Inari Amertron Berhad

(0166 | INRI MK) Technology | Semiconductors

***Maintain* NEUTRAL**

Resilient Revenue Performance

***Revised* Target Price: RM3.08**

(Previously RM3.25)

KEY INVESTMENT HIGHLIGHTS

- **Maintain NEUTRAL with a revised target price of RM3.08 post the 1QFY25 results announcement**
- **1QFY25 normalised earnings of RM77.4m was mainly supported by the steady RF business**
- **Nonetheless, 1QFY25 financial statement came in at the lower end of ours and consensus expectations**
- **Cash reserves of more than RM2b put the group in a good position for M&A to expand the non-rf business segment**

RF business provides strong support to the group. We are maintaining our **NEUTRAL** recommendation for Inari with a revised **target price of RM3.08** post the 1QFY25 results announcement. The RF business remains an integral part of the group as it provides a steady revenue contribution as seen in the latest quarterly result. Nonetheless, this also showed that the non-RF business is more susceptible to the challenging landscape. The latter also affected the group's overall profit margin. Nonetheless, the group's cash balance remains healthy at more than RM2b. We view that this may lead to higher possibilities for M&A.

Better year-on-year performance. Inari's 1QFY25 normalised earnings contracted by -9.6%yoy to RM77.4m after excluding impact on forex. This was mainly attributable to higher operating costs which led to lower profit margin of +19.9%yoy (vs 1QFY24: 22.3%).

Nonetheless, revenue grew marginally higher by +1.1%yoy to RM388.0m which was led by higher volume loading volume in RF business segments.

All in, Inari's full year 1QFY25 financial performance came in at the lower end of ours and consensus expectations, making up 21.3% and 19.6% of full year FY25 earnings estimates respectively.

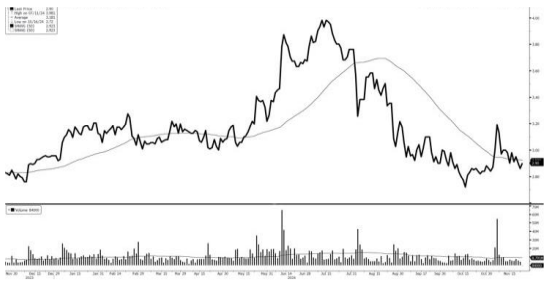
More conservative earnings estimates. While we make no changes to our revenue assumptions, we input higher operating costs for FY25 to FY27. This led to lower FY25 to FY27 earnings estimates of between -3.2% to -7.3%.

Lower target price. Premised on the lower earnings estimates, our target price has been reduced to **RM3.08** from RM3.25 previously. This is achieved by pegging revised CY25 EPS of 9.8sen against unchanged target PER of 31.5x.

Decline in 1QFY25 dividend. Given the lower reported earnings for 1QFY25, the group declared a quarterly dividend of 1sen. This was much lower as compared to 2.2sen announced for 1QFY24. Nonetheless, this represents a payout ratio of more than 100% based on reported eps of 0.64sen.

RETURN STATISTICS	
Price @ 27th November 2024 (RM)	2.97
Expected share price return (%)	+3.7
Expected dividend yield (%)	+2.9
Expected total return (%)	**+6.6**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.8	4.0
3 months	0.0	-11.0
12 months	0.7	-8.0

INVESTMENT STATISTICS

FYE June	2025E*	2026F	2027F
Revenue	1,640.9	1,779.7	1,905.5
Operating Profit	344.9	404.8	453.0
Profit Before Tax	383.2	444.5	494.2
Core PATAMI	337.3	391.3	435.0
Core EPS	9.0	10.5	11.7
DPS	7.4	8.5	9.2
Dividend Yield	2.5	2.9	3.1

KEY STATISTICS

FBM KLCI	1,604.25
Issue shares (m)	3774.30
Estimated free float (%)	75.14
Market Capitalisation (RM'm)	10,986.32
52-wk price range (RM)	RM2.71 - RM4.03
3-mth average daily volume (m)	9.18
3-mth average daily value (RM'm)	27.58
Top Shareholders (%)	
Insas Bhd	12.14
Employees provident fund	10.97
Kumpulan Wang Persaraan	9.70

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INARI AMERTRON BHD: 1QFY25 RESULTS SUMMARY

Financial year Ending 30th June (All in RM'm unless stated otherwise)	Quarterly results				
	1QFY25	1QFY24	% YoY	4QFY24	% QoQ
Revenue	388.0	383.9	1.1	333.1	16.5
EBITDA	41.1	104.5	-60.7	70.3	-41.5
Depreciation and amortisation	-35.2	-29.4	19.9	-34.9	0.7
EBIT	5.9	75.2	-92.1	35.3	-83.3
Finance costs	-0.4	-0.4	3.7	-0.8	-48.2
Interest income	18.4	15.2	20.7	18.6	-1.4
Associate contribution	0.0	-0.3	n.m.	0.0	n.m.
PBT	23.9	89.7	-73.4	53.2	-55.1
Taxation	-1.9	-4.4	-57.7	1.0	-280.1
Non controlling interest	2.1	-0.4	-692.6	0.4	390.6
PATANCI	24.1	85.0	-71.6	54.7	-55.9
Normalised PATANCI	77.4	85.6	-9.6	59.5	30.0
Normalised EPS (sen)	2.0	2.3	-10.7	1.6	29.4
EBITDA margin (%)	10.6	27.2	-16.6	21.1	-10.5
EBIT margin (%)	1.5	19.6	-18.1	10.6	-9.1
Normalised PATANCI margin (%)	19.9	22.3	-2.4	17.9	2.1
Effective tax rate (%)	7.8	4.9	2.9	-1.9	9.7

Source: Company, MIDFR

FINANCIAL SUMMARY

Financial year ending 30th June	2023A	2024A	2025E	2026F	2027F
Revenue	1,354.0	1,478.7	1,640.9	1,779.7	1,905.5
EBITDA	396.1	370.4	490.5	546.0	590.5
EBIT	289.4	247.3	344.9	404.8	453.0
PBT	355.8	310.1	383.2	444.5	494.2
Normalised PATANCI	308.2	302.1	337.3	391.3	435.0
Normalised EPS (sen)	8.3	8.1	9.0	10.5	11.7
EPS Growth (%)	-16.1	-2.0	11.6	16.0	11.2
PER (x)	36	37	33	28	25
Dividend Per Share (sen)	8.2	7.7	7.4	8.5	9.2
Dividend yield (%)	2.8	2.6	2.5	2.9	3.1

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
Fixed assets	509.0	779.4	753.8	732.6	715.0
Intangible assets	2.5	10.9	10.9	10.9	10.9
Others	16.6	19.9	19.9	19.9	19.9
Non-current assets	**528.1**	**810.3**	**784.6**	**763.4**	**745.9**
Cash	1,831.0	2,260.7	2,347.4	2,429.2	2,526.2
Trade debtors	411.0	253.6	282.6	306.5	328.2
Others	196.6	229.5	204.4	217.6	229.5
Current assets	**2,438.6**	**2,743.8**	**2,834.4**	**2,953.3**	**3,083.9**
Trade creditors	276.1	274.7	278.3	301.9	323.2
Short-term debt	1.0	2.0	3.0	4.0	5.0
Others	54.8	71.4	70.4	69.4	68.4
Current liabilities	**331.9**	**348.1**	**351.8**	**375.3**	**396.7**
Long-term debt	1.0	2.0	3.0	4.0	5.0
Others	28.0	29.8	28.8	27.8	26.8
Non-current liabilities	**29.0**	**31.8**	**31.8**	**31.8**	**31.8**
Share capital	2,033.4	2,144.3	2,144.3	2,144.3	2,144.3
Retained earnings	496.6	577.2	638.5	712.8	804.7
Reserve	72.7	72.4	72.4	72.4	72.4
Minority interest	3.2	380.4	380.2	380.1	380.0
Equity	**2,605.8**	**3,174.2**	**3,235.4**	**3,309.5**	**3,401.3**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	355.8	310.1	383.2	444.5	494.2
Depreciation & amortisation	106.7	123.1	145.7	141.2	137.5
Changes in working capital	-148.4	122.6	-0.2	-13.5	-12.3
Others	-58.2	-40.3	-46.0	-53.3	-59.3
Operating cash flow	**255.9**	**515.5**	**482.6**	**518.8**	**560.1**
Capital expenditure	-113.0	-180.7	-120.0	-120.0	-120.0
Others	27.5	-11.6	0.0	0.0	0.0
Investing cash flow	**-85.5**	**-192.3**	**-120.0**	**-120.0**	**-120.0**
Debt raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	**-342.4**	**-292.1**	**-276.0**	**-317.0**	**-343.1**
Others	41.7	102.7	0.0	0.0	0.0
Financing cash flow	**-300.7**	**-189.4**	**-276.0**	**-317.0**	**-343.1**
Net cash flow	**-130.4**	**133.8**	**86.6**	**81.8**	**97.0**
Beginning cash flow	**1,917.3**	**1,803.5**	**1,933.6**	**2,020.3**	**2,102.1**
Ending cash flow	**1,803.5**	**1,933.6**	**2,020.3**	**2,102.1**	**2,199.1**

Profitability Margins	2023A	2024A	2025E	2026F	2027F
EBITDA margin	29.3	25.0	29.9	30.7	31.0
PBT margin	26.3	21.0	23.4	25.0	25.9
PATAMI margin	22.8	20.4	20.6	22.0	22.8

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