Technology

Strong Results In 3Q26; Stay Focused On Yield And Balance Sheet

Highlights

- Semiconductor-related stocks (AEM, UMS, Frencken), Venture and Riverstone reported robust earnings in 3Q26. Valuetronics raised its dividend by 75%, surprising on the upside.
- We recommend staying selective on stocks that have strong balance sheets and offer attractive yields. Semiconductor- and AI-related stocks may face a continued de-rating and more headwinds as AI spending slows down.
- Our top picks are Valuetronics (7.5% yield), Riverstone (8% yield) and Venture (5.8% yield) given their attractive yield, valuation and growth prospects. Maintain MARKET WEIGHT.

Analysis

- **Majority of companies reported earnings that exceeded or are in line with our forecasts.** All the tech companies under our coverage have released their results in Nov 26. We categorise the stocks into two groups: a) semiconductor-related names (AEM, UMS, Frencken), and b) other tech stocks (Valuetronics, Riverstone, Venture Corp, CSE, Nanofilm and Aztech). Stocks that exceeded our earnings estimates include AEM, Venture, Riverstone and CSE. On the other hand, UMS, Frencken, Nanofilm and Aztech reported earnings that were in line with our estimates.
- **Semiconductor-related stocks continue to maintain their positive outlook but we are caution of potential slowdown in AI spending.** All three semiconductor-related stocks delivered strong earnings growth in 3Q26, due to robust customer demand - AEM (+111% qoq), UMS (+102% yoy) and Frencken (+31% yoy). The outlook for all three stocks remains positive due to strong demand in the semiconductor equipment space. However, we notice that all three stocks have been sold down despite the strong results, mainly due to market concerns about the slowdown in AI spending, which may result in lower future demand for semiconductor equipment.
- **Top picks: Venture, Valuetronics and Riverstone, supported by robust results and positive outlook.** All three of our top picks reported robust results in 3Q26: Venture (+22% yoy), Valuetronics (1HFY27: -4% yoy/+36% hoh) and Riverstone (+35% yoy). Valuetronics stood out with a positive dividend surprise, raising its interim dividend by 75% yoy to 14 HK cents/share, while affirming its commitment to the HK$300m capital return programme. On the other hand, Venture sees robust demand underpinning its test & measurement instrumentation, networking & communications, and semiconductor-related equipment businesses, with life science adding another recovery driver. For Riverstone, we expect its cleanroom segment to benefit from the targeted expansion of cleanroom consumable products and new glove production capacity expansion of around 10%, which should commence full production in 1Q27.

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MARKET WEIGHT (Maintained)

Stocks Under Coverage

Company	Rec	Share Price (S$)	Target Price (S$)	Reported 3Q26 earnings summary
Top Picks				
Valuetronics	BUY	0.855	1.40	In Line. HK$90m for 1HFY27(-4% yoy/+36% hoh for core earnings)
Riverstone	BUY	0.77	1.08	Beat. RM70m (+35% yoy/+7% qoq)
Venture Corp	BUY	13.82	18.30	Beat. S$68m (+22% yoy/+8% qoq)
Semiconductor stocks				
AEM	BUY	5.79	9.08	Beat. S$35m (+3,910 yoy/+111% qoq)
UMS	BUY	1.59	2.40	In Line. S$21m (+102% yoy/+20% qoq)
Frencken	BUY	1.55	2.15	In Line. S$13m (+25% yoy/+9% qoq)
Others				
CSE	BUY	0.74	1.30	Beat. S$323m revenue (+8% yoy/-5% qoq)
Nanofilm	BUY	0.635	1.09	In line. S$74m revenue (+2% yoy/+25% qoq)
Aztech	HOLD	0.32	0.44	In line. 7m (-40% yoy/+20% qoq)

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 25 Nov 26 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (S$m)	Price/ NAV ps (x)
AEM	AEM SP	BUY	5.79	9.08	56.8	12/25	107.2	16.7	15.9	1.5	20.7	1,847.3	3.4
Aztech Gbl	AZTECH SP	HOLD	0.32	0.44	37.5	12/25	6.2	12.4	8.4	6.3	7.5	247.0	1.1
CSE Global	CSE SP	BUY	0.74	1.30	75.7	12/25	14.1	12.9	11.8	3.9	14.3	541.0	1.8
Frencken	FRKN SP	BUY	1.55	2.15	38.7	12/25	16.9	15.2	15.1	1.8	8.3	734.0	1.4
Nanofilm	NANO SP	BUY	0.635	1.09	71.7	12/25	35.3	20.5	14.0	1.0	4.5	411.7	0.9
Riverstone	RSTON SP	BUY	0.77	1.08	40.3	12/25	18.0	15.1	14.0	8.0	16.4	1,141.3	2.5
UMS	UMSH SP	BUY	1.59	2.40	50.9	12/25	27.2	19.4	16.1	3.1	15.0	1,496.4	3.2
Valuetronics	VALUE SP	BUY	0.855	1.40	63.7	3/26	18.0	13.3	12.2	7.5	10.9	348.8	1.5
Venture Corp	VMS SP	BUY	13.82	18.30	32.4	12/25	17.5	16.1	15.2	5.8	8.8	3,964.3	1.4

Source: Bloomberg, UOB Kay Hian

Action

- **Maintain MARKET WEIGHT.** We recommend investors remain selective, favouring stocks with strong balance sheets, attractive dividend yields and resilient earnings growth. Following the recent sector de-rating, semiconductor stocks are seeing more potential headwinds in the slowdown of AI spending. Our top picks remain Valuetronics (7.5% yield), Riverstone (8% yield) and Venture Corp (5.8% yield), supported by attractive valuations, dividend yields and positive growth prospects.
- **We made no changes of our target prices in this report** ever since reducing them after the 3Q26 results to reflect for the general tech sector derating.

Valuetronics (VALUE SP/BUY/Target: S$1.40)

- **Maintain BUY with a 25% lower target price of S$1.40,** pegged to 16x FY28F ex-cash PE (+1SD above mean), with 50% discount ascribed to cash. This is lowered from 19x PE (+2SD above mean) previously to account for the general sector de-rating in the tech sector. Higher dividends, progress on capital return, and sustained ICE growth support our positive view.

Riverstone (RSTON SP/BUY/Target: S$1.08)

- **Maintain BUY with an 11% lower PE-based target price of S$1.08,** pegged to 19x 2027F PE based on historical mean. This is reduced from 24x (+0.5SD) previously to reflect the general small-mid cap sector de-rating. We believe there is room for Riverstone's multiple to re-rate, given its cleanroom moat, net cash balance sheet and consistent dividend track record of above 100% payout ratio.

Venture Corp (VMS SP/BUY/Target: S$18.30)

- **Maintain BUY with a lower target price of S$18.30** (S$21.10 previously), implying an upside of 28.1%. Our target price is pegged to a lower 20.2x 2027F PE, or 1.5SD above the historical mean, compared to 23.7x 2027F PE previously (+3.0SD above historical mean), as the sector has de-rated.

AEM Holdings (AEM SP/BUY/Target: S$9.08)

- **Maintain BUY with a 30% lower target price of S$9.08.** Our target price is based on 25x 2027F PE, pegged to 0.5SD above AEM's long-term forward mean. This is down from 35x (+1SD) previously, to reflect the general sector semiconductor industry de-rating.

UMS Holdings (UMSH SP/BUY/Target: S$2.40)

- **Maintain BUY with a 27% lower target price of S$2.40.** This is based on 24.3x 2027F PE (+1SD above mean) on the enlarged share base from the Malaysia placement exercise, vs the previous 32x (+1SD above mean) to account for the recent semiconductor sector de-rating. We remain positive on the semiconductor sector's outlook, rising contributions from the new customer, and capacity expansion.

Frencken Group (FRKN SP/BUY/Target: S$2.15)

- **Maintain BUY with a 35% lower target price of S$2.15** (previously S$3.30), implying 26.5% upside. Our target price is pegged to 21x 2027F PE (+1SD above historical mean), down from 29x (+3SD), reflecting the overall sector de-rating. The premium to historical mean remains supported by the semiconductor upcycle, Frencken's local-for-local manufacturing capabilities, and diversified geographical presence.

NanoFilm Technologies (NANO SP/BUY/Target: S$1.09)

- **Maintain BUY with a 27% lower target price of S$1.09.** We reduce our valuation peg to 24x 2027 EPS based on 0.5SD below PE mean, down from 37x, or 0.5SD above the long-term forward PE mean previously. This is to reflect the general sector de-rating in the small-mid cap space. Margin improvement, the completed flagship ramp-up, and new substrate development support the recovery outlook. Stronger programme execution and additional equipment orders could provide upside to earnings.

Aztech Group (AZTECH SP/HOLD/Target: S$0.44)

- **Maintain HOLD with a lower target price of S$0.44** (previously S$0.73), pegged to 13.6x 2027F PE (+1.5SD above the historical mean), compared with 19x previously (+3SD above the historical mean). The lower multiple reflects the broader industry de-rating, alongside Aztech's weaker order visibility and uncertain operating environment.

Sector Catalyst/Risk

- Increasing capex spending by upstream global tech manufacturers.
- Better-than-expected 4Q26 sales and earnings.
- Improved guidance for 2027.

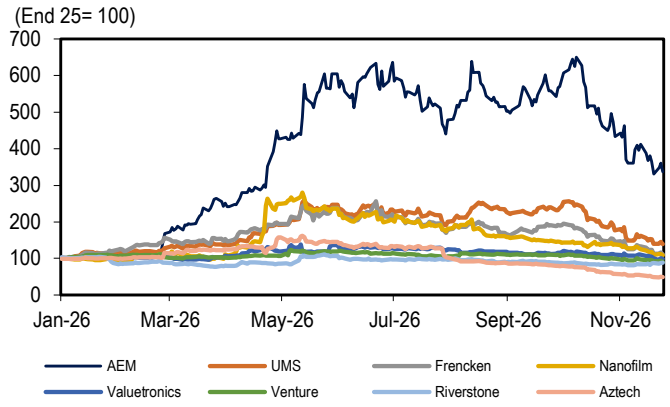
Assumption Changes

- No changes to our forecasts.

Sector Risks

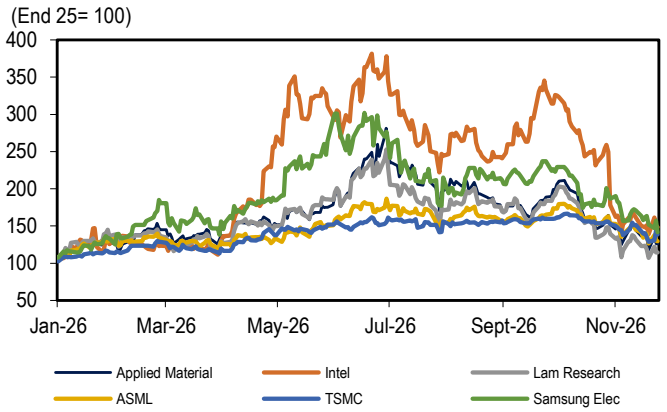
- Reduced demand for electronic goods as a result of global recession.
- Escalation of geopolitical tensions and trade conflict between the US and China.

Relative Share Price Comparison Of Singapore Tech Stocks



Source: Bloomberg, UOB Kay Hian

Relative Share Price Comparison Of Global Semiconductor Stocks



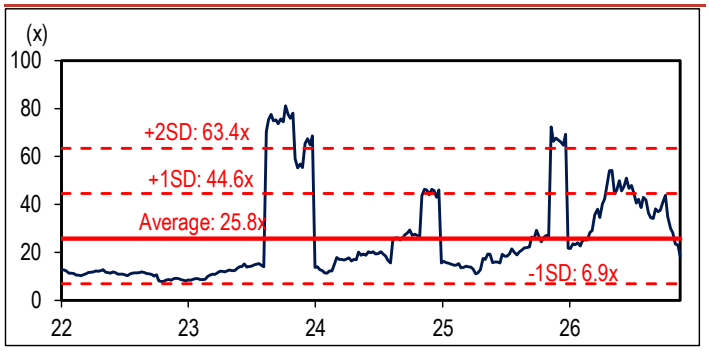
Source: Bloomberg, UOB Kay Hian

Peer Comparison Table

		Trading	Price @	Market	PE		P/B		EV/EBITDA		ROE	Yield
Company	Ticker	Curr	25 Nov 26	Cap	2026	2027	2026	2027	2026	2027	2026	2026
		(lcy)	(lcy)	(US$m)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Kulicke & Soffa	KLIC US	USD	57.59	3,046	16.5	8.1	3.1	n.a.	10.8	5.2	20.2	1.4
ASML	ASML NA	EUR	1181.6	501,570	28.4	20.7	18.3	12.4	22.9	16.5	70.0	0.8
Applied Materials	AMAT US	USD	323.76	256,935	25.5	16.7	9.8	7.9	21.8	14.0	43.4	0.6
Lam Research	LRCX US	USD	196.16	245,037	33.9	20.3	19.7	13.7	27.9	16.3	65.1	0.5
Kla Corp	KLAC US	USD	133.65	174,414	36.3	23.0	27.5	18.9	28.7	18.8	87.5	4.4
Teradyne	TER US	USD	213.22	33,289	22.6	17.4	8.9	6.9	17.6	13.4	42.9	0.2
Global average					**27.2**	**17.7**	**14.6**	**12.0**	**21.6**	**14.0**	**54.8**	**1.3**
UWC	UWC MK	MYR	5.73	1,535	67.3	36.5	11.0	8.5	40.9	25.8	17.9	0.0
Sam Engineering	SEQB MK	MYR	3.53	580	29.4	20.8	1.7	1.6	13.1	10.6	5.6	0.7
Coraza Integrate	CORAZA MK	MYR	1.06	128	26.5	18.6	3.1	2.7	11.1	8.6	12.6	n.a.
Greatech	GREATEC MK	MYR	2.07	1,264	35.7	22.0	4.6	3.8	25.3	15.9	13.1	0.1
Inari Amertron	INRI MK	MYR	2.11	1,987	63.0	30.6	2.9	2.8	35.7	17.0	4.6	2.2
Northeast	NE MK	MYR	0.89	160	17.0	15.9	n.a.	n.a.	n.a.	7.6	n.a.	n.a.
Oppstar	OPPSTAR MK	MYR	0.38	60	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pentamaster	PENT MK	MYR	4.65	803	47.0	29.8	3.9	3.5	21.5	15.9	8.1	0.4
Vitrox	VITRO MK	MYR	9.2	4,232	49.5	39.1	12.6	10.4	42.0	34.2	26.9	0.5
Malaysia average					**41.9**	**26.7**	**5.7**	**4.7**	**27.1**	**17.0**	**12.7**	**0.6**

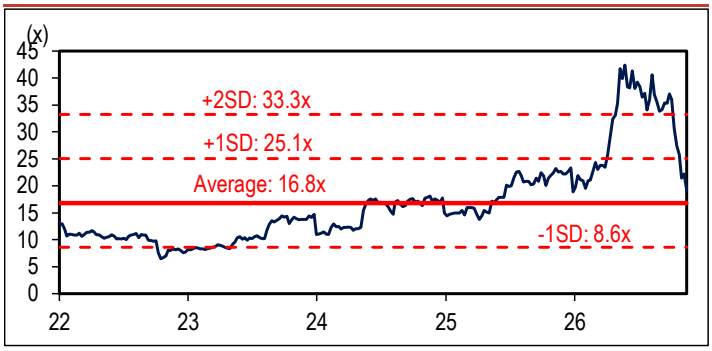
Source: Bloomberg, UOB Kay Hian

AEM 12-Month Forward PE Band



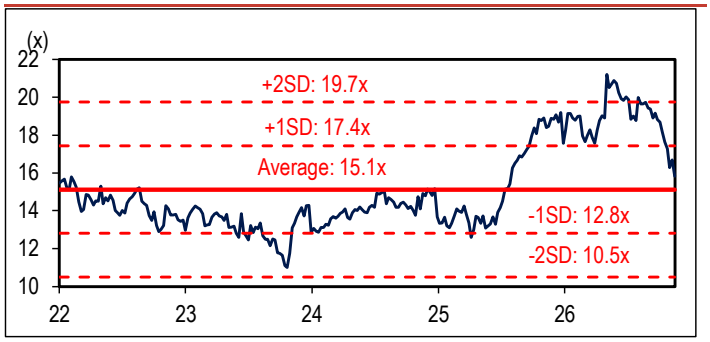
Source: Bloomberg, UOB Kay Hian

UMS Holdings 12-Month Forward PE Band



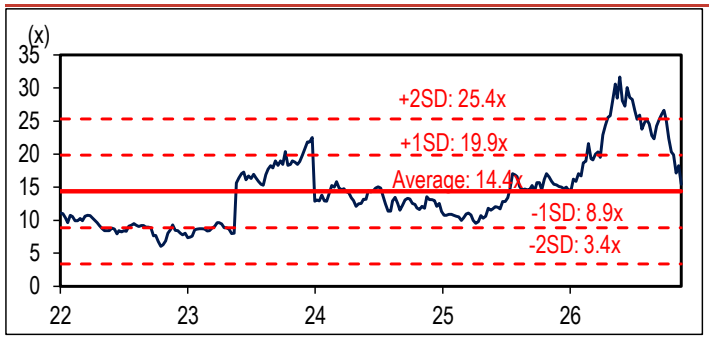
Source: Bloomberg, UOB Kay Hian

Venture Corp 12-Month Forward PE Band



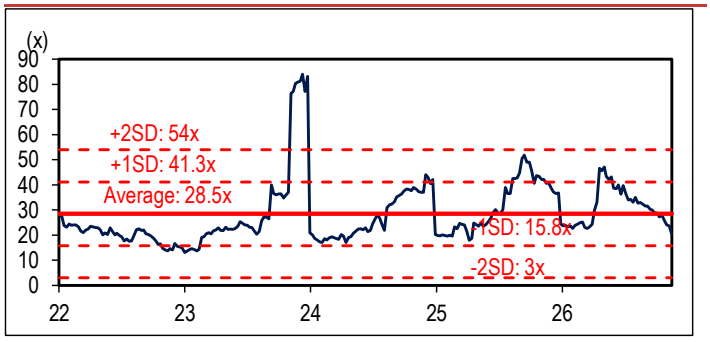
Source: Bloomberg, UOB Kay Hian

Frencken Group 12-Month Forward PE Band



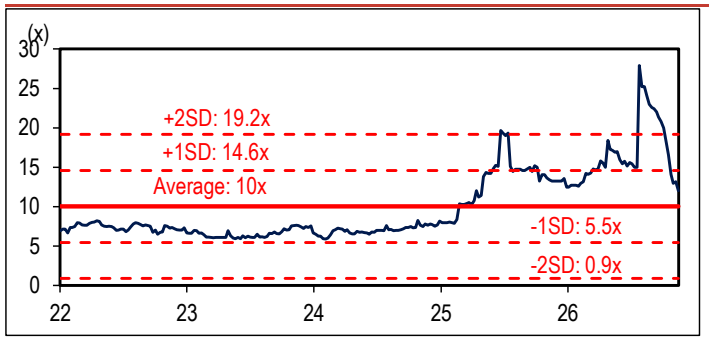
Source: Bloomberg, UOB Kay Hian

NanoFilm Technologies 12-Month Forward PE Band



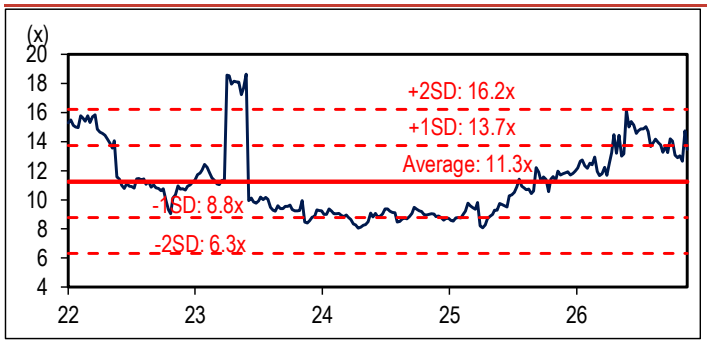
Source: Bloomberg, UOB Kay Hian

Aztech Global 12-Month Forward PE Band



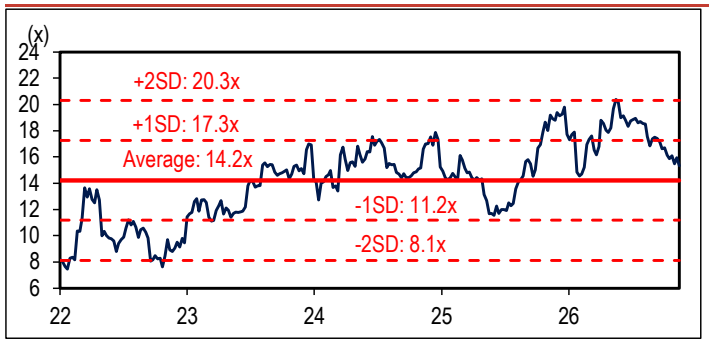
Source: Bloomberg, UOB Kay Hian

Valuetronics Historical PE Band



Source: Bloomberg, UOB Kay Hian

Riverstone Historical PE Band



Source: Bloomberg, UOB Kay Hian

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