China Aviation Oil (Singapore) Corp

DBS Group Research

17 March 2026

Capital story in-tact; margins could take flight amid turbulence

Investment Overview

CAO is Asia's largest physical supplier of jet fuel and the key importer for China's civil aviation sector, backed by its parent, China National Aviation Fuel Group (CNAF). CNAF's role as China's exclusive aviation-fuel distributor grants CAO privileged access to the country's import market and a secure demand base. The company's strength lies in its integrated network spanning procurement, logistics, and infrastructure, supported by associates such as SPIA and OKYC. The company has also emerged as an early adopter of sustainable aviation fuel (SAF) in Europe and parts of Asia, effectively leveraging its global supply expertise to meet the growing demand from airlines for lower-carbon fuel solutions.

Multi-year earnings growth underpinned by resilient demand, with near term supported by favourable trading conditions. We forecast a mid to high single digit CAGR in net profit over FY25-27F, driven by mid single digit growth in fuel volumes supplied and sustained regional arbitrage opportunities. Trading margins are likely to remain elevated into 2026, supported by ongoing volatility and cross regional dislocations, before moderating over time as supply chains gradually rebalance. We also expect a steady recovery in associate contributions, although SPIA's earnings are likely to remain capped by ongoing US flight quotas.

Capital management remains a key re rating catalyst, with a clearer pathway post restructuring. CAO's net cash position, equivalent to nearly 50% of its market capitalisation, highlights clear capital inefficiency. While dividend flexibility remains constrained by ongoing restructuring at the parent level, we expect scope for improved capital returns once this process concludes. Given its steady cash flow generation and asset light model, the group should be able to sustain a 60% to 70% payout, implying a yield of 5% to 8%, with potential for higher distributions to optimise its balance sheet.

Maintain BUY and a TP of SGD2.50, based on 14.0x FY26F EPS, towards the upper end of its historical trading range. We see scope for a re-rating driven by improved earnings visibility, clearer capital management catalysts, and an undemanding ex-cash valuation.

Risks

Inventory losses amid price volatility, sustained/deeper backwardation limiting trading profitability, while inefficient capital management could prolong CAO's valuation discount against peers.

Forecasts and Valuation

FY Dec (USDmn)	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Revenue	14,430	15,519	16,440	23,082	19,153
EBITDA	71.9	78.5	115.5	128.7	135.1
Pre-tax Profit	65.9	85.7	125.2	136.4	140.4
Net Profit	58.4	78.1	110.6	120.6	125.3
Net Pft (Pre Ex.)	72.8	78.1	110.6	120.6	125.3
Net Pft Gth (Pre-ex) (%)	66.7	7.3	41.7	9.0	3.8
EPS (S cts)	8.95	12.4	16.5	17.9	18.6
EPS Pre Ex. (S cts)	11.2	12.4	16.5	17.9	18.6
EPS Gth Pre Ex (%)	66.7	11.0	33.4	8.4	3.8
Diluted EPS (S cts)	8.95	12.4	16.5	17.9	18.6
Net DPS (S cts)	1.58	5.07	3.64	10.8	13.0
BV Per Share (S cts)	145.5	156.6	161.1	167.3	172.9
PE (x)	22.7	17.0	12.0	11.0	10.6
PE Pre Ex. (x)	18.2	17.0	12.0	11.0	10.6
P/Cash Flow (x)	23.3	9.4	8.0	200.1	13.2
EV/EBITDA (x)	13.3	10.6	5.6	5.3	4.6
Dividend Yield (%)	0.8	2.4	1.8	5.5	6.6
P/Book Value (x)	1.4	1.3	1.2	1.2	1.1
Net Debt/Equity (x)	cash	cash	cash	cash	cash
ROAE (%)	6.3	8.1	10.7	11.0	10.9

Source: DBS

BUY

Last Traded Price: SGD1.97
Price Target 12-mth: SGD2.50

Analyst

Jason Sum | jasonsum@dbs.com

What's New

- FY25 net profit of USD110.6mn beat by 14%, with gross profit per ton surging to USD4.7 on stronger arbitrage conditions and incremental SAF contribution
- While backwardation and higher air fares are negatives, they should be more than offset by widening cross regional spreads and heightened volatility
- Dividends remain muted amid ongoing restructuring, but a robust net cash and earnings underpin scope for higher payouts once parent level constraints are lifted
- Raise FY26/27F earnings by 12%/9%; maintain BUY; TP raised to SGD2.50 with earnings upgrades and higher multiple peg

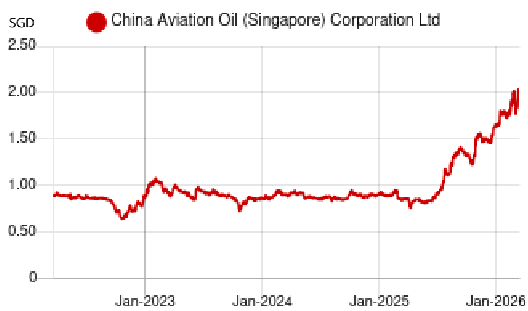
Key Financial Data (FY Dec)

Bloomberg Ticker	CAO SP
Sector	Energy
Market Cap (USDbn)	1.0
3m Avg. Daily Val (USDmn)	2.4
Major Shareholders	(%)
China National Aviat	51.3
BP PLC	20.2
Free Float (%)	28.5

Closing Price as of 16/03/2026

Source: Twelve Data, DBS, Visible Alpha

China Aviation Oil (Singapore) Corp Share Price



Source: Twelve Data

What's New

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Convincing beat on better trading economics. 2H25 net profit came in USD60.6mn (+21.1% h/h, 69.1% y/y), with FY25 net profit of USD110.6mn handily beating the street's projection by 14%. Volumes were broadly in line with expectations, with jet fuel supply at 8.8mn tons in 2H25, up 15.4% y/y. The real surprise was in middle distillates gross profit per tonne, which expanded to USD4.7/mt in 2H25, up 77% y/y and 15.8% h/h, as favourable regional arbitrage conditions widened and SAF supply contributed incrementally to the mix. Key associate SPIA also came in slightly ahead of expectations, delivering USD31.9mn in equity earnings in 2H25, up 45% y/y, supported by China's continued aviation recovery with international traffic rebounding.

The only blip in an otherwise impressive report was capital returns. The final dividend declared was just4.96 Scts per share, implying a meagre c.2.5% yield and a flat 30% payout ratio, which looks underwhelming against a USD683mn net cash position (vs USD499mn in FY24), and the extent of the earnings beat.

Volatility across crude and refined product markets should be supportive for CAO. The Middle East conflict has disrupted supply flows, pushing jet fuel markets into the steepest backwardation in recent years while regional price spreads between Asia, Europe and North America have widened to levels exceeding those seen during the Russia Ukraine conflict. While backwardation has historically been negative for the group, we expect this to be more than offset by wider regional arbitrage opportunities. A similar dynamic played out in 2022 during the Russia-Ukraine conflict, when extreme dislocations in jet fuel markets drove the group's gross profit per ton for jet fuel to more than double in 1H2022.

We note that the group has conducted extensive internal wargaming around potential conflict scenarios. The management indicated that it hasmodelled arange of outcomes, including disruptions lasting four weeks, eight weeks or up to three months, with corresponding operational and trading responses prepared for each case. This scenario planning allows the trading team to respond quickly to shifts in supply flows, regional price spreads and cargo availability, while maintaining a disciplined approach to risk. Importantly, the strategy continues to prioritise the stability of the physical cargo franchise, with trading activity focused on capturing dislocations created by volatility rather than taking speculative positions.

Volumes supplied could underwhelm if higher jet fuel prices begin to dampen air travel demand. Airlines globally are already introducing fuel surcharges to pass through part of the cost increase, and given the price sensitivity of discretionary travel, particularly on long haul routes, this could weigh on demand at the margin. The Middle East is a key transit region for intercontinental travel, accounting for a mid-single digit share of China's international capacity and roughly 30% and 10% of passenger traffic between Asia to Europe and North America respectively. With disruptions to the region and higher long-haul fares, some travellers may defer intercontinental trips or shift toward shorter haul routes within Asia.

That said, the same supply disruptions are tightening availability and fragmenting regional markets, which should strengthen CAO's commercial positioning. As a key physical intermediary, the group is better placed to optimise sourcing and capture dislocations across regions, partially offsetting softer demand. As such, we conservatively pencil in low single digit growth in volumes supplied for 2026, though this remains subject to downside risk depending on the duration of the conflict.

Greater focus on M&A in 2026; capital returns narrative remains in-tact. Over the past few years, the group has evaluated multiple investment opportunities, though none were pursued as management maintained a disciplined approach to capital deployment. Going forward, the focus remains on investments closely aligned with its core business, particularly in supply chain infrastructure such as storage, pipelines and airport fuelling networks, as well as SAF-related opportunities. Management has already assessed potential projects in Southeast Asia and Europe and expects to continue evaluating opportunities, with the possibility of executing select investments this year.

Additionally, management reiterated that returning capital to shareholders remains an important consideration. However, they indicated that the ongoing restructuring involving the controlling shareholder has limited flexibility around dividend decisions in the near term. While the merger is expected to conclude within this year, we remain cognisant that timelines could be subject to delays given the complexity of a transaction involving two large SOEs. Once completed, there should be greater scope to enhance capital returns, including the introduction of an interim dividend.

Maintain BUY with higher TP of SGD2.50; raise FY26/27F earnings estimates by 12%/9%. While we lower our volumes supplied assumptions and trim equity earnings from SPIA to reflect the potential hit to air traffic from the conflict, this is more than offset by higher unit profitability assumptions amid the current dislocation in jet fuel markets. We raise our TP to SGD2.50 from SGD1.75, reflecting both our earnings upgrades and a higher forward P/E peg of 14x versus 11x previously. The stock is currently trading at just 5.4x ex-cash forward P/E, slightly below its historical average of 5.7x. Despite downside risks to volumes, the risk/reward remains attractive in our view, as trading economics could surprise on the upside, while the potential for higher dividends this year should support a re-rating.

Company profile

China Aviation Oil (Singapore) Corporation Ltd ("CAO") is the largest physical jet fuel trader in the Asia Pacific region and the key supplier of imported jet fuel to China's civil aviation industry. It also has investments in oil-related assets, the most significant of which is a 33% stake in the sole jet refueller at Shanghai Pudong International Airport known as Shanghai Pudong International Airport Aviation Fuel Supply Company.

In 2024, profit contribution from associate SPIA (Shanghai Pudong International Airport Fuel Aviation), which is the exclusive jet refueller at Shanghai Pudong International Airport, accounted for 53% of CAO's total net profit while its investments in other oil related associate companies made up 2% of total net profit. Meanwhile, we estimate that 80%-90% of CAO's gross profit in 2024 was derived from supply of imported jet fuel to China while the remaining is from jet fuel supply and trading, and trading of other oil products.

CAO's parent company, China National Aviation Fuel Group Limited ("CNAF") is a large State-owned enterprise in China. It is the largest aviation transportation logistics service provider in China, with a diverse portfolio of businesses, comprising aviation fuel distribution, storage and refuelling services at over 210 airports in China. CNAF holds about 51% of the total issued shares of CAO. Meanwhile, BP investments Asia Limited, a subsidiary of oil major, BP, is a strategic investor of CAO, holding 20% of the total issued shares of CAO.

See China Aviation Oil: Propelling towards full potential for our initiation report on the company.

Business Segments

- Revenue Drivers. The principal activities of CAO are jet fuel supply and trading, trading or other oil products and investments in oil-related assets. Leveraging on the network of its parent, China National Aviation Fuel Group Corporation (CNAF) – a state-owned enterprise and the largest aviation transportation logistics services provider in the PRC – China Aviation Oil (Singapore) Corporation Ltd (CAO) has monopoly in the supply of imported jet fuel (or bonded jet fuel) to 17 international airports in China. With the backing of its parent, CAO has also expanded its business to the marketing and supply of jet fuel to airline companies at international airports outside of the PRC, across Asia Pacific, North America, Europe and the Middle East. In 2025, the total supply and trading volume of CAO was 16.2m tonnes of middle distillates (including jet fuel) and 9.8m tonnes of other oil products.
- Cost Structure. The company operates on a cost-plus model for its bonded jet fuel import business into China and seeks to augment its margins for its supply business of bonded jet fuel into China and other regions through trading activities.
- Competitive Positioning. CAO is the exclusive importer of bonded jet fuel into China and has a 33% stake in the only jet refueller at Shanghai Pudong International Airport.

Operating Assets:

CAO operates an asset-light business model, which allows it to generate strong returns with minimal capital intensity. As of end-2025, the company held fixed assets of only USD 18 mn, reflecting its focus on trading, supply optimisation, and strategic investments rather than heavy infrastructure ownership. Most of CAO's asset base comprises working capital and equity stakes in associates and joint ventures, which together provide stable earnings contributions and operational leverage. Key investments include its 33% stake in Shanghai Pudong International Airport Aviation Fuel Supply Company (SPIA), a refuelling joint venture at one of China's busiest airports, and its 26% interest in Oilhub Korea Yeosu (OKYC), a major regional storage and blending facility. These assets underpin CAO's integrated supply chain while reinforcing its ability to capture trading and arbitrage opportunities across regional markets.

Balance Sheet:

CAO maintains a substantial net-cash position, providing both balance-sheet resilience and strategic flexibility. As of end-2025, net cash stood at approximately USD 680 mn, accounting for around 50% of its current market capitalisation. This strong liquidity base positions CAO to pursue several strategic options, including higher shareholder distributions or selective investments in complementary assets such as upstream SAF production and downstream logistics infrastructure. Given its asset-light operations, steady operating cash flows, and dividend income from associates, we believe CAO can sustain payout ratios of 70–80%, supporting yields of around 5–9% while maintaining a robust balance sheet.

Corporate Governance:

Benchmarked to global best practices. As a result of substantial losses from speculative bets on oil price in 2004, CAO underwent a debt restructuring plan in 2005 with the help of new equity from its parent CNAF, BP and Temasek, and by 2007 successfully completed and terminated its debt repayment scheme. Following the speculative losses, there was a complete overhaul of the management team, which included members of the Special Task Force as well as individuals who were seconded from BP. Today, there is a clear division of responsibilities between the leadership of the Board and the executives responsible for the management of the business. Separately, Independent Directors currently constitute one-third of the Board, while BP is represented by two out of nine seats. Reconstitution of the company's policies and risk management system. After coming on board in end-2005, strategic partner, BP, provided both training and risk management services to CAO. The company subsequently revamped its risk management process and benchmarked it against BP's - which is ranked among the best practices adopted by top-tier international energy trading firms globally.

CAO currently adopts a three-tier management control infrastructure, with the Risk Management Committee at the Board level, the Company Risk Meeting at the management level, and the Risk Management Department at the operational level. We believe that this robust risk framework allows the group to strike a balance between maintaining effective controls over key risk indicators and retaining flexibility in providing timely support to trading counter-parties to drive prudent growth.

Segmental Breakdown

FY Dec	2023A	2024A	2025A	2026F	2027F
Revenues (USD mn)					
Middle distillates	8,694	10,696	11,377	17,449	14,019
Other oil products	5,736	4,822	5,063	5,642	5,134
Total	14,430	15,519	16,440	23,081	19,153
Gross profit per ton (USD mn)					
Middle distillates	4.5	3.0	4.4	5.0	4.6
Other oil products	0.6	0.1	0.2	0.5	0.4
Total	2.5	1.9	2.8	3.4	3.1

Source: Company, DBS

Key Assumptions

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Middle Distillates Volumes (m tonnes)	10.0	13.8	16.2	16.5	18.1
Other Oil Product Volumes (m tonnes)	10.0	8.09	9.76	9.27	9.64
Implied Average Middle Distillate Price (USD/bbl)	109.4	97.5	88.8	133.4	97.5
Gross Profit per Tonne (US$)	2.53	1.91	2.81	3.38	3.14
Contribution from Associates (US$ m)	30.3	45.9	60.2	61.6	68.3

Source: DBS

Segmental Breakdown (USD, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Middle distillates	8,694	10,696	11,377	17,440	14,019
Other oil products	5,736	4,822	5,063	5,642	5,134
Total Revenue	14,430	15,519	16,440	23,082	19,153

Source: DBS

Income Statement (USD, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Revenue	14,430	15,519	16,440	23,082	19,153
Cost of Goods Sold	(14,379)	(15,477)	(16,367)	(22,995)	(19,066)
Gross Profit	50.6	41.9	72.8	87.1	87.3
Other Opng (Exp)/Inc	(17.6)	(18.1)	(21.9)	(24.9)	(25.4)
Operating Profit	33.0	23.7	50.9	62.2	61.9
Other Non Opg (Exp)/Inc	0.00	0.00	0.00	0.00	0.00
Associates & JV Inc	30.3	45.9	60.2	61.6	68.3
Net Interest (Exp)/Inc	17.0	16.1	14.1	12.6	10.3
Exceptional Gain/(Loss)	(14.4)	0.00	0.00	0.00	0.00
Pre-tax Profit	65.9	85.7	125.2	136.4	140.4
Tax	(7.56)	(7.66)	(14.6)	(15.7)	(15.2)
Minority Interest	0.00	0.00	0.00	0.00	0.00
Preference Dividend	0.00	0.00	0.00	0.00	0.00
Net Profit	58.4	78.1	110.6	120.6	125.3
Net Profit before Except.	72.8	78.1	110.6	120.6	125.3
EBITDA	71.9	78.5	115.5	128.7	135.1
Revenue Gth (%)	(12.4)	7.5	5.9	40.4	(17.0)
EBITDA Gth (%)	28.6	9.2	47.1	11.5	5.0
Opg Profit Gth (%)	17.4	(28.1)	114.4	22.1	(0.4)
Net Profit Gth (Pre-ex) (%)	66.7	7.3	41.7	9.0	3.8
Net Prop Inc Margins (%)	0.4	0.3	0.4	0.4	0.5
Opg Profit Margin (%)	0.2	0.2	0.3	0.3	0.3
Net Profit Margin (%)	0.4	0.5	0.7	0.5	0.7
ROAE (%)	6.3	8.1	10.7	11.0	10.9
ROA (%)	3.6	4.1	5.2	4.9	4.7
ROCE (%)	3.1	2.2	4.3	4.9	4.7
Div Payout Ratio (%)	17.7	40.9	22.0	60.0	70.0
Net Interest Cover (x)	nm	nm	nm	nm	nm

Source: DBS

Balance Sheet (USD, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Net Fixed Assets	21.5	17.1	17.7	14.2	10.7
Invts in Associates & JVs	253.1	264.3	278.5	306.2	336.9
Other LT Assets	12.3	12.0	10.4	9.43	8.46
Cash & ST Invts	373.0	500.3	687.0	655.1	705.5
Inventory	88.3	71.0	136.7	229.9	190.6
Debtors	1,040	1,127	1,137	1,489	1,368
Other Current Assets	0.00	0.00	0.00	0.00	0.00
Total Assets	**1,788**	**1,992**	**2,268**	**2,704**	**2,620**
ST Debt	0.00	0.00	0.00	0.00	0.00
Creditor	813.6	981.0	1,152	1,533	1,412
Other Current Liab	12.9	9.83	20.2	27.4	26.8
LT Debt	0.73	1.68	3.88	3.88	3.88
Other LT Liabilities	7.95	9.20	10.4	10.4	10.4
Shareholder's Equity	948.4	986.3	1,078	1,126	1,163
Minority Interests	3.95	3.68	3.79	3.79	3.79
Total Cap. & Liab.	**1,788**	**1,992**	**2,268**	**2,704**	**2,620**
Non-Cash Wkg. Capital	301.5	207.2	102.1	159.0	119.9
Net Cash/(Debt)	372.3	498.7	683.1	651.2	701.6
Debtors Turn (avg days)	22.2	25.5	25.1	20.8	27.2
Creditors Turn (avg days)	17.5	21.2	23.8	21.3	28.2
Inventory Turn (avg days)	3.4	1.9	2.3	2.9	4.0
Asset Turnover (x)	8.8	8.2	7.7	9.3	7.2
Current Ratio (x)	1.8	1.7	1.7	1.5	1.6
Quick Ratio (x)	1.7	1.6	1.6	1.4	1.4
Net Debt/Equity (x)	cash	cash	cash	cash	cash
Capex to Debt (%)	1,564.4	48.2	9.1	12.9	12.9

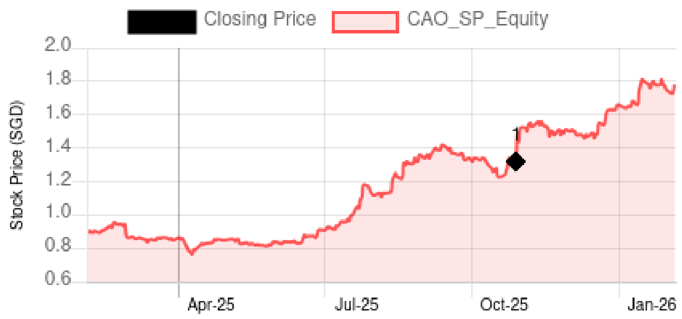
Source: DBS

Cash Flow Statement (USD, mn)

FY Dec	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Pre-Tax Profit	65.9	85.7	125.2	136.4	140.4
Dep. & Amort.	8.57	8.88	4.34	4.97	4.97
Tax Paid	(4.51)	(6.07)	(5.54)	(8.56)	(15.7)
Assoc. & JV Inc/(loss)	(30.3)	(45.9)	(60.2)	(61.6)	(68.3)
Chg in Wkg.Cap.	24.9	86.7	99.0	(64.1)	39.6
Other Operating CF	3.74	12.1	2.29	0.00	0.00
Net Operating CF	**68.3**	**141.5**	**165.1**	**7.13**	**101.1**
Capital Exp.(net)	(11.5)	(0.81)	(0.35)	(0.50)	(0.50)
Other Invts.(net)	0.00	0.00	0.00	0.00	0.00
Invts in Assoc. & JV	0.00	(0.16)	0.00	0.00	0.00
Div from Assoc & JV	23.3	25.1	47.8	33.9	37.5
Other Investing CF	0.48	0.07	0.26	0.00	0.00
Net Investing CF	**12.3**	**24.2**	**47.7**	**33.4**	**37.0**
Div Paid	(10.3)	(31.9)	(24.4)	(72.4)	(87.7)
Chg in Gross Debt	(5.97)	(5.97)	(1.80)	0.00	0.00
Capital Issues	0.00	0.00	0.00	0.00	0.00
Other Financing CF	0.00	0.00	0.00	0.00	0.00
Net Financing CF	**(15.7)**	**(38.3)**	**(26.2)**	**(72.4)**	**(87.7)**
Currency Adjustments	0.60	(0.37)	0.01	0.00	0.00
Chg in Cash	64.9	127.4	186.7	(31.9)	50.4
Opg CFPS (S cts)	6.66	8.70	9.88	10.6	9.13
Free CFPS (S cts)	8.71	22.3	24.6	0.98	14.9

Source: DBS

Target Price & Ratings History - China Aviation Oil (Singapore) Corp (CAO_SP_Equity)



#	Date of Report	Closing Price	12-m Target Price	Rating
1	28 Oct'25	1.32	1.75	BUY

Source: DBS
Analyst: Jason Sum

RECOMMENDATION DEFINITION

DBS Group Research recommendations are based on an Absolute Total Return* Rating system, defined as follows:
STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Sources for all charts and tables are DBS unless otherwise specified.

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