Corporate Update

Inari Amertron Berhad

(0166 | INRI MK) Main | Technology

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

NEUTRAL

Revised Target Price **RM2.12**
(from RM1.98)

The Tide is Turning

Transition year. We maintain our NEUTRAL recommendation on Inari with a revised target price of RM2.12. Following our recent meeting with the management, we are more optimistic on the outlook of the group. RF utilisation is on the rise post the launch of the new smartphone model by the end customer. There is also more clarity on the group's diversification effort in relation to the proposed joint acquisition of Lumiled together with Sanan. Organically, effort to further develop the advanced packaging solutions could potentially pick up pace should the Government provide some fiscal support. Nonetheless, look at the timeline, we view that more notable outcome of these efforts could only be seen in FY27 as compared to FY26. At this juncture, current valuation of 26.6x is also fair which is which is very close to the five-year average historical PER of 27.0x.

Bigger role in the future of lighting. Management reiterates their positive stance on the joint acquisition of Lumiled with Sanan. The associate stake will enable Inari to participate in Lumiled's future growth prospect. Both Inari and Sanan will enter the international cross-licensing patent alliance led by Nichia, ams Osram, Cree LED, Lumileds and Toyoda Gosei while. A check on Lumiled's website indicates that it has more than 5,700 patents including MicroLEDs. Note that MicroLED technology is emerging as a promising solution for high-speed AI data transmission and SiPh-based optical communication.

According to TrendForce, Lumileds also ranks among the world's top seven LED packaging companies. In term of application, Lumileds ranks third globally in automotive lighting LED revenue, behind only ams OSRAM and Nichia. In smartphone flash LEDs, it is part of Apple's supply chain, ranking just below Nichia. For premium and niche lighting, it is seventh globally, widely trusted by lighting brands in Europe and North America.

We gather that Inari's management is confident that the necessary regulatory approval could be obtained by year end which will pave way for the completion of the deal by 1QCY26. However, should the deal fall through, Inari would need to source another target company. This would also delay the group's effort to diversify its revenue base away from Radio Frequency segment. Notwithstanding this, upon successful completion of the deal we view that Inari's financial performance could be temporarily impacted, at least for the first few quarters. However, we have yet incorporated the potential impact from the proposed acquisition pending the finalisation of the deal.

Steady RF performance. On the RF segment, management shared that the RF segment utilisation rate has been steadily increasing. This is in-tandem with the recent launch of new smartphone models by its end customer. Note that the group's well-being largely hinges on the well-being of the RF business. Referring to FY25 revenue performance, the RF segment made up close to two thirds of the group's revenue. Additionally, profit margin from the RF segment is healthier as compared to other segments.

RETURN STATISTICS	
Price @ 25th September 2025 (RM)	2.15
Expected share price return (%)	-1.3
Expected dividend yield (%)	+3.9
Expected total return (%)	+2.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-12.0	11.8
3months	6.4	4.9
12 months	-27.9	-24.7

INVESTMENT STATISTICS

FYE Dec (RM'm)	2026E	2027F	2028F
Revenue	1,634.2	1,741.8	1,844.3
Operating Profit	320.7	338.7	364.4
Profit Before Tax	372.1	392.6	419.2
Core PATAMI	321.9	339.9	363.3
Core EPS	8.5	9.0	9.6
DPS	8.0	8.8	8.8
Dividend Yield (%)	3.7	4.1	4.1

KEY STATISTICS

FBM KLCI	1,598.47
Issue shares (m)	3,788.95
Estimated free float (%)	74.42
Market Capitalisation (RM'm)	8,146.30
52-wk price range	RM1.42 – RM3.22
3-mth average daily volume (m)	14.65
3-mth average daily value (RM'm)	29.28
Top Shareholders (%)	
Insas Bhd	13.45
Employees provident fund	12.87
Kumpulan Wang Persaraan	10.14

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Pursuing advanced packaging capabilities. To remain relevant, Inari has been focusing on bolstering its advanced packaging capabilities. This would require high initial investment in specialised equipment and facilities. Thus, having fiscal support from the Government is crucial as it translates into lower capex and/or start-up cost. This could be further complemented with tax incentives. The above would lead to more competitive offerings to be more competitive. Such assistance will be in line with National Semiconductor Strategy (NSS).

Ascribing a fairer valuation. While we retained our existing earnings forecasts pending the completion of the proposed acquisition of Lumiled, we attached a higher PER valuation multiple of 27.0x (previously 22.7x) which is the five-year historical average PER. Note that we remove the -1SD discount that we ascribed previously. This is premised on the view that the worst is over, and the group is undergoing a positive transition in FY26, prior to a potentially big leap in earnings in FY27. All in all, we revised upwards our target price to RM2.12 from RM1.98 previously.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,478.7	1,351.9	1,634.2	1,741.8	1,844.3
EBITDA	370.4	346.2	468.7	481.4	502.9
EBIT	247.3	208.3	320.7	338.7	364.4
PBT	310.1	231.5	372.1	392.6	419.2
Normalised PATANCI	302.1	261.3	321.9	339.9	363.3
Normalised EPS (sen)	8.1	6.9	8.5	9.0	9.6
EPS Growth (%)	-2.0	-14.9	23.2	5.6	6.9
PER (x)	26.5	31.2	25.3	24.0	22.4
Dividend Per Share (sen)	7.7	5.5	8.0	8.8	8.8
Dividend yield (%)	3.6	2.6	3.7	4.1	4.1

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Fixed assets	779.4	726.2	698.2	675.5	657.1
Intangible assets	10.9	9.9	9.9	9.9	9.9
Others	19.9	24.0	24.0	24.0	24.0
Non-current assets	810.3	760.1	732.1	709.4	690.9
Cash	2260.7	2141.4	2234.8	2259.1	2303.0
Trade debtors	253.6	254.5	281.5	300.0	317.7
Others	229.5	246.0	222.1	232.4	242.1
Current assets	2743.8	2641.8	2738.4	2791.5	2862.7
Trade creditors	274.7	233.0	277.2	295.5	312.9
Short-term debt	2.0	3.0	4.0	5.0	6.0
Others	71.4	47.5	46.5	45.5	44.5
Current liabilities	348.1	283.4	327.7	345.9	363.3
Long-term debt	2.0	3.0	4.0	5.0	6.0
Others	29.8	25.1	24.1	23.1	22.1
Non-current liabilities	31.8	28.1	28.1	28.1	28.1
Share capital	2144.3	2186.9	2186.9	2186.9	2186.9
Retained earnings	577.2	579.9	598.7	605.2	635.0
Reserve	72.4	-3.1	-3.1	-3.1	-3.1
Minority interest	380.4	326.7	332.3	337.9	343.5
Equity	3174.2	3090.4	3114.7	3126.8	3162.3

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	310.1	231.5	372.1	392.6	419.2
Depreciation & amortisation	123.1	137.9	148.0	142.7	138.4
Changes in working capital	122.6	-47.1	41.1	-10.5	-10.0
Others	-58.2	-40.3	-0.6	-44.7	-47.1
Operating cash flow	515.5	321.8	516.5	477.7	497.3
Capital expenditure	-180.7	-112.4	-120.0	-120.0	-120.0
Others	-11.6	-117.7	0.0	0.0	0.0
Investing cash flow	-192.3	-230.1	-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	-292.1	-238.3	-303.1	-333.4	-333.4
Others	102.65	38.096	0	0	0
Financing cash flow	-189.4	-200.2	-303.1	-333.4	-333.4
Net cash flow	133.8	-108.5	93.4	24.3	43.9
Beginning cash flow	1803.5	1933.9	1733.9	1827.3	1851.5
Ending cash flow	1933.6	1733.9	1827.3	1851.5	1895.4

Profitability Ratios (%))	2024A	2025A	2026E	2027F	2028F
EBITDA margin	25.0	25.6	28.7	27.6	27.3
PBT margin	21.0	17.1	22.8	22.5	22.7
PATAMI margin	20.4	19.3	19.7	19.5	19.7

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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