BP PLC

All eyes on strategy reset

7 May 2026

Company Overview

British Petroleum (BP) is a global energy business headquartered in London. With production of around 2.3 million barrels per day of oil equivalents per annum, it is one of the world's largest international oil and gas companies. Key segments: 1) Gas and low carbon energy, 2) Oil production and operations, 3) Customers and products, contribute roughly 30%, 50% and 20% of core earnings.

Investment Overview

BP's strategic "reset" pivots back to fossil fuels. The new strategy focuses on three core aspects: 1) reducing and reallocating capex, 2) lowering costs and 3) improving balance sheet. BP earlier had big plans for its low carbon division, but the company now plans to firmly put the focus back on the high return upstream oil and gas business. From plans to invest 40-50% of capex on transition businesses and low carbon in the medium term, BP has scaled back to only around 5%. BP will also target USD4–5bn of structural cost reductions by end 2027. To address balance sheet concerns, BP will look at up to USD20bn of divestments by end of 2027 and with these proceeds, BP targets a net debt range of USD14-18bn by end-2027, down from USD23bn at end-2024.

Targets to significantly boost BP's future performance. The company's goal is to grow adjusted free cash flow by more than 20% annually from 2024 to 2027, primarily driven by improvements in downstream performance alongside growth in the upstream sector from higher return opportunities. This implies growth in free cash flows from around USD8bn in 2024 to around USD13.5bn in 2027, assuming oil prices in the USD70-75/bbl range (Brent). The aim is to increase the return on average capital employed from 12% in 2024 to over 16% by 2027.

High leverage leads to restraints around shareholder returns. Given high debt levels, management has suspended share buybacks to prioritise balance sheet strength while maintaining the quarterly dividend at 8.32 cents per share. This may be negative for investors in the short term but essential from a long-term perspective.

We have a BUY call on BP with a revised TP of GBP6.75. Our TP is based on a 2.0x forward P/BV multiple. A sharp pivot away from low carbon growth and focus back on hydrocarbons should lead to better re-rating potential in our opinion. Middle East geopolitical disruptions are currently driving significant commodity price volatility and margin expansion potential.

Risks

BP is exposed to significant macroeconomic risks, where earnings depend on price and demand for crude oil and natural gas. Further, given BP's global presence, it is exposed to significant forex risk. Regulatory risks like windfall taxes on oil profits may dent numbers as well. There are material operational risks as well, with the Deepwater Horizon oil spill leaving a permanent scar.

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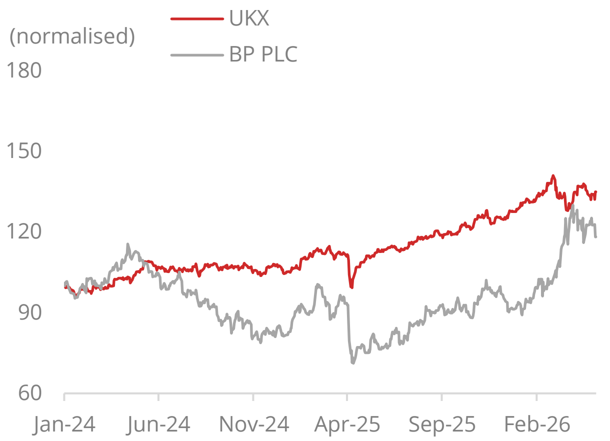
Key Financial Data

Bloomberg Ticker	BP/ LN
Sector	Energy
Share Price (GBP)	5.51
DBS Rating	BUY
12-mth Target Price (GBP)	6.75
Market Cap (USDb)	117.7
Volume (m shares)	37.7
Free float (%)	92.2
Dividend yield (%)	4.5
Net Debt to Equity (%)	47.8
Fwd. P/E (x)	8.5
P/Book (x)	2.1
ROE (%)	5.6

Closing Price as of 6 May 2026
Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Bloomberg

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Financial Summary (USDmn)

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Sales	213,032	194,629	192,549	227,008	209,745
% y/y	*(14.4)*	*(8.6)*	*(1.1)*	*18.3*	*(7.9)*
Gross Profit	93,725	80,688	81,909	113,907	99,577
% y/y	*(13.1)*	*(13.9)*	*1.5*	*39.9*	*(14.6)*
EBITDA	42,964	37,246	37,272	47,207	41,870
% y/y	*(28.8)*	*(13.3)*	*0.1*	*29.9*	*(11.4)*
Net Profit	13,836	8,915	7,485	14,348	10,795
% y/y	*(50.0)*	*(35.6)*	*(16.0)*	*86.6*	*(23.9)*
FCF	17,887	12,328	12,414	22,615	16,748
% y/y	*(39.5)*	*(31.1)*	*0.7*	*65.6*	*(20.6)*
CAPEX	14,285	15,297	13,221	13,293	13,655
% y/y	*18.4*	–	–	*3.8*	*(0.4)*
EBITDA Margin (%)	20.2	19.1	19.4	20.8	20.1
Net Margin (%)	7.2	0.2	0.0	7.4	6.0
ROA (%)	5.4	0.1	0.0	5.2	3.9
ROE (%)	18.1	0.5	0.1	19.2	13.6
Tax Rate (%)	39.3	41.2	41.8	38.7	40.3

Source: Company, DBS

Valuation Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
P/E (x)	7.2	10.5	11.9	6.3	8.0
P/B (x)	1.8	nm	2.2	1.9	nm
Dividend Yield (%)	3.9	0.00	4.4	4.5	0.00
EV/EBITDA (x)	4.1	6.4	5.9	3.8	3.9
FCF Yield (%)	18.8	12.8	13.6	26.1	18.8
Dividend Per Share (DPS)	0.3	0.3	0.3	0.3	0.4

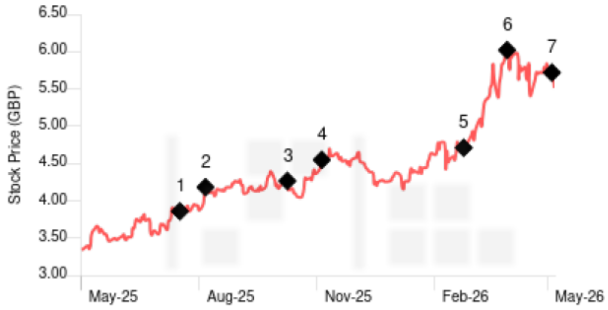
Source: Company, DBS

Credit & Cashflow Metrics

FY Mar	FY2023(A)	FY2024(A)	FY2025(A)	FY2026(F)	FY2027(F)
Debt / Equity (%)	73.8	91.4	98.0	74.2	64.8
Net Debt / Equity (x)	0.4	0.5	0.7	0.3	0.2
Debt / Assets (%)	22.5	25.4	26.0	21.2	19.5
Net Debt / Assets (x)	0.1	0.1	0.1	0.1	0.1
ST Debt / Total Debt (x)	0.1	0.1	0.1	0.1	0.1
Debt / EBITDA (x)	1.5	1.9	1.9	1.3	1.3
[Cash + CFO] / ST Debt (%)	11.1	9.3	9.9	9.1	9.3
Receivables Days	53.3	50.9	49.3	46.9	49.1
Days Payable	104.8	109.5	107.8	101.5	104.3
Inventory Days	39.1	43.6	42.6	43.4	45.3

Source: Company, DBS

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1	17 Jul'25	396.0	4.00	HOLD
2	06 Aug'25	417.5	4.25	HOLD
3	09 Oct'25	432.3	4.60	BUY
4	05 Nov'25	453.2	4.75	BUY
5	24 Feb'26	4.74	4.75	HOLD
6	30 Mar'26	5.84	5.80	HOLD
7	04 May'26	5.72	6.75	BUY

Source: DBS
Analyst: Suvro Sarkar

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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
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**Share price appreciation + dividends*

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