



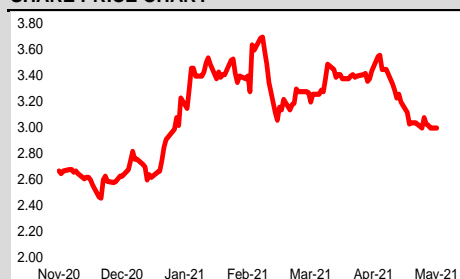
DESCRIPTION

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

12-Month Target Price (Fully Diluted) RM4.40
Current Price RM3.00
Expected Return 46.7%

Market Sector Main Technology
Bursa Code 0266
Bloomberg Ticker INRI.MK
Shariah-Compliant Yes

SHARE PRICE CHART



52 Week Range (RM) RM1.38 – RM3.75
3-Month Average Vol ('000) 16,564.3

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	-10.7	-11.1	16.3
Relative Returns	-10.2	-8.8	22.7

KEY STOCK DATA

Market Capitalisation (RMm) 10,033.9
No. of Shares (m) 3,344.6

MAJOR SHAREHOLDERS

	%
Insas Bhd	15.8
KWAP	10.4
EPF	9.0

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The Best 3Q Yet

Inari's 9MFY21 net profit surged by 101.3% YoY to RM242.1m, on the back of better contribution from its radio frequency (RF) segment, as the Group had 22 fully operational SiP lines during the quarter. The stellar results came in above both our and consensus' full-year estimates at 81% and 83% respectively. We still deem our forecasts in line, as 4Q are seasonally weaker, given that there are no new phone releases by the North American phone maker. We make no changes to our estimates at this juncture and we maintain our TP of RM4.40 (based on a PE multiple of 45x) despite rolling over our valuation base year to CY22F, as we take into account the enlarged share base of 3.769bn shares post private placement. We maintain our **Outperform** recommendation on Inari. On a side note, Inari also announced a third interim dividend of 2.2sen per share and a special dividend of 1.8sen per share, bringing cumulative dividend to date to 8.5sen per share.

§ **Record 3Q.** Inari's 3QFY21 revenue was up by 41.4% YoY to RM343.9m, owing to stronger contribution from its RF segment. The RF segment achieved stronger sales YoY due to more SiP lines being installed. Note that there were 22 fully operational SiP lines in 3QFY21. In tandem with the growing revenue supported by the RF segment, net profit also jumped by 133.7% YoY to RM81.9m. The stronger net profit was also boosted by the recognition of deferred tax assets, hence the effective tax rate was 8.4ppts lower, at 5.6% during the quarter. Net margins also expanded to 23.9%, from 14.5% in 3QFY20.

§ **Outlook.** Inari is currently developing its electromagnetic interference (EMI) shielding equipment, which is especially important for 5G technology as 5G's high frequency will lead to an increased level of interference, hence EMI shielding is vital to ensure that the device will not be impacted by external and its own radiated electromagnetic waves. Apart from that, R&D works for the replacement of copper pillar bumping are also underway.

§ **Maintain Outperform.** We make no changes to our earnings forecast at this juncture and we roll over our valuation base year to CY22F. However, our TP remains unchanged at RM4.40 (based on a PE multiple of 45x), as we take into account the enlarged share base of 3.769bn shares post-private placement (targeted completion in 2HCY21).

KEY FORECAST TABLE

FYE June (RM m)	2019A	2020A	2021F	2022F	2023F	CAGR
Revenue	1,152.9	1,058.0	1,545.7	1,752.8	1,856.1	20.6%
Gross Profit	269.4	216.3	394.1	455.7	491.9	31.5%
Pre-tax Profit	216.2	172.4	330.0	387.3	426.7	35.3%
Net Profit	191.7	156.4	298.6	350.5	386.1	35.1%
EPS (Sen)	5.1	4.2	7.9	9.3	10.2	
P/E (x)	59.0	72.3	37.9	32.3	29.3	
DPS (Sen)	5.2	4.4	9.1	7.9	8.7	
Dividend Yield	1.7	1.5	3.0	2.6	2.9	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

<u>FYE Dec</u> <u>(RM m)</u>	<u>3Q21</u>	<u>3Q20</u>	<u>2Q21</u>	<u>YoY</u> <u>Chg</u> <u>(%)</u>	<u>QoQ</u> <u>Chg</u> <u>(%)</u>	<u>YTD 21</u>	<u>YTD 20</u>	<u>YoY</u> <u>Chg</u> <u>(%)</u>	<u>Comments</u>
Revenue	342.9	242.6	376.8	41.4	-9.0	1067.4	824.6	29.4	Strong YoY growth supported by its RF segment as the group had a total of 22 fully operational SiP lines during the quarter.
Cost of sales	-249.3	-200.2	-256.1	24.5	-2.7	-755.2	-656.1	15.1	
Gross profit	93.6	42.3	120.7	121.1	-22.4	312.2	168.5	85.2	
Other income	14.7	13.2	2.0	11.7	629.6	19.8	21.7	-8.9	
Administrative expenses	-21.5	-16.9	-27.8	26.8	-22.8	-72.6	-53.8	34.9	
EBIT	86.9	38.6	94.9	125.1	-8.5	259.4	136.5	90.1	
Finance cost	-0.1	2.3	-0.1	-102.8	6.6	-0.2	2.0	-110.4	
Share of results of associates	-0.1	-0.1	-0.2	-28.0	-31.3	-0.3	-0.1	118.2	
Pre-tax profit	86.7	40.8	94.7	112.8	-8.4	258.9	138.3	87.2	
Taxation	-4.8	-5.7	-4.6	-15.2	4.5	-16.8	-18.0	-6.6	Lower taxes on a YoY basis due to the recognition of deferred tax assets.
Minority interest	0.1	0.0	0.0	1250.0	350.0	0.1	0.0	-438.1	
Profit after tax	81.9	35.1	90.1	133.7	-9.0	242.1	120.3	101.3	
Gross margin	27%	17%	32%			29%	20%		Improvement in margins due to higher utilization rate
EBIT margin	25%	16%	25%			24%	17%		
PBT margin	25%	17%	25%			24%	17%		
PAT margin	24%	14%	24%			23%	15%		

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE June (RM m)	2019A	2020A	2021F	2022F	2023F
Revenue	1,152.9	1,058.0	1,545.7	1,752.8	1,856.1
Cost of sales	-883.4	-841.7	-1,151.5	-1,297.1	-1,364.2
Gross Profit	269.4	216.3	394.1	455.7	491.9
Other Gains / (Losses)	21.8	26.2	30.9	35.1	37.1
Finance Costs	-1.3	-0.8	-1.6	-1.8	-2.1
Pre-tax Profit	216.2	172.4	330.0	387.3	426.7
Income Tax	-23.9	-15.9	-31.3	-36.8	-40.5
Effective Tax Rate (%)	11.0	9.2	9.5	9.5	9.5
Minorities	-0.6	-0.7	0.0	0.0	0.0
Net Profit	191.7	156.4	298.6	350.5	386.1

Growth

Revenue	-16%	-8%	46%	13%	6%
Gross Profit	-26%	-20%	82%	16%	8%
Net Profit	-23%	-18%	91%	17%	10%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE June (RM m)	2019A	2020A	2021F	2022F	2023F
Property, Plant & Equipment	489.5	479.4	464.5	447.8	428.1
Cash and Cash Equivalents	429.7	594.6	383.3	405.6	461.3
Receivables, deposits and prepayment	233.0	214.4	298.9	334.8	352.7
Other Assets	188.1	175.8	302.6	327.9	339.5
Total Assets	1,340.3	1,464.2	1,449.4	1,516.1	1,581.5
Payables	160.8	199.2	225.2	237.3	242.8
Borrowings	14.9	6.2	12.0	14.0	16.0
Deferred tax	8.6	11.3	11.3	11.3	11.3
Other Liabilities	34.1	38.6	36.8	36.8	36.8
Total Liabilities	218.4	255.2	285.2	299.4	306.9
Shareholders' Equity	1,122.0	1,208.9	1,164.1	1,216.7	1,274.6
Total Equity and Liabilities	1,340.3	1,464.2	1,449.4	1,516.1	1,581.5

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE June	2019A	2020A	2021F	2022F	2023F
Book Value Per Share	0.3	0.3	0.4	0.4	0.4
NTA Per Share	0.3	0.3	0.4	0.4	0.4
EPS (Sen)	5.1	4.2	7.9	9.3	10.2
DPS (Sen)	5.2	4.4	9.1	7.9	8.7
Payout Ratio (%)	102.2	106.0	115.0	85.0	85.0
ROA (%)	14.3	10.7	20.6	23.1	24.4
ROE (%)	17.1	12.9	25.7	28.8	30.3

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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