Corporate Update

Inari Amertron Berhad

(0166 | INRI MK) Main | Technology

4 Stars | SHARIAH Compliant | FTSE4Good

Downgrade to **Trading Sell**

Revised Target Price **RM2.29** (from RM3.08)

RF Business Underperformed

Losing its resiliency. We are downgrading our recommendation for Inari to **Trading Sell** from Neutral previously with a lower target price of RM2.29 (from RM3.08) post the 2QFY25 results announcement. The weak revenue momentum has impacted the group's bottomline. While we had already anticipated weaker performance from the non-RF business segments, it appears that the RF business, which has been the group's pride, was negatively impacted as well. The lower volume loading also led to lower profit margin of below 20%. We anticipated a more favourable pace of recovery could be seen in FY26, especially on the 2H. On another note, there is still no development on the M&A front as the group's cash balance remains elevated at RM2.2b as of 31st Dec 2024.

Contraction in quarterly performance. Inari's 2QFY25 normalised earnings contracted by -34.4%yoy to RM61.6m. The profitability was impacted by lower volume loading of products which led to -15.7%yoy decline in revenue to RM349.0m. We suspect the RF business, which has been the group's stronghold, was negatively impacted.

Fall short of expectation. Given the weak 2QFY25, the cumulative 1HFY25 normalised earnings came in -23.5%yoy lower at RM131.0m. Apart from the dwindling 1FY25 revenue of RM737.0m (-7.6%yoy), the depreciation and amortisation expenses also escalated to RM70.3m (+20.5%yoy).

All in, Inari's 1HFY25 financial performance came in below ours and consensus expectations, making up 38.8% and 38.2% of full year FY25 earnings estimates respectively.

More conservative earnings estimates. Given the weak performance thus far, we estimate a more realistic FY25 to FY26 earnings estimates of between RM2819m to RM374.5m. This represents a reduction of between -11.0% to -16.4%. This is arrived at after by lowering the revenue contribution from both RF and non-RF business segments.

Lower target price. Premised on the lower earnings estimates, our target price has been reduced to RM2.29 from RM3.08 previously. This is achieved by pegging revised CY25 EPS of 8.5sen against lower target PER of 27.1x (previously 35.1x)which is the five year mean. The latter takes into consideration the slower-than-expected recovery in financial performance as well as recent exclusion from the MSCI.

Decline in 2QFY25 dividend. Given the lower reported earnings for 2QFY25, the group declared a lower quarterly dividend of 2sen. This was much lower as compared to 2.2sen announced for 2QFY24. This led to 1HFY25 dividend of 3sen from 4.4sen for 1HFY24.

RETURN STATISTICS	
Price @ 20th Feb 2025 (RM)	2.65
Expected share price return (%)	-13.6
Expected dividend yield (%)	+2.8
Expected total return (%)	-10.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.7	-4.7
3 months	-14.1	-8.8
12 months	-18.6	-21.2

INVESTMENT STATISTICS

FYE JUNE (RM'm)	2025E	2026F	2027F
Revenue	1,532.1	1,694.7	1,790.7
Operating Profit	282.3	357.2	386.2
PBT	320.2	395.7	425.4
Core PATAMI	281.9	348.4	374.5
Core EPS (sen)	7.6	9.3	10.0
DPS (sen)	7.4	8.5	9.2
Dividend Yield	2.8	3.2	3.5

KEY STATISTICS

FBM KLCI	1,577.67
Issue shares (m)	3,774.30
Estimated free float (%)	74.32
Market Capitalisation (RM'm)	9,964.72
52-wk price range (rm)	RM2.41 – RM4.03
3-mth average daily volume (m)	9.93
3-mth average daily value (RM'm)	27.90
Top Shareholders (%)	
Insas Bhd	12.96
Employees provident fund	11.08
Kumpulan Wang Persaraan	9.76

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INARI AMERTRON BHD: 2QFY25 RESULTS SUMMARY

Financial year Ending 30th June (All in RM'm unless stated otherwise)	Quarterly Results			Cumulative		
	2Q25	% YoY	% QoQ	1HFY25	1HFY24	% YoY
Revenue	349.0	-15.7	-10.1	737.0	798.0	-7.6
EBITDA	113.2	9.7	175.4	154.3	207.7	-25.7
Depreciation and amortisation	-35.1	21.2	-0.4	-70.3	-58.3	20.5
EBIT	78.1	5.2	1223.6	84.0	149.5	-43.8
Finance costs	-0.4	15.2	-4.5	-0.8	-0.7	9.0
Interest income	15.9	-2.4	-13.8	34.2	31.5	8.8
Associate contribution	0.0	n.m.	n.m.	0.0	-0.2	n.m.
PBT	93.6	3.6	291.7	117.5	180.0	-34.7
Taxation	-5.5	48.5	198.3	-7.4	-8.1	-8.9
Non-controlling interest	1.9	n.m.	n.m.	-4.0	-0.1	n.m.
PATANCI	90.0	3.6	273.0	106.1	171.8	-38.2
Normalised PATANCI	61.6	-34.4	-20.5	131.0	171.3	-23.5
Normalised EPS (sen)	1.6	-35.1	-20.5	3.5	4.6	-24.4
EBITDA margin (%)	32.4	7.5	21.8	20.9	26.0	-5.1
EBIT margin (%)	22.4	4.4	20.9	11.4	18.7	-7.3
Normalised PATANCI margin (%)	17.6	-5.0	-2.3	17.8	21.5	-3.7
Effective tax rate (%)	5.9	1.8	-1.9	6.3	4.5	1.8

Source: Company, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	1,354.0	1,478.7	1,532.1	1,694.7	1,790.7
EBITDA	396.1	370.4	427.9	498.4	523.7
EBIT	289.4	247.3	282.3	357.2	386.2
PBT	355.8	310.1	320.2	395.7	425.4
Normalised PATANCI	**308.2**	**302.1**	**281.9**	**348.4**	**374.5**
Normalised EPS (sen)	8.3	8.1	7.6	9.3	10.0
EPS Growth (%)	-16.1	-2.0	-6.7	23.6	7.5
PER (x)	31.7	32.3	34.7	28.0	26.1
Dividend Per Share (sen)	8.2	7.7	7.4	8.5	9.2
Dividend yield (%)	3.1	2.9	2.8	3.2	3.5

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	1831.0	2260.7	2302.6	2339.2	2378.6
Trade debtors	411.0	253.6	263.9	291.9	308.4
Others	196.6	229.5	194.1	209.5	218.6
Current assets	**2438.6**	**2743.8**	**2760.5**	**2840.6**	**2905.6**
Trade creditors	276.1	274.7	259.9	287.5	303.8
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**	**333.3**	**360.9**	**377.2**
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	2033.4	2144.3	2144.3	2144.3	2144.3
Retained earnings	496.6	577.2	583.1	614.5	645.9
Reserve	72.7	72.4	72.4	72.4	72.4
Minority interest	3.2	380.4	380.2	380.1	380.0
Equity	**2605.8**	**3174.2**	**3180.0**	**3211.3**	**3242.5**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	355.8	310.1	320.2	395.7	425.4
Depreciation & amortisation	106.7	123.1	145.7	141.2	137.5
Changes in working capital	-148.4	122.6	10.4	-15.9	-9.4
Others	-58.2	-40.3	-38.4	-47.5	-51.0
Operating cash flow	**255.9**	**515.5**	**437.8**	**473.6**	**502.5**
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	41.9	36.6	39.4
Beginning cash flow	**1917.3**	**1803.5**	**1933.6**	**1975.5**	**2012.1**
Ending cash flow	**1803.5**	**1933.6**	**1975.5**	**2012.1**	**2051.5**

Profitability Ratios (%))	2023A	2024A	2025E	2026F	2027F
EBITDA margin	**29.3**	**25.0**	**27.9**	**29.4**	**29.2**
PBT margin	**26.3**	**21.0**	**20.9**	**23.4**	**23.8**
PATAMI margin	**22.8**	**20.4**	**18.4**	**20.6**	**20.9**

Source: Bloomberg, 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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