Corporate Update

# Inari Amertron Berhad

(0166 | INRI MK) Main | Technology

4 Stars | SHARIAH Compliant | FTSE4Good

Revert to **NEUTRAL** (from TRADING SELL)

Revised Target Price **RM2.13** (from RM2.29)

## Seeking New Engine of Growth

**Restrategising.** We are reverting our recommendation for Inari to **NEUTRAL** from TRADING SELL previously with an adjusted **target price** of **RM2.13** (from RM2.29). Post our downgrade in Feb 2025, the share price has retraced by approximately -24%. At this juncture, we view that the downside risk is rather limited. While the earnings downtrend continues to be seen in 3QFY25 results, we view that the pace of earnings decline has slowed down. The group managed to sustain its profit margin despite weaker revenue. Moving forward, the group is cognisant that growth in smartphone has plateaued, and industrial semiconductors is softening. This only leave its data communications segment which has growth potential. In view of this, the group is actively exploring strategi partnership to capitalise on rapid shifts in supply chain and to navigate the evolving geopolitical and trade environment. Note that the group still has cash reserve of more than RM2b for M&A purposes. Pending further development, we see that upside share price potential for the group is rather limited at this juncture.

**Contraction in quarterly performance.** Inari's 3QFY25 normalised earnings contracted by -11.5%yoy to RM57.9m. The profitability was impacted by lower volume loading of products across all segments which led to -11.3%yoy decline in revenue to RM308.3m. Fortunately, the group managed to maintain its profit margin at around 19%. In addition, the group also incurred start up loss of RM4.95m at its China subsidiary. Excluding this, the profit would have been lowered by a smaller quantum of around -4%.

**Fall short of expectation.** Given the decline in 3QFY25 normalised earnings, the cumulative 9MFY25 normalised earnings came in -19.0%yoy lower at RM243.1m. Apart from the dwindling 9MFY25 revenue of RM1,045.2m (-8.8%yoy), the depreciation and amortisation expenses also escalated to RM104.8m (+18.9%yoy).

All in, Inari's 9MFY25 financial performance came in slightly below our expectations, making up 69.8% full year FY25 earnings estimates.

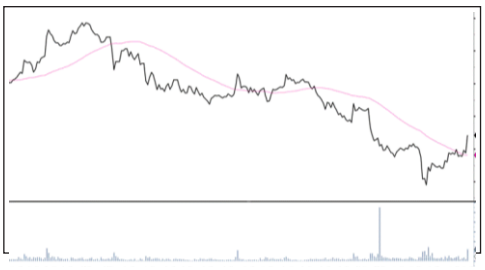
**Inputting weaker earnings estimates.** Given the slight underperformance we reduced FY25 to FY27 by between -6.7% to -10.2% as we lowered our revenue forecasts to account for lower revenue across all segments.

**Revised target price.** Premised on the lower earnings estimates, our target price has been reduced to RM2.13 from RM2.29 previously. This is achieved by pegging revised CY25 EPS of 7.9sen against unchanged target PER of 27.1x.

**Lower 3QFY25 dividend.** Given the lower reported earnings for 3QFY25, the group declared a lower quarterly dividend of 1.3sen. This was much lower as compared to 1.9sen announced for 3QFY24. This led to 9MFY25 dividend of 4.3sen from 6.3sen for 1HFY24.

| RETURN STATISTICS | |
|---|---|
| Price @ 20th May 2025 (RM) | 2.02 |
| Expected share price return (%) | +4.9 |
| Expected dividend yield (%) | +3.5 |
| **Expected total return (%)** | +8.4 |

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 33.1 | 22.7 |
| 3 months | 8.9 | -16.2 |
| 12 months | -28.5 | -27.4 |

**INVESTMENT STATISTICS**

| FYE JUNE (RM'm) | 2025E | 2026F | 2027F |
|---|---|---|---|
| Revenue | 1,456.2 | 1,634.2 | 1,741.8 |
| Operating Profit | 260.7 | 327.5 | 343.9 |
| PBT | 299.0 | 366.7 | 383.5 |
| Core PATAMI | 263.3 | 322.8 | 337.6 |
| Core EPS (sen) | 7.1 | 8.7 | 9.1 |
| DPS (sen) | 6.0 | 8.0 | 8.8 |
| Dividend Yield | 3.0 | 4.0 | 4.4 |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,548.87 |
| Issue shares (m) | 3,774.30 |
| Estimated free float (%) | 74.32 |
| Market Capitalisation (RM'm) | 7,624.09 |
| 52-wk price range (rm) | RM2.42 – RM4.03 |
| 3-mth average daily volume (m) | 23.11 |
| 3-mth average daily value (RM'm) | 46.09 |
| **Top Shareholders (%)** | |
| Insas Bhd | 12.96 |
| Employees provident fund | 12.30 |
| Kumpulan Wang Persaraan | 10.73 |

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## INARI AMERTRON BHD: 3QFY25 RESULTS SUMMARY

| Financial year Ending 30th June (All in RM'm unless stated otherwise) | Quarterly Results | | | Cumulative | | |
|---|---|---|---|---|---|---|
| | 3Q25 | % YoY | % QoQ | 9MFY25 | 9MFY24 | % YoY |
| Revenue | 308.3 | -11.3 | -11.7 | 1,045.2 | 1,145.6 | -8.8 |
| | | | | | | |
| EBITDA | 76.9 | -15.0 | -32.0 | 231.2 | 298.3 | -22.5 |
| Depreciation and amortisation | -34.6 | 15.7 | -1.4 | -104.8 | -88.2 | 18.9 |
| EBIT | 42.4 | -30.2 | -45.8 | 126.4 | 210.1 | -39.8 |
| Finance costs | -0.5 | 6.6 | 32.5 | -1.3 | -1.2 | 8.1 |
| Interest income | 15.4 | -7.2 | -3.0 | 49.6 | 48.0 | 3.3 |
| Associate contribution | 0.0 | n.m. | n.m. | 0.0 | -0.2 | n.m. |
| PBT | 57.2 | -25.4 | -38.8 | 174.8 | 256.8 | -32.0 |
| Taxation | -3.7 | 27.4 | -33.1 | -11.1 | -11.0 | 0.7 |
| Non-controlling interest | 1.9 | -1384.8 | 1.9 | 5.9 | -0.3 | -2121.8 |
| PATANCI | 55.5 | -24.7 | -38.3 | 169.6 | 245.5 | -30.9 |
| Normalised PATANCI | 57.9 | -11.5 | -5.9 | 196.9 | 243.1 | -19.0 |
| | | | | | | |
| Normalised EPS (sen) | 1.5 | -12.1 | -5.8 | 5.2 | 6.5 | -19.7 |
| | | | | | | |
| EBITDA margin (%) | 25.0 | -1.1 | -7.5 | 22.1 | 26.0 | -3.9 |
| EBIT margin (%) | 13.7 | -3.7 | -8.6 | 12.1 | 18.3 | -6.2 |
| Normalised PATANCI margin (%) | 18.8 | 0.0 | 1.2 | 18.8 | 21.2 | -2.4 |
| Effective tax rate (%) | 6.5 | 2.7 | 0.6 | 6.4 | 4.3 | 2.1 |

*Source: Company, MIDFR*

## FINANCIAL SUMMARY

| Profit or Loss (RM'm) | 2023A | 2024A | 2025E | 2026F | 2027F |
|---|---|---|---|---|---|
| Revenue | 1,354.0 | 1,478.7 | 1,456.2 | 1,634.2 | 1,741.8 |
| EBITDA | 396.1 | 370.4 | 406.4 | 468.7 | 481.4 |
| EBIT | 289.4 | 247.3 | 260.7 | 327.5 | 343.9 |
| PBT | 355.8 | 310.1 | 299.0 | 366.7 | 383.5 |
| **Normalised PATANCI** | **308.2** | **302.1** | **263.3** | **322.8** | **337.6** |
| Normalised EPS (sen) | 8.3 | 8.1 | 7.1 | 8.7 | 9.1 |
| EPS Growth (%) | -16.1 | -2.0 | -12.9 | 22.6 | 4.6 |
| PER (x) | 24.4 | 24.9 | 28.6 | 23.3 | 22.3 |
| Dividend Per Share (sen) | 8.2 | 7.7 | 6.0 | 8.0 | 8.8 |
| Dividend yield (%) | 4.1 | 3.8 | 3.0 | 4.0 | 4.4 |

| 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 | 2343.5 | 2371.7 | 2388.0 |
| Trade debtors | 411.0 | 253.6 | 250.8 | 281.5 | 300.0 |
| Others | 196.6 | 229.5 | 186.9 | 203.8 | 214.0 |
| **Current assets** | 2438.6 | 2743.8 | 2781.2 | 2856.9 | 2902.0 |
| Trade creditors | 276.1 | 274.7 | 247.0 | 277.2 | 295.5 |
| 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** | **320.5** | **350.6** | **368.9** |
| 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 | 616.7 | 641.1 | 650.5 |
| 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** | **3213.6** | **3237.9** | **3247.1** |

| Cash Flow (RM'm) | 2023A | 2024A | 2025E | 2026F | 2027F |
|---|---|---|---|---|---|
| PBT | **355.8** | **310.1** | **298.6** | **365.6** | **382.1** |
| Depreciation & amortisation | **106.7** | **123.1** | **145.7** | **141.2** | **137.5** |
| Changes in working capital | **-148.4** | **122.6** | **17.8** | **-17.4** | **-10.5** |
| Others | **-58.2** | **-40.3** | **-35.8** | **-43.9** | **-45.9** |
| **Operating cash flow** | **255.9** | **515.5** | **426.2** | **445.6** | **463.3** |
| 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** | **30.2** | **8.6** | **0.2** |
| **Beginning cash flow** | **1917.3** | **1803.5** | **1933.6** | **1963.8** | **1972.4** |
| **Ending cash flow** | **1803.5** | **1933.6** | **1963.8** | **1972.4** | **1972.6** |

| Profitability Ratios (%)) | 2023A | 2024A | 2025E | 2026F | 2027F |
|---|---|---|---|---|---|
| **EBITDA margin** | **29.3** | **25.0** | **27.9** | **28.7** | **27.6** |
| **PBT margin** | **26.3** | **21.0** | **20.5** | **22.4** | **21.9** |
| **PATAMI margin** | **22.8** | **20.4** | **18.1** | **19.7** | **19.3** |

*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