Corporate Update

Inari Amertron Berhad

(5211 | SWB MK) Main | Industrial Products & Services

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Maintain **BUY**

Unchanged Target Price **RM2.95**

At the Inflection Point

RF remains a strong business base. We maintain our **BUY** recommendation on Inari with an unchanged **target price of RM2.95**. The RF business is expected to regain its earnings growth momentum from FY27 onwards premised on the long-term commitment between its direct customer and end customer. We view that this would provide a strong business base for Inari. Nonetheless, a growing key driver for the group would come from the opto business, especially from the photonics interconnect segment. Due to AI-driven optical communications, we anticipate the group's optoelectronics business could potentially be on par with the RF business in the coming years. The group's involvement in AI is also manifested via the power module segment, though we anticipate meaningful earnings contribution will not be seen in the immediate term.

Renewed optimism for the RF business. We understand that Inari's direct customer for the radio frequency business has sign a multi-year with the end customer. Part of the agreement include the commitment to continue to supply RF chips. This indicates that in the foreseeable term, the end customer has no plan to change the supply chain for the RF chips. This would reinforce the medium-to-long term visibility of the RF business for Inari. Moreover, new smartphone models rollout would carry higher content value (FY27: 4 circuits vs 1 circuit previously). This will be made available by moving from Single Sided Mold to Double Sided mold. The evolution will enable more component in small area and better RF module integration which act as a bridge toward advanced packaging. Taking these into consideration, we should expect notable rebound in RF's loading volume from FY27 onwards.

Rise of Silicon Photonics transceivers. The group's opto business has been showing lackluster performance in light of muted demand. However, there is a strong revival in demand, driven by AI-driven optical communications. Inari is well positioned in the supply chain to provide OSAT assembly and testing for the optical transceiver module chips. Management has guided that volume will increase exponentially from FY27 onwards.

In terms packaging technology, we understand the group is migrating from the laser chip/ photonics package to photonics interconnect. Note that photonic interconnects are the pathways that carry information using light between chips, processors or systems. The advantages of photonic chips include higher bandwidth, lower energy consumption and reduced heat generation.

Power management for AI application. The group also offers power-based System-on-Module (SoM), especially DC-DC converter and voltage regulator. These two are usually used to step down incoming voltage with a distinction on whether voltage variation is required.

RETURN STATISTICS	
Price @ 17th July 2026 (RM)	2.17
Expected share price return (%)	+35.9
Expected dividend yield (%)	+3.4
Expected total return (%)	+39.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.3	-3.3
3months	-4.0	29.3
12 months	6.4	-6.3

INVESTMENT STATISTICS

FYE Dec (RM'm)	2026E	2027F	2028F
Revenue	1,191.3	1,409.5	1,654.5
Operating Profit	181.0	290.5	423.0
Profit Before Tax	232.8	345.1	478.2
Core PATAMI	207.4	310.2	432.0
Core EPS	5.5	8.2	11.4
DPS	4.9	7.4	10.3
Dividend Yield (%)	2.3	3.4	4.7

KEY STATISTICS

FBM KLCI	1,731.45
Issue shares (m)	3,788.95
Estimated free float (%)	74.59
Market Capitalisation (RM'm)	8,313.43
52-wk price range	RM1.21 – RM2.67
3-mth average daily volume (m)	24.30
3-mth average daily value (RM'm)	50.53
Top Shareholders (%)	
Employees provident fund	16.68
Kumpulan Wang Persaraan	10.08
Insas Bhd	5.70

Analyst
Foo Chuan Loong, **Martin**
martin.foo@mbsb.com
03-2173 8353

In the immediate term, the group is focusing on the power regulation to support AI applications which have been showing good momentum, with pilot line commencing in August 2026. We view that meaningful contribution can only been seen from FY28 onwards.

Earnings forecast intact. We have made no changes to our earnings at this juncture. FY26 is anticipated to be the group's fourth consecutive year of earnings decline since the yearly earnings peaked in FY22. Nonetheless, we remain confident that FY27 will serve as a strong inflection point for the group with anticipated earnings growth of approximately +50%yoy.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,478.7	1,351.9	1,191.3	1,409.5	1,654.5
EBITDA	370.4	346.2	310.9	418.8	549.8
EBIT	247.3	208.3	181.0	290.5	423.0
PBT	310.1	231.5	232.8	345.1	478.2
Normalised PATANCI	302.1	261.3	207.4	310.2	432.0
Normalised EPS (sen)	8.1	6.9	5.5	8.2	11.4
EPS Growth (%)	-2.0	-14.9	-20.6	49.6	39.3
PER (x)	26.8	31.5	39.6	26.5	19.0
Dividend Per Share (sen)	7.7	5.5	4.9	7.4	10.3
Dividend yield (%)	3.5	2.5	2.3	3.4	4.7

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
Fixed assets	779.4	726.2	716.4	708.2	701.3
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	750.2	742.0	735.2
Cash	2260.7	2141.4	2261.9	2285.4	2317.1
Trade debtors	253.6	254.5	205.2	242.8	285.0
Others	229.5	246.0	180.1	200.8	224.1
Current assets	2743.8	2641.8	2647.1	2729.0	2826.2
Trade creditors	274.7	233.0	202.1	239.1	280.7
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	252.6	289.6	331.1
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	600.7	631.7	674.9
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	3116.7	3153.3	3202.1

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	310.1	231.5	232.8	345.1	478.2
Depreciation & amortisation	123.1	137.9	129.8	128.2	126.9
Changes in working capital	122.6	-47.1	84.3	-21.3	-23.9
Others	-58.2	-40.3	-0.6	-19.8	-29.3
Operating cash flow	515.5	321.8	427.1	422.7	540.5
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	-186.6	-279.2	-388.8
Others	102.65	38.096	0	0	0
Financing cash flow	-189.4	-200.2	-186.6	-279.2	-388.8
Net cash flow	133.8	-108.5	120.4	23.5	31.7
Beginning cash flow	1803.5	1933.9	1733.9	1854.3	1877.8
Ending cash flow	1933.6	1733.9	1854.3	1877.8	1909.6

Profitability Ratios (%))	2024A	2025A	2026E	2027F	2028F
EBITDA margin	25.0	25.6	26.1	29.7	33.2
PBT margin	21.0	17.1	19.5	24.5	28.9
PATAMI margin	20.4	19.3	17.4	22.0	26.1

Source: Bloomberg, MBSBR

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MBSB 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