

China Aviation Oil

SAF to boost margin



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Singapore | TRANSPORT | 1H25 RESULT

- 1H25 PATMI surged 18.4% YoY to US\$50mn, beating our expectations and accounting for 60% of FY25e estimates, despite expecting a seasonally stronger 1H25. Total gross profit rose 25.7% YoY to US\$30.38mn, driven mainly by higher profits from the jet fuel supply business, supported by increased supply volumes and higher optimisation gains from trading activities.
- Associates delivered a robust performance in 1H25, rising 18.6% YoY to US\$27.44mn, driven by higher refuelling volumes at Shanghai Pudong International Airport, with contributions up 13.9% YoY to US\$25.49mn. Profit from other associates surged 156% YoY to US\$1.95mn.
- We upgrade CAO from ACCUMULATE to BUY with a higher DCF-TP of S\$1.50 (prev: S\$0.90), underpinned by surging jet fuel demand and rising contributions from associates. We raise our FY26e/FY27e PATMI forecasts by 5.7%/4.8% to US\$85mn/US\$88mn, reflecting stronger-than-expected growth in jet fuel demand and associate profits. CAO maintains a net cash position of US\$515mn, representing c.66% of its total market cap. Key downside risks include underutilization of cash and lower trading volumes in 2H25.

Result at a glance

(USD mn)	1H25	1H24	YoY (%)	Comments
Revenue	8,560.5	7,535.0	13.6%	Increase in oil price and business volume
Gross profit	30.4	24.2	25.6%	Higher profits derived from jet fuel
Operating Profit	28.0	24.2	15.9%	
Associates	27.44	23.1	18.6%	Higher contributions from SPIA
Net Profit	55.5	42.3	31.2%	Higher profit from associates
SPIA	25.49	22.38	13.9%	Higher international air traffic

Source: Company, PSR

The Positives

+ Increasing trading volume with a higher margin. Trading volume rose 35.4% YoY to 13.77mn mt in 1H25, driven by robust jet fuel demand. CAO is capitalising on China's oversupply by reselling at higher prices to markets such as Europe and the rest of Asia. Gross profit margin improved marginally by 0.03ppt to 0.35%, supported by increased SAF trading, which currently accounts for a low single-digit share of total trading volume. We expect margins to expand further in 2H25 as the company deepens its presence in the SAF segment, which typically yields c.3–5x higher margins than conventional jet fuel.

+ Increasing contribution from SPIA. Passenger traffic for 6M25 grew 6.0% YoY to 371.68mn, with international route passengers surging 24.7%YoY to 42.85mn. The number of flights handled at Shanghai Pudong International already exceeds the pre-COVID level by 5% with the growth of international visitor arrivals surging by c.29%YoY in Jun25. We expect further growth from 2H25 onwards due to increasing inbound demand as the RMB depreciates against major global currencies (e.g., USD, Pound). We expect full-year contribution from SPIA to reach USD50.84mn, which is 77% of the FY19 level and contributing to 59% of the FY25e PATMI.

The Negatives

-NIL

18 August 2025

BUY (Upgraded)

LAST CLOSE PRICE	SGD 1.23
FORECAST DIV	SGD 0.04
TARGET PRICE	SGD 1.50
TOTAL RETURN	25.2%

COMPANY DATA

BLOOMBERG CODE:	CAOS SP
O/S SHARES (MN):	860.18
MARKET CAP (USD mn / SGD mn):	751 / 963
52 - WK HI/LO (SGD):	1.18 / 0.75
3M Average Daily T/O (mn):	1.0442

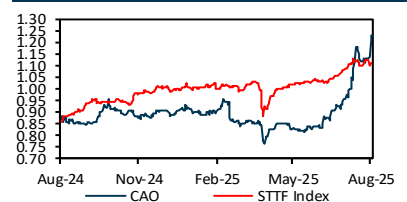
MAJOR SHAREHOLDERS (%)

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

TOTAL RETURN (%)

	1MTH	3MTH	1YR
COMPANY	23.5	38.1	38.1
STTF RETURN	5.9	11.0	37.8

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (US\$, 'mn)	FY23	FY24	FY25e	FY26e
Revenue	14,430	15,519	16,723	17,225
Gross Profit	50.6	41.9	51.8	53.4
EBIT	66.7	86.6	95.6	98.3
NPAT	58.4	78.1	85.2	87.7
P/NAV (x)	0.8	0.8	0.8	0.7
Dividend Yield	4.1	3.0	3.2	3.3
P/E (x)	24.1	18.0	16.5	16.1
ROE (%)	6.2%	7.9%	8.1%	7.9%

Source: Company, PSR

VALUATION METHOD

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

Liu Miaomiao (+65 6212 1852)
Research Analyst
Liumm@phillip.com.sg

Outlook

We see further upside from the SAF trading business, supported by the EU mandate requiring aviation fuel suppliers to include SAF in all outbound flights, starting with a 2% blend in 2025 and increasing to 70% by 2050. Having obtained EU certification in 2022 and with SAF still in short supply, we expect group-level trading margins to benefit from rising SAF demand.

Coupled with robust contributions from associates (SPIA), tailwinds from the core trading business, and a strong cash position of US\$515mn, we believe this is an opportune time for CAO to return value to shareholders through increasing the dividend payout ratio or special dividend. In addition, State Owned Enterprises have been encouraged to raise dividends.

Upgrade to BUY from ACCUMULATE with a higher TP of S\$1.50 (prev: S\$0.90)

We upgrade CAO from ACCUMULATE to BUY with a higher DCF-TP of S\$1.50 (prev: S\$0.90), supported by strong jet fuel demand and higher associate contributions. We raise our FY26e/FY27e PATMI forecasts by 5.7%/4.8% to US\$85mn/US\$88mn, reflecting stronger-than-expected growth in both jet fuel demand and associate profits. CAO remains in a net cash position of US\$515mn, c.66% of its total market cap. Downside risks include inefficient deployment of cash and lower trading volumes in 2H25.

Financials

Income Statement

Y/E Dec, (US\$'mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	16,464	14,430	15,519	16,723	17,225
Cost of sales	(16,429)	(14,379)	(15,477)	(16,671)	(17,171)
Gross Profit	35	51	42	52	53
Other operating income	1	19	17	8	5
Administration	(14)	(17)	(17)	(13)	(14)
Other expenses	(1)	(16)	(1)	(1)	(1)
Share of results of associates and joint ve	18	30	46	50	55
EBIT	39	67	87	96	98
Net finance expenses	(1)	(1)	(1)	(2)	(2)
Profit before tax	38	66	86	94	96
Taxation	(5)	(8)	(8)	(8)	(9)
Net Profit	33	58	78	85	88
Minority interests	-	-	-	-	-
Profit attributable to owners	33	58	78	85	88

Per share data

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
BVPS (US\$ cents)	105.0	110.3	114.7	121.6	128.7
DPS (\$\$ cents)	1.6	5.1	3.7	4.0	4.1
EPS (US\$ cents)	3.9	6.8	9.1	9.9	10.2

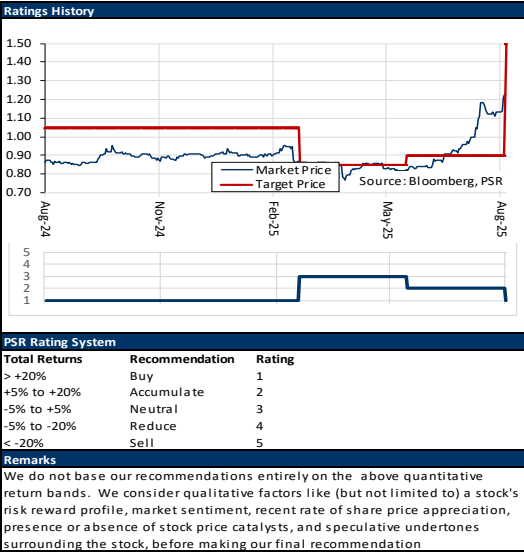
Cash Flow

Y/E Dec, (US\$'mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Pretax profit	38	66	86	94	96
Adjustments	(11)	(32)	(51)	(44)	(49)
WC changes	(114)	25	87	(106)	(10)
Cash generated from ops	(87)	59	121	(57)	38
Others	23	33	-	50	50
Cashflow from ops	(65)	92	121	(7)	88
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)	(26)	(26)
Proceeds from borrowings, net	(15)	(6)	79	-	-
Others	-	-	(85)	-	-
Cashflow from financing	(26)	(16)	(38)	(26)	(26)
Net change in cash	(91)	64	128	(35)	59
Cash at the start of the period	401	308	373	500	465
Currency translation	(2)	1	(0)	-	-
Ending cash	308	373	500	465	525

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	465	525
Inventories	182	88	71	91	94
Trade and other receivables	716	1,040	1,127	1,191	1,227
Others	-	-	-	-	-
Total current assets	1,206	1,501	1,698	1,748	1,846
Total Assets	1,500	1,788	1,992	2,038	2,132
LIABILITIES					
Trade and other payables	565	814	981	959	988
ST borrowings	-	-	-	-	-
Others	16	13	10	18	22
Total current liabilities	580	826	991	977	1,010
LT borrowings	-	-	-	-	-
Others	12	9	11	11	11
Total non-current liabilities	12	9	11	11	11
Total liabilities	592	835	1,002	988	1,021
EQUITY					
Share Capital	216	216	216	216	216
Retained profits	687	733	771	830	892
Others	-	-	-	-	-
Total equity	903	948	986	1,046	1,107
Minority interests	4	4	4	4	4
Total equity and liabilities	1,500	1,788	1,992	2,038	2,132
Valuation Ratios					
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	42.4	24.1	18.0	16.5	16.1
P/B (x)	0.9	0.8	0.8	0.8	0.7
EV/EBITDA (x)	15.8	9.4	6.9	6.0	6.0
Dividend yield (%)	1.3	4.1	3.0	3.2	3.3
Growth & Margins					
Growth					
Revenue	-12.4%	7.5%	7.8%	3.0%	3.0%
Gross profit	43.0%	-17.3%	23.8%	3.0%	3.0%
EBIT	71.6%	29.9%	10.4%	2.8%	2.8%
PBT	74.8%	30.1%	9.2%	2.9%	2.9%
Margins					
Gross profit margin	0.4%	0.3%	0.3%	0.3%	0.3%
EBIT margin	0.5%	0.6%	0.6%	0.6%	0.6%
Net profit margin	0.4%	0.5%	0.5%	0.5%	0.5%
Key Ratios					
ROE	3.7%	6.2%	7.9%	8.1%	7.9%
ROA	2.1%	2.5%	2.5%	2.7%	2.5%
Net Gearing	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, Phillip Securities Research (Singapore) Estimates



Contact Information (Singapore Research Team)

Head of Research

Paul Chew – paulchewkl@phillip.com.sg

Research Admin

Qystina Azli - qystina@phillip.com.sg

Technical Analyst

Zane Aw – zaneawyx@phillip.com.sg

Property | REITs

Darren Chan – darrenchanrx@phillip.com.sg

Property | REITs

Liu Miaomiao – liumm@phillip.com.sg

Banking | Auto

Glenn Thum – glenthumjc@phillip.com.sg

US Tech Hardware | E-commerce | ETF

Helena Wang – helenawang@phillip.com.sg

Construction | Semiconductors

Yik Ban Chong (Ben) – chongyb@phillip.com

Communications | CRM

Serena Lim - serenalimyq@phillip.com.sg

Software | Services

Alif Fahmi - aliffahmi.shakir@phillipcapital.com.my

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED STATES

Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

INDIA

PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

AUSTRALIA

Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

TURKEY

PhillipCapital Menkul Degerler
Esentepe Mah. Harman 1 Sk.
Nida Kule Kat 3-12 Levent-Şişli
34394, İstanbul Turkey
Tel: +90 (212) 239 10 00
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

HONG KONG

Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

CHINA

Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

CAMBODIA

Phillip Bank Plc
Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306, Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

DUBAI

Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

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