Shell plc (SHEL)

Updated July 31st, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$72	**5 Year CAGR Estimate:**	4.0%	**Market Cap:**	$209 B
Fair Value Price:	$76	**5 Year Growth Estimate:**	-1.0%	**Ex-Dividend Date:**	8/15/2025
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	1.0%	**Dividend Payment Date:**	9/22/2025
Dividend Yield:	4.0%	**5 Year Price Target**	$72	**Years Of Dividend Growth:**	5
Dividend Risk Score:	F	**Sector:** Energy		**Rating:**	Hold

Overview & Current Events

Royal Dutch Shell (RDS.B) changed its name to Shell plc (SHEL) on January 21st, 2022. It is an oil and gas supermajor, the third largest behind Saudi Aramco and Exxon Mobil in terms of production volumes. Shell is currently valued at $209 billion, also ranking third among oil companies by that measure. Shell is headquartered in London (UK).

In late July, Shell reported (7/31/25) financial results for the second quarter of fiscal 2025. Refining margins improved sequentially but the average realized prices of oil and gas declined and output decreased. As a result, adjusted earnings-per-share decreased -22% sequentially, from $1.84 to $1.44. After two years of abnormally high refining margins, the latter have returned to normal levels this year, as the global market of refined products has finally absorbed the impact of the Ukrainian crisis. In addition, the price of oil has declined this year, as OPEC has begun to restore its production. Due to this headwind, we still expect earnings-per-share of $6.30 this year. There are rumors that Shell is about to try to acquire BP but Shell has refuted the rumors. Due to U.K. regulations on statements about mergers, Shell does not have the right to acquire BP until at least the end of this year after its statement in June.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.60	$1.16	$3.84	$5.16	$4.08	$1.24	$4.98	$10.86	$8.40	$7.52	***$6.30***	***$5.99***
DPS	$3.76	$3.76	$3.76	$3.76	$3.76	$1.91	$1.92	$1.98	$2.47	$2.75	***$2.86***	***$3.36***
Shares[1]	3,200	4,070	4,170	4,170	4,029	3,892	3,872	3,564	3,315	3,107	***3,000***	***2,800***

Thanks to 13-year high prices of oil and gas, earnings-per-share in 2022 were more than double those in 2013. However, Shell has exhibited a highly volatile performance record due to the dramatic swings of commodity prices. When oil prices were around their lows, in 2015, Shell acquired BG Group, a deep-water oil and natural gas focused upstream company, in a $53 billion deal that was criticized by many at the time. Shell grew its output considerably thanks to that acquisition, but its output has somewhat stalled in the last seven years. This is in sharp contrast to the other oil majors, such as Chevron, BP and Total, which have grown their production in recent years. The stagnation of Shell has resulted from the natural decline of its fields and its extensive asset divestments, which helped fund the expensive acquisition. These two factors have also caused the duration of the reserves of Shell to fall below 8 years, which is shorter than the average duration of the peer group (~11 years).

Moreover, Shell has announced a major transformation plan, which involves a transition from oil and gas to renewable energy sources. The company will transform its refining portfolio from 14 sites to 6 energy and chemicals parks and will reduce its upstream portfolio to 9 core positions, which will generate more than 80% of the cash flows of the upstream segment. It also expects to produce ~75% of its proved reserves until 2030. This historic transition has greatly increased the uncertainty over future results, as the new business will probably have lower margins. On the bright side, Shell has drastically reduced its operating expenses in recent years and has invested in high-quality, low-cost reserves, which have rendered Shell more profitable at a given oil price. Due to the somewhat high comparison base formed by the expected earnings this year, we expect the earnings-per-share of Shell to decline at a -1.0% average annual rate until 2030.

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[1] In millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	52	44	18.6	11.6	15.1	27.7	8.3	5.0	7.3	9.1	***11.4***	***12.0***
Avg. Yld.	6.5%	7.4%	6.4%	6.2%	6.1%	5.6%	4.6%	3.7%	4.0%	4.0%	***4.0%***	***4.7%***

Shell's valuation has moved in a very wide range throughout the last decade, which can be explained by the big movements in the company's net profits. The stock is currently trading at a price-to-earnings ratio of 11.4. This valuation level is lower than our assumed fair earnings multiple of 12.0. If the stock reverts to our fair valuation level over the next five years, it will enjoy a 1.0% annualized gain in its returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

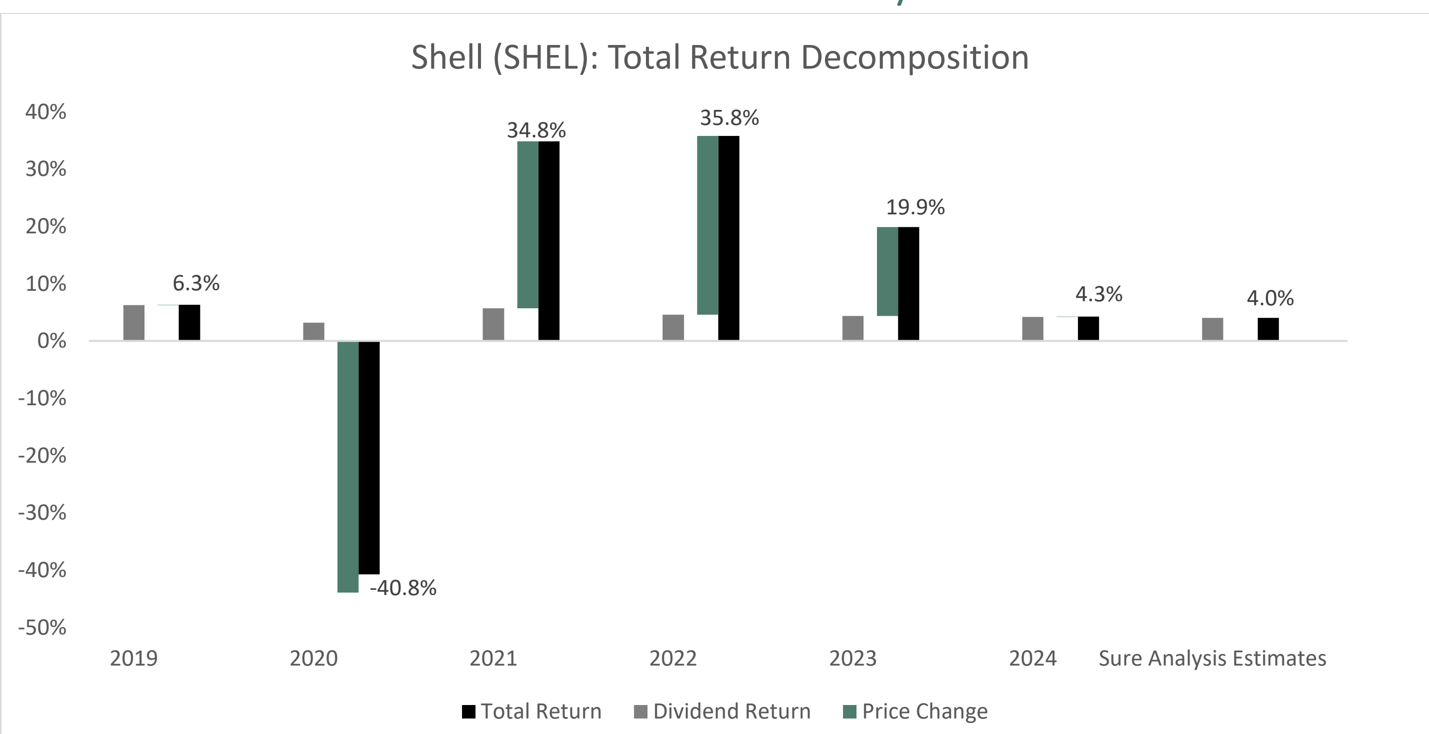
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	627%	324%	97.9%	72.9%	92.2%	154%	38.6%	18.2%	29.4%	36.6%	***45.4%***	***56.0%***

In contrast to Exxon Mobil and Chevron, which are Dividend Aristocrats, Shell froze its dividend for five years and cut its dividend in 2020, for the first time since World War II. Shell exceeded Exxon in annual operating cash flows in 2017-2020 for the first time in about 20 years but it has trailed Exxon in recent years. It is now offering a lackluster (vs. historical yields) dividend yield of 4.0% but its dividend is fairly safe in the absence of a severe downturn.

Final Thoughts & Recommendation

Shell plunged near its 20-year lows in 2020, primarily due to the pandemic, and cut its dividend for the first time in 75 years. However, it has thrived in recent years, mostly thanks to the war in Ukraine. The stock has rallied 55% off its bottom in 2022. As a result, it could offer just a 4.0% average annual return over the next five years, as its 4.0% dividend and a 1.0% valuation tailwind may be partly offset by a -1.0% decline of earnings-per-share. The stock maintains its hold rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue ($B)	264.96	233.59	305.18	388.38	344.9	180.5	261.5	381.3	316.6	284.3
Gross Profit	15507	17590	28857	44875	36,755	-12,995	35,848	78,779	55,391	50,110
Gross Margin	5.9%	7.5%	9.5%	11.6%	10.7%	-7.2%	13.7%	20.7%	17.5%	17.6%
SG&A Exp.	11956	12101	10509	11360	10,493	9,881	11,328	12,883	13,433	12,439
D&A Exp.	26714	24993	26223	22135	28,701	52,444	26,921	22,393	23,106	22,703
Operating Profit	-3261	2367	15481	31189	22,946	-25,530	22,282	63,109	38,921	34,161
Op. Margin	-1.2%	1.0%	5.1%	8.0%	6.7%	-14.1%	8.5%	16.6%	12.3%	12.0%
Net Profit	1939	4575	12977	23352	15,843	-21,680	20,101	42,309	19,360	16,093
Net Margin	0.7%	2.0%	4.3%	6.0%	4.6%	-12.0%	7.7%	11.1%	6.1%	5.7%
Free Cash Flow	3679	-1501	14805	30074	19,208	17,520	26,105	45,813	31,203	35,083
Income Tax	-153	829	4695	11715	9,053	-5,433	9,199	21,941	12,991	13,401

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets ($B)	340.16	411.28	407.10	399.19	404.3	379.3	404.4	443.0	406.3	387.6
Cash & Equivalents	31752	19130	20312	26741	18,054	31,830	36,971	40,246	38,774	39,110
Acc. Receivable	20607	25766	30721	42431	43,414	33,625	53,208	66,510	53,273	45,860
Inventories	15822	21775	25223	21117	24,071	19,457	25,258	31,894	26,019	23,426
Goodwill & Int.	6283	23967	24180	23586	23,486	22,822	24,693	25,701	26,913	25,512
Total Liab. ($B)	176.04	222.76	209.29	196.66	213.9	220.7	229.1	250.4	217.9	207.4
Accounts Payable	23,795	28,069	33,196	30,351	29,497	22,664	63,173	79,357	68,237	60,693
Long-Term Debt	52,194	77,617	70,141	62,798	65,887	79,594	89,086	83,795	81,541	77,078
Total Equity ($B)	162.88	186.65	194.36	198.65	186.5	155.3	172.0	190.5	186.6	178.3
LTD/E Ratio	0.32	0.42	0.36	0.32	0.35	0.51	0.52	0.44	0.44	0.43

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.6%	1.2%	3.2%	5.8%	3.9%	-5.5%	5.1%	10.0%	4.6%	4.1%
Return on Equity	1.2%	2.6%	6.8%	11.9%	8.2%	-12.7%	12.3%	23.3%	10.3%	8.7%
ROIC	0.9%	1.9%	4.9%	8.8%	5.7%	-8.3%	8.0%	16.5%	7.5%	6.4%
Shares Out.	3200	4070	4170	4170	4029	3892	3872	3705	3400	3182
Revenue/Share	82.40	59.20	73.55	93.04	85.02	46.32	66.99	102.91	93.13	89.35
FCF/Share	1.14	-0.38	3.57	7.20	4.74	4.49	6.69	12.36	9.18	11.03

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.