



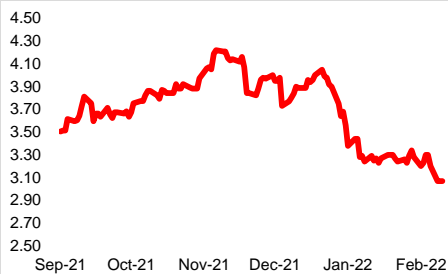
DESCRIPTION

Leading outsourced semiconductor assembly and test (OSAT) provider to well-known multinational and local electronics product manufacturers in the region.

12-Month Target Price	RM4.72
Previous Target Price	RM5.31
Current Price	RM3.07
Expected Return	53.7%

Market	Main
Sector	Technology
Bursa Code	0166
Bloomberg Ticker	INRI MK
Shariah-Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	2.90 – 4.30
3-Month Average Vol ('000)	25,367.4

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-5.2	-27.1	-6.0
Relative Returns	-8.2	-30.1	-9.9

KEY STOCK DATA

Market Capitalisation (RMm)	11,373.1
No. of Shares (m)	3,704.6

MAJOR SHAREHOLDERS

	%
Insas Bhd	14.3
KWAP	8.7
EPF	6.0

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New Projects Start Kicking in

We recently attended Inari-Amertron's (Inari) virtual 1HFY22 post-results briefing, hosted by Group CEO KC Lau. The growth momentum for radio frequency (RF) is expected to remain steady in 2HFY22, underpinned by the legacy RF products while it is in the process of prototyping and fine-tuning for new smartphone cycle. Nevertheless, in view of weaker sentiment in the tech sector as a result of rate hike pressures, we revise down our TP from RM5.31 to RM4.72 based on a lower PE of 40x (previously 45x) CY23 EPS. Maintain **Outperform** call.

§ **RF remains the key growth driver in the 1HFY22.** RF remains the Group's largest sales contributor for the 1HFY22 at 62% followed by Optoelectronics, 31% and Generic, 7%. Its profit margin of 25.8% in 2QFY22 is also the highest ever for the Group.

§ **Raw material shortage is the key concern.** The logistic shipment issue has resulted in material shortage particularly in China and Philippines. To mitigate the impact, the Group has placed advance orders for certain materials up to 1.5 years and work closely with customers to prioritise materials for key production.

§ **Allocating RM100m capex for FY22.** The Group has invested a total of RM87.5m for the 1HFY22. For FY22, Inari is investing RM100m in capacity expansion, a new technology platform and enhanced processes such as Double Sided Moulding (DSM) packaging system for RF chips, ii) electromagnetic interference, iii) wafer processing and iv) upgrade for for system in package (SiP).

§ **Finalising JV venture agreement soon.** We gather that the Group is finalising the definitive joint-venture (JV) agreement with the private equity fund management company, China Fortune-Tech Capital Co (CFTC) to establish its OSAT presence in China.

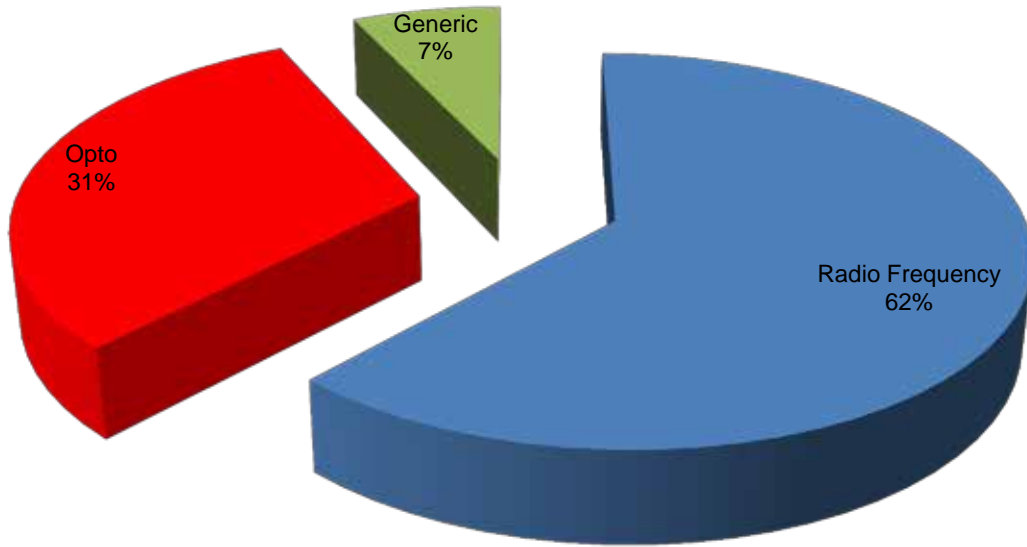
§ **5 new projects in focus.** As part of its next growth phase, the Group is currently working on 5 new projects, namely, i) System On Module (SOM), ii) Transceiver Module, iii) High Power LED package, iv) New RF DSM SiP Package technology and v) Advanced Embedded Material. Production for SOM assembly and test at P55 plant for power module Customer 1 will take place in March 2022 and 2nd customer in 2Q 2022. We believe SOM segment will become a new growth driver for Inari's automotive segment. Meanwhile, management also shared that it has secured a new customer in the high-power LED segment, where production is expected to commence in 4Q 2022. These new initiatives could potentially contribute an additional 5-8% for FY22 and 15%-20% for FY23 revenue, respectively.

KEY FORECAST TABLE

FYE June (RM m)	2020A	2021A	2022F	2023F	2024F	CAGR
Revenue	1,058.0	1,428.7	1,787.7	1,953.2	2,056.1	18.1%
Gross Profit	216.3	423.9	509.5	566.4	596.3	28.9%
Pre-tax Profit	172.4	352.3	428.7	469.9	494.9	30.2%
Net Profit	155.8	331.0	386.0	423.1	445.6	30.1%
EPS (Sen)	4.7	9.0	10.5	11.5	12.1	
P/E (x)	65.9	34.2	29.3	26.7	25.4	
DPS (Sen)	4.3	7.7	8.9	9.8	10.3	
Dividend Yield	1.4	2.5	2.9	3.2	3.3	

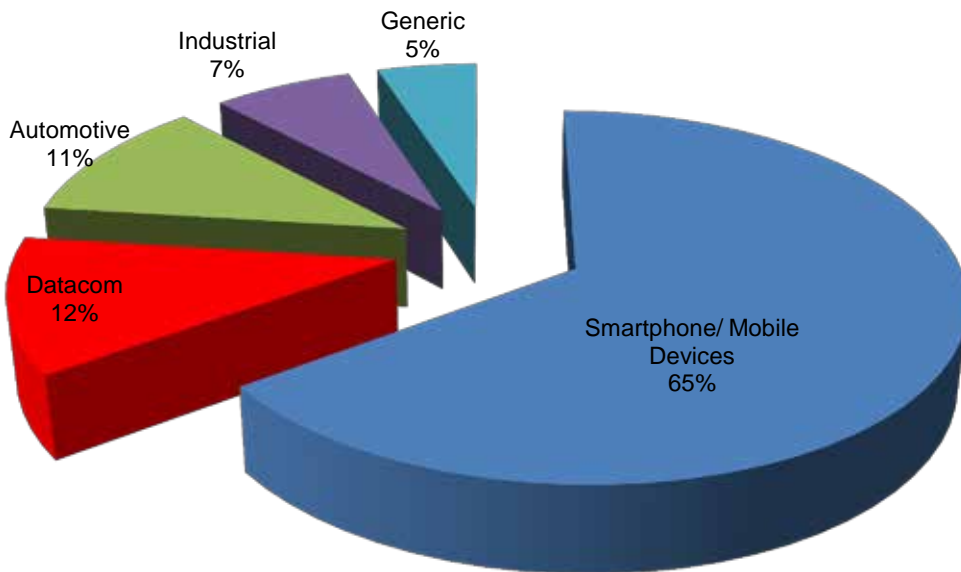
Source: Company, PublicInvest Research estimates

Figure 1: Revenue by Product Segment (1HFY22)



Source: Company, PublicInvest Research

Figure 2: Revenue by Industrial Segment (1HFY22)



Source: Company, PublicInvest Research

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE June (RM m)	2020A	2021A	2022F	2023F	2024F
Revenue	1,058.0	1,428.7	1,787.7	1,953.2	2,056.1
Cost of sales	-841.7	-1,004.8	-1,278.2	-1,386.8	-1,459.9
Gross Profit	216.3	423.9	509.5	566.4	596.3
Other Gains / (Losses)	26.2	20.1	33.9	28.6	30.9
Finance Costs	-0.8	-0.5	-0.8	-0.8	-1.3
Pre-tax Profit	172.4	352.3	428.7	469.9	494.9
Income Tax	-15.9	-21.5	-42.9	-47.0	-49.5
Effective Tax Rate (%)	9.2	6.1	10.0	10.0	10.0
Minorities	-0.7	0.2	0.2	0.3	0.3
Net Profit	155.8	331.0	386.0	423.1	445.6

Growth

Revenue	-8%	35%	25%	9%	5%
Gross Profit	-20%	96%	20%	11%	5%
Net Profit	-19%	112%	17%	10%	5%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE June (RM m)	2020A	2021A	2022F	2023F	2024F
Property, Plant & Equipment	479.4	473.4	443.9	403.5	352.2
Cash and Cash Equivalents	594.6	904.9	943.0	1,031.0	1,124.6
Receivables, deposits and prepayment	214.4	251.5	311.1	338.6	355.6
Other Assets	175.8	190.5	233.3	250.3	261.8
Total Assets	1,464.2	1,820.2	1,931.3	2,023.4	2,094.2
Payables	199.2	288.6	323.1	337.0	346.3
Borrowings	6.2	1.1	20.0	35.0	30.0
Deferred tax	11.3	11.6	11.6	11.6	11.6
Other Liabilities	42.9	145.9	145.7	145.4	145.1
Total Liabilities	259.5	447.2	500.4	529.0	533.1
Shareholders' Equity	1,204.7	1,373.0	1,430.9	1,494.3	1,561.2
Total Equity and Liabilities	1,464.2	1,820.2	1,931.3	2,023.4	2,094.2

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE June	2020A	2021A	2022F	2023F	2024F
Book Value Per Share	0.3	0.4	0.4	0.4	0.5
NTA Per Share	0.3	0.4	0.4	0.4	0.5
EPS (Sen)	4.7	9.0	10.5	11.5	12.1
DPS (Sen)	4.3	7.7	8.9	9.8	10.3
Payout Ratio (%)	91.5	85.6	85.0	85.0	85.0
ROA (%)	10.6	18.2	20.0	20.9	21.3
ROE (%)	12.9	24.1	27.0	28.3	28.5

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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