



# BP (BP)

Updated April 30<sup>th</sup>, 2026 by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$47	<b>5 Year CAGR Estimate:</b>	2.7%	<b>Market Cap:</b>	\$120 B
<b>Fair Value Price:</b>	\$66	<b>5 Year Growth Estimate:</b>	-8.0%	<b>Ex-Dividend Date:</b>	5/15/2026
<b>% Fair Value:</b>	71%	<b>5 Year Valuation Multiple Estimate:</b>	7.0%	<b>Dividend Payment Date:</b>	6/26/2026
<b>Dividend Yield:</b>	4.3%	<b>5 Year Price Target</b>	\$43	<b>Years Of Dividend Growth:</b>	4
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Energy	<b>Rating:</b>	Hold

## Overview & Current Events

BP is one of the largest oil and gas corporations in the world based on its \$120 billion market cap. It is a fully integrated company and operates in two segments: upstream and downstream (mostly refining). BP has gone through extreme challenges since its major accident in 2010. It has paid about \$70 billion for that accident so far. This amount is almost equal to all its earnings since. Even in 2026, 16 years after the accident, BP expects to pay \$1.6 billion for the accident.

In late April, BP reported (4/28/26) financial results for the first quarter of fiscal 2026. The price of oil surged sequentially due to the closure of Hormuz Straits, which has caused a severe disruption of global oil supply. As a result, earnings-per-share more than doubled, from \$0.60 to \$1.24, and exceeded the analysts' consensus by \$0.31. BP raised its dividend by 4% last year. The company has stated that its dividend is sustainable even at a Brent price of \$40. However, it has suspended share repurchases in 2026. Management has provided guidance for slightly lower production in 2026. On the bright side, the oil major recently made its largest oil and gas discovery in 25 years, at the Bumerangue project, which is located deepwater offshore Brazil. Notably, there are some rumors that BP may be acquired by Shell. However, Shell has refuted the rumors. Moreover, there have been similar rumors in the past about a potential takeover of BP by Exxon but they proved wrong. Due to the strong tailwind from the war in Iran and the resultant sky-high oil prices, we have raised our forecast for earnings-per-share in 2026 from \$2.80 to \$5.50.

## Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
<b>EPS</b>	\$0.04	\$1.03	\$3.71	\$2.95	-\$1.69	\$3.82	\$8.74	\$4.78	\$3.26	\$2.88	<b>\$5.50</b>	<b>\$3.62</b>
<b>DPS</b>	\$2.40	\$2.40	\$2.43	\$2.46	\$1.89	\$1.29	\$1.38	\$1.67	\$1.83	\$1.96	<b>\$2.00</b>	<b>\$2.10</b>
<b>Shares<sup>1</sup></b>	3239.2	3302.9	3350.3	3392	3388	3274	3083	2804	2648	2568	<b>2560</b>	<b>2500</b>

BP has greatly improved its portfolio in recent years via the addition of low-cost reserves. In 2020, it announced a major shift in its strategy. BP announced that it would boost its investment in renewable energy sources 10-fold, and it would simultaneously reduce its investment in oil and gas projects so much that it expected to reduce its oil and gas production by -42%, from 2.6 million barrels per day now to 1.5 million barrels per day in 2030. However, in 2023, the company announced that it will implement this transition much more slowly than it initially planned.

Nevertheless, the historical shift from its core business has greatly raised the uncertainty of future performance of BP. A shift from the core business is always a red flag for any stock, particularly for BP, which has always been infamous for its aversion of renewable energy projects. On the bright side, BP posted above average earnings in 2021-2024 thanks to favorable oil prices. It is also on track to post exceptionally high earnings this year thanks to the tailwind from the war in Iran. However, we view this tailwind as temporary and expect the price of oil to deflate in the upcoming years. Given a high comparison base due to the expected earnings-per-share this year, we expect BP to see its bottom line decline at an -8% average annual rate until 2031. If BP achieves high returns from its renewable energy projects, it may exceed our expectations but it is in uncharted waters right now and hence it is prudent to be conservative.

<sup>1</sup> In millions.

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## Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	---	35.5	11.5	13.6	---	6.8	3.5	7.7	10.5	11.4	<b>8.5</b>	<b>12.0</b>
Avg. Yld.	7.3%	6.6%	5.7%	6.1%	5.2%	5.0%	4.5%	4.5%	5.3%	6.0%	<b>4.3%</b>	<b>4.8%</b>

Excluding the outlier year 2017, in which the depressed earnings resulted in an abnormally high price-to-earnings ratio, BP has traded at an average price-to-earnings ratio of 9.3 over the last decade. It has traded at such a cheap valuation mostly due to the excessive liabilities that resulted from its accident in 2010. We believe that a fair earnings multiple for BP is around 12.0. BP is now trading at a price-to-earnings ratio of 8.5. If it trades at our assumed fair valuation in five years, it will enjoy a 7.0% annualized valuation gain.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

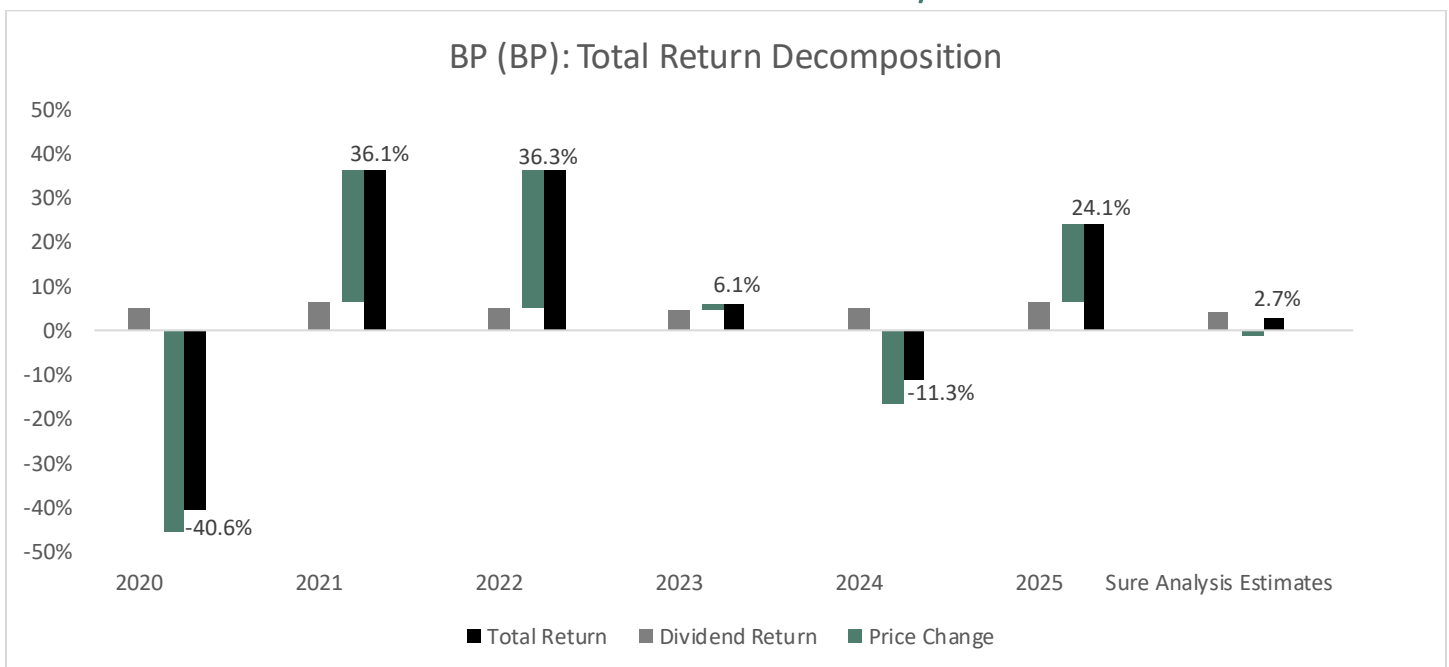
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	---	233%	65.5%	83.4%	---	33.8%	15.8%	34.9%	56.1%	68.1%	<b>36.4%</b>	<b>58.0%</b>

After several years of a superior dividend yield, BP cut its dividend in 2020. Nevertheless, the management of BP is very shareholder friendly. Even when BP was forced to suspend its dividend after its Macondo blowout amid public outrage, it resumed its dividend payments after just three quarters. Moreover, during 2015-2017, when the company incurred material losses, it continued to pay its dividend, which amounted to about \$6 billion per year. The dividend is clearly a top priority for BP's management team, but the -50% cut in 2020 was warranted due to the debt load of BP.

## Final Thoughts & Recommendation

After having incurred two fierce downturns, its accident in the Gulf of Mexico and the 2014-2017 downturn, BP faced another downturn in 2020 due to the pandemic. However, the oil major has recovered thanks to above average oil prices in recent years. It is also thriving right now thanks to the war in Iran but we expect this tailwind to fade in the upcoming years. The stock could offer a 2.7% average annual return over the next five years thanks to its 4.3% dividend and a 7.0% valuation tailwind, partly offset by an -8% decrease of earnings-per-share. The stock maintains its hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Revenue (\$B)</b>	183.01	240.21	298.76	278.4	180.4	157.7	241.4	210.1	189.2	189.8
<b>Gross Profit</b>	6524	18904	28880	27,583	10,184	22,860	55,096	48,072	30,239	32,442
<b>Gross Margin</b>	3.6%	7.9%	9.7%	9.9%	5.6%	14.5%	22.8%	22.9%	16.0%	17.1%
<b>SG&amp;A Exp.</b>	10495	10508	12179	11,057	10,397	11,931	13,449	16,772	16,417	17,535
<b>D&amp;A Exp.</b>	14505	15584	16542	18,411	24,809	14,972	14,703	16,674	17,389	17,864
<b>Operating Profit</b>	-4095	8288	15256	15,562	-10,493	10,505	41,062	30,303	12,848	12,907
<b>Op. Margin</b>	-2.2%	3.5%	5.1%	5.6%	-5.8%	6.7%	17.0%	14.4%	6.8%	6.8%
<b>Net Profit</b>	115	3389	9383	4,026	-20,305	7,565	-2,487	15,239	381	1,298
<b>Net Margin</b>	0.1%	1.4%	3.1%	1.4%	-11.3%	4.8%	-1.0%	7.3%	0.2%	0.7%
<b>Free Cash Flow</b>	-6010	2369	6166	10,352	-144	12,725	28,863	17,754	12,000	11,298
<b>Income Tax</b>	-2467	3712	7145	3,964	-4,159	6,740	16,762	7,869	5,553	6,466

## Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total Assets (\$B)</b>	263.32	276.52	282.18	295.2	267.7	287.3	288.1	280.3	282.2	278.5
<b>Cash &amp; Equivalents</b>	23484	25586	22468	22,472	31,111	30,681	29,195	33,030	39,204	36,714
<b>Acc. Receivable</b>	13393	18912	24478	24,442	17,948	27,139	34,010	31,123	27,127	21,107
<b>Inventories</b>	17655	19011	17988	20,880	16,873	23,711	28,081	22,819	23,232	22,499
<b>Goodwill &amp; Int.</b>	12417	12880	29488	27,407	18,573	18,824	22,160	22,463	24,534	14,534
<b>Total Liab. (\$B)</b>	166.47	176.11	180.63	194.5	182.1	196.8	205.1	194.8	203.9	204.5
<b>Accounts Payable</b>	21575	26983	46265	46,829	36,014	52,611	63,984	61,155	58,411	37,082
<b>Long-Term Debt</b>	57666	62574	65799	67,724	72,664	61,176	46,944	51,954	59,547	69,173
<b>Total Equity (\$B)</b>	95.27	98.47	99.44	98.4	71.3	75.5	67.6	70.3	59,246	53,031
<b>LTD/E Ratio</b>	0.61	0.64	0.66	0.69	1.02	0.81	0.69	0.74	1.01	1.37

## Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Return on Assets</b>	0.0%	1.3%	3.4%	1.4%	-7.2%	2.7%	-0.9%	5.4%	0.1%	0.5%
<b>Return on Equity</b>	0.1%	3.5%	9.5%	4.1%	-23.9%	10.3%	-3.5%	18.1%	0.5%	1.7%
<b>ROIC</b>	0.1%	2.1%	5.7%	2.4%	-12.4%	4.9%	-1.8%	11.4%	0.3%	0.9%
<b>Shares Out.</b>	3239.2	3302.9	3350.3	3392	3388	3274	3165	2958	2803	2652
<b>Revenue/Share</b>	58.24	72.73	89.17	81.88	53.17	46.71	76.28	71.03	67.50	71.56
<b>FCF/Share</b>	-1.91	0.72	1.84	3.04	-0.04	3.77	9.12	6.00	4.28	4.26

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

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