

bp
Energy and resources
8 July 2025

Focusing on returns and growth

bp is pivoting back towards its traditional upstream oil and gas business, with a renewed focus on shareholder returns. It will remain an integrated energy play with strong differentiating factors (trading, high-quality assets) but with a less aggressive tilt towards renewables, a strategic review of lubricants (Castrol) and a primary focus on maximising shareholder returns. In our view, this pivot could reduce its discount to peers. We believe oil and gas exposure is important in the construction of investors' portfolios as it offsets the negative impact of energy price spikes.

Revised capital allocation

bp's strategic reset in the near term will focus on driving performance through improving downstream operations, as well as a significant cost efficiency programme. Capex spending has been reallocated (2025–27) towards the highest-returning upstream opportunities and strengthening its reserves (c \$10bn, up from c \$8.5bn), alongside cuts to its energy transition business (c \$1.5–2bn, down from c \$7bn). Total capex for 2025–27 will be \$13–15bn per year, a reduction of \$1–3bn per year to 2027 (2025 guidance: c \$14.5bn). bp guided for cash distributions of 30–40% per year from operating cash flow through dividends and share buybacks, with annual dividend per share increases of at least 4%. A \$750m share buyback programme, announced in Q125, is due to complete by end Q225.

New financial targets

bp's new strategic financial targets, announced at its capital markets day in February, include an adjusted free cash flow CAGR of over 20% in 2024–27, structural cost reductions of \$4–5bn by end 2027, group return on average capital employed of more than 16% in 2027 (at \$74.4/bbl vs 12% at \$70/bbl in FY24) and net debt of \$14–18bn by end 2027 (c \$27bn at Q125), as well as a 45–50% reduction across its scope 1 and 2 emissions. bp's focus on strengthening its balance sheet will be supported by c \$20bn of divestments by 2027 (including lightsource bp transaction and strategic review of Castrol).

Valuation: At a discount

In our view, the market will be looking for bp to deliver on its new plan and remove its relative discount to peers as it does so. bp offers a dividend yield of c 6.5% in FY25e (on consensus estimates at the current stock price), which is c 13% above the peer average, while its buyback programme represents an additional return.

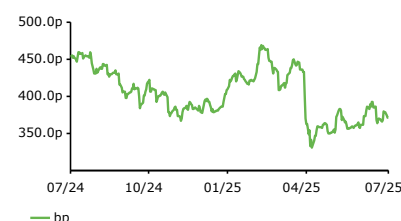
Consensus estimates

Year end	EBITDA (\$m)	PBT (\$m)	EPS (¢)	DPS (¢)	EV/EBITDA (x)	P/E (x)	Yield (%)
12/23	43,710.0	23,749.0	114.00	27.76	2.4	4.4	5.5
12/24	38,012.0	6,782.0	46.00	30.54	2.8	11.0	6.0
12/25e	33,491.3	12,612.4	41.00	33.00	3.2	12.3	6.5
12/26e	33,760.5	13,345.3	46.00	34.00	3.2	11.0	6.7

Source: Company data, LSEG Data & Analytics. Note: EPS is adjusted. Benchmark assumption prices for FY25e: Brent oil: \$65.47/bbl, Henry Hub gas: \$3.75/mmBtu. FY26: Brent oil: \$62.91/bbl, Henry Hub gas: \$3.98/mmBtu.

Price 371.75p
Market cap £58,684m

Share price performance



Share details

Code	BP
Listing	LSE
Shares in issue at Q125	15,786.0m
Net cash/(debt) at Q125	\$(26,968.0)m

Business description

bp is a major global integrated energy company, headquartered in London. Its operations span the energy value chain, with upstream (oil and gas exploration and production, trading, biogas), downstream (refining, biofuels, fuels retail and convenience) and low-carbon energy assets. In 2025, bp announced a strategic pivot back towards its core oil and gas operations.

Bull points

- Increased focus on highest-returning investment opportunities and significant cost reduction production.
- Strong progressive dividend yield.
- Actively pursuing strategic asset sales and debt reduction.

Bear points

- Greater debt weighting compared to peers.
- Potential sector wide exposure to carbon regulations.
- Commodity price and demand volatility (both upside and downside).

Analysts

Andrew Keen	+44 (0)20 3077 5700
Harry Kilby	+44 (0)20 3077 5700

energyandresources@edisongroup.com
Edison profile page

**bp is a research client of Edison
Investment Research Limited**

General disclaimer and copyright

This report has been commissioned by bp and prepared and issued by Edison, in consideration of a fee payable by bp. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright 2025 Edison Investment Research Limited (Edison).

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.
