



Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53463.1	0.2	(0.6)	2.5	11.2
S&P 500	7708.0	0.2	(0.5)	3.4	12.6
FTSE 100	10743.4	0.1	(0.8)	2.1	8.2
AS30	9255.2	(0.2)	(1.6)	3.1	2.6
CSI 300	4588.7	(2.9)	(2.2)	(0.2)	(0.9)
FSSTI	5694.2	(0.1)	(0.5)	3.6	22.6
HSCEI	8471.2	0.2	0.3	1.1	(5.0)
HSI	25495.1	0.1	0.2	3.8	(0.5)
JCI	6394.1	(0.9)	2.0	2.6	(26.1)
KLCI	1731.3	(0.1)	(0.6)	0.5	3.0
KOSPI	6471.2	(5.8)	2.0	(0.7)	53.6
Nikkei 225	65326.4	(3.2)	(3.3)	1.8	29.8
SET	1609.8	(0.7)	(0.2)	(2.2)	27.8
TWSE	44719.4	(1.3)	(1.8)	5.3	54.4
BDI	2776	(1.4)	(5.5)	0.9	47.9
CPO (RM/mt)	4548	0.5	0.0	1.2	15.6
Brent Crude (US\$/bbl)	92	0.7	3.0	4.0	50.6

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Analyst Marketing by Julia Pan on Greater China Internet Sector	Singapore	07 Sep	08 Sep
Analyst Marketing by Julia Pan on Greater China Internet Sector	Malaysia	09 Sep	11 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Date
Core Inflation Rate YoY JUL	24 Aug
Inflation Rate MoM JUL	24 Aug
Inflation Rate YoY JUL	24 Aug
MAS 12-Week Bill Auction	25 Aug

Top Stories

Company Results | China Aviation Oil (CAO SP/BUY/S\$1.63/Target: S\$1.88)

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- CAO's 1H26 revenue and net profit declined 8.8%/17.3% yoy respectively, reaching 45%/34% of our full-year forecasts, mainly due to weaker business volumes. Stronger associate contributions, particularly from SPIA, cushioned the weaker core business, with associate earnings rising 67.3% yoy. We maintain BUY on CAO but lower our target price to S\$1.88, rolling valuation to 2027 at an unchanged 14.5x PE.

Market Spotlight

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- US stocks were higher on Wednesday, with all indices rising as the healthcare, consumer discretionary and materials sectors gained. There were more advancers than decliners on both the NYSE and NASDAQ.
- The FSSTI fell 7.16pt to 5,694.24, supported by weakness in Singtel and OCBC Bank, with both mid- and small-cap indices falling with a broad market decline on S\$1.96b turnover.

Technical Analysis

UMS Holdings (UMSH SP)

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- Trading Buy Range: S\$2.80-2.81

Singapore Exchange (SGX SP)

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- Trading Buy Range: S\$25.08-25.09

China Aviation Oil (CAO SP)

1H26: Misses Expectations Due To Weakness in Business Volume; Recovery Expected in 2H26

Highlights

- 1H26 revenue and net profit declined 8.8%/17.3% yoy respectively, making up 45%/34% of our full-year forecasts, mainly due to weaker business volumes.
- Stronger contributions from associates, particularly SPIA, helped cushion the weaker core business, with associate earnings rising 67.3% yoy.
- Maintain BUY with a 28% lower target price of S\$1.88, rolling over our valuation based to 2027F, and pegged to an unchanged 14.5x 2027F PE.

1H26 Results

Year to 31 Dec (US\$m)	1H25	1H26	yoy%
Total revenue	8,560.5	7,805.1	(8.8)%
Gross profit	30.4	4.9	(83.8)%
Gross margin (%)	0.35%	0.06%	(0.29)ppt
Share of results of associates	27.4	45.9	67.3%
Net profit	50.0	41.4	(17.3)%
Net profit margin (%)	0.58%	0.53%	(0.5)ppt

Source: CAO, UOB Kay Hian

Analysis

- 1H26 results miss expectations.** Revenue declined 8.8% yoy to US\$7.81b, below expectations and representing 45% of our full-year forecast. This was largely due to lower business volume amid the sudden intensification of the Middle East conflict, partially offset by the increase in revenue caused by higher oil prices. Net profit fell 17.3% yoy to US\$41.4m, also below our expectations at 34% of our full-year forecast. The weaker performance stemmed from lower business volumes, alongside higher jet fuel procurement costs and oil price related impairment losses in Asia and the US West Coast, effectively offset by the increase in share of results from associates. Gross profit fell sharply, down 83.8% yoy to US\$4.91m, while total expenses rose 9.3% yoy to US\$10.8m.
- Positives from associates.** Share of results from associates surged 67.3% yoy to US\$45.9m, led by Shanghai Pudong International Airport Aviation Fuel Supply Company (SPIA), whose contribution jumped 76.0% yoy to US\$44.9m on higher refuelling volumes and oil prices. China Aviation Oil (CAO) owns 33% of SPIA. As flight volumes increase amid stronger travel demand across Asia Pacific, alongside ongoing expanding airport capacity, these associates are expected to deliver stronger recurring income, especially for SPIA.

Key Financials

Year to 31 Dec (US\$m)	2024	2025	2026F	2027F	2028F
Net turnover	15,519	16,440	16,522	17,195	17,899
EBITDA	49.6	70.2	26.6	47.4	66.7
Operating profit	40.7	65.9	23.6	45.2	65.0
Net profit (rep./act.)	78.1	110.6	89.8	111.9	130.9
Net profit (adj.)	78.1	110.6	89.8	111.9	130.9
EPS (US\$ cent)	9.0	12.8	10.4	12.9	15.1
PE (x)	14.2	10.0	12.3	9.9	8.5
P/B (x)	1.1	1.0	1.0	0.9	0.9
EV/EBITDA (x)	8.6	6.1	16.1	9.0	6.4
Dividend yield (%)	2.3	3.0	3.5	4.0	4.6
Net margin (%)	0.5	0.7	0.5	0.7	0.7
Net debt/(cash) to equity (%)	(50.7)	(63.8)	(59.6)	(59.1)	(60.2)
Interest cover (x)	57.8	79.1	27.6	49.3	69.4
ROE (%)	8.1	10.7	8.1	9.6	10.5
Consensus net profit (US\$m)	-	-	115.5	122.0	130.0
UOBKH/Consensus (x)	-	-	0.78	0.92	1.01

Source: CAO, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S\$1.63
Target Price	S\$1.88
Upside	15.3%
Previous TP	S\$2.63

Stock Data

Sector	Energy
Bloomberg ticker	CAO SP
Shares issued (m)	860.2
Market cap (S\$m)	1,402.1
Market cap (US\$m)	1,098.4
3-mth avg daily t'over (US\$m)	1.5

Price Performance (%)

52-week high/low			S\$2.34 /S\$1.22	
1mth	3mth	6mth	1yr	YTD
1.9	(19.7)	(15.1)	24.4	(1.8)

Major Shareholders (%)

China National Aviation Fuel Group	51.3
BP plc	20.2

Balance Sheet Metrics

FY26 NAV/Share (S\$)	1.31
FY26 Net Cash/ Share (S\$)	0.78

Price Chart



Source: Bloomberg

Company Description

China Aviation Oil supplies jet fuel to foreign and domestic airlines flying through China's airports. The company also trades in other oil products such as fuel oil, gas oil, crude oil, and petrochemical products, including physical and paper swaps, and futures.

- **Balance sheet remains healthy.** As at end-June, CAO maintains a healthy financial position with a strong cash position of US\$589m with zero debt. NAV also rose to 126.7 US cents per share as at end-Jun 26 compared to 125.3 US cents per share as at end-Dec 25. This strong balance sheet position also continues to support the potential for more dividend upside for 2026F, with current 2026F yield at around 3.5%.
- **Restructuring completed, synergies still to be unlocked.** In Jul 26, CAO completed the restructuring of its controlling shareholder, CNAF, with Sinopec Group, which now holds an indirect 51.31% stake in CAO. Management flagged no material impact on operations, but sees potential benefits including better access to upstream refinery and supply resources, deeper participation in the international aviation fuel supply chain, and a stronger first mover position in SAF. We view these as longer-term positives for earnings visibility, though a tangible P&L contribution will take time.
- **Continued recovery in flight activities supports jet fuel demand.** CAO's performance continues to benefit from the ongoing recovery in air travel, with China's international outbound flights rebounding to over 90% of 2019 levels as of 2025. Looking ahead, International Air Transport Association (IATA) forecasted that Asia Pacific air passenger volume will rise 5.1% in 2026. The increase in passenger traffic is likely to continue supporting higher jet fuel demand at major airports such as Shanghai Pudong, which saw record-high passenger throughput exceeding 80m in 2025.
- **Oil price volatility cuts both ways.** Following the escalation of the US Israel Iran conflict in late-February, oil prices spiked before easing across Asia and the US West Coast in May and June. With the Middle East situation still fluid, we expect prices to stay volatile into 2H26, which could offer near-term trading opportunities but also add uncertainties. CAO has reiterated it will not engage in short-term speculative trading and will continue to rely on scenario analysis to manage risk under its existing trading approach.
- **Three key positives support the 2H26 outlook.** First, volume is expected to be higher in 2H26 as trading activity normalises. Second, the lifting of export restrictions should ease supply chain constraints and support supply into 2H26. Third, CAO's exposure to SAF has increased approximately 50% yoy, positioning the group to benefit further as SAF adoption accelerates across the aviation industry.

Valuation/Recommendation

- **Maintain BUY with a lower target price of S\$1.88**, implying 15.3% upside. Our target price is pegged to an unchanged 14.5x 2026F PE, +1.0SD above historical averages, which we view as conservative, as it remains significantly below the peers' average of 19.3x 2026F PE.
- **Earnings recovery.** We expect earnings recovery in 2H26, supported by the normalisation of jet fuel volumes after the war, higher contributions from associates, and expanding margins from the growing SAF segment. The company's solid balance sheet and S\$589m net cash position (42% of market cap) also provide ample flexibility for growth initiatives and potential capital returns.

Earnings Revision/Risk

- We lower our 2026-28F revenue forecasts by 4% and lower our 2026-28F earnings forecast by 26%/11%/1%, to take into account a weaker 1H26 due to the impact on business volume due to the war. Our earnings decline is partially offset by stronger contributions from associates, which we adjusted higher by 18% across 2026-28F.

Share Price Catalyst

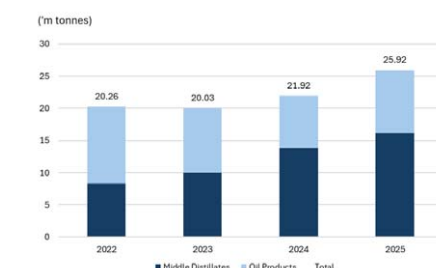
- Continued growth of travel activities at Shanghai Pudong International Airport.
- Synergies with parent company following the recent restructuring.
- Deployment of excess cash to drive growth or a higher 2026 dividend payout.

Revenue Breakdown (2025-28F)

(US\$m)	2025	2026F	2027F	2028F
Middle distillates	11,377	11,434	12,005	12,606
Other oil products	5,063	5,088	5,190	5,294
Total	16,440	16,522	17,195	17,899

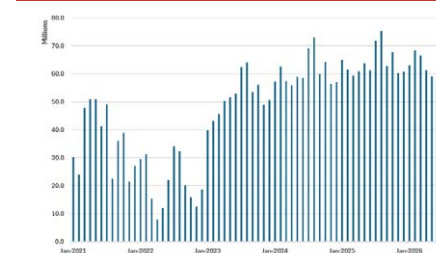
Source: CAO, UOB Kay Hian

Growth In Trading Volume



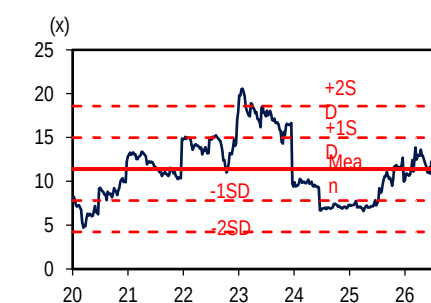
Source: Bloomberg, UOB Kay Hian

Chinese Airlines Air Passenger Volume



Source: Bloomberg, UOB Kay Hian

Historical PE Band



Source: CAO, Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Dec (US\$m)	2025	2026F	2027F	2028F
Net turnover	16,439.6	16,521.8	17,195.2	17,899.3
EBITDA	70.2	26.6	47.4	66.7
Deprec. & amort.	4.3	2.9	2.2	1.7
EBIT	65.9	23.6	45.2	65.0
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	60.2	78.3	81.4	83.0
Net interest income/(expense)	(0.9)	(1.0)	(1.0)	(1.0)
Pre-tax profit	125.2	100.9	125.7	147.1
Tax	(14.6)	(11.1)	(13.8)	(16.2)
Minorities	0.0	0.0	0.0	0.0
Net profit	110.6	89.8	111.9	130.9
Net profit (adj.)	110.6	89.8	111.9	130.9

Cash flow

Year to 31 Dec (US\$m)	2025	2026F	2027F	2028F
Operating	150.5	(46.9)	(0.9)	23.4
Pre-tax profit	125.2	100.9	125.7	147.1
Tax	(20.1)	(22.2)	(27.6)	(32.4)
Deprec. & amort.	4.3	2.9	2.2	1.7
Associates	(60.2)	(78.3)	(81.4)	(83.0)
Working capital changes	99.0	(45.1)	(16.6)	(8.4)
Non-cash items	17.5	11.1	13.8	16.2
Other operating cashflows	(15.2)	(16.3)	(17.0)	(17.7)
Investing	62.6	69.6	77.1	86.2
Capex (maintenance)	0.0	0.0	0.0	0.0
Investment	14.9	16.3	17.0	17.7
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	47.7	53.2	60.1	68.6
Financing	(26.4)	(34.1)	(39.2)	(45.1)
Dividend payments	(24.4)	(34.1)	(39.2)	(45.1)
Proceeds from borrowings	97.0	0.0	0.0	0.0
Loan repayment	(97.0)	0.0	0.0	0.0
Others/interest paid	(2.1)	0.0	0.0	0.0
Net cash inflow (outflow)	186.7	(11.4)	37.0	64.6
Beginning cash & cash equivalent	500.3	687.0	675.6	712.5
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	687.0	675.6	712.5	777.1

Balance Sheet

Year to 31 Dec (US\$m)	2025	2026F	2027F	2028F
Fixed assets	17.7	15.4	13.8	12.7
Other LT assets	288.9	313.3	334.0	347.9
Cash/ST investment	687.0	675.6	712.5	777.1
Other current assets	1,274.0	1,241.9	1,301.0	1,354.0
Total assets	2,267.6	2,246.2	2,361.3	2,491.6
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	1,171.9	1,094.8	1,137.2	1,181.8
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	14.3	14.3	14.3	14.3
Shareholders' equity	1,077.6	1,133.4	1,206.0	1,291.8
Minority interest	3.8	3.8	3.8	3.8
Total liabilities & equity	2,267.6	2,246.2	2,361.3	2,491.6

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	0.4	0.2	0.3	0.4
Pre-tax margin	0.8	0.6	0.7	0.8
Net margin	0.7	0.5	0.7	0.7
ROA	5.2	4.0	4.9	5.4
ROE	10.7	8.1	9.6	10.5
Growth				
Turnover	5.9	0.5	4.1	4.1
EBITDA	41.7	(62.2)	78.6	40.6
Pre-tax profit	46.1	(19.4)	24.5	17.0
Net profit	41.7	(18.8)	24.5	17.0
Net profit (adj.)	41.7	(18.8)	24.5	17.0
EPS	41.7	(18.8)	24.5	17.0
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(63.8)	(59.6)	(59.1)	(60.2)
Interest cover (x)	79.1	27.6	49.3	69.4

Market News

US stocks were higher on Wednesday, as the healthcare, consumer discretionary and materials sectors led shares higher. At the close of the NYSE, the Dow Jones rose 0.22% while the S&P 500 index was up 0.22%, and the NASDAQ Composite index gained 0.16%. Advancing stocks outnumbered falling ones on the NYSE by 1,769 to 1,002 and 80 ended unchanged; on the Nasdaq Stock Exchange, 2,881 advanced and 2,052 declined, while 172 ended unchanged.

During the last trading session, the FSSTI fell 7.16pt to 5,694.24. Among the top active stocks were Singtel (-0.2%), DBS (+0.4%), OCBC Bank (-0.03%), ISDN (-0.7%) and UMS (+1.4%). The FTSE ST Mid Cap Index fell 0.1%, while the FTSE ST Small Cap Index dropped 0.3%. The broader market had 216 gainers and 347 losers with a total trading value of S\$1.96b.

Technical Analysis



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UMS Holdings (UMSH SP)

Trading buy range:	S\$2.80-2.81
Last price:	S\$2.86
Target price:	S\$3.13
Protective stop:	S\$2.65

Price successfully maintained its footing above the resistance-turned-support zone, keeping the uptrend intact. The RSI surged well above its neutral 50-midline into strong positive territory. This points toward a sustained continuation move higher towards upper resistance targets.

The potential upside target is S\$3.13. Stop-loss could be placed at S\$2.65.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$4.01.



Singapore Exchange (SGX SP)

Trading sell range:	S\$25.08-25.09
Last price:	S\$25.16
Target price:	S\$27.10
Protective stop:	S\$24.44

Price successfully maintained its footing above the resistance-turned-support zone. The RSI holds comfortably above its neutral 50-midline in positive territory. As long as price remains grounded above this support shelf, this favours a sustained continuation move towards higher resistance targets.

The potential downside target is S\$27.10. Stop-loss could be placed at S\$24.44.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental HOLD and target price of S\$21.70.

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