

Alpha Picks: Portfolio Resilience In A Weaker Market

Highlights

- Our Sep 26 Alpha Picks beat the FSSTI by 0.4ppt on a market cap-weighted basis, but underperformed by 2.5ppt on an equal-weighted basis.
- For Oct 26: Add CICT; remove CIT and SIE.
- Oct 26 Alpha Picks: BKM, CICT, FEH, HUAGL, KEP, NTTDCR, OCBC, OTEK, RSTON, SATS, UIBREIT, VALUE and VMS.

What's New

- Market review.** Singapore equities fell 1.4% mom in Sep 26. Finance (+0.6% mom) and aviation (+0.3%) were the only ones to post gains, while shipyard was broadly flat. Financials remained relatively resilient on continued support from bank earnings and capital returns, while aviation benefitted from healthy travel demand. In contrast, others (-7.5% mom), property (-5.7% mom), plantation (-5.6% mom), telecoms (-5.3% mom) and REITs (-4.9% mom) led the declines. Property and REITs were weighed by higher bond yields, while plantation stocks pulled back after their strong ytd run. Technology (-3.9% mom), healthcare (-4.0% mom) and land transport (-2.3% mom) also weakened. Singapore stocks were broadly weaker across most sectors in Sep 26, reflecting weaker sentiments amid higher economic uncertainties.
- Portfolio beat on a market cap-weighted basis.** Our Alpha Picks portfolio declined 1.0% mom on a market cap-weighted basis, outperforming the FSSTI's 1.4% decline by 0.4ppt. The price-weighted portfolio fell 2.4% mom, underperforming the benchmark by 1.0ppt, while the equal-weighted portfolio declined 3.9% mom, underperforming by 2.5ppt, as weakness in the SMID cap markets weighed on performance.
- Gains led by OCBC, UIBREIT and SIE; FEH, CIT and BKM weighed.** OCBC (+1.5%) led gains, supported by its higher interim dividend and continued capital return programme, while UIBREIT (+1.3%) and SIE (+1.0%) also advanced amid healthy leasing momentum and resilient underlying MRO demand. Conversely, FEH (-15.6%) and CIT (-11.2%) recorded the largest declines, with FEH weighed by concerns over its Russia exposure, while CIT fell after its strategic review as investors await the execution of its outlined three-year plan. BKM (-10.8%) also weakened amid lower gross margins due to project mix. VMS (-3.9%), NTTDCR (-3.1%), OTEK (-2.9%), KEP (-2.8%), VALUE (-2.5%), RSTON (-2.4%) and SATS (-2.3%) also declined, while HUAGL (-0.7%) was relatively flat.

Analysts' Alpha Picks

Analyst	Company	Rec	Performance#	Catalyst
John Cheong	Food Empire	BUY	31.0	Expanding footprint in key markets.
John Cheong	Huatong Global	BUY	-38.7	Strong 2025 earnings; robust orderbook.
John Cheong	Valuetronics	BUY	43.9	Strong earnings from higher customer orders.
John Cheong	Venture Corp	BUY	-10.7	AI infrastructure demand; recovery gaining traction in 2026.
Jonathan Koh	CICT	BUY	n.a	Tenant sales recovery; multiple earnings drivers
Jonathan Koh	OCBC	BUY	155.1	Attractive yield; lower NIM risk exposure.
Jonathan Koh	NTTDCR	BUY	-0.5	Potential acquisitions in Europe and Japan.
Jonathan Koh	UIBREIT	BUY	-1.8	Strong leasing momentum and smooth project executions
Roy Chen	Keppel	BUY	-9.6	Further success in its capital recycling plans.
Roy Chen	SATS	BUY	-2.6	Continued strong cargo and aviation volume growth.
Tang Kai Jie	Beng Kuang	BUY	-24.7	Strong orderbook and earnings-accretive acquisition.
Tang Kai Jie	Oiltek	BUY	-42.7	Landmark RM1.4b contract and strong SAF demand.
Shaina Mahtani	Riverstone	BUY	-13.1	Strong demand recovery and faster ASP stabilisation.

Share price change since stock was selected as Alpha Pick

Source: UOB Kay Hian

Analyst(s)

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STI Target: 6,061 (12-month)

Alpha Picks Recommendations

Company	Ticker	Rec*	Price (\$)	Target (\$)
Beng Kuang	BKM SP	BUY	0.365	0.75
CICT	CICT SP	BUY	2.25	3.06
Food Empire	FEH SP	BUY	1.90	3.49
Huatong Global	HUAGL SP	BUY	0.515	0.88
Keppel	KEP SP	BUY	11.18	13.26
NTT DC REIT	NTTDCR SP	BUY	0.925	1.29
O C B C	OCBC SP	BUY	31.55	35.70
Oiltek	OTEK SP	BUY	1.30	2.78
Riverstone	RSTON SP	BUY	0.765	1.21
SATS	SATS SP	BUY	3.78	5.00
UIBREIT	UIBREIT SP	BUY	0.805	1.16
Valuetronics	VALUE SP	BUY	1.00	1.88
Venture Corp	VMS SP	BUY	16.39	21.10

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

Source: Bloomberg

Alpha Picks Performance In Sep 26

Company	Ticker	Rec	Sep 26 (%)	To-date* (%)
Beng Kuang	BKM SP	BUY	(10.8)	(24.7)
CityDev	CIT SP	BUY	(11.2)	(1.0)
Food Empire *	FEH SP	BUY	(15.6)	31.0
Huatong Global *	HUAGL SP	BUY	(0.7)	(38.7)
Keppel	KEP SP	BUY	(2.8)	(9.6)
NTT DC REIT	NTTDCR SP	BUY	(3.1)	(0.5)
O C B C	OCBC SP	BUY	1.5	155.1
Oiltek	OTEK SP	BUY	(2.9)	(42.7)
Riverstone *	RSTON SP	BUY	(2.4)	(13.1)
SATS	SATS SP	BUY	(2.3)	(2.6)
SIA Engineering	SIE SP	BUY	1.0	(0.6)
UIBREIT	UIBREIT SP	BUY	1.3	(1.8)
Valuetronics	VALUE SP	BUY	(2.5)	43.9
Venture Corp	VMS SP	BUY	(3.9)	(10.7)
FSSTI			(1.4)	
UOBKH Portfolio (Market Cap-Weighted)			(1.0)	

Source: Bloomberg

Portfolio Return

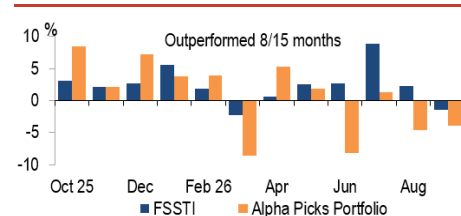
(%)	2025	2Q26	3Q26	Aug-26	Sep-26
FSSTI return	22.7	5.8	9.8	2.3	(1.4)

Alpha Picks Return

- Price-weighted	29.3	0.7	6.5	4.7	(2.4)
- Market cap-weighted	18.1	0.8	14.5	5.6	(1.0)
- Equal-weighted	39.5	(0.8)	(6.4)	(4.6)	(3.9)

Source: Bloomberg

Alpha Picks Portfolio Performance



Source: Bloomberg, UOB Kay Hian

Action

- **One new addition and two removals.** We add CapitaLand Integrated Commercial Trust (CICT SP) for positive rental reversions and multiple earnings drivers from CapitaSpring, Gallileo and Paragon. We remove City Developments (CIT SP) as investors await the execution of its outlined three-year plan and SIA Engineering (SIE SP) due to limited near-term catalysts.

Sector Performance

Sector	Performance (%)	
	Sep	Ytd
Aviation	0.3	15.0
Finance	0.6	41.6
Healthcare	(4.0)	(18.6)
LandTransport	(2.3)	(14.9)
Plantation	(5.6)	32.8
Property	(5.7)	(5.8)
REITs	(4.9)	(10.3)
Shipyards	(0.0)	15.1
Technology	(3.9)	7.2
Telecoms	(5.3)	(5.4)
Others	(7.5)	(12.7)
FSSTI	(1.4)	22.2

Source: Bloomberg, UOB Kay Hian

Valuation Of Analysts' Alpha Picks

Company	Ticker	Rec*	Price	Target	Upside	Last	PE			Yield	ROE	Market	Price/
			1 Oct 26	Price	To TP	Year	2025	2026F	2027F	2026F	2026F	Cap.	NAV ps
			(\$)	(\$)	(%)	End	(x)	(x)	(x)	(%)	(%)	(\$m)	(x)
Beng Kuang	BKM SP	BUY	0.365	0.75	105.5	12/25	14.0	12.2	6.9	1.6	29.3	109.6	9.8
CapLand IntCom T	CICT SP	BUY	2.25	3.06	36.0	12/25	19.2	19.2	17.7	5.2	5.5	17,941.6	1.0
Food Empire	FEH SP	BUY	1.90	3.49	83.7	12/25	26.5	13.4	12.1	5.3	19.2	1,247.1	2.6
Huatong Global	HUAGL SP	BUY	0.515	0.88	70.9	12/25	4.8	5.9	4.9	3.1	11.8	96.8	0.7
Keppel	KEP SP	BUY	11.18	13.26	18.6	12/25	25.7	21.5	19.7	4.3	9.1	20,007.8	2.0
NTT DC REIT USD	NTTDCR SP	BUY	0.925	1.29	39.5	3/26	486.7	n.a.	n.a.	8.5	(0.3)	1,233.4	0.8
O C B C	OCBC SP	BUY	31.55	35.70	13.2	12/25	19.4	17.6	16.2	3.0	12.7	141,834.4	2.3
Oiltek	OTEK SP	BUY	1.30	2.78	113.8	12/25	57.2	50.7	13.5	0.8	32.8	557.7	17.1
Riverstone	RSTON SP	BUY	0.765	1.21	58.2	12/25	17.9	16.6	15.7	7.2	14.9	1,133.9	2.5
SATS	SATS SP	BUY	3.78	5.00	32.3	3/26	19.7	17.8	14.9	2.2	11.3	5,618.9	2.1
UIBREIT	UIBREIT SP	BUY	0.805	1.16	44.1	3/26	n.a.	14.4	13.1	8.7	6.6	1,100.9	0.9
Valuetronics	VALUE SP	BUY	1.00	1.88	88.0	3/26	21.1	15.7	14.4	6.4	10.9	408.2	1.7
Venture Corp	VMS SP	BUY	16.39	21.10	28.7	12/25	20.8	19.3	18.4	4.9	8.7	4,708.7	1.7

Source: Bloomberg, UOB Kay Hian

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

- **Top-line reaches all-time high.** Food Empire Holdings' (FEH) 1H26 revenue of US\$315.1m (+15.0% yoy) formed 52% of our full-year forecasts, ahead of our expectations. This represents another record half-year performance, following five consecutive years of record revenue from 2021-25. Net profit also grew 12.2% to US\$35.3m, in tandem with the strong top-line growth, and remains in line with our forecasts at 49%.
- **Business as usual in Russia.** FEH's share price corrected 10% following concerns over Russia's seizure of assets belonging to foreign companies. FEH subsequently clarified that its Russian operations remain unaffected, with business activities, brand investments and marketing initiatives continuing as usual. Russia contributes around 30% of group revenue.
- **Growth across all markets.** Russia grew 24.6% yoy on higher volumes and ruble appreciation, Southeast Asia rose 2.4%, led by Vietnam, while Central Asia surged 33.9% on strong volume growth. South Asia and Europe also grew 4.4% and 5.5% yoy respectively, reinforcing FEH's brand presence across its key markets.
- **Strong expansion pipeline to support growth.** FEH is adding spray-dried coffee capacity in India by end-27 (+60%) and a new freeze-dried facility in Vietnam by 2028, bringing its network to 10 facilities. With India already at full utilisation, the expansion is demand-backed, while the US\$80m Vietnam plant will strengthen FEH's position in regional freeze-dried coffee.

Share Price Catalyst

- **Event:**
 - a) Earnings-accretive acquisitions.
 - b) Better-than-expected earnings.
 - c) Higher-than-expected dividends.
- **Timeline:** 3 - 6 months

- **Maintain BUY with a PE-based target price of S\$3.49**, pegged to 25x 2026F PE or 2.5SD above the long-term average. The stock trades at only 18x 2026F PE, a 25% discount to the peer average of 24x.

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

- **Record-high revenue beat but cost headwinds persisted. Huatong Global's (Huatong)** 1H26 revenue rose 64% yoy to S\$197.8m, or 60% of our full-year forecast. However, higher diesel/fuel and material costs pushed gross profit down 9% and net profit down 5% to S\$8.6m, below expectations. Gross margin fell to 9.7%. We expect some recovery in 2H26 as fuel costs normalise and fleet upgrades improve efficiency.
- **Fuel cost pressure should ease in 2H26.** Huatong incurred about S\$6m in additional diesel costs in 1H26, with around half expected to be reimbursed by the government. 3Q26 fuel costs should also receive similar support. We forecast 2026 gross margin at 13.0%, recovering in 2H26 but remaining below 2025's 16.5%.
- **Strong orderbook supports earnings visibility.** Huatong's S\$533m orderbook as of end-Jun 26 provides visibility over the next four years. The group remains focused on government infrastructure projects, with a healthy pipeline from Changi Airport and other public works, including three tenders worth over S\$100m each awaiting results.
- **Maintain BUY with a PE-based target price of S\$0.88**, pegged to 10x 2026F PE, in line with peers' average. Huatong's strong orderbook and potential Mainboard transfer provide catalysts for re-rating. Trading at just 6.3x 2026F PE, a 37% discount to peers' average of 10x, the stock offers an attractive value proposition.

Share Price Catalyst

- **Event:**
 - a) Higher-than-expected order wins.
 - b) Margin expansion.
 - c) Potential Mainboard transfer unlocks value.
- **Timeline:** 3 - 6 months.

Valuetronics – BUY (John Cheong)

- **FY26 results: Record gross margin despite one-off impairment.** Valuetronic's (VALUE) 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 improves.
- **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 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.
 - b) Growing potential from new customers offering modern-tech products.
- **Timeline:** 6 -12 months.

Venture Corporation – BUY (John Cheong)

- **Results in line.** Venture Corporation's (VMS) 1H26 revenue rose 7.4% yoy to S\$1,354.7m, while PATMI increased 5.6% to S\$119.3m, forming 51%/50% of our full-year forecasts. Net margin remained stable at 8.8%. Revenue growth accelerated to 12.5% yoy in 2Q26 from 1.9% in 1Q26, signalling stronger recovery momentum.

Share Price Catalyst

- **Event:**
 - a) Positive surprise in future revenue guidance and new customer wins.
 - b) Higher-than-expected AI/data

- **AI, data centre and semiconductor demand drove growth.** Portfolio B revenue rose S\$102m (+25.7% yoy), supported by stronger AI-related infrastructure demand and new business wins. This more than offset Portfolio A's S\$21m decline (-8.5% yoy), mainly from lower lifestyle consumer replacement volumes.
- **Growth opportunities gaining traction.** Management's growth initiatives are gaining momentum, supported by sustained networking, communications and semiconductor equipment demand. Continued investments across technology domains and deeper customer partnerships should underpin a broader, more sustainable long-term growth pipeline.
- **Maintain BUY with a target price of S\$21.10**, pegged to 23.7x 2027F PE (3SD above VMS' long-term historical mean), reflecting stronger earnings visibility and upcoming growth drivers. Currently, VMS is trading at around 18x 2027F PE (15% discount to peers) and offers a decent dividend yield of around 5%.

- centre program wins.
- c) Special dividend or share buyback announcement.

- **Timeline:** 6 months

CapitaLand Integrated Commercial Trust – BUY (Jonathan Koh)

- **Rental reversion for the office portfolio was +6.5% in 1H26** and is expected to stay positive as its average rent of S\$11.03psf/month is below prevailing Core CBD Grade A rent at S\$12.50psf/month.
- **CICT benefits from various earnings drivers**, including full-year contribution from additional 55% stake in CapitaSpring, income ramp-up from Gallileo, and contribution from Paragon commencing Jul 26.
- **CICT is undertaking AEIs** for Tampines Mall (3Q26), Capital Tower (3Q26-4Q27) and Plaza Singapura (3Q26-4Q28) with a phased approach to minimise operational and income disruptions.
- **Maintain BUY.** Our target price of S\$3.06 is based on the dividend discount model (cost of equity: 6.25%, terminal growth: 2.2%).

Share Price Catalyst

- **Event:**
 - a) Positive rental reversion for the office portfolio.
 - b) Positive contributions from AEIs for retail malls.
- **Timeline:** 6 - 12 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.** 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.
- **Higher dividend and commitment to capital return.** OCBC declared an interim dividend of 47 S cents per share for 1H26, up 15% yoy, representing a 50% payout ratio. Management reaffirmed its commitment to complete the remaining S\$2.5b capital return programme by Dec 26.
- **Maintain BUY.** Our target price of S\$35.70 is based on 2.36x 2027F P/B, derived from the Gordon Growth Model (ROE: 13.3%, COE: 7.25%, growth: 2.8%).

Share Price Catalyst

- **Event:**
 - a) OCBC scaling greater heights through organic growth and inorganic pursuits.
 - b) Its share buyback programme 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 debt headroom of US\$261m based on gearing of 40% to fund future acquisition.
- **Portfolio occupancy by IT load improved 0.8ppt qoq to 95.9%** as of Jun 26, driven by expansion leases secured at CA1, CA3 and SG1. Portfolio occupancy would have increased 3.3ppt to 99.2% if we include committed leases that have yet to commence. Majority of these new leases are expected to contribute to revenue starting 3QFY27.
- **Maintain BUY.** Our target price of US\$1.29 is based on DDM (cost of equity: 8.7%, terminal growth: 2.5%).

Share Price Catalyst

- **Event:**
 - a) Potential acquisitions in Europe.
 - b) Uptick in portfolio occupancy in 2HFY27.
- **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.** Occupancy for UI Boustead REIT's (UIBREIT) Singapore portfolio improved 0.7ppt to 97.0% as of Jun 26. It secured a new lease with a global fast-food chain for its Singapore headquarters at 27 Tai Seng Street. Occupancy for its Japan portfolio rose from 76.7% to 100.0%. At UIB Konan Phase 2 in Greater Osaka, lease for a global e-commerce player occupying 125,000sf (7.3% of total NLA) commenced in Jun 26. UIBREIT also secured a new lease with a major Japanese insurance corporation at Toyo MK Fuso Building in Tokyo. Both UIB Konan Phase 2 and Toyo MK Fuso Building have reached full occupancy.
- **Growth pipeline expands aerospace exposure.** UIBREIT has taken up a 51% stake in the development of a built-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 8.7% for FY27 and 8.5% for FY28 (CLAR: 6.6%, AAREIT: 7.1%). 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.
 - 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 Ltd – 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 funds under management (FUM) target, reinforcing confidence in its execution capabilities. The disposal target of S\$2b-3b for 2026 remains on track.

Share Price Catalyst

- **Event:**
 - a) Organic earnings growth.
 - b) Progress in non-core asset monetisation.
 - c) Sustainable momentum of new fundraising.
- **Timeline:** 6 months

- **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.

SATS – BUY (Roy Chen)

- **Strong underlying performance despite temporary margin pressure.** 1QFY27 revenue rose 11.3% yoy to S\$1.68b, supported by broad-based volume growth across gateway services and food solutions. Reported net profit increased 6% yoy to S\$75.1m, while core earnings would have been close to S\$80m excluding one-off JV/associate provisions. Cargo remained particularly strong, with comparable tonnage growth of 12% yoy, outperforming global industry growth for an 11th consecutive quarter.
- **Near-term margin headwinds should prove temporary, while medium-term growth remains intact.** EBIT margin eased 0.3ppt yoy to 8.0% due to operational inefficiencies from Middle East disruptions and higher input costs, and pressure may persist for another 1-2 quarters. However, SATS has mechanisms to pass through higher costs, while productivity initiatives and IT/AI investments should support efficiency improvements from 2HFY27. Management remains confident in achieving its FY29 targets, supported by continued volume growth, higher asset utilisation and eventual margin recovery.
- **Maintain BUY on SATS with a target price of S\$5.00.** We believe the sharp post-results sell-off is unjustified, as the earnings shortfall was driven largely by one-off provisions and temporary margin pressure rather than any deterioration in underlying demand. Our target price is based on 19.7x FY28F PE, in line with SATS' historical mean, implying meaningful upside as margins normalise and earnings growth re-accelerates into FY28-29.

Share Price Catalyst

- **Event:**
 - a) Continued strong cargo and aviation volume growth.
 - b) Easing of temporary margin pressure.
 - c) Progress towards FY29 growth targets.
- **Timeline:** 6 - 12 months.

Beng Kuang Marine – BUY (Tang Kai Jie)

- **1H26 revenue in line.** Beng Kuang Marine's (BKM) 1H26 revenue rose 9.7% yoy to S\$55.7m, or 51% of our 2026 forecast, driven by stronger engineering and shipbuilding activity. Gross margin fell to 26.2% from 38.2% due to project mix, with lower contribution from higher-margin offshore lifecycle work.
- **PATMI set for stronger 2H26.** PATMI rose 20.8% yoy to S\$3.5m, or 35% of our 2026 forecast. Despite S\$1.4m in disposal gains, results were in line as 1H26 included only around one month of full ASOM ownership. Full consolidation and higher offshore mobilisation should lift 2H26 earnings.
- **Orderbook supports earnings visibility.** BKM secured S\$85.2m of new contracts in 1H26, implying a 1.5x order intake-to-revenue ratio. Its S\$70.7m outstanding orderbook, including S\$52.3m from ASOM, provides good 2H26 visibility.
- **Revenue and margins to improve in 2H26.** Earnings should strengthen as offshore projects progress and ASOM contributions ramp up. 2Q26 has already improved sequentially, with revenue rising to S\$30.0m from S\$25.7m and PBT to S\$4.3m from S\$3.0m. ASOM also supports BKM 2.0's shift towards a more asset-light offshore lifecycle model.
- **Maintain BUY with an unchanged target price of S\$0.75,** implying 57.9% upside. Our target price is pegged to 14.0x 2027F PE, +1.5SD above historical averages. BKM currently trades around 8.9x 2027F PE, below peers' average of 11.2x 2027F PE, highlighting BKM's undervaluation. We

Share Price Catalyst

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

believe its strong fundamentals, underpinned by a superior ROE of 29.8% vs the industry average of 19.7% and a healthy balance sheet position, continues to support the case for valuation re-rating.

Oiltek International – BUY (Tang Kai Jie)

- **Landmark RM1.4b SAF project secures growth visibility.** Oiltek International's (Oiltek) 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. The company is also exploring new growth avenues.
- **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.
 - c) Potential positive corporate actions.
- **Timeline:** 6 - 12 months

Riverstone Holdings – BUY (Shaina Mahtani/Tang Kai Jie)

- **2Q26 earnings beat expectations.** Riverstone Holdings' (Riverstone) 2Q26 PATMI surged 45.0% yoy and 60.2% qoq to RM65.8m, about 40% above expectations. Revenue rose 8.9% yoy to RM266.7m on stronger cleanroom demand and improved healthcare pricing. 1H26 PATMI reached RM106.9m, or 59% of our previous 2026 forecast.
- **AI-related cleanroom demand drove recovery.** Stronger demand from AI data centres and memory-storage applications lifted cleanroom glove sales in 2Q26. Riverstone is also upgrading ageing production lines and shifting towards higher-value cleanroom and customised healthcare products to improve mix and margins.
- **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 at RM700m net cash, debt-free balance sheet, and strong operating cash flow. In our forecasts, we assume a 100% payout ratio on revised estimates, implying 2026-28F 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.

Share Price Catalyst

- **Event:**
 - a) Stronger-than-expected demand for cleanroom and healthcare gloves.
 - b) Faster ASP stabilisation in healthcare gloves
 - c) Margin rebound from lower raw material costs.
- **Timeline:** 6 - 12 months

- **Maintain BUY with a target price of S\$1.21**, based on 24x 2027F PE (+0.5 SD 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.

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