised earnings dropped by -16.8%yoy in tandem to the declined in the 1QFY23 topline by -12.6%yoy to RM377.0m**
- **Earnings decreased primarily due to comparatively lower loading volume in the current quarter**
- **Earnings estimates revised downward**
- **Maintain BUY with lower TP of RM3.20**

**Missed Expectation.** Inari Amertron Bhd's (Inari) 1QFY23 normalised earnings fell by -16.8%yoy to RM85.3m in tandem to the decline in 1QFY23 topline by -12.6%yoy to RM377.0m. Earnings decreased primarily due to comparatively lower loading volume in the current quarter. Sequentially, the Group recorded higher normalized earnings by 23.3%qoq on the back of higher revenue growth (+12.1%qoq). The increase was mainly due to comparatively higher revenue growth in all business segments, with the RF business segment continuing to be the leading contributor to the revenue growth. Nevertheless, the Group 1QFY23 financial performance missed our but met the consensus's expectations, accounting for 18% and 20% of full-year FY23 earnings estimates respectively. The slight negative deviation could be attributed to lower than expected loading volume in the RF segments amid slow smartphone sales.

**Dividend.** The Group declared a first interim dividend of 2.6sen vs 2.8sen in 1QFY22. The entitlement date and payment date are on 9 December 2022 and 6 January 2023 respectively.

**Earnings forecast revised downwards.** As earnings missed our expectation, we tweak our earnings estimates for FY23/24F downwards by -10.2% to -11.5%. Corresponding to the downward revision in earnings, our target price is revised to RM3.20 from RM3.53. Note that we maintain our PER of 24.2x (5-year PE mean) by pegging it to the revised FY23 EPS of 13.14sen.

**Maintain BUY**. Inari performance remained relatively resilient 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 fairly mature RF market that is crucial 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 **lower target price of RM3.20**.

| RETURN STATISTICS | |
|---|---|
| Price @ 17th November 2022 (RM) | 2.58 |
| Expected share price return (%) | +24.0 |
| Expected dividend yield (%) | +4.8 |
| **Expected total return (%)** | +28.8 |

**SHARE PRICE CHART**



| Share price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 7.5 | 3.9 |
| 3 months | 2.4 | -5.6 |
| 12 months | -39.3 | -36.2 |

| KEY STATISTICS | |
|---|---|
| FBM KLCI | 1,449.32 |
| Syariah compliant | Yes |
| F4BGM Index | Yes |
| ESG Grading Band (Star rating) | ☆☆☆☆ |
| Issue shares (m) | 3707.67 |
| Estimated free float (%) | 61.02 |
| Market Capitalisation (RM'm) | 9,630.64 |
| 52-wk price range (RM) | 2.28 - 4.3 |
| Beta vs FBM KLCI (x) | 0.55 |
| 3-mth average daily volume (m) | 6.24 |
| 3-mth average daily value (RM'm) | 16.10 |
| Top Shareholders (%) | |
| Insas Bhd | 13.89 |
| Kumpulan Wang Persaraan Diperbandan | 10.33 |
| Employees Provident Fund | 9.39 |

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## INVESTMENT STATISTICS

| Financial year ending 30th June (in RM'm, unless otherwise | 2020A | 2021A | 2022A | 2023F | 2024F |
|---|---|---|---|---|---|
| Revenue | 1,057.95 | 1,428.70 | 1,547.90 | 1,703.43 | 1,956.85 |
| EBIT | 184.20 | 360.10 | 471.13 | 445.44 | 480.12 |
| PBT | 172.36 | 352.20 | 446.11 | 473.53 | 508.21 |
| PATANCI | 157.13 | 331.00 | 391.50 | 425.87 | 457.06 |
| **Normalised PATANCI** | **148.32** | **337.80** | **367.90** | **425.87** | **457.06** |
| Normalised EPS (sen) | 4.62 | 10.20 | 12.05 | 13.14 | 14.09 |
| Normalised EPS Growth (%) | (19.37) | 120.72 | 18.16 | 8.99 | 7.29 |
| PER (x) | 55.83 | 25.29 | 21.41 | 19.64 | 18.31 |
| Dividend Per Share (sen) | 4.40 | 11.00 | 10.00 | 12.48 | 13.39 |
| Dividend yield (%) | 1.71 | 4.26 | 3.88 | 4.84 | 5.19 |

*Source: Company, MIDFR*

## INARI AMERTRON BHD: 1QFY23 RESULTS SUMMARY

| (All in RM'm unless stated otherwise) | Quarterly Results | | |
|---|---|---|---|
| **FYE 30th June** | **1Q23** | **% YoY** | **% QoQ** |
| Revenue | 377.0 | -12.6 | 12.1 |
| | | | |
| EBITDA | 138.9 | -1.0 | 3.0 |
| Depreciation and amortisation | -26.9 | 1.8 | 48.4 |
| EBIT | 112.0 | -1.7 | -4.1 |
| Finance costs | -0.4 | 1229.6 | -64.2 |
| Interest income | 8.7 | 95.4 | -208.4 |
| Share of profit/(loss) of associate | 0.7 | -1413.0 | 392.4 |
| PBT | 121.1 | 2.3 | 12.1 |
| Taxation | -14.7 | 28.4 | -33.3 |
| MI | 0.1 | -473.5 | -150.6 |
| PATANCI | 106.5 | -0.3 | 24.3 |
| **Normalised PATANCI** | **85.3** | **-16.8** | **23.3** |
| Normalised EPS (sen) | 2.3 | -19.2 | 23.4 |
| | | +/- ppts | +/- ppts |
| EBITDA margin (%) | 36.9 | 4.3 | -3.3 |
| EBIT margin (%) | 29.7 | 3.3 | -5.0 |
| Normalised PATANCI margin (%) | 22.6 | -1.2 | 2.1 |
| Effective tax rate (%) | 12.1 | 2.5 | -8.3 |

*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