Inari Amertron (INRI MK)

1QFY27: Within Expectations; A Better FY27 In The Offing

Highlights

- Inari's 1QFY27 core net profit came in stronger at RM61.9m (+28% qoq, +13% yoy), accounting for 24%/96% of our/consensus full-year forecasts respectively.
- While FY26 was weighed by weaker RF volumes, we expect a recovery in FY27 as RF content increases and ChipFab volumes potentially double, supported by 1.6T applications and AI/DC capex.
- Upgrade to BUY with an unchanged target price of RM2.48.

1QFY27 Results

Year to 30 Jun (RMm)	1QFY27	qoq	yoy	1QFY27	yoy
Year to 30 Jun	(RMm)	% chg	% chg	(RMm)	% chg
Revenue	368.5	27.5	13.1	368.5	13.1
Gross Profit	72.9	46.2	10.0	72.9	10.0
EBITDA	97.6	129.0	11.5	97.6	11.5
Operating profit	64.8	512.2	18.9	64.8	18.9
Pre-tax profit	64.2	517.7	18.7	64.2	18.7
Net profit	61.0	892.6	24.0	61.0	24.0
Core net profit	61.9	25.7	19.2	61.9	19.2
Margins	**%**	**+/- ppt**	**+/- ppt**	**%**	**+/- ppt**
Gross profit	19.8	2.5	(0.6)	19.8	(0.6)
EBITDA	26.5	11.7	(0.4)	26.5	(0.4)
PBT	17.4	13.8	0.8	17.4	0.8
Core net profit	16.8	(0.2)	0.9	16.8	0.9

Source: VSTECS, UOB Kay Hian

Analysis

- **Within expectations.** Inari Amertron (Inari) reported stronger 1QFY27 core net profit of RM61.9m (+28% qoq, +13% yoy), accounting for 24%/23% of our/consensus full-year forecasts respectively. The group has also proposed a first interim of 1.0sen and single tier DPS of 0.5sen.

Key Financials

Year to 30 Jun (RMm)	2025	2026	2027F	2028F	2029I
Net turnover	1,352	1,187	1,311	1,541	1,84
EBITDA	360	268	391	462	55
Operating profit	222	139	268	334	42
Net profit (rep./act.)	219	127	260	324	40
Net profit (adj.)	254	188	260	324	40
EPS (sen)	6.7	4.9	6.9	8.6	10.
PE (x)	30.8	41.6	30.0	24.1	19.
P/B (x)	2.8	2.8	2.8	2.7	2.
EV/EBITDA (x)	16.1	21.3	14.8	12.6	10.
Dividend yield (%)	2.7	2.3	3.0	3.7	4.
Net margin (%)	16.2	10.7	19.8	21.0	22.
Net debt/(cash) to equity (%)	-77.5	-79.7	-75.7	-73.9	-71.
Interest cover (x)	187.5	147.3	195.7	230.9	275.
ROE (%)	9.4	6.0	13.0	17.2	21.
Consensus net profit			276	339	39
UOBKH/Consensus (x)			0.94	0.96	1.0

Source: Inari Amertron, Bloomberg, UOB Kay Hian

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BUY (Upgraded)

Share Price	RM2.06
Target Price	RM2.48
Upside	20.4%

Stock Data

Sector	Information Technology
Bloomberg ticker	INRI MK
Shares issued (m)	3,869.4
Market cap (RMm)	7,971.0
Market cap (US$m)	1,948.9
3-mth avg daily t'over (US$m)	6.5

Price Performance (%)

52-week high/low				RM2.88/RM1.21
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(20.5)	(13.1)	+9.0	(14.5)	+22.6

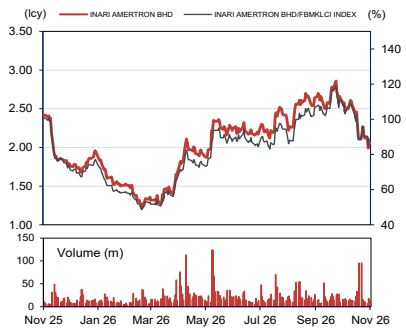
Major Shareholders (%)

Employees Provident Fund	19.8
Kumpulan Wang Persaraan	10.2
Insas Bhd	5.6

Balance Sheet Metrics

FY27 NAV/Share (RM)	0.74
FY27 Net Cash/Share (RM)	0.56

Price Chart



Source: Bloomberg

Company Description

Inari is the largest semiconductor company in Malaysia and a top OSAT supplier for Broadcom's Radio Frequency (RF) components. It also manufactures and assembles optoelectronics and fibre-optics related components.

- **1QFY27 revenue rose 13% yoy to RM368.5m,** driven by higher volume loadings in RF (smartphones, +6% yoy) and optoelectronics (datacom and automotive, +30% yoy). Core net profit grew at a faster pace of 19% yoy, supported by lower expenses. Sequentially, revenue rose 28% qoq on seasonally stronger RF loadings, while core net profit increased 26% qoq.
- **Outlook turning constructive into FY27.** FY26 was weighed by the legacy RF shortfall and forex headwinds, but RF content recovery is now underway, with the existing flagship model expected to step up from one to four circuits in FY27, while the next 2gen flagship platforms could support up to nine circuits by the Sep 27 cycle.
- **Meanwhile, ChipFab is poised to become a key growth engine,** with volumes expected to double in FY27, supported by continuous-wave (CW) and electro-absorption modulated laser (EML) technology as applications scale towards 1.6T, riding the hyperscalers' AI/DC capex cycle. Margin profile is expected to improve progressively, with an inflection by mid-FY27 and a clearer uplift into FY28. This is driving a structural shift in segment mix, with optoelectronics' contribution expected to increase to ~38% (from ~30%), while RF should moderate to ~55% (from 60%) in FY27-28.
- **Power management is emerging as a new vertical,** with voltage regulators and amplifiers gaining importance given their broad application across chips, while Inari is exploring external R&D and licensing partnerships to secure IP ownership and supply-chain control. Meanwhile, Inari has invested RM70m since FY25 in system-in-package (SiP) and flip-chip ball grid array (FCBGA), targeting AI applications. This should enable Inari to move beyond its traditional RF-focused offerings (FBAR) into higher-value integrated modules and advanced packaging technologies, strengthening the group's medium-to long-term growth.
- **We see FY27-28 as a key inflection window. The** scaling of Photonics/ChipFab alongside renewed RF design wins, and longer-term optionality in advanced packaging and optical integration will potentially drive a step-change in growth and margins. This will also reposition Inari as a broader AI infrastructure enabler from a traditional handset RF proxy, and supporting a longer-term re-rating.

Valuation/Recommendation

- **Upgrade to BUY with an unchanged target price of RM2.48** based on a 32.0x 2027F PE (at seven-year mean forward PE). The ~20% share price correction over the past month amid a broader indiscriminate semiconductor sell-off offers a more attractive entry point. Higher RF loadings and the ChipFab ramp underpin our constructive FY27 outlook, with power management providing an additional medium-term growth opportunity.

Earnings Revision/Risk

- None.

Environmental, Social, Governance (ESG) Updates

Environmental

- Inari has met globally recognised standards and has been qualified for inclusion into the FTSE4Good Bursa Malaysia Index since 22 Jun 20.

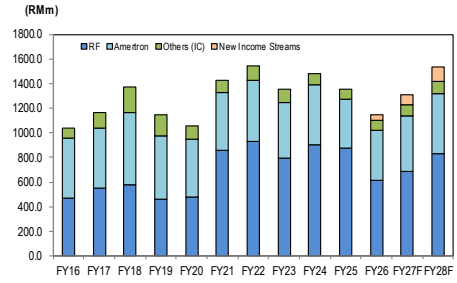
Social

- Only foreign workers with legal work permits are hired, while all employees receive at least minimum wages.

Governance

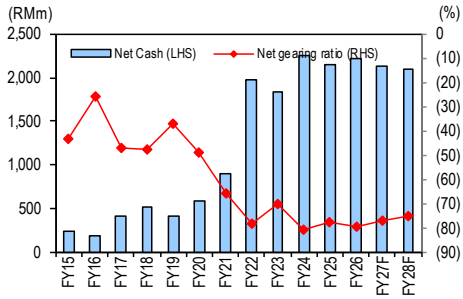
- The company has an Anti-Corruption and Bribery Policy in place which complies with all applicable laws, including the MACC Act 2009 (Amendment 2018). No reported incidents of corruption or breaches against policy in 2020.

Revenue By Segment



Source: *Inari, UOB Kay Hian*

Net Cash And Net Gearing



Source: *Inari, UOB Kay Hian*

Profit & Loss

Year to 30 Jun (RMm)	2026	2027F	2028F	2029F
Net turnover	**1187**	**1311**	**1541**	**1841**
EBITDA	268	391	462	551
Deprec. & amort.	129	124	127	131
EBIT	139	268	334	420
Associate contributions	0	0	0	0
Net interest income/(expense)	-2	-2	-2	-2
Pre-tax profit	**138**	**266**	**332**	**418**
Tax	-15	-11	-13	-17
Minorities	5	5	5	5
Net profit	**127**	**260**	**324**	**406**
Net profit (adj.)	**188**	**260**	**324**	**406**

Balance Sheet

Year to 30 Jun (RMm)	2026	2027F	2028F	2029F
Fixed assets	743	797	820	840
Other LT assets	4	5	5	5
Cash/ST investment	2,214	2,135	2,102	2,068
Other current assets	485	529	610	717
Total assets	**3,443**	**3,461**	**3,532**	**3,624**
ST debt	0	0	0	0
Other current liabilities	315	285	328	384
LT debt	0	0	0	0
Other LT liabilities	28	28	28	28
Shareholders' equity	2,778	2,822	2,844	2,875
Minority interest	322	327	332	337
Total liabilities & equity	**3,443**	**3,461**	**3,532**	**3,624**

Cash Flow

Year to 30 Jun (RMm)	2026	2027F	2028F	2029F
Operating	**320.6**	**304.8**	**408.2**	**482.0**
Pre-tax profit	138	266	332	418
Tax	(20)	(11)	(13)	(17)
Deprec. & amort.	119	124	127	131
Working capital changes	48	(74)	(38)	(50)
Other operating cashflows	321	305	408	482
Investing	**(395)**	**(150)**	**(150)**	**(150)**
Capex (growth)	(98)	(150)	(150)	(150)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(298)	0	0	0
Financing	**(124)**	**(234)**	**(292)**	**(366)**
Dividend payments	(183)	(234)	(292)	(366)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	60	0	0	0
Net cash inflow (outflow)	**(198)**	**(79)**	**(33)**	**(34)**
Beginning cash & cash equivalent	**1,800**	**1,574**	**1,495**	**1,461**
Changes due to forex impact	(226)	(79)	(33)	(34)
Ending cash & cash equivalent	**1,574**	**1,495**	**1,461**	**1,428**

Key Metric

Year to 30 Jun (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	22.6	29.8	30.0	29.9
Pre-tax margin	11.6	20.3	21.6	22.7
Net margin	10.7	19.8	21.0	22.1
ROA	4.8	10.5	13.9	17.2
ROE	8.8	13.0	17.2	21.4
Growth				
Turnover				
EBITDA	(12.2)	10.4	17.5	40.4
Pre-tax profit	(25.5)	45.9	18.0	40.7
Net profit	(37.6)	93.1	25.1	57.4
Net profit (adj.)	(41.7)	103.9	24.7	56.3
EPS	(41.7)	103.9	24.7	56.3
Leverage				
Debt to total capital	-	-	-	-
Debt to equity	-	-	-	-
Net debt/(cash) to equity	(79.7)	(75.7)	(73.9)	(71.9)
Interest cover	147.3	195.7	230.9	275.4

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