Strategy

Alpha Picks: Bank Stocks Continue To Pull Ahead

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Highlights

- Our Jul 26 Alpha Picks beat the FSSTI by 1.4ppt on a market cap-weighted basis, with gains led largely by momentum in banks.
- For Aug 26: Add SIAEC; remove CAO.
- Aug 26 Alpha Picks: BKM, CIT, FEH, HLA, HUAGL, KEP, NTTDCR, OCBC, OTEK, RSTON, SIE, UGAI, UIBREIT, VALUE and VMS.

What's New

- **Market review.** Singapore equities rose 8.9% mom in Jul 26. Financials (+13.0% mom), plantation (+8.1% mom) and property (+4.8% mom) led the gains, with momentum in bank stocks aided by a Singapore safe haven appeal. Shipyard (+4.0% mom), REITs (+2.8% mom) and telecoms (+1.0% mom) advanced while land transport remained flat. Gains were partially offset by weakness in the technology (-6.5% mom), healthcare (-3.8% mom) and aviation (-1.5% mom) sectors. Singapore stocks continued to draw safe-haven inflows amid geopolitical uncertainty (rising oil prices & rate hike expectations), with the start of the 2Q26 earnings season as the next key catalyst.
- **Portfolio beat on a market cap-weighted basis.** Our Alpha Picks portfolio saw a 10.3% mom return on a market cap-weighted basis, compared with the FSSTI's 8.9% mom gain. The beat of 1.4ppt was largely driven by momentum in banks stocks. On the other hand, the portfolio advanced 5.1% and 1.3% on a price-weighted and equal-weighted basis, respectively, as other positions in the portfolio diluted the influence of bank stocks.
- **Gains led largely by OCBC; VMS, CAO and UGAI weighed.** OCBC (+17.5%) led gains on continued momentum in Singapore banks. HUAGL (+6.6%) recovered following two months of weakness. KEP (+4.8%) also advanced on earnings recovery and capital recycling optimism. BKM (+4.2%), HLA (+4.0%), FEH (+2.5%), CIT (+1.0%), and OTEK (+0.7%) also gained, while UIBREIT was flat. Weakness in a mix of smaller caps weighed on performance, with VMS (-6.5%), CAO (-4.9%), and UGAI (-4.0%) the largest detractors, alongside NTTDCR (-2.1%), RSTON (-1.8%), and VALUE (-1.8%).

Action

- **One new addition and one removal.** We add SIA Engineering (SIE SP) on healthy fundamentals, higher capacity expansions, and expect a SMID-cap recovery after recent weakness. We remove China Aviation Oil (CAO SP) on share price weakness from normalising oil and jet fuel prices.

Analysts' Alpha Picks

Analyst	Company	Rec	Performance#	Catalyst
Jonathan Koh	City Developments	BUY	9.0	Strong divestments ytd; potential special dividend.
John Cheong	Food Empire	BUY	69.7	Expanding footprint in key markets.
John Cheong	Huationg Global	BUY	-12.5	Strong 2025 earnings; robust orderbook.
John Cheong	UltraGreen.ai	BUY	-19.7	Market leader with high margins & attractive valuation.
John Cheong	Valuetronics	BUY	52.5	Strong earnings from higher customer orders.
John Cheong	Venture Corp	BUY	-12.8	AI infrastructure demand; recovery gaining traction in 2026.
Jonathan Koh	OCBC	BUY	133.4	Attractive yield; lower NIM risk exposure.
Jonathan Koh	NTTDCR	BUY	-0.5	Potential acquisitions in Europe and Japan.
Jonathan Koh	UIBREIT	BUY	-1.2	Strong leasing momentum and smooth project executions
Roy Chen	Keppel	BUY	-10.1	Further success in its capital recycling plans.
Roy Chen	SIA Engineering	BUY	n.a.	Healthy fundamentals and higher capacity expansions
Tang Kai Jie	Beng Kuang	BUY	0.0	Strong orderbook and earnings-accretive acquisition.
Tang Kai Jie	Hong Leong Asia	BUY	-14.3	IPO of indirect subsidiary on the HKSE.
Tang Kai Jie	Oiltek	BUY	-35.7	Landmark RM1.4b contract and strong SAF demand.
Tang Kai Jie	Riverstone	BUY	-2.8	ASP cost pass-through; glove demand recovery.

 # Share price change since stock was selected as Alpha Pick
Source: UOB Kay Hian

STI Target: 5,610 (end-26)

Alpha Picks Recommendations

Company	Ticker	Rec*	Price (S$)	Target (S$)
Beng Kuang	BKM SP	BUY	0.485	0.75
CityDev	CIT SP	BUY	7.84	11.50
Food Empire	FEH SP	BUY	2.46	3.49
Hong Leong Asia	HLA SP	BUY	2.94	4.90
Huationg Global	HUAGL SP	BUY	0.735	1.23
Keppel	KEP SP	BUY	11.21	13.26
NTT DC REIT	NTTDCR SP	BUY	0.925	1.43
O C B C	OCBC SP	BUY	28.87	31.6
Oiltek	OTEK SP	BUY	1.46	2.78
Riverstone	RSTON SP	BUY	0.855	1.10
SIA Engineering	SIE SP	BUY	3.15	3.75
UIBREIT	UIBREIT SP	BUY	0.81	1.16
UltraGreen.ai	UGAI SP	BUY	1.22	1.95
Valuetronics	VALUE SP	BUY	1.06	1.88
Venture Corp	VMS SP	BUY	16.01	20.65

** Rating may differ from UOB Kay Hian's fundamental view*
Source: Bloomberg

Alpha Picks Performance In July 26

Company	Ticker	Rec	Jul 26 (%)	To-date* (%)
Beng Kuang	BKM SP	BUY	4.2	0.0
China Aviation	CAO SP	BUY	(4.9)	(0.6)
CityDev	CIT SP	BUY	1.0	9.0
Food Empire	FEH SP	BUY	2.5	69.7
Hong Leong Asia	HLA SP	BUY	4.0	(14.3)
Huationg Global	HUAGL SP	BUY	6.6	(12.5)
Keppel	KEP SP	BUY	4.8	(10.1)
NTT DC REIT	NTTDCR SP	BUY	(2.1)	(0.5)
O C B C	OCBC SP	BUY	17.5	133.4
Oiltek	OTEK SP	BUY	0.7	(35.7)
Riverstone	RSTON SP	BUY	(1.8)	(2.8)
UIBREIT	UIBREIT SP	BUY	0.0	(1.2)
UltraGreen.ai	UGAI SP	BUY	(4.0)	(19.7)
Valuetronics	VALUE SP	BUY	(1.8)	52.5
Venture Corp	VMS SP	BUY	(6.5)	(12.8)
FSSTI			8.9	
UOBKH Portfolio			1.3	

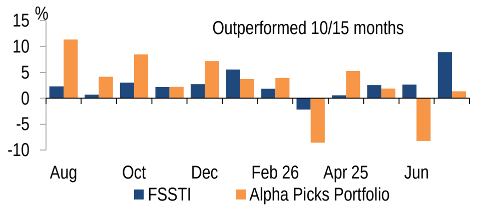
Source: Bloomberg

Portfolio Return

(%)	2025	1Q26	2Q26	Jun-26	Jul-26
FSSTI return	22.7	5.1	5.8	2.6	8.9
Alpha Picks Return					
- Price-weighted	29.3	1.9	0.7	(2.7)	5.1
- Market cap-weighted	18.1	2.6	0.8	1.8	10.3
- Equal-weighted	39.5	(0.6)	(0.8)	(8.2)	1.3

Source: Bloomberg

Performance of our Alpha Picks portfolio



Source: Bloomberg, UOB Kay Hian

Valuation Of Analysts' Alpha Picks

Company	Ticker	Rec*	Price 3 Aug 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)
Beng Kuang	BKM SP	BUY	0.485	0.75	54.6	12/25	18.6	16.2	9.1	1.2	29.3	145.5	3.8
CityDev	CIT SP	BUY	7.84	11.50	46.7	12/25	11.3	15.9	14.1	2.5	4.7	7,004.3	0.7
Food Empire	FEH SP	BUY	2.46	3.49	41.9	12/25	34.3	17.3	15.6	4.1	19.3	1,627.4	2.8
Hong Leong Asia	HLA SP	BUY	2.94	4.90	66.7	12/25	19.5	15.7	14.3	2.2	12.4	2,346.6	2.0
Huationg Global	HUAGL SP	BUY	0.735	1.23	67.3	12/25	6.8	6.6	6.2	2.2	14.8	138.8	1.0
Keppel	KEP SP	BUY	11.21	13.26	18.3	12/25	25.8	21.5	19.7	4.3	9.1	20,178.1	2.0
NTT DC REIT USD	NTTDCR SP	BUY	0.925	1.43	54.6	3/26	380.1	n.a.	n.a.	11.0	(0.4)	956.4	0.6
O C B C	OCBC SP	BUY	28.87	31.6	9.5	12/25	17.7	17.1	16.3	3.0	12.0	129,625.2	2.2
Oiltek	OTEK SP	BUY	1.46	2.78	90.4	12/25	64.2	56.9	15.2	0.7	32.8	626.3	19.8
Riverstone	RSTON SP	BUY	0.855	1.10	28.7	12/25	20.0	22.4	20.3	4.5	12.5	1,267.3	2.7
SIA Engineering	SIE SP	BUY	3.15	3.75	19.0	3/26	20.9	20.9	17.9	3.7	9.5	3,533.4	2.0
UIBREIT	UIBREIT SP	BUY	0.81	1.16	43.2	3/25	n.a.	14.5	13.1	8.7	6.6	1,107.7	0.9
UltraGreen.ai USD	UGAI SP	BUY	1.22	1.95	59.8	12/25	16.0	16.3	13.6	0.0	20.6	1,724.2	4.3
Valuetronics	VALUE SP	BUY	1.06	1.88	77.4	3/26	22.4	16.6	15.3	6.0	10.9	432.1	1.8
Venture Corp	VMS SP	BUY	16.01	20.65	29.0	12/25	20.3	19.3	18.4	5.0	8.5	4,600.1	1.7

Source: UOB Kay Hian

Food Empire Holdings – BUY (John Cheong/Tang Kai Jie)

- **Record 1Q26 quarter; Asia surpasses traditional markets for first time.** FEH's 1Q26 revenue of US$159.7m (+16.9% yoy) came in slightly above expectations, forming 26% of full-year forecasts. For the first time, Asia (SEA + Central Asia + South Asia) contributed US$92.4m or 58% of group revenue, surpassing Russia and Europe combined. This reflects the payoff of FEH's diversification strategy initiated in 2013.
- **Broad-based geographic growth, led by Central Asia.** Russia surged 29.4% yoy (aided by a 16.5% rouble appreciation); Central Asia delivered its fastest-ever quarterly growth at 36.4% yoy as Kazakhstan ramped up following the launch of a new coffee-mix facility; SEA grew 7.5% anchored by Vietnam. South Asia was the only soft spot (-2.1% yoy) due to a higher intercompany sales mix at full-capacity India plants.
- **Four factories underpinning next growth leg; Robusta prices down 36% from peak.** The most concentrated period of capacity additions in FEH's history spans 2026-28 (Kazakhstan live, Malaysia snack factory 1H26, India spray-dried Phase 2 in 2027, Vietnam freeze-dried in 2028). Robusta coffee prices have declined 36% from the Feb 25 peak of US$5,821/tonne as Vietnam supply recovers, supporting a gradual margin expansion. FEH also recently announced a 1-for-5 bonus issue to enhance liquidity.
- **Maintain BUY with a target price of S$3.49,** pegged to 25x 2026F PE (+2.5SD to historical mean). The stock trades at only 17x 2026F PE, a 28% discount to the regional peer average of 24x.

Share Price Catalyst

- **Event:** a) Earnings-accretive acquisitions, b) better-than-expected earnings, and c) higher-than-expected dividends.
- **Timeline:** 3-6 months.

Huationg Global – BUY (John Cheong/Tang Kai Jie)

- **Record earnings driven by strong 2H25 rebound.** 2025 net profit rose 21% yoy to S$19.8m, beating our expectation by 10% as 2H25 earnings doubled yoy on stronger project execution. Efficiency initiatives like upgrading tipper trucks to boost capacity are expected to support margins going forward.

Sector Performance

Sector	Performance (%) Jul	Performance (%) Ytd
Aviation	(1.5)	18.0
Finance	13.0	35.1
Healthcare	(3.8)	(13.7)
Land Transport	0.0	(9.5)
Plantation	8.1	31.5
Property	4.8	(1.9)
REITs	2.8	(2.2)
Shipyard	4.0	5.6
Technology	(6.5)	5.6
Telecoms	1.0	(2.1)
Others	4.5	(4.4)
FSSTI	8.9	21.1

Source: Bloomberg, UOB Kay Hian

- **Robust orderbook drives future earnings.** With an orderbook of S$535m (vs S$512m in 1H25 or 2x 2024 revenue), Huationg is well positioned for 2026-27 growth, supported by exposure to major infrastructure projects such as Changi T5 and the Cross Island Line.
- **Fuel cost headwinds manageable.** Higher fuel prices are factored into our estimates, with around 40% of fuel costs passed through via its inland logistics support segment, helping to mitigate margin pressure.
- **Maintain BUY with a target price of S$1.23,** pegged to 11x 2026F PE or a 14% discount to peers' average of 12.8x. Trading at just 5x ex-cash 2026F PE, Huationg offers deep value supported by its strong orderbook, net cash of S$56m (around 35% of market cap), and potential upside from a Mainboard transfer on the horizon.

Share Price Catalyst

- **Event:** a) Higher-than-expected order wins and margin expansion, and b) potential Mainboard transfer to unlock value.
- **Timeline:** 3-6 months.

UltraGreen.ai – BUY (John Cheong/Tang Kai Jie)

- **1Q26 volumes in line; on track for 2026 revenue target.** UltraGreen shipped 280,900 vials in 1Q26 (+7.8% qoq, -8.7% yoy), representing 24.4% of 2026 forecasts. The yoy decline reflects a high 1Q25 base from the back-order fulfilment of about 60,000 vials after a 2024 lyophilisation disruption; excluding this, underlying volume grew 13.4% yoy. Management confirmed strong April sales and guided for double-digit yoy volume growth in 1H26, reaffirming its 2026 revenue target of US$170m-190m (>20% growth).
- **Expanding geographic footprint.** Verdye received regulatory approval in Singapore, bringing total country approvals to 41 (IC-Flow imaging system approved in 45 markets). UltraGreen is also expanding ICG into wound care, with development initially focused in India via a US$3m convertible note (scalable to US$12m) in International Heart & Lung Disease India.
- **Global leader with exceptional margins and demand growth.** UltraGreen holds 83% US market share in ICG vials, with an 85% gross margin and 45% net margin (2025). Net cash of US$173m funds further growth. We forecast 2025-28 revenue and EPS CAGR of 20% and 30% respectively, underpinned by volume growth, APAC penetration and pricing power.
- **Maintain BUY with a target price of US$1.95.** We value UltraGreen based on 26x 2026F PE, around 16% discount compared with peers' average of 31x.

Share Price Catalyst

- **Event:** a) Higher-than-expected product margins, b) faster-than-expected adoption of FGS in underpenetrated markets, and c) accelerated developments of UltraGreen's Data Platform and AI-enabled PerfusionWorks.
- **Timeline:** 6-12 months.

Valuetronics – BUY (John Cheong)

- **FY26 results: Record gross margin despite one-off impairment.** FY26 revenue was HK$1.66b (-4% yoy), in line with estimates. Industrial and commercial electronics (ICE) hit a record HK$1,446m (+6% yoy); consumer electronics fell 42% on planned legacy product phase-out. Reported net profit of HK$111m was impacted by a HK$48.4m Trio AI impairment; adjusted profit of HK$160m (-4% yoy) formed 91% of our forecast. Gross margin was a record 18.8% (+1.8ppt yoy) as the ICE mix improved.

- **Upgraded payout policy and HK$300m two-year capital return programme.** Management raised its dividend payout policy to 50-70% (from 30-50%) and announced a HK$300m two-year capital return programme, equating to 73 HK cents per share (S$0.11). VALUE also aims to recoup approximately HK$130m from GPU disposals by end-26.
- **Maintain BUY with a PE-based target price of S$1.88,** pegged to 19x ex-cash FY28F PE (+4SD to mean), reflecting improved earnings visibility and the positive product mix shift. VALUE trades at only 10x FY28F ex-cash PE and offers a 6% FY28 dividend yield, supported by net cash of HK$1.2b (42% of market cap).

Share Price Catalyst

- **Event:** a) Rebalancing of product portfolio to higher-margin offerings, and b) growing potential from new customers offering modern-tech products.
- **Timeline:** 6-12 months.

Venture Corporation – BUY (John Cheong)

- **1Q26 results in line; AI infrastructure demand drives growth.** VMS' 1Q26 revenue of S$628.5m (+1.9% yoy) and net profit of S$56.3m both formed 24% of full-year forecasts, in line with expectations. On a constant currency basis, revenue grew 8% yoy. Portfolio B (AI/data centre/instrumentation) rose S$42m yoy, partially offset by a S$30m yoy decline in Portfolio A (lifestyle consumer). Net margin was stable at 9%.
- **Start of a recovery cycle.** VMS expects the revenue recovery to gain traction for the rest of 2026, alongside growing market share in hardware with existing customers in selected tech domains. R&D labs are gaining traction in hyperscale data centres and life science domains with new programmes and products.
- **Fortress balance sheet; consistent shareholder returns.** VMS held net cash of over S$1b as of end-1Q26 (21% of market cap). The group repurchased and cancelled S$18m of shares in 2025 and has returned S$3.8b to shareholders since 1992. Dividend yield is approximately 5% at current levels.
- **Maintain BUY with a target price of S$20.65,** pegged to 23.7x 2027F PE (3SD above VMS' long-term historical mean), reflecting stronger earnings visibility and upcoming growth drivers.

Share Price Catalyst

- **Event:** a) Positive surprise in future revenue guidance and new customer wins, b) higher-than-expected AI/data centre programme wins, and c) special dividend or share buyback announcement.
- **Timeline:** Six months.

City Developments – BUY (Jonathan Koh)

- **Beats estimates with sharp earnings rebound.** City Developments (CDL) delivered a sharp earnings rebound in 2025 as PATMI tripled to S$630m mainly due to S$2b in divestments recorded last year. The company declared a final DPS of S$0.25, thus bringing total 2025 DPS to S$0.28 or 40% payout (2024: S$0.10). During the results briefing, CDL commented that it will now have a formal dividend policy of paying out a minimum of 35% of reported PATMI, and will move away from special dividends unless there is an outsized gain, for example.
- **Financial flexibility remains strong** with S$2.1b cash and S$4.2b liquidity including committed facilities. While net gearing rose slightly to 71% from 69% in 2024, this was due to higher commitments as a result of CDL's surprising

success in winning three Government Land Sales sites in Singapore as well as the acquisition of a UK hotel. CDL's own assessment of its RNAV increased to S$20.16/share (including fair value of its investment properties and hotels).

- **We maintain our BUY rating on CDL with a target price of S$11.50,** pegged to a 15% discount to our RNAV of S$13.54. Further narrowing of this discount could be possible if CDL demonstrates material progress in its capital recycling programme and unlocking of value for its non-core assets.

Share Price Catalyst

- **Event:** a) Continued progress on divestment and/or capital recycling of non-core/non-strategic assets, and b) usage of divestment proceeds in the form of special dividends.

Timeline: Six months.

Oversea-Chinese Banking Corp – BUY (Jonathan Koh)

- **Strategic shift to accelerate growth.** OCBC will deepen its core franchise by capturing long-term growth at its twin wealth hubs of Singapore and Hong Kong. Management targets to deliver Whole-of-Wealth value proposition across the banking, wealth management and insurance businesses. In Singapore, OCBC intends to lead in serving the super-aged society. In Hong Kong, OCBC plans to expand the affluent segment and scale up global markets. In Malaysia, management plans to cross-sell to Great Eastern's affluent customers and capture inbound investment flows to the Johor-Singapore Special Economic Zone. It also plans to grow its private banking business in Indonesia.
- **Capital management.** The Board has recommended a final dividend of 42 S cents and special dividend of 16 S cents. Total dividend payout ratio is 60% for 2025 (regular dividend: 50%, special dividend: 10%). OCBC's share buyback programme is S$1b to be executed over two years in 2025 and 2026. Management will consider returning capital to shareholders through special dividends if OCBC cannot complete its share buyback programme by end-26.
- **Most well-capitalised bank in Singapore.** CET-1 CAR was 15.2% as of 1Q26 based on fully phased-in final Basel III reforms, the highest among Singapore banks. OCBC has the potential to deploy surplus capital to generate inorganic growth.
- **Maintain BUY.** Our target price of S$31.60 is based on 2.12x 2026F P/B, derived from the Gordon Growth Model (ROE: 12.3%, COE: 6.95%, growth: 2.2%).

Share Price Catalyst

- **Event:** a) OCBC scaling greater heights through organic growth and inorganic pursuits, and b) its share buyback programme that could support the bank's share price.
- **Timeline:** 6-12 months.

NTT DC REIT – BUY (Jonathan Koh)

- **Potential acquisition.** Management is exploring the potential acquisition of a hyperscale DC in Frankfurt, Germany in 1H26. The DC is anchored by two US-based hyperscalers with a long WALE of 10 years. The Frankfurt DC is expected to provide NPI yield of around 6%. NTTDCR has also commenced discussions with other entities within the NTT Group, such as NTT Docomo and NTT Data, on acquisitions of stabilised data centres in Japan.
- **SG1 master services agreement renewed at higher rent.** NTTDCR has successfully renewed the master services agreement for its SG1 data centre in Singapore at a significantly higher rent. The renewed lease delivers a

positive rental reversion of 23%, alongside fixed annual rent escalations of 5%. The new agreement has a three-year term, running from 1 Apr 26 to 31 Mar 29, replacing the previous one-year lease.

- **Maintain BUY.** Our target price of US$1.43 is based on DDM (cost of equity: 8.1%, terminal growth: 2.5%).

Share Price Catalyst

- **Event:** a) Potential acquisitions in Europe and Japan, and b) uptick in portfolio occupancy in FY27.
- **Timeline:** 6-12 months.

UI Boustead REIT – BUY (Jonathan Koh)

- **Strong sponsor with proven track record.** The sponsor, UIB Holdings, possesses deep expertise and a proven track record in developing industrial properties across Asia, particularly in Singapore and Japan. It has a vertically integrated real estate platform. It has developed 20 of the 21 Singapore properties in the IPO portfolio. It also developed UIB Konan Phase 2 in Greater Osaka.
- **Healthy leasing momentum.** 26 Tai Seng Street in Singapore saw a sharp 15.1ppt improvement in occupancy to 96.7% after securing a globally renowned fast-food chain. Toyo MK Fuso Building achieved full occupancy following the signing of a new lease with a major Japanese insurance corporation. UIB Konan Phase 2 in Greater Osaka has 12.7% of space in advanced negotiation stages, which could bring occupancy significantly above 90%.
- **Growth pipeline expands aerospace exposure.** UIBREIT has taken up a 51% stake in the development of a build-to-suit integrated aerospace facility at Seletar Aerospace Park for a leading aircraft manufacturer. Its exposure to the automotive, aerospace & avionics sector would expand 3ppt to 22% of gross rental income upon completion of the development project.
- **Maintain BUY.** UIBREIT provides an attractive DPU yield of 8.9% for FY27 and 8.7% for FY28 (CLAR: 5.8%, AAREIT: 6.2%). Our target price of S$1.16 is based on DDM (cost of equity: 7.25%, terminal growth: 1.2%).

Share Price Catalyst

- **Event:** a) Successful backfilling of vacant spaces in 26 Tai Seng Street, Toyo MK Fuso Building in Tokyo and UIB Konan Phase 2 in Greater Osaka, which will be reflected in 1HFY27 results; and b) smooth execution for two development projects, Seletar Aerospace Road 1 in Singapore and UIB Konan Phase 3 in Greater Osaka.
- **Timeline:** 6-12 months.

Keppel – BUY (Roy Chen)

- **Strong earnings growth momentum.** Keppel is expected to sustain stronger earnings growth momentum, underpinned by the full-half contribution from the newly commissioned and fully contracted Keppel Sakra Cogen power plant. We expect this to drive stronger 2H26 core earnings, while the infrastructure and connectivity segments continue to benefit from growing recurring operating income and fund management fees.
- **Execution of Keppel's asset-light strategy continues to gather pace.** The recently announced Keppel Offshore Fund provides a clear pathway to monetise legacy rigs, unlock value and reduce exposure to non-core assets, while further expanding recurring fund management income. Following recent fund raisings and the rig transaction, Keppel has already exceeded its end-26

FUM target, reinforcing confidence in its execution capabilities. The disposal target of S$2b-3b for 2026 remains on track.

- **Maintain BUY on Keppel with a target price of S$13.26.** Our target price is based on 18.9x 2027F core earnings of New Keppel (at a 10% discount to global asset managers/operators' average of 21.0x), adding the book value of its non-core portfolio for divestment (S$13.7b), and netting off Keppel's net debt position (S$9.3b). Keppel offers a decent 4.3% dividend yield, by our estimate.

Share Price Catalyst

- **Event:** a) Organic earnings growth, b) progress in non-core asset monetisation, and c) sustainable momentum of new fundraising.
- **Timeline:** Six months.

SIA Engineering – BUY (Roy Chen)

- **Strong 1QFY27 underlying performance masked by gestation costs related to capacity expansion.** While 1QFY27 net profit declined 6% yoy to S$40.3m, the result was affected by expansion-related gestation costs at its engine JVs; excluding these costs, we estimate earnings would have grown about 10% yoy. Underlying fundamentals remain healthy, with stable MRO demand, higher line-maintenance volumes, improving operating margins and continued growth in engine and component work volumes.
- **Building multiple new growth engines.** The new Safran JV gives SIAEC exposure to full MRO services for LEAP-1A and LEAP-1B engines, the dominant powerplants for next-generation narrowbody aircraft, while the proposed partnership with Air India provides a potential entry point into India's underserved and fast-growing MRO market. Alongside the ramp-up of Base Maintenance Malaysia and existing engine capacity expansion, these initiatives should support a stronger earnings trajectory from FY28 onwards.
- **Maintain BUY on SIAEC with a target price of S$3.75.** SIAEC trades at about 17.8x FY28F PE, or 14.6x excluding net cash, below its historical mean, while offering a 3.7-4.1% prospective yield. Its S$628m cash position, equivalent to about 17% of market capitalisation, provides both downside protection and ample capacity to fund expansion. We therefore see the current period of gestation-cost pressure as an attractive accumulation window for medium-term investors.

Share Price Catalyst

- **Event:** a) Organic growth, and b) tapering-off of gestation costs.
- **Timeline:** 6-12 months.

Beng Kuang Marine – BUY (Tang Kai Jie)

- **Solid 1Q26; margin dip is timing, not trend.** 1Q26 revenue rose 7.7% yoy to S$25.7m (24% of full-year forecast), while net profit of S$2.8m (-12.7% yoy, 19% of forecast) was temporarily dampened by a shift toward lower-margin shipbuilding work. Profitability is expected to recover sharply in 2H26 as Asian Sealand Offshore & Marine's (ASOM) consolidation (completed end-Jun 26) contributes to higher-margin (floating production, storage and offloading (FPSO) maintenance revenue.
- **Strong 1H26 contract wins.** ASOM secured S$85.2m of new contracts in 1H26, including US$28.6m of FPSO tank service orders in West Africa. The awards formalise previously announced lifecycle renewals and mark the start of a multiyear FPSO life extension programme, supporting recurring work. FPSO headcount is set to grow from 30 to 120 by Jun-Sep 26 to support the

increasing numbers of contracts, with floatel deployment also targeted by Sep 26.

- **Orderbook remains healthy.** ASOM, PT. Nexus Engineering Indonesia (NEI) and International Offshore Equipments (IOE), all of which are Beng Kuang Marine's wholly-owned subsidiaries, had a combined orderbook of S$70.7m as at end-Jun 26, providing earnings visibility. Management expects ASOM's FPSO relationships to drive repeat maintenance work, while NEI and IOE continue to replenish their pipelines.
- **Higher 2H26 earnings contribution from ASOM.** Following the acquisition of the remaining stake in ASOM, BKM will fully consolidate its high-margin earnings from 2H26. The transaction is earnings-accretive and supports BKM's asset-light BKM 2.0 strategy.
- **Maintain BUY with a target price of S$0.75,** pegged to 14.0x 2027F PE (+1.5SD above historical average). BKM trades at 10.7x 2027F PE vs offshore peers' 12.1x, despite a superior ROE of 38.8% vs the industry's 17.3%. Full-year consolidation of ASOM in 2027 is also expected to boost BKM's profitability significantly.

Share Price Catalyst

- **Event:** a) Higher revenue and profit recognition from ASOM following consolidation, and b) winning of more high-value FPSO extension of life jobs.
- **Timeline:** 6-12 months.

Hong Leong Asia – BUY (Tang Kai Jie)

- **Strategic bolt-on acquisition.** At end Apr-26, HLA announced that it had acquired Yong Tai Loong (YTL), a privately owned, over 60-year-old architectural building products company, for S$90.7m in cash, implying an acquisition PE of 4.3x. According to the company, the deal is immediately accretive with pro forma 2025 EPS (assuming the deal had been completed on 1 Jan 25) rising 18.6% from S$0.1508 to S$0.1789, excluding one-off items. YTL has over 100 construction company clients, two manufacturing facilities in Singapore, and importantly, its status as one of only five HDB-approved household shelter suppliers makes this a high-quality, defensible business, in our view.
- **IPO in Hong Kong on the cards.** HLA's 48.7%-owned subsidiary China Yuchai International (CYD US, Not Rated) announced that its 71.4%-owned subsidiary, Guangxi Yuchai Marine & Genset Power (MGP) has filed to list on the Hong Kong Stock Exchange in 2026. MGP manufactures five types of power generators: marine, light-, medium-, heavy-duty and large engines. Its high-growth products, as mentioned before in prior research notes, are the heavy-duty and large engines which are used by data centres as back-up power.
- **Maintain BUY.** After the YTL acquisition, our SOTP-based target price for HLA rose to S$4.90. The company trades at 2027F PE and EV/EBITDA of 15.5x and 7.6x respectively. Its ex-cash PE for 2026 is even lower at 11.5x, based on our 2026 net profit estimate, while delivering an ROE of 12.4%.

Share Price Catalyst

- **Event:** a) Newsflow on MGP's valuations as it heads towards its IPO, b) continued strong sales performance from its powertrain solutions segment, c) slow but steady sequential earnings recovery from its building materials segment in 2H25, and d) further value-unlocking initiatives at both the HLA and CYD levels.
- **Timeline:** Six months.

Oiltek International – BUY (Tang Kai Jie)

- **Landmark RM1.4b SAF project secures growth visibility.** Oiltek's EPCC contract for a large-scale sustainable aviation fuel (SAF) facility in Sabah provides strong earnings visibility and positions the group at the forefront of the renewable fuels value chain. The deal is currently in progress for land purchase, licensing and funding drawdown, with the land offer letter expected by end-26.
- **Healthy orderbook and strong balance sheet supporting 2H26.** The group's current orderbook remains healthy at approximately RM258.7m. Balance sheet also continues to be strong and resilient with no bank borrowings and healthy cash and bank balances of RM95.1m, representing 92.2% of net assets.
- **Favourable refinery and renewable energy outlook.** Oiltek expects sustained growth in its edible & non-edible oil refinery segment, driven by rising global fats and oils demand. Renewable energy tailwinds remain strong, supported by growing biodiesel and SAF demand, with Oiltek pursuing several billion ringgit worth of SAF opportunities.
- **Growth strategy focused on asset-light expansion.** Oiltek is expanding into new markets and larger-scale projects while building recurring income through low-capex JVs. It is also exploring new growth avenues, including algae farming, a feedstock business, and other initiatives.
- **Ongoing corporate actions.** Management is also advancing a potential Bursa secondary listing and the spinoff of its JV.
- **Maintain BUY with a target price of S$2.78,** based on 28x 2027F PE (1SD above historical PE mean). We believe a strong contract win and delivery of better earnings could continue to support a re-rating, while Oiltek's asset-light model, high ROE (>30%) and healthy margins support earnings growth.

Share Price Catalyst

- **Event:** a) Higher-than-expected order wins, b) better-than-expected margins from better economies of scale, and c) potential positive corporate actions.
- **Timeline:** 6-12 months.

Riverstone Holdings – BUY (Tang Kai Jie)

- **1Q26 results in line.** Riverstone's 1Q26 revenue of RM214m (-15% qoq/yoy) and PATMI of RM41m (-27% yoy) tracked 22%/24% of our full-year forecasts, in line with expectations. The consensus miss of around 4% stemmed from a stronger ringgit rather than volume weakness. Management noted customer demand was stronger than expected in 1Q26.
- **Cleanroom glove ASP recovery to drive earnings.** Management expects higher ASPs to support earnings growth, led by cleanroom gloves on resilient AI-related demand and tight industry supply. Healthcare glove ASPs remain competitive amid generic glove oversupply, but Riverstone should sustain healthy margins through its focus on customised products.
- **Dividend payout to remain above 100%; attractive 5-6% dividend yield.** Management reaffirmed its commitment to an above-100% payout ratio, supported by a net cash position of RM700m, debt-free balance sheet, and strong operating cash flow. In our forecasts, we assume a 100% payout ratio on revised estimates, implying 2026-28 yields of 5-6%.
- **Raw material costs to ease in 3Q26.** Management expects butadiene and acrylonitrile prices to moderate after earlier spikes. While Riverstone does not hedge raw material costs, it manages cost fluctuations through regular customer pricing adjustments. Lower input costs, alongside higher ASPs, should support margin expansion.

- **Maintain BUY with a target price of S$1.10,** based on 25x 2027F PE. The premium is justified by Riverstone's cleanroom moat, net cash balance sheet and consistent dividend track record.

Share Price Catalyst

- **Event:** a) ASP recovery as supply constraints persist, b) gross margin expansion in 2H26 on easing ringgit headwinds, and c) better-than-expected dividend announcement at the 1H26 results.
- **Timeline:** 6-12 months.