

Technology

Stay Selective On Stocks With High Yields And Strong Balance Sheets

Highlights

- Semiconductor-related stocks are expected to report stronger earnings in 3Q26, while the others are expected to show decent growth.
- We recommend staying selective on stocks with strong balance sheets and offer attractive yields given that valuation of the semiconductor stocks are relatively rich at above +1SD above mean PE for 2026.
- Our top picks are Valuetronics (7% yield), Riverstone (8% yield) and Venture (5% yield) given their attractive yield, valuation and growth prospects. Maintain MARKET WEIGHT.

Analysis

- Companies are scheduled to release their 3Q26 results between 27 October and 14 November.** Tech companies under our coverage will be releasing their 3Q26 results starting from next week with Aztech scheduled to report on 27 October, Nanofilm on 29 October and Valuetronics on 11 November. We categorise the stocks into two groups: a) semiconductor-related names (AEM, UMS, Frencken), and b) other manufacturing stocks (Valuetronics, Riverstone, Venture Corp, Aztech and Nanofilm).
- Semiconductor-related stocks to report strong yoy growth for 3Q26.** We believe the semiconductor-related stocks will report stronger results for 3Q26 given the positive industry tailwinds and strong indications from their key customers. We expect UMS and Frencken to report earnings of S\$19m and S\$12m for 3Q26, respectively, indicating a strong yoy growth of 81% and 21% yoy as well as qoq growth of 0% and 6%. The key drivers are increased orders from key semiconductor customers including AMAT, Lam Research and ASML. On the other hand, AEM is expected to report 3Q26 earnings of S\$29m, indicating a 77% qoq growth, driven by the production ramp-up of its fabless AI/HPC customer and the PC/foundry customer's adoption of the AMPS (Asynchronous Modular Parallel Smart) platform for future test requirements. To recap, AEM's earnings for 3Q25 were a marginal loss due to weak operating leverage, and a yoy comparison will not be accurate.
- Other manufacturing stocks to report decent growth.** Except for Aztech, the other manufacturing stocks are expected to report decent yoy and qoq growth. Three of our top picks, Valuetronics, Riverstone and Venture Corp, are expected to record yoy earnings growth in 3Q26, driven by better customers' orders. Valuetronics is expected to deliver 2% yoy and 70% qoq earnings growth for 1HFY26 as customers from the network access solution and entertainment-focused customers increase their orders. Riverstone is expected to deliver a 27% yoy and 1% qoq earnings growth for 3Q26 driven by higher volume, ASP and better net margin, especially for the cleanroom glove segment. Venture is expected to record 13% yoy earnings growth for 3Q26, as demand strengthens in its networking & communications and semiconductor-related equipment domains.

Peer Comparison

Company	Ticker	Rec	Price 19 Oct 26 (S\$)	Target Price (S\$)	Upside To TP (%)	Last Year End	PE 2025 (x)	2026F (x)	2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (S\$m)	Price/ NAV ps
AEM	AEM SP	BUY	8.90	12.99	46.0	12/25	164.8	32.4	28.4	0.8	16.7	2,845.3	5.3
Aztech Gbl	AZTECH SP	HOLD	0.45	0.73	62.2	12/25	8.7	17.4	11.8	4.4	7.5	347.3	1.6
Frencken	FRKN SP	BUY	2.27	3.30	45.4	12/25	24.8	21.5	20.0	1.4	9.1	1,075.0	2.0
Nanofilm	NANO SP	BUY	0.85	1.68	97.6	12/25	47.2	27.5	18.7	0.7	4.5	551.5	1.2
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
UMS	UMSH SP	BUY	2.35	3.27	39.1	12/25	40.2	29.0	24.7	2.1	16.2	2,211.6	4.7
Valuetronics	VALUE SP	BUY	0.97	1.88	93.8	3/26	20.5	15.2	14.0	6.6	10.8	395.7	1.6
Venture Corp	VMS SP	BUY	15.66	21.10	34.7	12/25	19.9	18.4	17.6	5.1	8.7	4,498.0	1.6
CSE Global	CSE SP	BUY	0.945	1.79	89.4	12/25	18.0	16.8	15.0	3.0	14.0	700.1	2.4

Source: Bloomberg, UOB Kay Hian

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MARKET WEIGHT (Maintained)

Stocks Under Coverage

Company	Rec	Share Price (S\$)	Target Price (S\$)	UOBKH 3Q26 est earnings (S\$m)
Top Picks				
Valuetronics	BUY	0.97	1.88	HK\$95m for 1HFY27(+2% yoy/+70% qoq)
Riverstone	BUY	0.73	1.21	RM66m (+27% yoy/+1% qoq)
Venture Corp	BUY	15.66	21.10	63m (+13% yoy/flat qoq)
Semiconductor stocks				
AEM	BUY	8.90	12.99	29m (+n.a yoy/+77% qoq)
UMS	BUY	2.35	3.27	19m (+81% yoy/flat qoq)
Frencken	BUY	2.27	3.30	12m (+21% yoy/+6% qoq)
Others				
CSE	BUY	0.945	1.79	280m revenue (+8% yoy/-5% qoq)
Nanofilm	BUY	0.85	1.68	77m revenue (+7% yoy/+32% qoq)
Aztech	HOLD	0.45	0.73	6m (-44% yoy/+11% qoq)

Source: Bloomberg, UOB Kay Hian

Action

- **Maintain MARKET WEIGHT.** We recommend investors to stay selective on stocks with strong balance sheets and offer attractive yields given that valuations of the semiconductor stocks are relatively rich at +1SD above mean PE for 2026. Our top picks are Valuetronics (7% yield), Riverstone (8% yield) and Venture (5% yield) given their attractive yield, valuation and growth prospects.

Valuetronics (VALUE SP/BUY/Target: S\$1.88)

- **Maintain BUY and target price of S\$1.88**, pegged to a higher 19x ex-cash PE for FY28 (+2SD to mean). This reflects improving earnings visibility and a positive shift to higher margin products. VALUE is currently trading at only 8x FY27F ex-cash PE and offers an attractive FY27 dividend yield of about 7%. We believe valuations remain undemanding, given VALUE's defensive earnings profile, strong cash generation and strong balance sheet.

Riverstone (RSTON SP/BUY/Target: S\$1.21)

- **Maintain BUY and PE-based target price of S\$1.21**, pegged to 24x 2027F PE (+0.5SD to historical mean). The premium is justified by Riverstone's cleanroom moat, net cash balance sheet and consistent dividend track record of above 100% payout ratio. Riverstone currently trades at 15x 2027F PE or close to 30% discount to Malaysian glove peers average of 22x. In addition, it also offers a dividend yield of close to 8% for 2026.

Venture Corp (VMS SP/BUY/Target: S\$21.10)

- **Maintain BUY and target price of S\$21.10**, pegged to 23.7x 2027F PE or 3SD above VMS' historical mean. This reflects the company's balance sheet strength and upcoming growth drivers. VMS is trading at around 18x 2027F PE (15% discount to peers) and offers a decent dividend yield of 5%.

AEM Holdings (AEM SP/BUY/Target: S\$12.99)

- **Maintain BUY and target price of S\$12.99.** Our PE peg multiple is based on 35.5x 2028F PE, 0.5SD above AEM's long-term historical mean.

UMS Holdings (UMSH SP/BUY/Target: S\$3.27)

- **Maintain BUY and target price of S\$3.27**, based on a PE-based valuation of 30x 2028F PE, pegged to 2.5SD above historical mean PE.

Frencken Group (FRKN SP/BUY/Target: S\$3.30)

- **Maintain BUY and target price of S\$3.30**, pegged to 29x 2027F PE, based on 3SD above mean PE.

NanoFilm Technologies (NANO SP/BUY/Target: S\$1.68)

- **Maintain BUY and target price of S\$1.68.** We value Nanofilm based on 37x 2027 PE, 0.5SD above its long-term forward PE mean.

Aztech Group (AZTECH SP/HOLD/Target: S\$0.73)

- **Maintain HOLD and target price of S\$0.73**, pegged to 19x 2027F PE, or 3 SD above Aztech's long-term historical mean PE.

Sector Catalyst/Risk

- Increasing capex spending by upstream global tech manufacturers.

- Better-than-expected 3Q26 sales and earnings. Improved guidance for 4Q26.

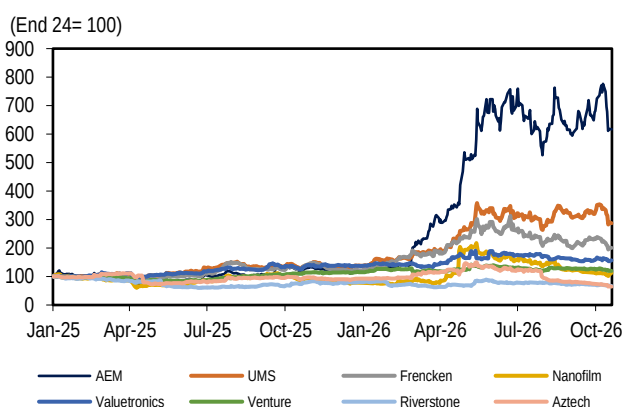
Assumption Changes

- No changes to our forecasts.

Sector Risks

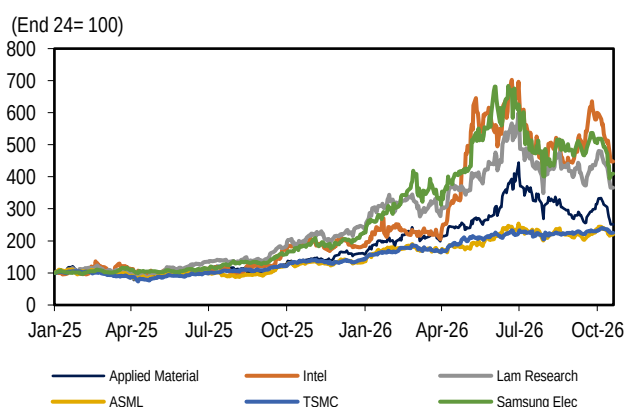
- Reduced demand for electronic goods as a result of global recession.
- Escalation of geopolitical tensions and trade conflict between the US and China.

Relative Share Price Comparison Of Singapore Tech Stocks



Source: Bloomberg, UOB Kay Hian

Relative Share Price Comparison Of Global Semiconductor Stocks



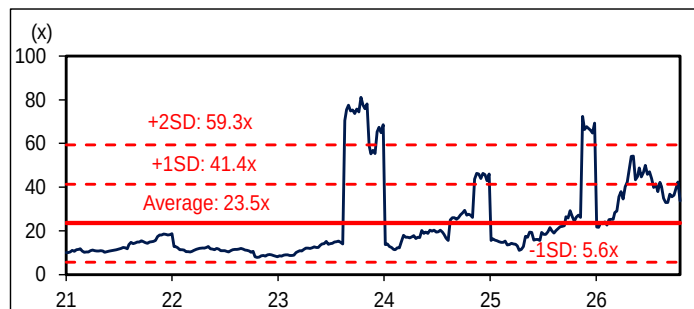
Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Trading Curr	Price @ 19 Oct 26	Market Cap	PE		P/B		EV/EBITDA		ROE	Yield
					2026	2027	2026	2027	2026	2027		
		(lcy)	(lcy)	(US\$m)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Kulicke & Soffa	KLIC US	USD	78.63	4,115	20.2	14.2	n.a.	n.a.	14.3	8.0	22.7	1.0
ASML	ASML NA	EUR	1491	648,754	36.3	26.4	23.2	16.0	29.0	21.0	67.3	0.7
Applied Materials	AMAT US	USD	409.29	324,811	31.8	22.0	12.4	9.8	27.3	18.4	43.4	0.5
Lam Research	LRCX US	USD	263.94	330,301	45.6	27.7	26.5	16.6	38.1	22.7	65.1	0.4
KLA Corp	KLAC US	USD	165.74	216,547	45.0	30.1	34.1	20.5	35.6	24.2	87.5	3.6
Teradyne	TER US	USD	325	50,811	36.8	28.4	13.7	11.1	28.1	22.0	42.1	0.2
Global average					35.9	24.8	22.0	14.8	28.7	19.4	54.7	1.0
UWC	UWC MK	MYR	7.3	1,974	85.8	46.5	14.1	10.9	52.0	32.7	17.9	0.0
Sam Engineering	SEQB MK	MYR	4.08	677	34.0	24.0	2.0	1.9	14.8	12.1	5.6	0.6
Coraza Integrated	CORAZA MK	MYR	1.32	161	34.7	24.9	3.9	3.3	13.7	10.6	10.7	n.a.
Greatech	GREATEC MK	MYR	2.55	1,571	41.1	26.8	5.5	4.7	29.0	19.1	14.5	0.1
Inari Amertron	INRI MK	MYR	2.59	2,455	77.3	35.5	3.6	3.4	46.4	21.5	4.6	1.8
Northeast	NE MK	MYR	1.1	199	22.0	19.6	n.a.	n.a.	11.7	10.0	12.7	0.0
Oppstar	OPPSTAR MK	MYR	0.645	102	30.7	28.0	3.2	3.2	n.a.	n.a.	n.a.	n.a.
Pentamaster	PENT MK	MYR	5.5	958	51.9	35.3	4.5	4.0	25.2	19.2	8.6	0.3
Vitrox	VITRO MK	MYR	10.48	4,864	63.9	50.9	14.6	12.2	54.9	44.8	24.1	0.4
Malaysia average					49.1	32.4	6.4	5.4	31.0	21.3	12.3	0.5

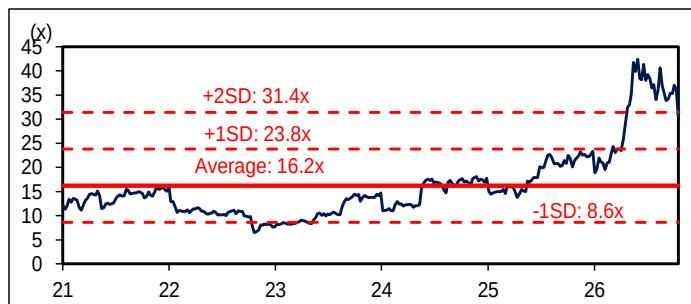
Source: Bloomberg, UOB Kay Hian

AEM 12-Month Forward PE Band



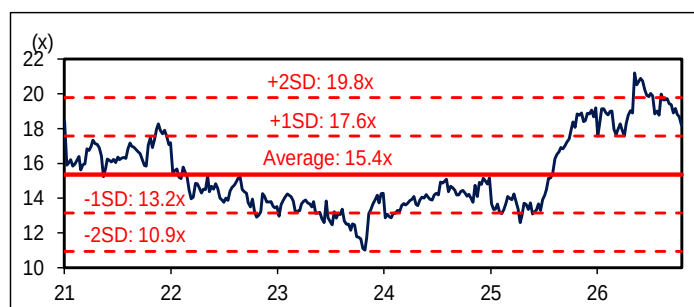
Source: Bloomberg, UOB Kay Hian

UMS Holdings 12-Month Forward PE Band



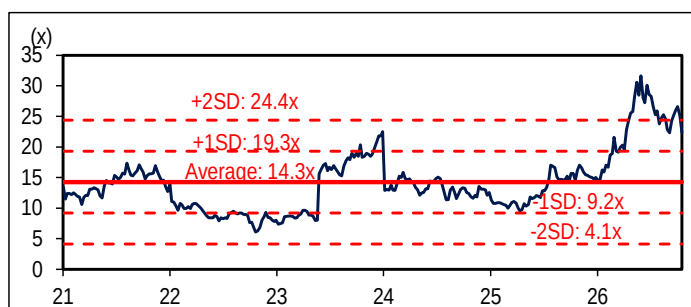
Source: Bloomberg, UOB Kay Hian

Venture Corp 12-Month Forward PE Band



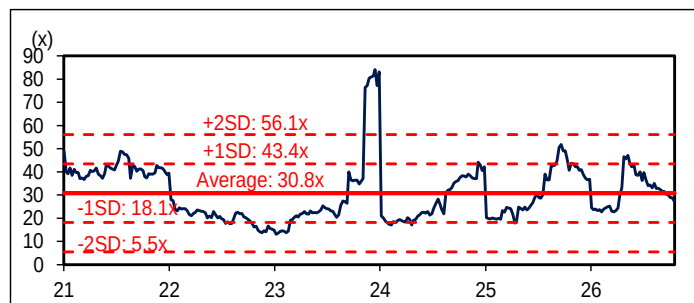
Source: Bloomberg, UOB Kay Hian

Frencken Group 12-Month Forward PE Band



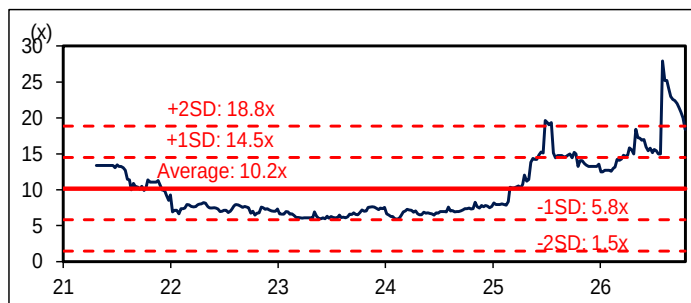
Source: Bloomberg, UOB Kay Hian

NanoFilm Technologies 12-Month Forward PE Band



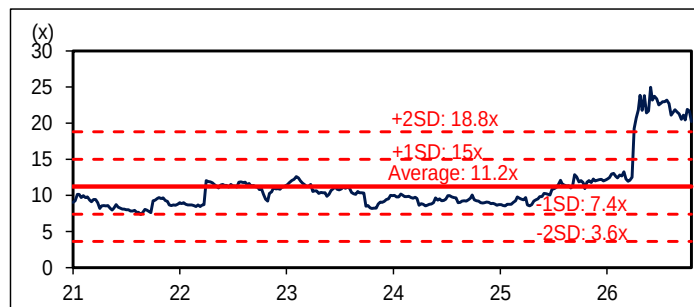
Source: Bloomberg, UOB Kay Hian

Aztech Global 12-Month Forward PE Band



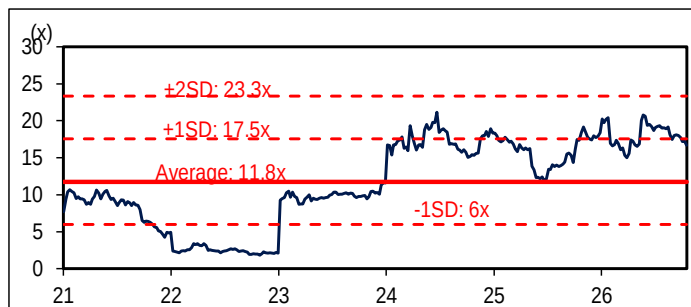
Source: Bloomberg, UOB Kay Hian

Valuetronics Historical PE Band



Source: Bloomberg, UOB Kay Hian

Riverstone Historical PE Band



Source: Bloomberg, UOB Kay Hian

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