Alpha Picks: Large Caps Pulling The Weight

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Highlights

- Our Aug 26 Alpha Picks beat the FSSTI by 2.4ppt and 3.3ppt on a price-weighted and market-cap-weighted basis respectively. Unfortunately, we underperformed by 6.9ppt on an equal-weighted basis due to losses sustained by UGAI, HUAGL and BKM.
- For Sep 26: Add SATS; remove HLA and UGAI.
- Sep 26 Alpha Picks: BKM, CIT, FEH, HUAGL, KEP, NTTDCR, OCBC, OTEK, RSTON, SATS, SIE, UIBREIT, VALUE and VMS.

What's New

- **Market review.** Singapore equities rose 2.3% mom in Aug 26. Shipyard (+8.6% mom), plantation (+6.9% mom), and technology (+5.6% mom) led the gains. Finance (+4.2% mom), telecoms (+2.0% mom) and property (+1.8% mom) also advanced. Shipyard gains were driven by Yangzijiang's record 1H26 earnings and strong orderbook, while plantations benefitted from firmer CPO prices. Technology rebounded on stronger AI-related demand, while financials remained supported by solid bank earnings. In contrast, REITs (-3.8% mom), land transport (-3.7% mom) and aviation (-2.8% mom) lagged. Singapore stocks remained largely stable in Aug 26 amid ongoing results announcements, and as investors continued to assess broader market conditions amid rising bond yields.
- **Portfolio beat on a market-cap-weighted basis.** Our Alpha Picks portfolio returned 5.6% mom on a market-cap-weighted basis, outperforming the FSSTI's 2.3% gain by 3.3ppt. The price-weighted portfolio also beat the benchmark, rising 4.7% mom. However, the equal-weighted portfolio fell 4.6% mom, underperforming by 6.9ppt, as strong performance from larger-cap picks masked sharp declines across several smaller-cap names.
- **Gains led by OCBC, VMS and CIT; UGAI, HUAGL and BKM languished.** OCBC (+9.8%), VMS (+7.4%), and CIT (+6.8%) led gains on stronger earnings and dividends, with OCBC reporting record net profit and VMS supported by accelerating AI-related infrastructure demand. NTTDCR (+3.8%), HLA (+3.1%), KEP (+2.4%), and SIE (+0.3%) also gained, while UIBREIT remained flat. Conversely, UGAI (-42.9%) plunged on concerns over increased competition in the US market, while HUAGL (-23.4%) and BKM (-16.2%) declined on margin pressure and project mix recognition. OTEK (-9.0%), RSTON (-5.4%), FEH (-4.9%) and VALUE (-1.1%) also weakened.

Analysts' Alpha Picks

Analyst	Company	Rec	Performance#	Catalyst
John Cheong	Food Empire	BUY	52.4	Expanding footprint in key markets.
John Cheong	Huationg Global	BUY	-32.7	Strong 2025 earnings; robust orderbook.
John Cheong	Valuetronics	BUY	41.7	Strong earnings from higher customer orders.
John Cheong	Venture Corp	BUY	-9.2	AI infrastructure demand; recovery gaining traction in 2026.
Jonathan Koh	City Developments	BUY	19.3	Strong divestments ytd; potential special dividend.
Jonathan Koh	OCBC	BUY	157.5	Attractive yield; lower NIM risk exposure.
Jonathan Koh	NTTDCR	BUY	1.1	Potential acquisitions in Europe and Japan.
Jonathan Koh	UIBREIT	BUY	-4.3	Strong leasing momentum and smooth project executions
Roy Chen	Keppel	BUY	-6.7	Further success in its capital recycling plans.
Roy Chen	SATS	BUY	n.a.	Continued strong cargo and aviation volume growth.
Roy Chen	SIA Engineering	BUY	-1.6	Healthy fundamentals and higher capacity expansions
Tang Kai Jie	Beng Kuang	BUY	-15.5	Strong orderbook and earnings-accretive acquisition.
Tang Kai Jie	Oiltek	BUY	-39.2	Landmark RM1.4b contract and strong SAF demand.

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

STI Target: 6,682 (end-26)

Alpha Picks Recommendations

Company	Ticker	Rec*	Price (S$)	Target (S$)
Beng Kuang	BKM SP	BUY	0.41	0.75
CityDev	CIT SP	BUY	8.58	11.50
Food Empire	FEH SP	BUY	2.21	3.49
Huationg Global	HUAGL SP	BUY	0.565	0.88
Keppel	KEP SP	BUY	11.53	13.26
NTT DC REIT	NTTDCR SP	BUY	0.94	1.31
O C B C	OCBC SP	BUY	31.85	32.50
Oiltek	OTEK SP	BUY	1.38	2.78
SATS	SATS SP	BUY	3.88	5.00
SIA Engineering	SIE SP	BUY	3.10	3.75
UIBREIT	UIBREIT SP	BUY	0.785	1.16
Valuetronics	VALUE SP	BUY	0.985	1.88
Venture Corp	VMS SP	BUY	16.67	21.10

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

Alpha Picks Performance In Aug 26

Company	Ticker	Rec	Aug 26 (%)	To-date* (%)
Beng Kuang	BKM SP	BUY	(16.2)	(15.5)
CityDev *	CIT SP	BUY	6.8	19.3
Food Empire	FEH SP	BUY	(4.9)	52.4
HL Asia *	HLA SP	BUY	3.1	(14.9)
Huationg Global	HUAGL SP	BUY	(23.4)	(32.7)
Keppel *	KEP SP	BUY	2.4	(6.7)
NTT DC REIT	NTTDCR SP	BUY	3.8	1.1
O C B C *	OCBC SP	BUY	9.8	157.5
Oiltek *	OTEK SP	BUY	(9.0)	(39.2)
Riverstone	RSTON SP	BUY	(5.4)	(10.2)
SIA Engineering	SIE SP	BUY	0.3	(1.6)
UIBREIT	UIBREIT SP	BUY	0.0	(4.3)
UltraGreen.ai	UGAI SP	BUY	(42.9)	(51.6)
Valuetronics *	VALUE SP	BUY	(1.1)	41.7
Venture Corp	VMS SP	BUY	7.4	(9.2)
FSSTI			**2.3**	
UOBKH Portfolio (Market Cap-Weighted)			**(4.6)**	

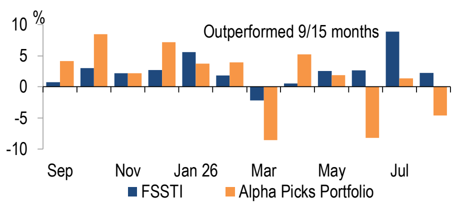
Source: Bloomberg

Portfolio Return

(%)	2025	1Q26	2Q26	Jul-26	Aug-26
FSSTI return	22.7	5.1	5.8	8.9	2.3
Alpha Picks Return					
- Price-weighted	29.3	1.9	0.7	5.1	4.7
- Market cap-weighted	18.1	2.6	0.8	10.3	5.6
- Equal-weighted	39.5	(0.6)	(0.8)	1.3	(4.6)

Source: Bloomberg

Alpha Picks Portfolio Performance



Source: Bloomberg, UOB Kay Hian

Action

- **One new addition and two removals.** We add SATS (SATS SP) on its strong underlying performance and expected improvements in near-term margin headwinds. We remove HLA (HLA SP) and UGAI (UGAI SP) due to portfolio rebalancing.

Sector Performance

	--------- Performance (%) ---------	
Sector	**Aug**	**Ytd**
Aviation	(2.8)	14.7
Finance	4.2	40.8
Healthcare	(1.7)	(15.2)
Land Transport	(3.7)	(12.8)
Plantation	6.9	40.6
Property	1.8	(0.1)
REITs	(3.8)	(5.9)
Shipyard	8.6	15.1
Technology	5.6	11.5
Telecoms	2.0	(0.1)
Others	(1.5)	(5.9)
FSSTI	**2.3**	**23.9**

Source: Bloomberg, UOB Kay Hian

Valuation Of Analysts' Alpha Picks

Company	Ticker	Rec*	Price 2 Sep 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	0.41	0.75	82.9	12/25	15.7	13.7	7.7	1.5	29.3	123.0	11.0
CityDev	CIT SP	BUY	8.58	11.50	34.0	12/25	12.4	17.4	15.4	2.3	4.7	7,665.4	0.8
Food Empire	FEH SP	BUY	2.21	3.49	57.9	12/25	30.8	15.6	14.1	4.5	19.2	1,456.6	3.1
Huationg Global	HUAGL SP	BUY	0.565	0.88	55.8	12/25	5.2	6.4	5.4	2.8	11.8	106.4	0.7
Keppel	KEP SP	BUY	11.53	13.26	15.0	12/25	26.5	22.1	20.3	4.2	9.1	20,696.4	2.1
NTT DC REIT USD	NTTDCR SP	BUY	0.94	1.31	39.4	3/26	492.0	n.a.	n.a.	8.4	(0.3)	1,237.8	0.8
O C B C	OCBC SP	BUY	31.85	32.50	2.0	12/25	19.5	17.9	17.1	3.0	12.6	143,031.8	2.3
Oiltek	OTEK SP	BUY	1.38	2.78	101.4	12/25	60.7	53.5	14.2	0.7	32.9	592.0	18.1
SATS	SATS SP	BUY	3.88	5.00	28.9	3/26	20.2	18.3	15.3	2.2	11.3	5,767.5	2.1
SIA Engineering	SIE SP	BUY	3.10	3.75	21.0	3/26	20.5	20.6	17.6	3.7	9.5	3,473.4	2.0
UIBREIT	UIBREIT SP	BUY	0.785	1.16	47.8	3/26	n.a.	14.0	12.7	9.0	6.6	1,073.5	0.9
Valuetronics	VALUE SP	BUY	0.985	1.88	90.9	3/26	20.8	15.5	14.3	6.4	10.8	404.4	1.7
Venture Corp	VMS SP	BUY	16.67	21.10	26.6	12/25	21.2	19.6	18.7	4.8	8.7	4,790.9	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 forecast, ahead of our expectation. 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 forecast at 49%.
- **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 rose 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.
- **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.

Share Price Catalyst

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

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

- **Record-high revenue beat but cost headwinds persisted.** 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 2H26 recovery as fuel costs normalise and fleet upgrades improve efficiency.
- **Fuel cost pressure should ease in 2H26.** Huationg incurred about S$6m of additional diesel costs in 1H26, with around half expected to be reimbursed by the government. Further 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.** Huationg'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. Huationg'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.** 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.
  - b) Growing potential from new customers offering modern-tech products.
- **Timeline:** 6-12 months.

Venture Corporation – BUY (John Cheong)

- **Results in line.** 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 a stronger recovery momentum.
- **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.

Share Price Catalyst

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

- **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%.

City Developments – BUY (Jonathan Koh)

- **1H26 earnings performance above market expectation.** City Developments (CDL) delivered a three-fold jump in 1H26 PATMI to S$301.6m, on the back of a 61% surge in revenue to S$2.7b. The improvement came largely from a sharp jump in residential contributions, a return to profitability in hotel operations and lower interest costs. The company declared an interim DPS of S$0.06 per share. During the results briefing, management indicated that its strategic review would likely be announced by end-Sep 26 and would outline its future strategic direction, capital allocation framework and implementation roadmap for its next phase of value creation.
- **Strong financial flexibility** with S$2b cash and S$4.9b liquidity including committed facilities. While net gearing rose slightly to 75% from 69% in 1H26, this was due mainly to successful bidding for two Government Land Sales sites in Tanjong Rhu and Peck Hay Road in Singapore. CDL's own assessment of its RNAV increased to S$20.09/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.
  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.
- **Higher dividend and commitment to capital returns.** 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$32.50 is based on 2.16x 2027F P/B, derived from the Gordon Growth Model (ROE: 12.8%, COE: 7.25%, growth: 2.5%)

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 acquisitions.
- **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. The majority of these new leases are expected to contribute to revenue starting 3QFY27.
- **Maintain BUY.** Our target price of US$1.31 is based on DDM (cost of equity: 8.6%, terminal growth: 2.5%).

Share Price Catalyst

- **Event:**
  a) Potential acquisitions in Europe and Japan.
  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.** Occupancy for UIBREIT's 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, Nippon Express expanded by 100,000sf, while 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 9.0% for FY27 (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.
  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 a 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.

Share Price Catalyst

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

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 17.6x FY28F PE, or 14.4x excluding net cash, below its historical mean, while offering a 3.7-4.2% 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.
  b) Tapering-off of gestation costs.
- **Timeline:** 6-12 months.

Beng Kuang Marine – BUY (Tang Kai Jie)

- **1H26 revenue in line.** BKM's 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 a stronger 2H26.** PATMI rose 20.8% yoy to S$3.5m, or 35% of our 2026 forecast. Despite S$1.4m of 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 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 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, continue to support the case for valuation re-rating.

Share Price Catalyst

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

- **2Q26 earnings beat expectations.** Riverstone's 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 2026-28 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$1.21,** 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.

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.