

China Aviation Oil

Increasing trading volume



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Singapore | TRANSPORT | UPDATE

- International air traffic surged 32% YTD in Apr25, and we expect profit from associates (SPIA) to rise at least 12% YoY in FY25e, supported by the continued recovery of inbound leisure and business travel.
- We expect a pickup in trading volume in 1H at the low teens, driven by rising jet fuel and Sustainable Aviation Fuel (SAF) demand. The EU mandates a 2% SAF blend in 2025, increasing to 70% by 2050. As SAF volumes grow, this should support margin improvement for the oil trading business.
- We upgrade CAO from NEUTRAL to ACCUMULATE with a higher DCF-TP of S\$0.90 (prev: S\$0.85), reflecting recent share price performance and improving financial metrics. While we maintain our FY26e/27e PATMI forecast at US\$82mn/83mn, we expect at least high single-digit YoY PATMI growth in 1H25. CAO currently holds US\$500mn in cash, representing over 90% of its market cap. Re-rating catalysts include a better-than-expected dividend payout ratio and increasing contribution from SPIA.

The Positives

+ Increasing contribution from SPIA. In March, passenger throughput at Shanghai Pudong International Airport rose 10% YoY, surpassing pre-COVID levels by 5%, as the government promoted both domestic and inbound travel through subsidies for hotels, tourist site tickets, and eased tax refund rules for foreign visitors. Correspondingly, international air traffic surged 32% YTD in Apr25, 4.6% above pre-COVID levels. However, with lower jet fuel prices in FY25e (23rd May25: \$82.30/bbl, -c.17% YoY), SPIA's contribution is expected to remain at c.60% of group PATMI despite higher volume.

+ Increasing trading volume with a higher margin. Trading volumes on the Asia-North America route have improved in 1H25, with CAO resuming two vessels/month. The increase was driven by rising jet fuel demand, which aligns with the 4.9% YoY growth in international demand in March 25, as reported by IATA. SAF trading volume also surged, though its absolute trading volume remains <1%. The growth was supported by the EU mandate requiring aviation fuel suppliers to include SAF in all outbound flights, starting with a 2% blend in 2025 and rising to 70% by 2050. SAF prices average c.3–5x higher than conventional jet fuel. As CAO obtained EU certification in 2022 and SAF remains undersupplied, we expect group-level trading margins to improve with rising SAF demand.

Outlook

The US tariff has no direct impact, and jet fuel exports from Asia to the US for international flights remain tariff-free. However, secondary effects such as dampened consumer sentiment may affect outbound travel demand. As 1H is typically seasonally stronger for CAO, we believe the company is on track to achieve >55% of our FY25e PATMI forecast.

Upgrade to ACCUMULATE with a higher TP of S\$0.90 (prev: S\$0.85)

We upgrade our rating on CAO from NEUTRAL to ACCUMULATE with an increased DCF-TP of S\$0.90 (prev: S\$0.85), supported by recent share price performance and improving fundamentals. Our FY26e/27e PATMI forecasts remain unchanged at US\$82mn/83mn, but we project at least high single-digit YoY growth in 1H25. CAO holds US\$500mn in cash, accounting for over 90% of its market cap.

30 May 2025

ACCUMULATE (Upgraded)

LAST CLOSE PRICE	SGD 0.82
FORECAST DIV	SGD 0.04
TARGET PRICE	SGD 0.90
TOTAL RETURN	14.4%

COMPANY DATA

BLOOMBERG CODE:	CAO SP
O/S SHARES (MN):	860.18
MARKET CAP (USD mn / SGD mn):	547 / 705
52 - WK HI/LO (SGD):	0.97 / 0.75
3M Average Daily T/O (mn):	0.5193

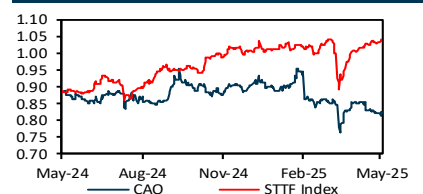
MAJOR SHAREHOLDERS (%)

CHINA NATIONAL AVIATION FUEL GROUP	51.3%
BP INVESTMENTS ASIA LTD	20.2%

TOTAL RETURN (%)

	1MTH	3MTH	1YR
COMPANY	0.8	(1.5)	(2.6)
STTF RETURN	3.1	1.6	23.7

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (US\$, 'mn)	FY23	FY24	FY25e	FY26e
Revenue	14,430	15,519	16,148	16,632
Gross Profit	50.6	41.9	43.6	44.9
EBIT	66.7	86.6	91.9	93.3
NPAT	58.4	78.1	81.8	83.1
P/NAV (x)	0.6	0.6	0.5	0.5
Dividend Yield	5.9	4.3	4.4	4.5
P/E (x)	16.9	12.6	12.0	11.8
ROE (%)	6.2%	7.9%	7.8%	7.5%

Source: Company, PSR

VALUATION METHOD

DCF (WACC: 15%, Terminal g: 1%)

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Financials

Income Statement

Y/E Dec, (US\$' mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	16,464	14,430	15,519	16,148	16,632
Cost of sales	(16,429)	(14,379)	(15,477)	(16,104)	(16,587)
Gross Profit	35	51	42	44	45
Other operating income	1	19	17	12	8
Administration	(14)	(17)	(17)	(13)	(13)
Other expenses	(1)	(16)	(1)	(1)	(1)
Share of results of associates and joint ve	18	30	46	50	55
EBIT	39	67	87	92	93
Net finance expenses	(1)	(1)	(1)	(2)	(2)
Profit before tax	38	66	86	90	91
Taxation	(5)	(8)	(8)	(8)	(8)
Net Profit	33	58	78	82	83
Minority interests	-	-	-	-	-
Profit attributable to owners	33	58	78	82	83

Per share data

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
BVPS (US\$ cents)	105.0	110.3	114.7	121.3	128.1
DPS (\$\$ cents)	1.6	5.1	3.7	3.8	3.9
EPS (US\$ cents)	3.9	6.8	9.1	9.5	9.7

Cash Flow

Y/E Dec, (US\$' mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Pretax profit	38	66	86	90	91
Adjustments	(11)	(32)	(51)	(44)	(49)
WC changes	(114)	25	87	(95)	(9)
Cash generated from ops	(87)	59	121	(49)	33
Others	23	33	-	50	50
Cashflow from ops	(65)	92	121	0	83
CFI					
CAPEX, net	(0)	(11)	(1)	(2)	(2)
Others	1	0	46	-	-
Cashflow from investments	0	(11)	45	(2)	(2)
CFF					
Dividends paid to owners	(12)	(10)	(32)	(25)	(25)
Proceeds from borrowings, net	(15)	(6)	79	-	-
Others	-	-	(85)	-	-
Cashflow from financing	(26)	(16)	(38)	(25)	(25)
Net change in cash	(91)	64	128	(26)	56
Cash at the start of the period	401	308	373	500	474
Currency translation	(2)	1	(0)	-	-
Ending cash	308	373	500	474	531

Balance Sheet

Y/E Dec, (US\$' mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
PPE & Investment Properties	5	15	14	13	12
Others	288	271	279	277	274
Total non-current assets	294	286	293	290	286
Cash and cash equivalents	308	373	500	474	531
Inventories	182	88	71	88	91
Trade and other receivables	716	1,040	1,127	1,150	1,185
Others	-	-	-	-	-
Total current assets	1,206	1,501	1,698	1,713	1,806
Total Assets	1,500	1,788	1,992	2,002	2,093
LIABILITIES					
Trade and other payables	565	814	981	927	954
ST borrowings	-	-	-	-	-
Others	16	13	10	18	22
Total current liabilities	580	826	991	944	976
LT borrowings	-	-	-	-	-
Others	12	9	11	11	11
Total non-current liabilities	12	9	11	11	11
Total liabilities	592	835	1,002	955	987
EQUITY					
Share Capital	216	216	216	216	216
Retained profits	687	733	771	828	886
Others	-	-	-	-	-
Total equity	903	948	986	1,044	1,102
Minority interests	4	4	4	4	4
Total equity and liabilities	1,500	1,788	1,992	2,002	2,093
Valuation Ratios					
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	29.6	16.9	12.6	12.0	11.8
P/B (x)	0.6	0.6	0.6	0.5	0.5
EV/EBITDA (x)	8.0	4.1	1.3	1.6	1.6
Dividend yield (%)	1.9	5.9	4.3	4.4	4.5
Growth & Margins					
Growth					
Revenue	-12.4%	7.5%	4.1%	3.0%	
Gross profit	43.0%	-17.3%	4.1%	3.0%	
EBIT	71.6%	29.9%	6.1%	1.6%	
PBT	74.8%	30.1%	4.8%	1.6%	
Margins					
Gross profit margin	0.4%	0.3%	0.3%	0.3%	
EBIT margin	0.5%	0.6%	0.6%	0.6%	
Net profit margin	0.4%	0.5%	0.5%	0.5%	
Key Ratios					
ROE	3.7%	6.2%	7.9%	7.8%	7.5%
ROA	2.1%	2.5%	2.5%	2.5%	2.3%
Net Gearing	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, Phillip Securities Research (Singapore) Estimates

**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation.

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