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bp

Energy and resources

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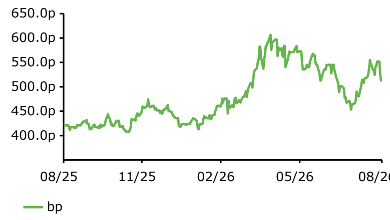
Strong Q2 as portfolio focus narrows

bp's Q226 underlying replacement cost (RC) profit of $5.7bn, up from $3.2bn in Q126, reflected earnings drivers flagged in its July trading statement, while new CEO Meg O'Neill's strategic agenda and revised guidance were the main focus. O'Neill noted that bp's portfolio is too stretched and complex and set out five priorities. Strong cash generation reduced net debt to $22.3bn, and bp now expects to reach its $14–18bn target before end-2027, despite lower disposal proceeds and higher capex.

Price	**525.00p**
Market cap	**£82,467m**

Share price performance



Share details

Code	BP
Listing	LSE
Shares in issue	15,708.0m
Net cash/(debt) at end Q2	$(22,251.0)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 reductions.
- Clear capital allocation strategy.
- 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

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Strong market conditions supported earnings

The quarter benefited from Brent averaging $103.9/bbl and a refining indicator margin of $29.6/bbl, well above bp's mid-cycle assumption. Operating cash flow of $10.9bn reduced net debt from $25.3bn to $22.3bn. Refining and trading were the principal drivers, supported by higher commodity realisations, with oil trading higher both quarter-on-quarter and year-on-year. Upstream plant reliability fell to 92.4% from 95.7% in Q126, partly reflecting Middle East disruption. Q326 guidance of 2,100–2,250mmboed and refining throughput of 1,300–1,360mmbd point to lower operational volumes, while the customer result is also guided lower.

Portfolio simplification gathers pace

The five priorities are balance sheet strength, portfolio simplification, investment discipline, operational performance and accountability. The July reorganisation into upstream and downstream, supported by trading, is the first structural step, although segment reporting will only change from FY27. Portfolio actions are progressing: the Gelsenkirchen disposal has completed, Austrian retail has been agreed, stakes in Kirkuk have been sold, and the North Sea and Archaea businesses are being marketed. These actions support a more focused portfolio and the deleveraging target, although financial obligations remain well above peers.

Deleveraging is ahead of plan

Financial obligations declined by $6.9bn q-o-q to $53.6bn, driven by a $3.0bn reduction in both net debt and hybrid bonds and a $0.9bn fall in the Gulf of America settlement liability, while lease liabilities were unchanged at $13.3bn. Management continues to target financial obligations of $39–41bn by end-2026, supported by H2 divestment proceeds of $7–8bn and a $2–3bn working-capital unwind, partly offset by H2 capex of $7–7.5bn and a US$1bn hybrid bond repayment in Q3. The guidance assumes H2 commodity prices well below Q226 realised levels, although management noted that the expected working-capital release remains dependent on market conditions. bp expects to reach its net debt target of $14–18bn a year ahead of the original late-2027 target.

Consensus estimates

Year end	EBITDA ($m)	Net income ($m)	EPS (¢)	DPS (¢)	P/E (x)	EV/EBITDA (x)	Yield (%)
12/25	37,615.0	7,485.0	48.00	32.64	14.7	3.5	4.6
12/26e	46,547.0	14,667.0	89.00	41.10	7.9	2.9	5.8
12/27e	39,018.0	10,404.0	79.20	42.80	8.9	3.4	6.1

Source: bp, Bloomberg Intelligence

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