

Strategy – SMID-Cap Outlook

SMID-Cap Retail Webinar Takeaway: Identifying Opportunities Amid Market Weakness

Highlights

- We hosted a SMID-cap retail webinar on 8 Oct 26, attracting more than 100 retail investors.
- Key questions focused on buying opportunities amid the recent weakness in Singapore banks, preferred large cap names, SMID-cap stocks, sector rotation and the impact of rising interest rates.
- We highlighted BKM, OTEK, FEH & RSTON as our top SMID-cap picks.

Analysis

- We hosted a SMID cap retail webinar on 8 Oct 26, attracting more than 100 retail investors. We reiterated our positive stance on four key SMID-cap picks, namely **BKM, OTEK, FEH & RSTON**, while addressing recent market weaknesses, sector rotation and stock-specific outlooks.
- **BKM:** We like Beng Kuang Marine (BKM) for its improving earnings visibility, driven by growing FPSO exposure and its highly recurring, asset-light business model. Strong 1H26 contract wins of S\$85.2m brought its orderbook to S\$70.7m as at end-Jun 26, providing solid revenue visibility. Full consolidation of ASOM should also drive a significant earnings uplift in 2H26. The stock trades at an attractive 8.9x 2027F PE versus peers at around 11.2x. Our target price is S\$0.75, pegged to 14x 2027F PE.
- **OTEK:** We like Oiltek for its strong earnings outlook, supported by the RM1.4b Heads of Agreement (HOA) with Bioseaga, healthy net cash position and favourable industry tailwinds. Growing demand for sustainable aviation fuel (SAF), alongside a strong project pipeline and expansion into recurring income streams, should continue to drive contract wins and earnings growth. Following the recent pullback, we see scope for valuation re-rating, with the stock trading at an attractive 17x 2027F PE. Our target price is S\$2.78, pegged to 28x 2027F PE.
- **FEH:** We like Food Empire (FEH) for its consistent earnings growth, strong pricing power and expanding production footprint. Upcoming capacity expansions in India and Vietnam, alongside its new Kazakhstan facility, should support long-term growth, while continued share buybacks enhance shareholder returns. We believe the recent share price correction is overdone, with its Russian operations remaining unaffected and potential market share gains presenting further upside. The stock trades at an attractive 12.5x 2027F PE versus peers at around 20x. Our target price is S\$3.49, pegged to 25x 2026F PE.
- **RSTON:** We like Riverstone (RSTON) for its resilient cash generation, strong balance sheet and attractive dividend yield. Its debt-free, net cash position and ongoing shift towards higher-value gloves, supported by AI-driven cleanroom demand and improving healthcare pricing, should drive sustainable earnings growth. Following its strong 2Q26 results, the stock trades at an attractive 16x 2027F PE versus peers at around 22x, while offering a dividend yield of above 6%. Our target price is S\$1.21, pegged to 24x 2027F PE.

Valuation Metrics Of UOBKH Top SMID Cap Picks

Company	Ticker	Rec	Price 19 Oct 26 (S\$)	Target Price (S\$)	Upside to TP (%)	Last Year End	2025 (x)	PE 2026F (x)	2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (S\$m)	Price/ NAV ps (x)
SMID cap picks													
Beng Kuang	BKM SP	BUY	0.35	0.75	114.3	12/25	13.4	11.7	6.6	1.7	29.3	105.1	9.4
Oiltek	OTEK SP	BUY	1.07	2.78	159.8	12/25	47.1	41.7	11.1	1.0	32.8	459.0	14.0
Food Empire	FEH SP	BUY	1.90	3.49	83.7	12/25	26.5	13.4	12.1	5.3	19.2	1,246.1	2.6
Riverstone	RSTON SP	BUY	0.73	1.21	65.8	12/25	17.1	15.9	15.0	7.6	14.9	1,082.0	2.4

Source: Bloomberg, UOB Kay Hian

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Top SMID Cap Picks

Company	Rec	Target Price (S\$)	Share Price (S\$)	% Upside
Beng Kuang	BUY	0.75	0.35	114.3
Oiltek	BUY	2.78	1.07	159.8
Food Empire	BUY	3.49	1.90	83.7
Riverstone	BUY	1.21	0.73	65.8

Source: Bloomberg

- **Overall, we remain positive on our SMID-cap picks** (BKM, OTEK, FEH and RSTON), supported by strong fundamentals, improving earnings visibility and company-specific growth catalysts. We view the recent SMID-cap pullback as an attractive buying opportunity, with weaker market sentiment rather than deteriorating fundamentals driving much of the correction. Potential fund flows rotating from banks into second-tier STI and quality SMID-cap names could further support investor interest and share price recovery.

Q&As Summary

- **Investor interest:** Retail investors were primarily focused on the recent sharp sell-off in Singapore bank and SMID-cap stocks, questioning whether the correction presents attractive buying opportunities. Discussions centred on the impact of rising interest rates on valuations and earnings, the outlook for previously recommended stocks including Beng Kuang Marine, Food Empire, Riverstone and Oiltek, as well as earnings visibility, orderbooks and company-specific catalysts. Investors also sought our views on preferred large-cap stocks, REITs and other sectors amid heightened market volatility.
- **Our comments:** We highlighted that the recent market weakness reflects profit-taking, elevated valuations and sector rotation, with rising interest rates potentially weighing on bank earnings and market activity. We see opportunities for fund flows to rotate from banks into second-tier STI and fundamentally strong SMID-cap stocks. We reiterated our positive stance on selected names with attractive valuations, healthy balance sheets and earnings catalysts, while remaining selective on REITs and favouring resilient large-cap industrial names. We remain constructive on the construction, offshore & marine and plantation sectors, supported by company-specific fundamentals and growth drivers.

Details Of Q&As Are As Follows:

Topic	Investor concerns vs our comments
Market & SMID-cap sell-off	Investor concerns: Investors questioned the recent weakness in Singapore banks and SMID-cap stocks, and whether the sell-off presents buying. Our comments: We attributed the weakness to profit-taking, elevated valuations, rising interest rate concerns and sector rotation. SMID-cap sentiment has remained weak since Jul 26, following disappointing IPO performances and fund flows into banks. We see potential for liquidity to rotate into second-tier STI and quality SMID-cap names as investors reduce bank exposure.
Interest rate outlook	Investor concerns: Investors questioned the impact of rising interest rates on banks, REITs and other sectors, and which companies would be more resilient in a higher interest rate environment. Our comments: We highlighted that higher interest rates could weigh on corporate earnings through increased financing costs, weaker market activity and investment losses. We favour companies with strong balance sheets and resilient earnings, while remaining cautious of highly leveraged companies.
Banking sector outlook	Investor concerns: Investors asked whether the correction in DBS, OCBC and UOB could deepen and how rising interest rates would affect bank earnings. Our comments: We remain positive on banks but recommend accumulating on weakness given their strong rally and high valuations. Rising interest rates could weigh on trading activities.
Stock-specific opportunities	Investor concerns: Investors sought updates on previously recommended stocks, including Food Empire, Riverstone, Oiltek, Huatong Global, Marco Polo Marine and ASL Marine, following recent share price weakness. Our comments: We remain positive on selected SMID-cap names with strong fundamentals and attractive valuations. Huatong's robust construction outlook and net cash position remain encouraging, while ASL Marine's debt reduction and Marco Polo Marine's operating performance support our positive stance despite weak sector sentiment.

Earnings visibility & order books	Investor concerns: Investors sought updates on Beng Kuang Marine's quarterly earnings momentum, CSE Global's outlook and the progress of Oiltek's proposed Bioseaga project. Our comments: We expect Beng Kuang Marine's 3Q26 earnings to improve qoq, supported by higher activity and order execution. CSE Global needs stronger 2H26 results and new order wins to restore confidence, while further progress on Oiltek's Bioseaga project is expected by end-26.
Large-cap stock preferences	Investor concerns: Investors sought our preferred large-cap stocks amid the recent banking sector sell-off and higher interest rate environment. Our comments: We favour Keppel, Singtel, SATS, Venture and Yangzijiang Shipbuilding, given their relative resilience to higher interest rates. These stocks could also benefit from fund flows rotating out of banks.
REITs & property outlook	Investor concerns: Investors asked whether REITs remain attractive amid higher interest rates, alongside questions on UI Boustead REIT, City Developments' strategic review and higher borrowings at LHN/Coliwoo. Our comments: We remain selective on REITs, favouring Centurion Accommodation REIT, CICT, Lendlease REIT, MPACT and UI Boustead REIT. CDL's strategic review was less positive than expected given substantial reinvestments, while higher financing costs could weigh on companies with rising debt levels.
Economic outlook	Investor concerns: Investors questioned whether rising unemployment, retrenchments and higher interest rates could lead to an economic slowdown or recession. Our comments: We highlighted an uneven economic environment, with AI-related and financial sectors outperforming others. Nevertheless, we remain constructive on Singapore's economic resilience, supported by government policies, strong reserves and investment inflows, despite broader global uncertainties.

Source: UOB Kay Hian

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