



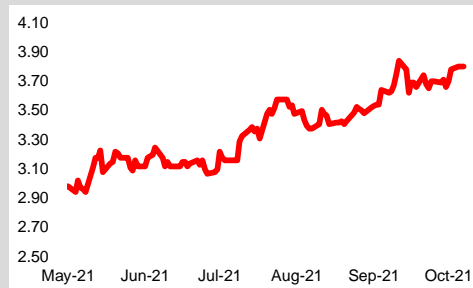
DESCRIPTION

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 RM3.80
Expected Return 25.0%

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

SHARE PRICE CHART



52 Week Range (RM) 2.41 – 3.88
3-Month Average Vol ('000) 13,832.8

SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	4.4	20.3	14.0
Relative Returns	1.2	13.1	11.3

KEY STOCK DATA

Market Capitalisation (RMm)	14,004.0
No. of Shares (m)	3,680.0

MAJOR SHAREHOLDERS

	%
Insas Bhd	14.4
KWAP	9.0
EPF	7.4

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Strengthening Presence in China

Inari Amertron (Inari) has entered into a memorandum of understanding (MoU) with private equity fund management company, China Fortune-Tech Capital Co (CFTC) to jointly establish outsourced semiconductor assembly and test (OSAT) manufacturing business to cater for the demand in China. In addition, Inari will also inject its Amertron Technology (Kunshan) Co into the 55:45 joint-venture (JV) company. Given CFTC's vast connection in the China's technology industry, we believe the proposed JV could help accelerate Inari's expansion in China and diversify its income stream. Maintain **Outperform** call with an unchanged TP of RM4.75 based on 45x CY22 EPS. We remain upbeat on the ongoing 5G network roll-out across the global cities and commendable 5G smartphone sales by Broadcom's key customer.

§ **Backed by a high-profile tech savvy investor.** CFTC, a private equity fund management company founded in 2014, was established by a group of shareholders consisting of China's largest semiconductor foundry player, SMIC. Its investments mainly focus on integrated circuit industry including semiconductor materials and electronic materials, integrated circuit design, equipment, IP services and tools.

§ **Injecting Amertron Technology (Kunshan) into the new set-up.** Under the proposal, Inari will inject wholly-owned LED display and IR sensor business in China under Amertron Technology (Kunshan) Co together with capital contribution of RMB463m (RM716m) into the JV company for a 55% stake while CFTC will inject wholly-owned Yiwu Semiconductor International Corp together with capital contribution of RMB749m (RM1.1bn) into the JV company for the remaining 45% stake. In-short, it is estimated that the 55%-owned proposed JV company will have a start-up share capital of RM1.7bn.

§ **Riding on each other strengths.** Under the proposed JV, it can only provide OSAT manufacturing business services within China and shall only focus on the local demand. Inari will provide technical assistance, knowledge and know-hows to the OSAT operations and it will also provide expertise to expand the business of Amertron Technology (Kunshan) Co and also at new plant sites in China. Meanwhile, CFTC will provide expertise, relationships and guidance to the JV on the business opportunities, including sales, marketing strategy, business development and risks within the regulatory frameworks of China. It will also help to source local talents for the operations of these plants as well as local leadership on the physical set-up of plants and environmental compliance.

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)	80.9	38.4	37.6	34.5	31.4	
DPS (Sen)	4.3	11.0	8.6	9.4	10.3	
Dividend Yield	1.1	2.9	2.3	2.5	2.7	

Source: Company, PublicInvest Research estimates

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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