FINANCIAL ANALYSIS REPORT

BRITISH PETROLEUM PLC (2022 - 2024)

TARGET COMPANY: BP PLC.

COMPETITOR: SHELL PLC.

Section 1: EXECUTIVE SUMMARY

This report provides a detailed evaluation of British Petroleum plc (BP) as a potential investment opportunity for our firm. The analysis focuses on BP's financial performance, strategic positioning, and overall investment value, using tools such as financial ratios and company valuation. The objective is to guide the Board of Directors in deciding whether a **10% equity stake** in **BP** represents a sound and profitable investment.

BP has substantial strengths such as the presence in six continents and more than **60** countries, and strategic energy transition programs with the aim of achieving **50GW** renewable capacity by **2030**. Nevertheless, there are still critical weaknesses, such as the reputational loss that has not been overcome after the Deepwater Horizon disaster of 2010 and the reliance on hydrocarbon revenues. Also, **BP** faces significant external threats like the rising climate litigation, fluctuating oil prices, and regulatory risks like the UK windfall taxes that cut profits by almost half, to **£13.8 billion** in **2023**, down to **2022**.

BP's financial ratios show that it has experienced inconsistent earnings and declining efficiency, with key ratios—such as Return on Equity (ROE), Asset Turnover, and Interest Coverage—falling between **2022** and **2024**. Despite a slight improvement in liquidity ratios, **BP**'s Dividend Cover dropped sharply in **2024**, raising concerns about the sustainability of its **6.04%** dividend yield. Meanwhile, **Shell**, its competitor in this analysis, has demonstrated more consistent performance and stronger financial resilience.

A full company valuation reveals that **BP's market value ($82.6 billion**) in **2024** is only slightly above its book value (**$78.3 billion**), trading at a market-to-book ratio of **1.05x**, down from **1.31x** in **2022**. A **10%** acquisition would cost approximately **$8.26 billion**.

In conclusion, this report recommends a cautious investment approach, acknowledging both the risks and strategic potential of BP as a transitional energy player.

Table of Contents

Section 2: INTRODUCTION

This is a business report that is being presented to the board of directors of our investment firm to give a detailed financial evaluation of **British Petroleum plc (BP)** as a prospective business investment.

The purpose of the report is to support an informed investment decision regarding **BP** by examining the company to determine whether a **10% equity stake** in the company would be a prudent and valuable addition to our portfolio. The analysis focuses on **BP**'s financial performance over the three-year period from **2022** to **2024** and compares its position with key industry peers, specifically **Shell plc**.

The report is structured across three (3) key areas of analysis. It begins with a **three-year ratio analysis**, measuring **BP's** performance in areas such as profitability, efficiency, liquidity, and solvency, and comparing these indicators with **SHELL plc.** and industry peers. The report then goes ahead to provide initiatives on how **BP** can improve its profitability and finally ends with a detailed **valuation of the company** based on **book and market value** approaches and investment recommendations.

Founded in 1908, BP is a global energy company operating in over 60 countries. Its trajectory has been shaped by events such as the Deepwater Horizon oil spill and more recent strategic shifts toward energy transition. Regulatory factors, including UK windfall taxes—have recently impacted performance, with profits falling from $27.7 billion to $13.8 billion between 2022 and 2023.

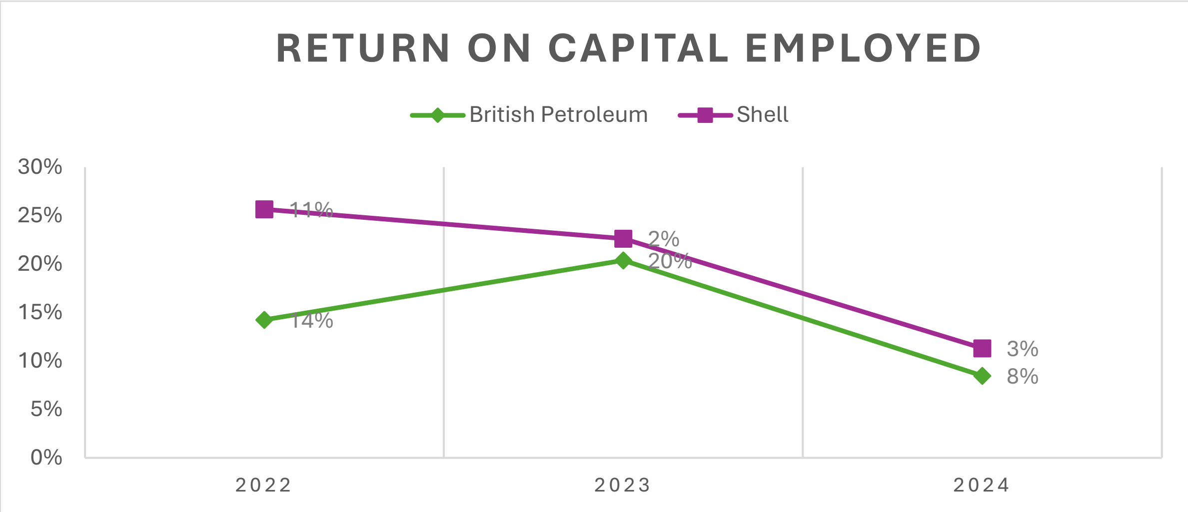
The report provides a balanced assessment of BP's financial health and outlines whether current market conditions present a compelling investment opportunity.

Section 3: RATIO ANALYSIS

1) Profitability Ratio:

Every company's aim is to grow and make a profit. Profits allow businesses to expand their reach. At the same time, investors want to see if the company is using their money and resources effectively to deliver good results. According to Adam Hayes (**2021**) "Profitability ratios can shed light on how well a company's management is operating a business. Investors can use them, along with other research, to determine whether a company might be a good investment". "It explores return of equity, capital employed, net profit and gross profit ratios which are significant in understanding the operations of the company" (Worku et al., 2024).

- **Return on Capital Employed (ROCE):**



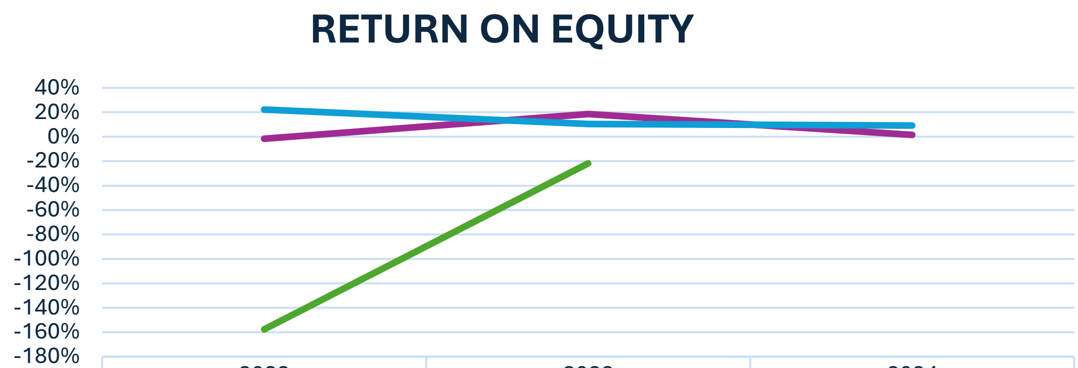
⇒ The ROCE for BP increased between the year 2022 and 2023, however in 2024 it dropped to 10% which is below what was recorded in 2022. This is mainly due to the increasing Long-Term Debt. The long-term debt has risen to **$55,073 Million** in 2024 from **$43,746 Million** in 2022, According to the BP Annual Financial Report (2024), "During 2024, $9 billion (2023 $6 billion) of long-term taxable bonds were issued…... In addition, the group issued perpetual hybrid capital bonds and securities with a US dollar equivalent value of $4.3 billion (2023 $0.2 billion)."

There were also fluctuations in the operating profit which increased between **2022-2023** but dropped in **2024**. The drop is due to a decrease in sales and other operating revenue (due to falling oil and gas prices) and an increase in operating costs (*Depreciation, depletion, and amortization rose from **$15.9 billion** to **$16.6 billion** while Production and manufacturing expenses also increased slightly from **$25.0 billion** to **$26.6 billion***) (Annual Financial Report of BP 2024 p. 140).

⇒ Whereas for Shell, the ROCE has been decreasing. Despite decreasing long-term debt, the ROCE had a significant drop between 2022-2023 and only had a 1% increase in 2024. This is mainly due to decreasing operating profit over the years, which dropped from $67,996 Million in 2022 to $34,709 Million in 2024, a decrease of more than 50%. This is significant even for a company of Shell's size.

⇒ This ratio shows that both companies are earning less per dollar invested, as ROCE is ideally supposed to be more than 15%. A **declining ROCE** (like BP and Shell's) suggests the company is becoming **less efficient** at converting capital into earnings.

- **Return on Equity (ROE):**



	2022	2023	2024
Industry	-158%	-22%	
BP	-2%	19%	2%
Shell	22%	10%	9%

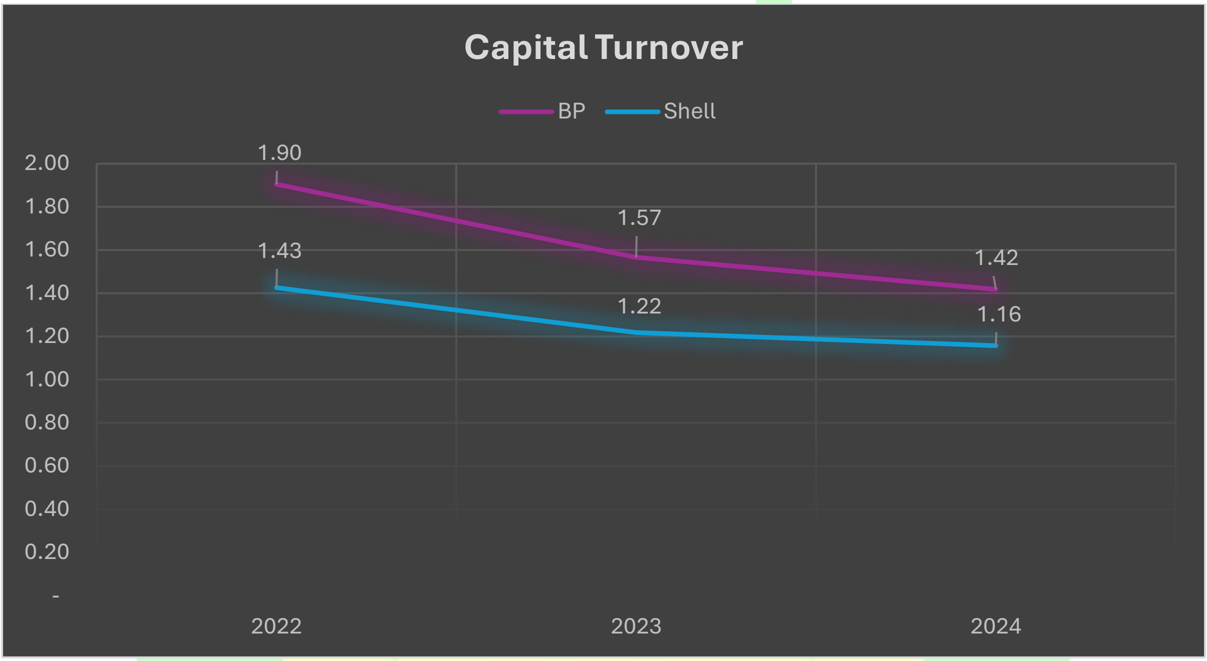
⇒ BP's **ROE** shows an increasing trend from 2022 to 2023 and decreasing towards 2024. This mirrors the trend of the company's Net Profit over the years, this is despite steady decrease in the operation expenses (Operating expenses reduced by 21% from 2022 through to 2024). However, despite a slight increase in **2023** from **2022,** the Total Equity to also dropped in **2024**. *(Annual Financial Report of BP (2024) p. 143).*

⇒ Shell experienced a decreasing trend in **ROE** from **2022** through to **2024** as the Net Profit decreased over the years. Despite decreasing Operational expenditure over the years, the Net Profit dropped by **45%** in **2023** when compared to the previous year and further dropped by **7%** in **2024**.

⇒ Despite the decreasing trend, BP and Shell's ROE are better than the average industry rate in both 2022 and 2023. This shows that both companies are more efficient at delivering returns for their shareholders when compared to their counterparts in the industry. (readyratios, 2023). However, their decreasing ROEs are a source for concern indicating that reducing operation expenses through cost-cutting **won't drive long-term value**, especially with decreasing revenues over the years. Investors should be on the lookout on how the company adapts to market shifts and maintains earnings power.

- **Capital Turnover Ratio:**

Capital Turnover helps investors to know how effectively Capital Invested has been used to generate revenue from Sales.

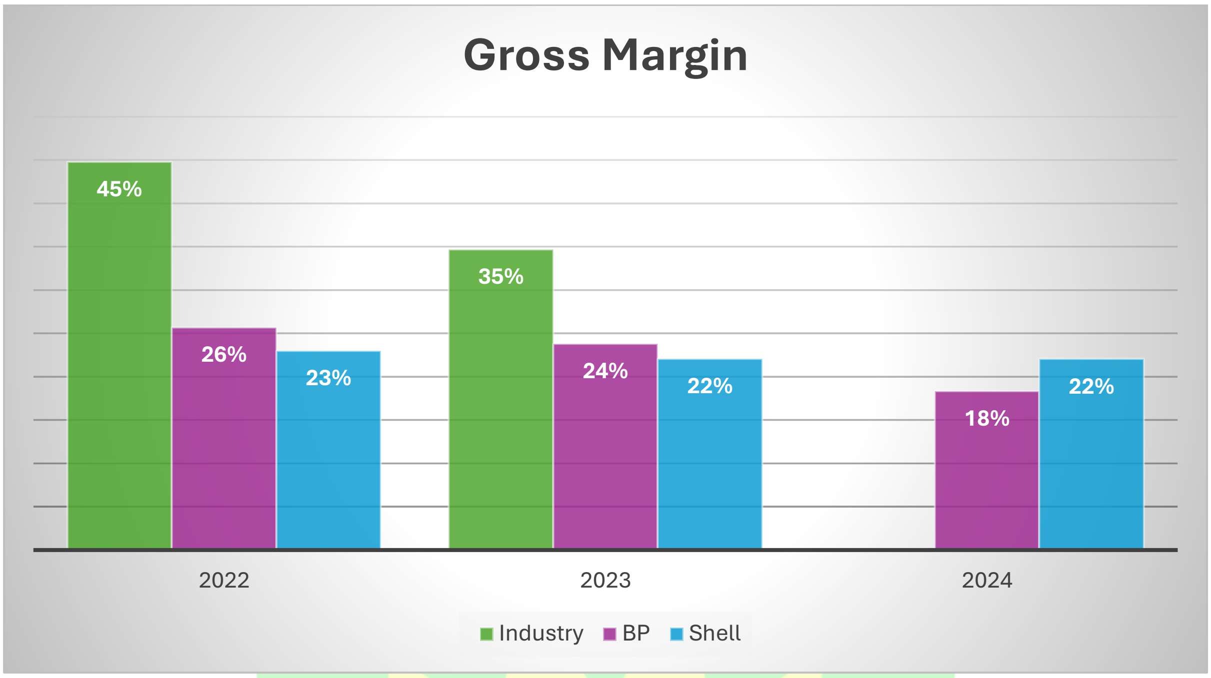


⇒ **BP** shows a **declining trend in capital turnover ratio** from **1.90 (2022) to 1.42 (2024)**, primarily due to **falling revenue** caused by lower oil and gas prices, alongside **rising capital employed** from increased long-term debt ($43B to $55B). Despite reducing operation expenses through cost-cutting efforts, revenue generation through sales per dollar of capital invested weakened (*BP Annual Report 2024, p. 140*).

⇒ Similarly, **Shell** showed a **downward trend**, with its ratio dropping from **1.43 (2022) to 1.16 (2024)**. This decline reflects the **sharply reduced operating profits** (down more than 50% since 2022), which is primarily due to reduced revenue caused by lower oil and gas prices. (*Shell Annual Report 2024, p. 241*).

⇒ The **persistent decline for both companies** is a sign of a weakening ability to generate sufficient revenue from capital investments. This also shows that this is a wider issue in the current energy market environment caused by **energy market volatility** or changing energy demands. As described in the BP Annual Report (2024, p. 124), "We particularly considered the expectation that demand for oil and gas products and related activities will decrease, primarily in response to climate change and energy transition effects pivoting future energy industry investment and development activity towards renewable sources."

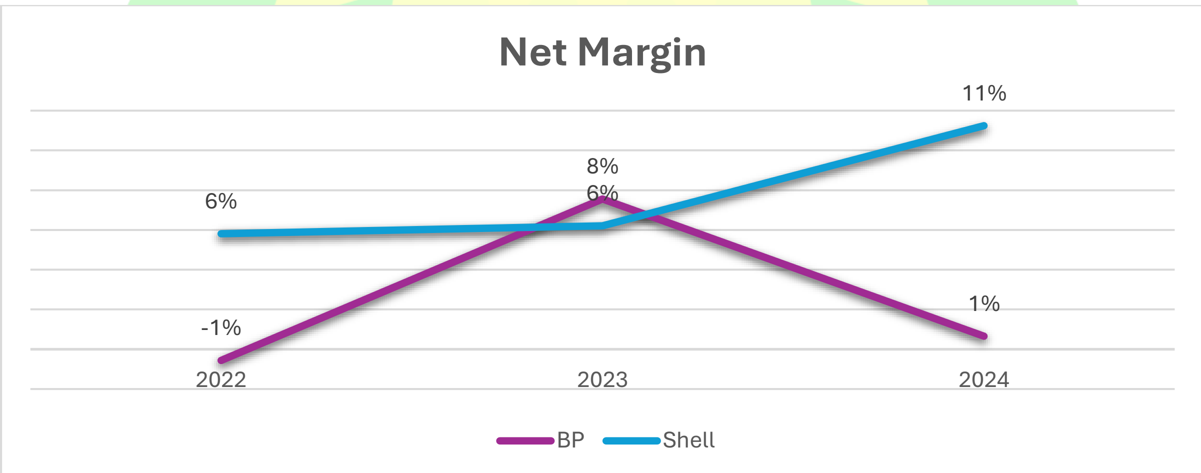
- **Gross Margin Ratio:**



⇒ **BP** exhibits a **steady decline** in gross margin from **26% (2022) to 18% (2024)**, reflecting **shrinking profitability.** This is due to falling oil prices, rising production costs, and weaker revenue generation (*BP Annual Report 2024, p. 140*). On the other hand, **Shell** has maintained relatively stable margins for the last 3 years (**23% -22%**). Though still below Industry average, Shell's ability to **maintain margins** despite market volatility suggests better cost control and operational efficiency. The **industry average** plummeted from **44.8% (2022)** to **34.7% (2023)**, highlighting severe margin compression across the sector.

⇒ Both BP and Shell lag in comparison to the industry, this low performance raises concerns about **long-term earnings power**. So, investors should continue to monitor Oil price recovery prospects, debt levels and company's plan to diversify capital investments into higher-margin energy segments (renewables, LNG).

- **Net Margin Ratio:**

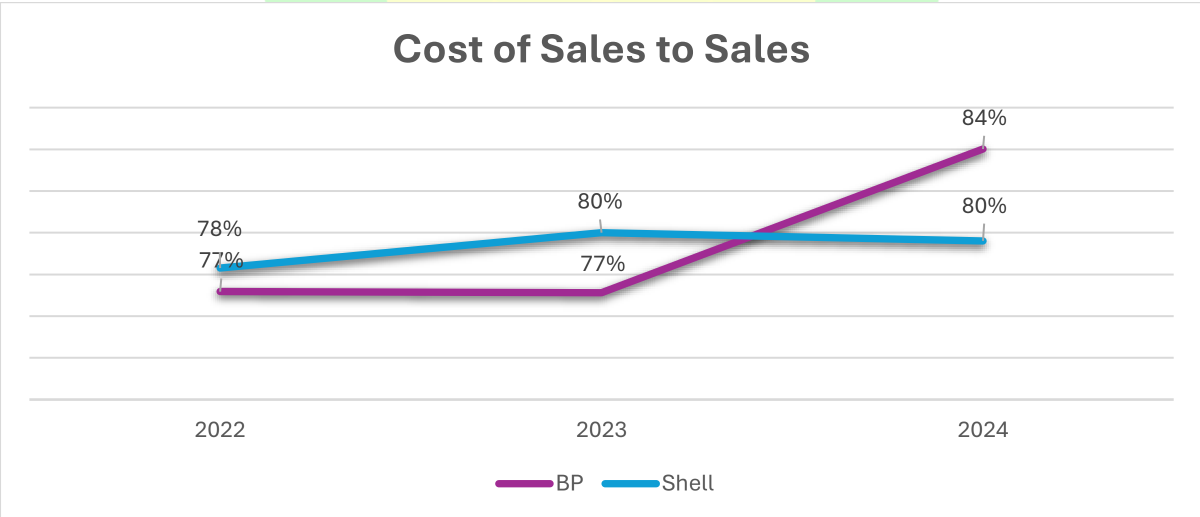


⇒ **BP** shows unstable net margins, recovering from **-1% (2022) to 8% (2023)** before dropping sharply to **1% (2024)**. "The 2022 loss reflects post-pandemic restructuring costs, while the 2024 decline stems from **higher interest expenses on rising debt** and **lower operating profits** due to falling energy prices." (*BP Annual Report 2022, p. 73*).

⇒ **Shell's** percentages show **steadier profitability**, with net margins holding at **6%** between **2022 & 2023** before improving to **11%** in **2024**. The CEO of **Shell** explained this in the Shell Annual Report (2024, p. 5) by stating that "In 2024, we achieved our target to reduce structural costs* by $2-3 billion by the end of 2025, against 2022, one year ahead of time. We continued to make disciplined investments, and difficult choices, such as pausing construction of our biofuels plant in Rotterdam, the Netherlands, to assess the most commercial way forward."

⇒ The implication for Investors is this: **BP**'s **unstable net margins** show vulnerability to **debts** and **price fluctuations**, raising concerns about its ability to stay **consistently profitable**. In contrast, **Shell's** improving profitability suggests it's handling its challenges better than **BP** and it shows potential for consistent shareholder returns. Overall, **Shell** appears to be in a **better financial position**, therefore represents a stronger investment opportunity especially in the short term.

- **Cost of Sales Ratio:**



⇒ **BP** shows a rising trend in its cost of sales to sales ratio, increasing from **77%** in **2022** to **85%** in **2024**. This means that the amount the company spent on producing and delivering its products has increased over the years, further reducing the revenue it earned. The increase in 2024 aligns with a drop in revenue and lower gross margins.

⇒ **Shell**, on the other hand, maintained a relatively stable ratio—**78%** in **2022** and **80%** in both **2023** and **2024**. This consistency indicates that Shell has kept better control over production and operating costs, despite having the same challenging market environment as **BP**. According to the CEO's review in Shell's Annual Report (2024, p. 5), this was achieved through "reduce structural costs, disciplined investments, and difficult choices".

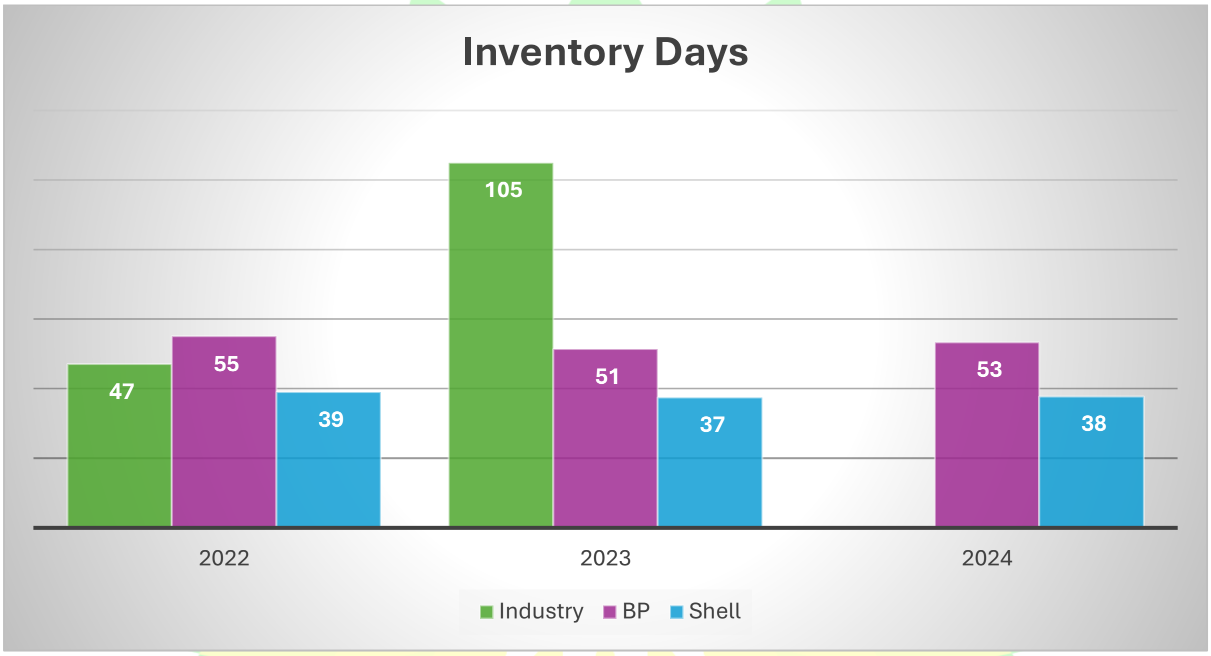
⇒ **BP is spending more** of its income to cover its production and delivery costs, which means **less profit left over** for shareholders. **Shell is more stable**, keeping its production costs in line with its sales. This helps it maintain healthier profit margins. For investors, this suggests that **Shell is managing its business more efficiently** than BP, making it a **more attractive and reliable investment**.

2) Efficiency Ratios:

Efficiency ratio measures the ability of a company to generate income by using its assets. These ratios are used by the analysts in measuring the company's short-term performance.

- **Inventory days**

This measures how long a company holds inventory before selling it. A higher number can indicate slow inventory turnover, while a lower number suggests efficient stock management.

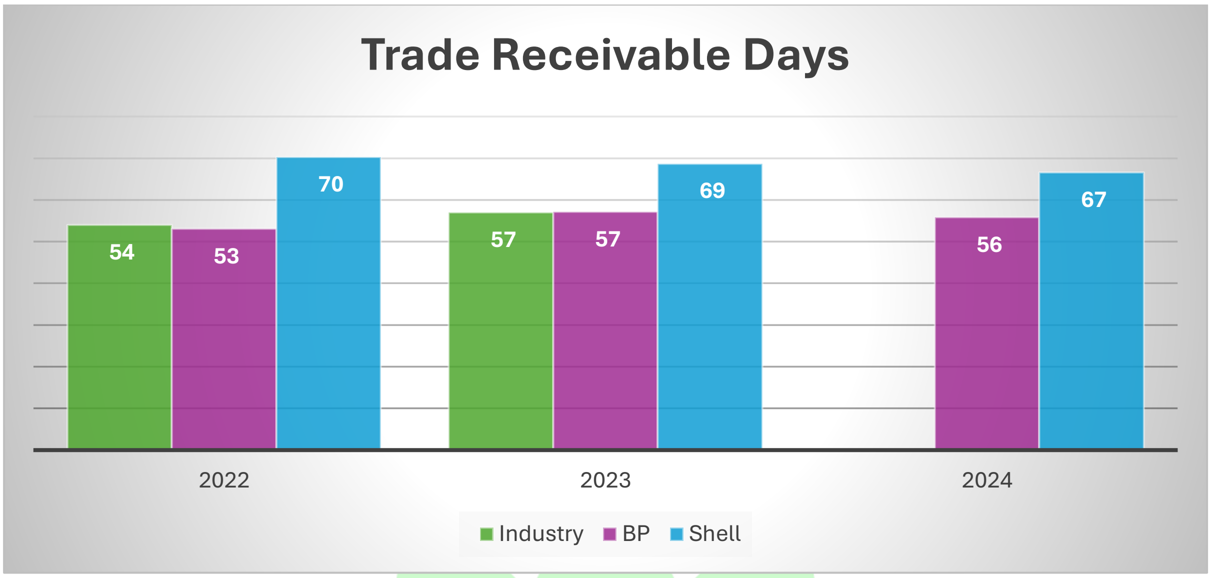


⇒ **BP** shows a slight improvement in inventory efficiency, reducing its inventory days from **55** days in **2022** to **51** days in **2023**, and then a slight increase to **53** days in **2024**. This suggests stable **inventory management**, though not significantly improving.

⇒ **Shell** has a lower and improving inventory turnover, dropping from **39**days in **2022** to **38**days in **2024**, reflecting **strong efficiency** in managing inventory.

⇒ The **industry average** rose sharply from **47**days in **2022** to **105**days in **2023**, indicating widespread **slower inventory turnover**, this is likely due to supply chain disruptions or weaker demand. Shell and BP both outperformed **the industry average**, although **BP** holding inventory longer could slightly impact its cash conversion.

- **Trade Receivable Days:**

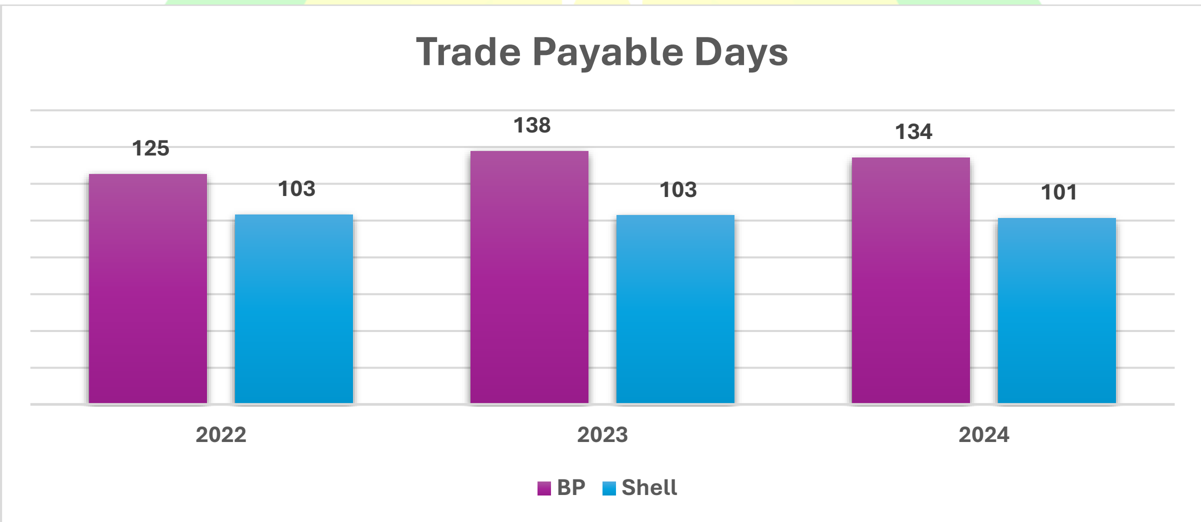


⇒ The graph showed that **BP** maintained a consistent number of receivable days with **53** in **2022**, **57** in **2023**, and **53** in **2024**. This is in a **stable and healthy receivables collection** process aligned with broader market norms. Also, staying close to the industry average shows solid credit and collections management.

⇒ The receivable days of **Shell** shows **higher receivable days** compared to **BP** and the **Industry**. Although it's improving slightly each year, with the receivable days reducing from **70** in **2022** to **67** in **2024**, **Shell** still takes **10–11 days** longer than **the industry average** to collect payments, this could tie up cash and impact liquidity, especially in slower market conditions.

⇒ The **industry average** saw a small rise from **54 days** in **2022** to **57** in **2023**, this shows that there are slightly **slower payment cycles** across the sector.

- **Trade Payable Days:**

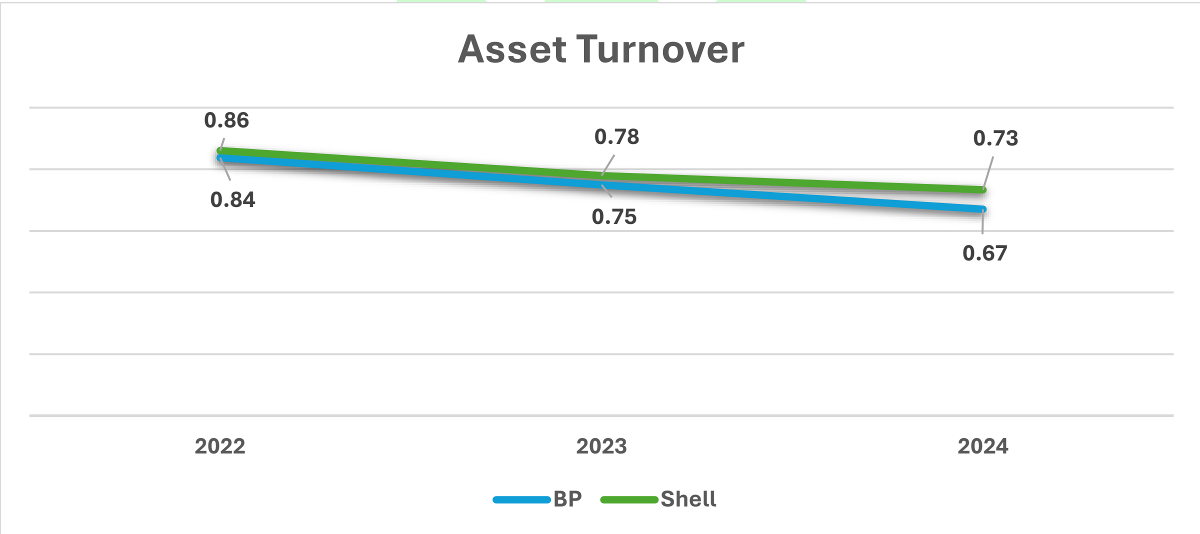


⇒ **BP** consistently takes **longer to pay its suppliers**, with payable days increasing from **125 in 2022** to **138 in 2023**, then slightly decreasing to **134 in 2024**. This suggests BP is **leveraging supplier credit more aggressively**, likely to preserve cash.

⇒ **Shell's payable days are shorter and more stable**, holding at **103 days** in **2022 and 2023**, and slightly dropping to **101** in **2024**. Shell appears to maintain a **balanced approach** between managing cash and supplier relations.

⇒ **BP** is using **supplier credit** more heavily, which helps short-term cash flow but may signal **dependency on extended payment terms**. Investors should watch for any supplier pushback or future liquidity risks. **Shell's consistent and quicker payments** suggest a more **conservative and stable approach**, possibly reflecting stronger supplier relationships and a less aggressive cash strategy. While BP's approach supports cash retention, Shell's consistency might be viewed more favorably in terms of long-term partnership and operational stability.

- **Asset Turnover Ratio:**



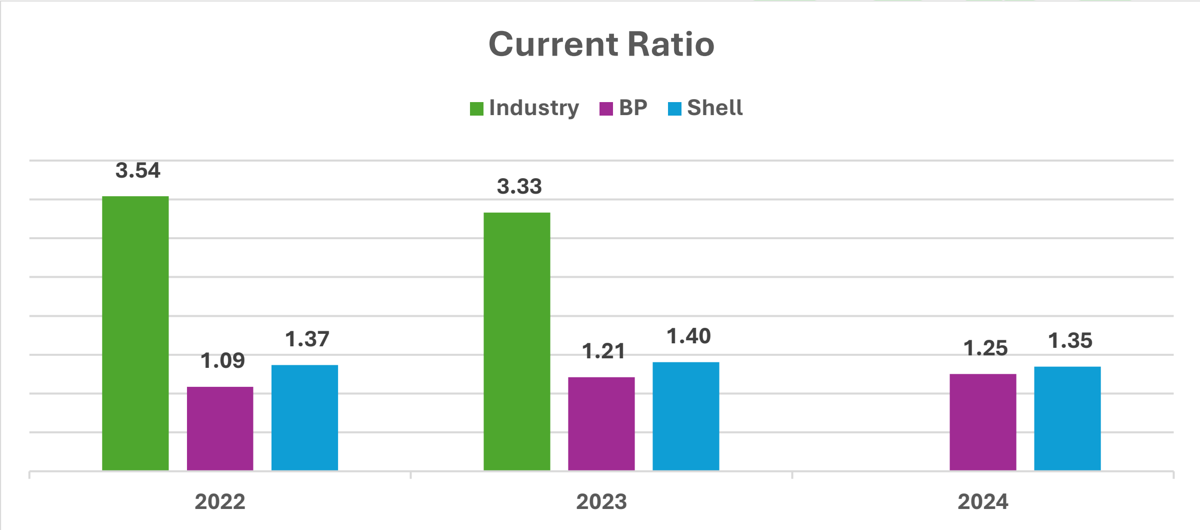
⇒ **BP's asset turnover** has steadily declined from **0.84 in 2022** to **0.67 in 2024**, showing a **drop in efficiency**. This suggests BP generates **less revenue for every dollar of assets**. For **Shell,** their **asset turnover** also declined from **0.86 in 2022** to **0.73 in 2024**, but the fall is more gradual than **BP**'s.

⇒ Both companies are **becoming less efficient** at using their assets to make money, but **BP's decline is steeper**, which is a sign of operational or strategic challenges. **Shell** is doing a better job, though its efficiency is also slipping slightly. This is a result of broader industry conditions caused by falling oil prices and reduced demand because of new alternatives. For investors, **Shell currently offers slightly better asset utilization**, while **BP** may need to reassess how effectively it's deploying capital.

3) Liquidity Ratios:

Liquidity ratio determines whether a company will be able to pay its short-term debt obligations by using its current or liquid assets.

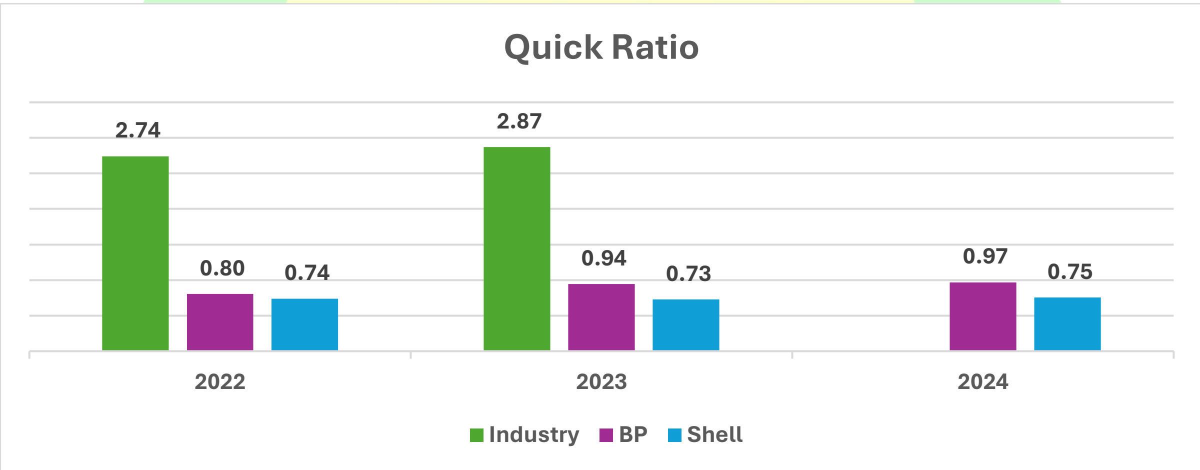
- **Current Ratio:**



⇒ **BP's current ratio** improved slightly from **1.09** in **2022** to **1.25** in **2024**, indicating **gradual strengthening of its short-term liquidity** position. **Shell maintained a stronger current ratio**, ranging from **1.37** in **2022 to 1.35** in **2024**, reflecting **stable and solid short-term financial health**. The **industry average** is much higher — **3.54 in 2022** and **3.33 in 2023** — which may indicate that many peers are holding **more current assets**.

⇒ For both companies, the current ratio remains **below the industry average**, suggesting they have **less cushion to cover short-term obligations**, which could be a risk in time of financial stress.

- **Quick Ratio:**



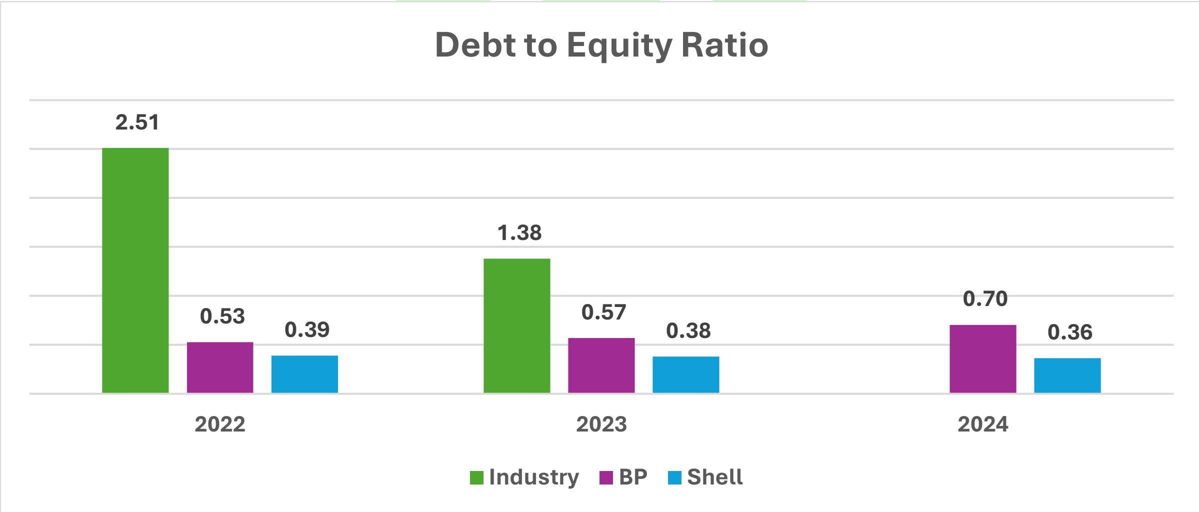
⇒ **BP's quick ratio** improved from **0.80** in **2022** to **0.97** in **2024**. **Shell's quick ratio** has remained **consistently lower**, hovering between **0.74** and **0.75**. Both remain **below 1**, indicating that **BP** and **Shell** may not have enough liquid assets to fully cover short-term liabilities. Also, the **industry average** is much higher—**2.74** in **2022** and **2.87** in **2023**—indicating that peers generally hold **much stronger liquid positions** than both BP and Shell.

⇒ The high **industry average** also implies that many competitors are **more conservatively positioned** and have stronger liquid reserves. For investors, **both companies** show **weaker liquidity** than **the industry**, with **BP improving gradually** while **Shell** remains **flat**, this will be a concern during periods of market volatility.

4) Financial Ratios:

Leverage ratio measures the ability of a company to meet its financial obligation.

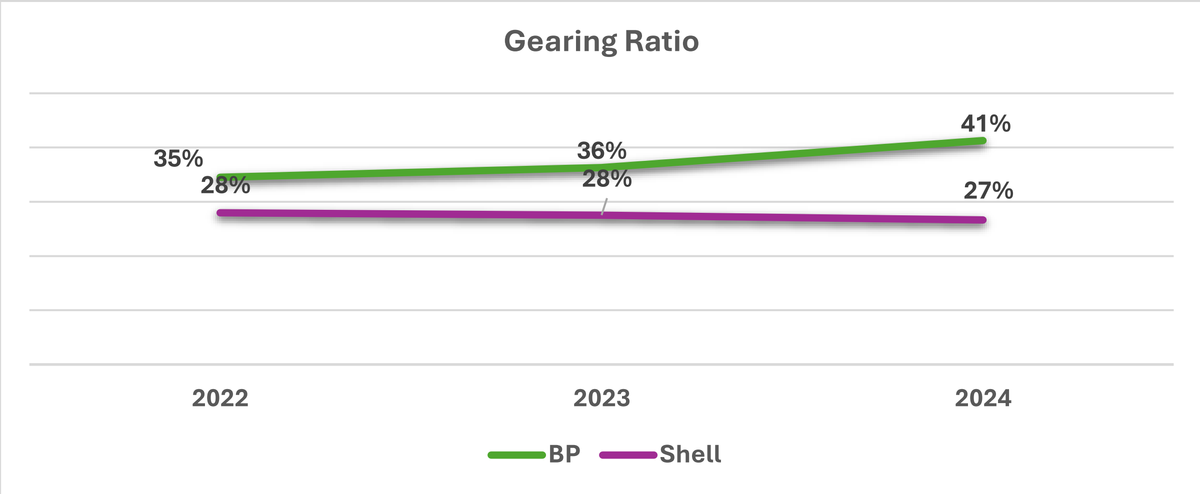
- **Debt to Equity Ratio:**



⇒ **BP's debt-to-equity ratio** increased slightly from **0.53** in **2022** to **0.57** in **2023**, then increased again to **0.70** in **2024**, while **Shell's ratio** has steadily declined from **0.39** in **2022** to **0.36** in **2024**, reflecting **a** consistent reduction in debt relative to equity. The **industry average** dropped sharply from **2.51** in **2022** to **1.38** in **2023**, showing that many energy companies have been **deleveraging** in response to uncertain market conditions or improving cash flows.

⇒ **Shell** has the lowest and most stable debt level**,** meaning it relies less on borrowing and is safer in times of market stress. **BP** is increasing its debt slightly, but its ratio is still low compared to the industry. For **investors**, **Shell** appears less risky from a debt perspective, while **BP** is still in a healthy range, but investors should monitor if the upward trend continues.

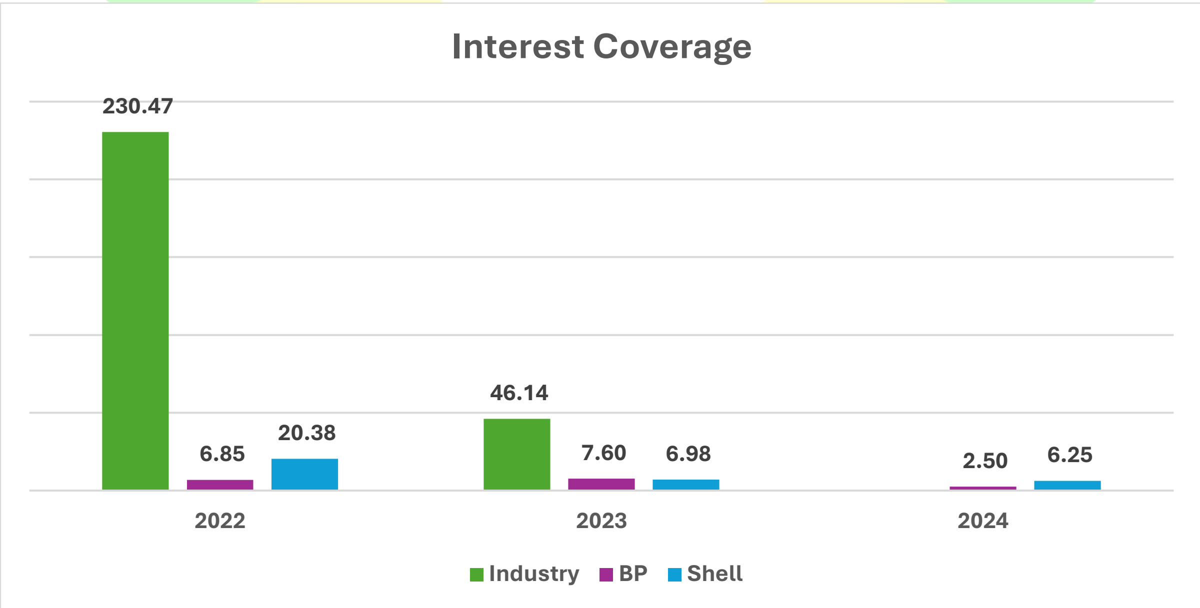
- **Gearing Ratio:**



⇒ **BP's** gearing ratio has increased steadily from **35%** in **2022** to **41% in 2024**, indicating growing reliance on **debt financing**. **Shell's** gearing ratio remained stable, moving slightly from **28%** in **2022** and **2023** to **27%** in **2024**.

⇒ Although **BP's** gearing ratio is within the optimal range, the upward trend shows that it **is** becoming more dependent on debt, which could increase financial risk, especially in times of rising interest rates or lower earnings. In contrast, **Shell** is managing its debt levels very well**,** keeping gearing low and steady, which makes it a safer and mor financially disciplined investment.

Interest Coverage Ratio:



⇒ The interest coverage ratio for **BP** dropped from **7.07** in **2022** to **2.72** in **2024**. **Shell's ratio** declined from **20.38** in **2022** to **6.25** in **2024**, but it remains stronger than **BP's**, showing better capacity to service its debt obligations.

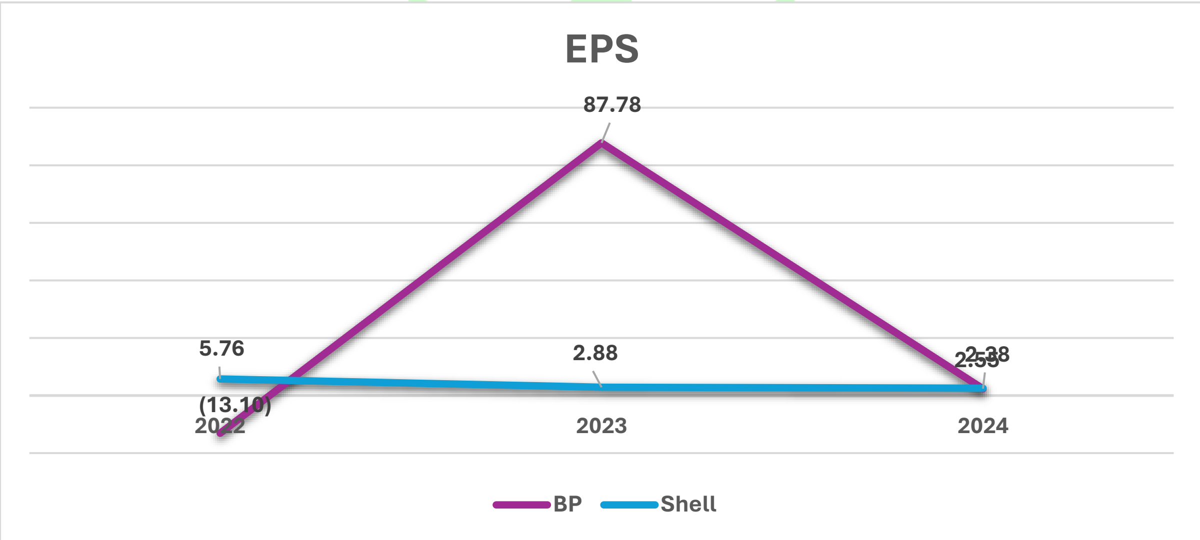
⇒ The **industry average** saw a significant drop from **230.47 in 2022** to **46.14 in 2023**, reflecting the decline in operating profits across the sector. The **industry-wide drop** shows that energy companies are facing more pressure overall, but **Shell stands out as more resilient**, while **BP's position may raise red flags for cautious investors**.

5) Investment Ratios:

Investment ratios assess the performance of companies' shares. These ratios are of great interest to investors, analysts and competitors.

- **Earnings per Share (EPS):**

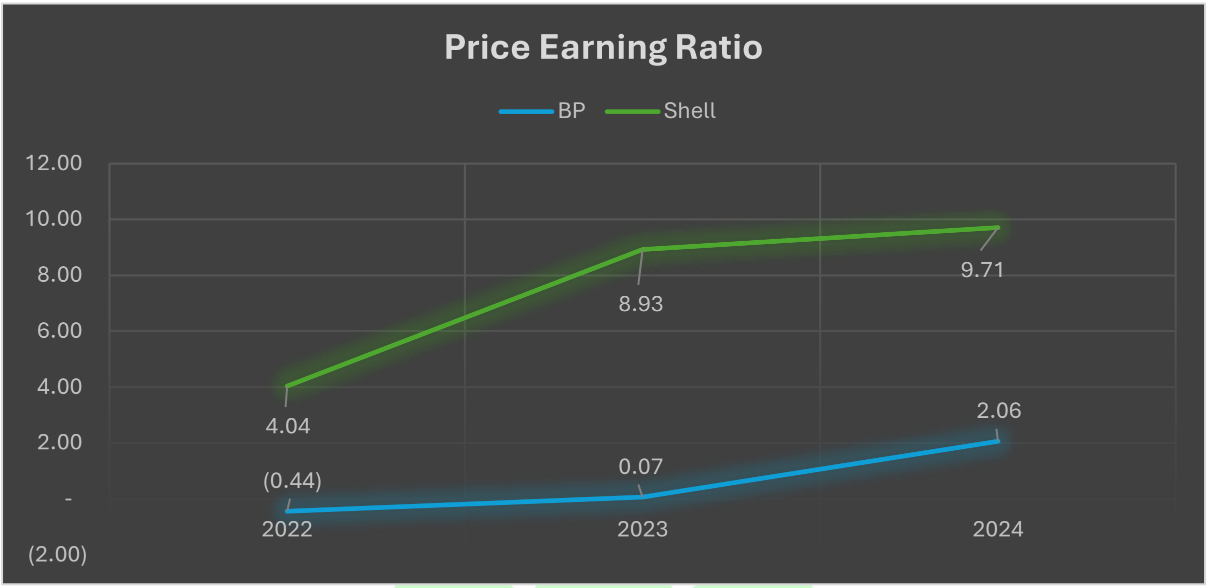
According to Atrill & McLaney (2019), "The earnings per share (EPS) ratio relates the earnings generated by the business, and available to shareholders, during a period to the number of shares in issue."



⇒ **BP's EPS** shows **extreme volatility**, starting at a **loss of (13.10) in 2022**, then jumping to **87.78 in 2023**, and sharply falling again to **2.38 in 2024**. In contrast, **Shell's EPS** is much more **stable**, decreasing gradually from **5.76 in 2022** to **2.55 in 2024**, which reflects more predictable earnings, even in a challenging market.

⇒ **BP's highly volatile EPS** makes it harder to predict future performance, which may concern investors looking for steady returns. **Shell's consistent EPS**, though on a decreasing trend, offers greater stability and predictability, which is often preferred by conservative or long-term investors.

- **Price Earnings Ratio (PE):**

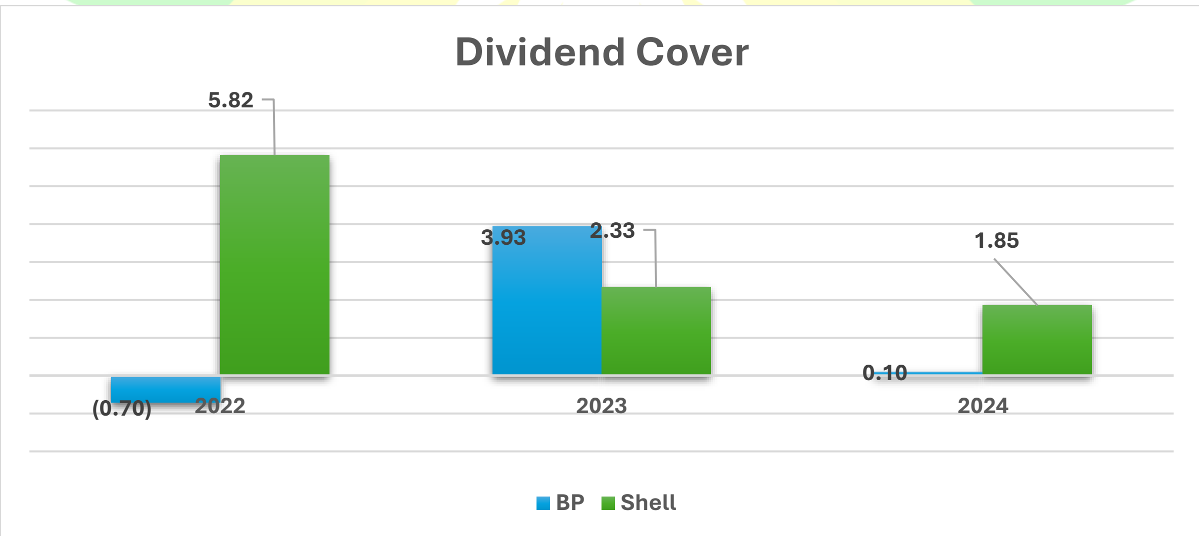


⇒ **BP's P/E ratio** was negative in **2022 (-0.44)** due to a net loss, then very low at **0.07** in **2023**, and improved slightly to **2.06** in **2024**. While **Shell's P/E ratio** increased steadily from **4.04** in **2022** to **9.71** in **2024**.

⇒ **BP's very low and negative P/E ratios** show that the market has **low expectations** for its earnings growth. **Shell's rising P/E ratio** means investors are willing to pay more for its earnings, showing greater confidence in its stability and future performance.

⇒ For investors, **Shell** appears to be a more attractive and trusted option, while **BP looks riskier** with potential for turnaround but greater uncertainty.

- **Dividend Cover Ratio:**



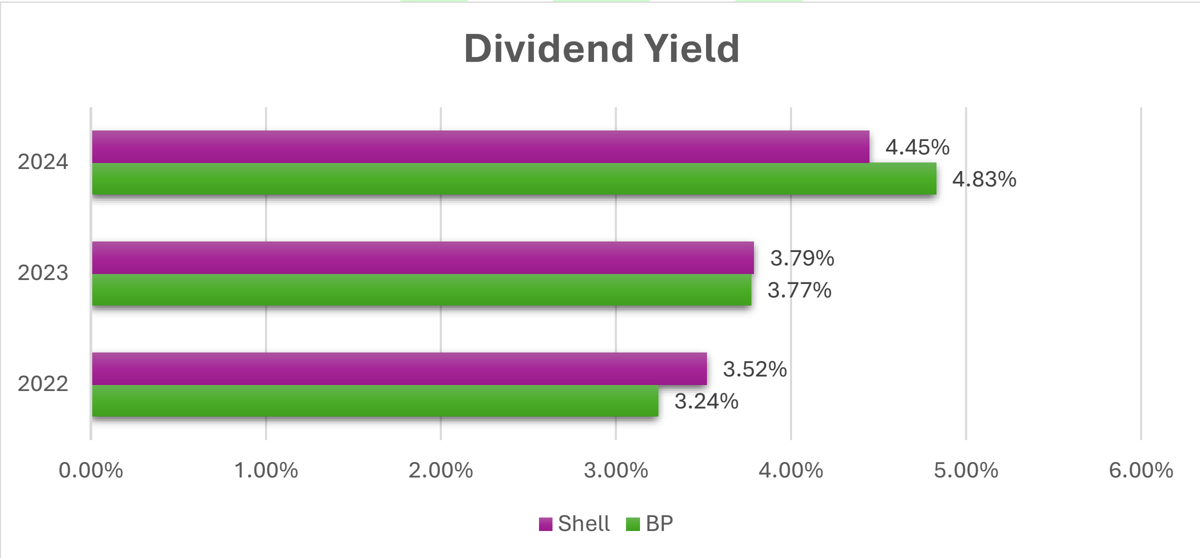
⇒ **BP** had a **negative ratio (-0.70)** in **2022,** however it spiked to **3.93** in **2023**, showing strong earnings that more than covered dividends. In **2024**, it dropped sharply to **0.10**, meaning **BP** earned barely enough to cover just **10%** of its dividend — a major red flag.

⇒ For **Shell,** it had a **very strong dividend cover** of **5.82** in **2022**, showing high earnings relative to dividends. In **2023**, it dropped to **2.33**, and in **2024** further to **1.85**, it still healthy, but showing a **downward trend** in coverage.

⇒ Overall, **Shell** appears more financially stable in its ability to maintain dividends, while **BP**'s low coverage in **2024** may concern income-focused investors.

- **Dividend Yield Ratio:**

This shows how much a company pays in dividends relative to its share price. According to Atrill & McLaney (2019), "This can help investors to assess the cash return on their investment in the business."



⇒ **BP's** dividend yield rose steadily from **3.24%** in **2022** to **4.83%** in **2024**. While **Shell's yield** also increased from **3.52%** to **4.45%**, but more gradually.

⇒ **BP** offers a higher dividend yield compared to **Shell**, which may attract **income-seeking investors**. However, it seems the increase is driven partly by a fall in share price, which signals risk or weak growth. **BP's rising yield may look attractive**, but **Shell's steady and less risky dividend** could be more appealing for **long-term, conservative investors**.

Section 4 – INITIATIVE TO IMPROVE PROFITABILITY:

Assumptions:

- **BP** holds underperforming assets (e.g., refineries or mature upstream fields) with low returns and high operating costs.
- By divesting **$10 billion** worth of such assets and reinvesting **$5 billion** into high-margin, low-carbon energy projects (e.g., LNG, renewables), BP can improve margins, reduce debt, and stabilize earnings.
- The divestment from low-return assets should reduce operating expenses by **$2.5 Billion**. Reinvesting **$5Billion** in high-margin assets like **LNG** and **renewable energy** should add an additional **$3Billion** to the company's revenue. Debt will be reduced by the remaining **$5Billion** from divestment proceeds.

IMPACT OF INITIATIVIES ON THE COMPANY'S CORE FINANCIALS

	Before Initiative (2024)	After Initiative ($M)	Change	Assumptions Changes are Based on
Revenue	$189.2B	$192.2B (+$3B)	↑ 1.6%	Additional $3B revenue
Cost of Sales	$160.8B	$159.6B (↓$1.2B)	↓ 0.7%	Operating expenses to reduce by $2.5B
Operating Profit	$11.3B	$14.2B (↑$2.9B)	↑ 25.7%	Operating profit increase by $5.5B
Net Profit (est.)	$2.38B	$5.0B (↑$2.62B)	↑ 110%	
Finance Debt	$59.5B	$54.5B (↓$5B)	↓ 8.4%	Debt to be reduced by $5B from divestment proceeds
Equity	$47.6B	$50.5B (retained earnings ↑)	↑ 6.1%	

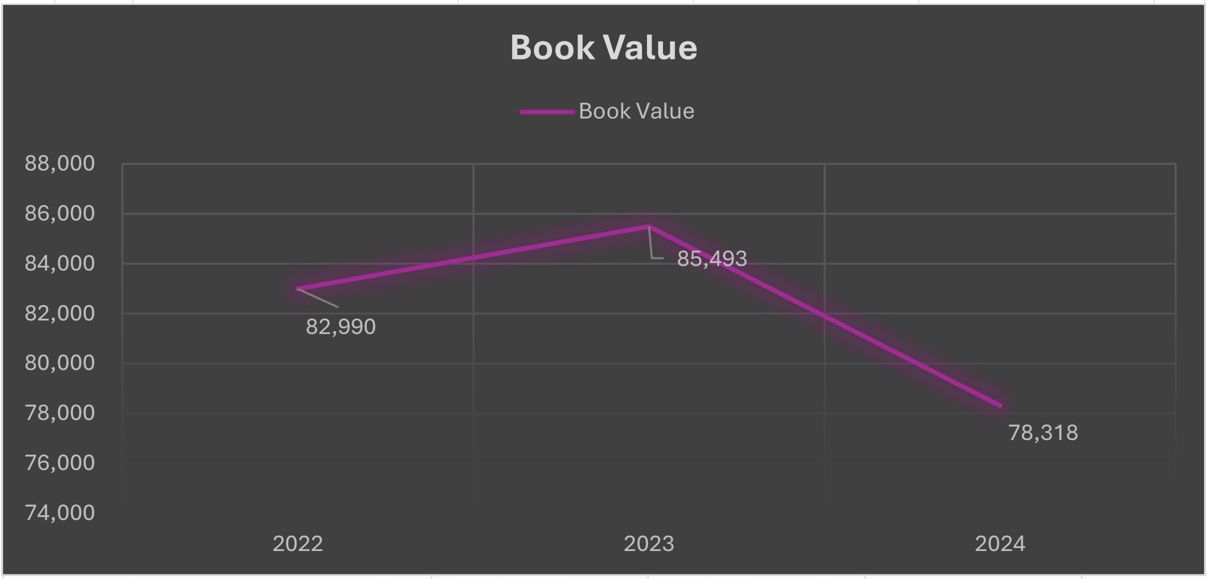
IMPACT OF INITIATIVES ON KEY RATIOS

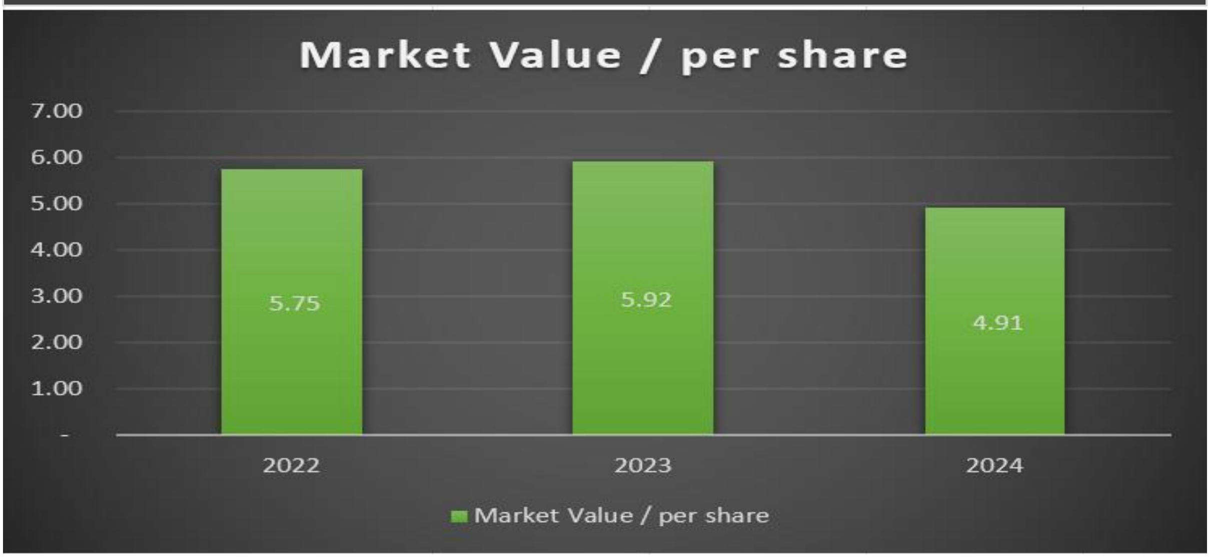
	Before Initiative (2024)	After Initiative	Change
Net Margin	1.26%	2.60%	↑ Improved profitability
ROCE	14.20%	19.00%	↑ More efficient capital use
Debt-to-Equity	1.25	1.08	↓ Lower risk
Operating Profit Margin	6%	7.40%	↑ Healthier core profit

Section 5 - COMPANY VALUATION:

Company Valuation - Book Value and Market Value

		USD ($) in Millions	USD ($) in Millions	USD ($) in Millions
Sr.No	**Method**	**2024**	**2023**	**2022**
1	Book Value	78,318	85,493	82,990
	Book Value / per share	4.66	4.82	4.37
	10%	7,831.80	8,549.30	8,299.00
2	Market Value	82,612	105,082.33	109,110.19
	Market Value / per share	4.91	5.92	5.75
	10%	8,261	10,508	10,911
3	Market Value > Book Value	1.05	1.23	1.31
		Times	Times	Times





Book Value Analysis

In **2024**, the **book value** of the company was **$78,318 million**, based on total equity from the consolidated balance sheet. This reflects a decline from **$85,493 million** in **2023** and **$82,990 million** in **2022**, indicating a downward trend in the company's net asset value. According to the table above, **$7,813.80 million** represents **10%** of the company's equity in **2024**. On a per-share basis, the book value dropped from **$4,924.63** in **2023** to **$4,724.63** in **2024**, which shows a reduced intrinsic value per share.

Market Value Analysis

The **market value** of the company in 2024 was **$82,612 million**, also showing a sharp drop from **$105,082 million** in **2023** and **$109,110 million** in **2022**. This decline reflects lower investor confidence and weaker stock performance. The **market value per share** also fell from **$5.92** in **2023** to **$4.91** in **2024**, consistent with the broader downtrend.

The **market-to-book value ratio** dropped from **1.31x** in **2022** to **1.05x** in **2024**, indicating that the gap between investor perception and actual asset value is narrowing — a sign of concern over earnings quality or asset efficiency.

Investment Recommendation: Cautiously Invest – Long-Term Upside if Risks are well managed

According to the table, **10% of the market value** would cost an investor **$8,261 million** in 2024, slightly above **book value ($7,831.80 million)**. The market is valuing the company at **just 1.05x its book value**, down from 1.31x in 2022, suggesting **decreasing investor optimism**.

Here are **three strong reasons** to invest — but with caution:

1. **Attractive Valuation for Long-Term Investors:** The company is trading close to book value, indicating that the stock is not overpriced and may offer good value if fundamentals improve. This is a good investment for **Value-Oriented investors** looking for upside if company rebounds.
2. **Positive Market Confidence (Despite Weaknesses):** The market value is still slightly above book value, suggesting that investors still see some potential beyond the company's assets.
3. **Strong Sector Positioning: BP** is a major player in the **energy sector**, as a result it stands to benefit from **long-term structural energy demand**, energy transition strategies, and geopolitical shifts. Long-term, value-oriented Investors will benefit as the company adapts its portfolio and improves margins.

If risks are managed and if **BP's** management can do the following, the stock can rebound, offering value upside:

- **Improve profitability** (higher margins, cost control)
- **Reduce debt** to stabilize equity
- **Regain market confidence** with a clear turnaround plan

Section 6 – CONCLUSION:

⇒ From the analysis above, the investment offers **potential upside** for long-term investors — but only if they are willing to **accept short-term risks** tied to performance, market perception, and operational execution.

⇒ The Investors are advised to watch out for key metrics such as the **Debt levels**, **ROCE** & **profit margins** and market sentiment. **BP** must improve its **profitability, asset efficiency, and investor confidence** to unlock real value from this investment.

⇒ In conclusion, **not a strong buy today, but strong potential for turnaround.**

Section 7 – REFERENCES/DATA SOURCES:

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