



INARI AMERTRON BERHAD

Outperform

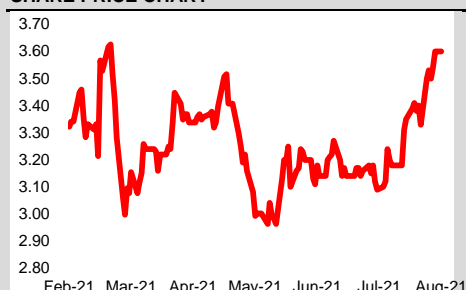
DESCRIPTION

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

12-Month Target Price RM4.75
Current Price RM3.60
Expected Return 31.9%

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

SHARE PRICE CHART



52 Week Range (RM) RM1.89 – RM3.73
3-Month Average Vol ('000) 9,649.0

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	14.3	11.8	5.3
Relative Returns	18.9	20.5	12.4

KEY STOCK DATA

Market Capitalisation (RMm)	13,247.9
No. of Shares (m)	3,680.0

MAJOR SHAREHOLDERS

	%
Insas Bhd	14.4
KWAP	9.4
EPF	7.7

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Strong End

Inari's FY21 full year net profit grew by 112% YoY to a new record high of RM330.5m. The results came in above both our and consensus projections at 110% and 107% respectively. Discrepancy in our forecast was mainly due to lower-than-expected cost of sales, of which we reckon was a result of stronger volume loading and better economies of scale. We raise our earnings forecast for FY22-23F by <6%, to account for better contribution from its RF segment, given that the US smartphone maker was reported to have requested its suppliers to boost output for its next-generation models. Our TP is subsequently raised to RM4.75, implying a PE multiple of 45x on its CY22F EPS of 10.6sen. Our **Outperform** rating on Inari is maintained, as we continue to like Inari for its role as a proxy for stronger 5G adoption globally and is bound to benefit from the US smartphone's supercycle. Inari announced a final dividend of 2.5sen per share, bringing cumulative dividend for FY21 to date to 11sen per share.

§ **Stronger-than-expected 4Q.** Inari's 4QFY21 revenue grew by 55% YoY to RM361.3m, due to growth across all business segments. Its RF segment remained the Group's strongest contributor, supported by higher number of SiP lines in operation and also stronger volume loading of RF products. Net profit jumped 149% YoY to RM88.4m, given EBIT margin expansion of 11.1ppts YoY, due to economies of scale.

§ **Bright outlook.** The ongoing chip shortage may lead to the Korean smartphone maker potentially cancelling the launch of one of its premium flagship models. We believe the cancellation will bode well for the sales of the US smartphone makers' upcoming release, indirectly benefiting Inari. The US smartphone maker was also reported to have asked its suppliers to ramp up production for its next release by 20%, signifying its confidence on the launch of the new lineup.

§ **Keeping our Outperform call.** We raise our earnings forecast for FY22-23F by <6%, to account for stronger contribution from its RF segment, considering that the US smartphone maker has requested its suppliers to boost production output for its next-generation model by 20%. Our TP is subsequently raised to RM4.75, representing a PE multiple of 45x on its CY22F EPS of 10.6sen per share. Maintain **Outperform**.

KEY FORECAST TABLE

FYE June (RM m)	2020A	2021A	2022F	2023F	2024F	CAGR
Revenue	1,058.0	1,428.7	1,829.0	1,949.8	2,045.0	12.7%
Gross Profit	216.3	423.9	475.5	516.7	562.4	9.9%
Pre-tax Profit	172.4	352.2	411.7	450.6	494.9	12.0%
Net Profit	155.8	330.5	371.0	406.0	445.9	10.5%
EPS (Sen)	4.7	9.9	10.1	11.0	12.1	
P/E (x)	77.3	36.4	35.7	32.6	29.7	
DPS (Sen)	4.3	11.0	8.6	9.4	10.3	
Dividend Yield	1.2	3.1	2.4	2.6	2.9	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

<u>FYE June</u> <u>(RM m)</u>	<u>4Q21</u>	<u>4Q20</u>	<u>3Q21</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	361.3	233.3	342.9	54.8	5.4	1428.7	1058.0	35.0	Growth across all segments YoY. RF remained as the strongest contributor, supported by more SiP lines in operation, as well as higher loading volume.
Cost of sales	-249.6	-185.6	-249.3	34.5	0.1	-1004.8	-841.7	19.4	
Gross profit	111.7	47.7	93.6	134.0	19.3	423.9	216.3	96.0	
Other income	7.3	12.0	14.7	-39.5	-50.7	27.1	36.2	-25.2	
Administrative expenses	-25.4	-24.9	-21.5	1.9	18.3	-98.0	-78.7	24.5	
EBIT	93.6	34.8	86.9	168.7	7.7	353.0	173.7	103.2	
Finance cost	-0.3	-0.3	-0.1	-7.0	387.7	-0.5	-0.8	-34.9	
Share of results of associates	0.1	-0.4	-0.1	-124.8	-201.9	-0.2	-0.6	-63.5	
Pre-tax profit	93.4	34.1	86.7	174.2	7.7	352.2	172.4	104.4	
Taxation	-4.7	2.1	-4.8	-327.5	-2.3	-21.5	-15.9	35.2	
Minority interest	-0.3	-0.7	0.1	-53.2	-679.6	-0.2	-0.7	-64.9	
Profit after tax	88.4	35.5	81.9	149.1	7.8	330.5	155.8	112.2	
Gross margin	31%	20%	27%			30%	20%		Margin improvement due to better economies of scale
EBIT margin	26%	15%	25%			25%	16%		
PBT margin	26%	15%	25%			25%	16%		
PAT margin	24%	15%	24%			23%	15%		

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE June (RM m)	2020A	2021A	2022F	2023F	2024F
Revenue	1,058.0	1,428.7	1,829.0	1,949.8	2,045.0
Cost of sales	-841.7	-1,004.8	-1,353.5	-1,433.1	-1,482.6
Gross Profit	216.3	423.9	475.5	516.7	562.4
Other Gains / (Losses)	26.2	20.1	48.6	51.7	55.8
Finance Costs	-0.8	-0.5	-0.8	-0.8	-0.6
Pre-tax Profit	172.4	352.2	411.7	450.6	494.9
Income Tax	-15.9	-21.5	-39.1	-42.8	-47.0
Effective Tax Rate (%)	9.2	6.1	9.5	9.5	9.5
Minorities	-0.7	-0.2	-1.6	-1.8	-2.0
Net Profit	155.8	330.5	371.0	406.0	445.9

Growth

Revenue	-8%	35%	18%	7%	5%
Gross Profit	-20%	96%	21%	9%	9%
Net Profit	-19%	112%	19%	9%	10%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE June (RM m)	2020A	2021A	2022F	2023F	2024F
Property, Plant & Equipment	479.4	472.2	496.2	451.8	396.7
Cash and Cash Equivalents	594.6	904.9	422.4	496.4	594.6
Receivables, deposits and prepayment	214.4	251.7	348.0	368.9	385.4
Other Assets	175.8	190.5	264.5	278.3	286.9
Total Assets	1,464.2	1,819.3	1,531.1	1,595.4	1,663.5
Payables	199.2	287.7	242.0	248.6	252.9
Borrowings	6.2	1.1	20.0	15.0	10.0
Deferred tax	11.3	11.6	11.3	11.3	11.3
Other Liabilities	42.9	141.4	44.0	45.8	47.8
Total Liabilities	259.5	441.8	317.3	320.7	321.9
Shareholders' Equity	1,204.7	1,377.4	1,213.8	1,274.7	1,341.6
Total Equity and Liabilities	1,464.2	1,819.3	1,531.1	1,595.4	1,663.5

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	0.4
NTA Per Share	0.3	0.4	0.3	0.4	0.4
EPS (Sen)	4.7	9.9	10.1	11.0	12.1
DPS (Sen)	4.3	11.0	8.6	9.4	10.3
Payout Ratio (%)	91.5	111.4	85.0	85.0	85.0
ROA (%)	10.6	18.2	24.2	25.4	26.8
ROE (%)	12.9	24.0	30.6	31.9	33.2

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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