



Independent Stock Idea

April 28, 2009

rating: hold
s&p 500: 858

BP plc (BP)

Downstream Cash Increase Offsets Upstream Cash Decrease

<i>Symbol</i>	BP	<i>Ebitda Next Twelve Months ending 3/31/10 (US\$m)</i>	30,400
<i>Rating</i>	Hold	<i>North American Natural Gas/Ebitda (%)</i>	4
<i>Price (US\$/sh)</i>	41.92	<i>Natural Gas and Oil Production/Ebitda (%)</i>	81
<i>Pricing Date</i>	4/27/09	<i>Adjusted Reserves/Production NTM</i>	9.8
<i>Shares (mm)</i>	3153	<i>EV/Ebitda</i>	6.5
<i>Market Capitalization (US\$m)</i>	132,200	<i>PV/Ebitda</i>	9.8
<i>Debt (US\$m)</i>	64,900	<i>Undeveloped Reserves (%)</i>	45
<i>Enterprise Value (EV) (US\$m)</i>	197,100	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	17.40
<i>Present Value (PV) (US\$m)</i>	298,300	<i>Present Value Proven Reserves(US\$/boe)</i>	13.50
<i>Net Present Value (US\$/share)</i>	74	<i>Present Value Proven Reserves(US\$/mcf)</i>	2.25
<i>Debt/Present Value</i>	0.22	<i>Earnings Next Twelve Months (US\$/sh)</i>	3.57
<i>McDep Ratio - EV/PV</i>	0.66	<i>Price/Earnings Next Twelve Months</i>	12
<i>Dividend Yield (%/year)</i>	8.0	<i>Indicated Annual Dividend (US\$/sh)</i>	3.36
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$75 a barrel and natural gas, \$10 a million btu.			
For historical analysis of BP since 2004 see www.mcdep.com/1bp.htm			

Summary and Recommendation

Hold-rated **BP plc (BP)** offers unlevered appreciation potential of 51% to a McDep Ratio of 1.0 and levered appreciation potential of 77% to Net Present Value (NPV) of \$74 a share. During the first quarter, according to results released today, BP generated cash from oil and gas production of about \$11 a barrel of oil equivalent as the difference between price of about \$34 and cash operating costs of about \$23. Highest first quarter refining cash flow (Ebitda) in four years completely offset decline in production cash flow from the fourth quarter 2008. We project more production cash flow and less refining and marketing cash flow in the next few quarters (see table [Next Twelve Months Operating and Financial Estimates](#)). Our valuation capitalizes cash flow at unlevered multiples (PV/Ebitda) related to reserve life (Adjusted R/P) for natural gas and oil (see table [Functional Cash Flow and Present Value](#)). By latest disclosures, oil and gas reserves are concentrated a third in the U.S. and a fifth in Russia (see table [Production and Reserves, 2008](#)). Pointing to expected oil price recovery, futures prices for the next six years averaged \$66 a barrel recently (see charts [Six-Year Commodity Price Meter](#) and [Six-Year and One-Year Natural Gas and Oil Futures](#)).

Kurt H. Wulff, CFA



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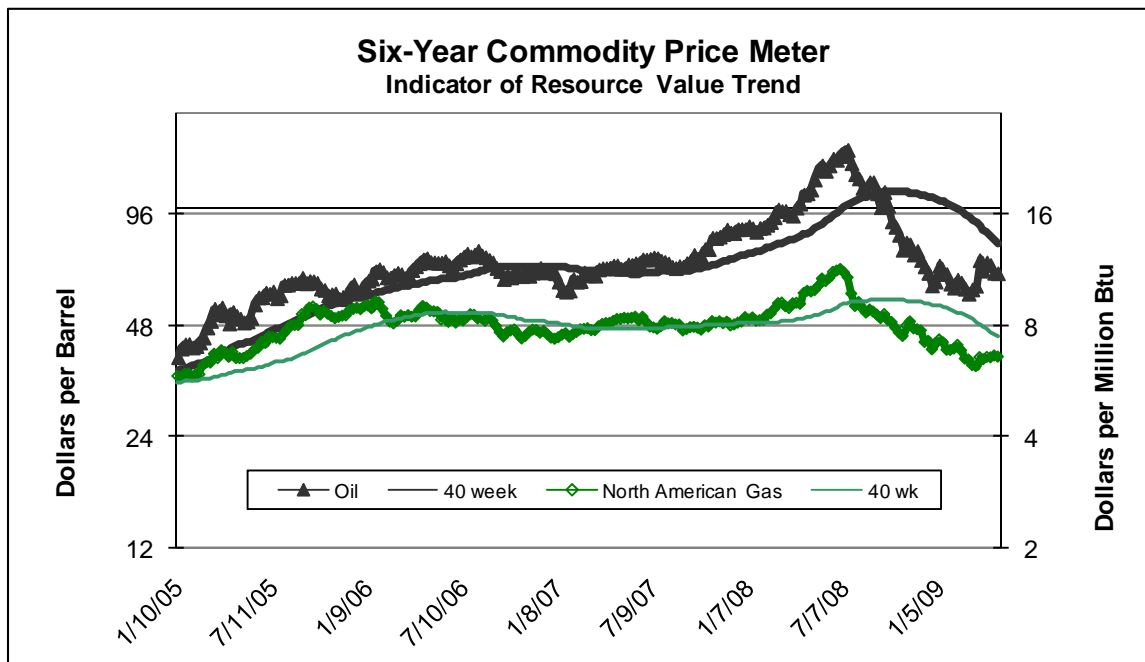
BP plc									
Next Twelve Months Operating and Financial Estimates									
	Q1	Q4	Year	Q1	Q2E	Q3E	Q4E	Year	Next Twelve Months
	3/31/08	12/31/08	2008	3/31/09	6/30/09	9/30/09	12/31/09	2009E	3/31/10
Volume									
Natural Gas (mmcf)									
U.S.	2,149	2,243	2,157	2,335	2,335	2,335	2,335	2,335	2,335
Overseas (or Int'l)	6,315	6,370	6,194	6,432	6,108	5,917	6,370	6,206	6,206
Total	8,464	8,613	8,357	8,767	8,443	8,252	8,705	8,541	8,541
Days	91	92	366	90	91	92	92	365	365
Oil (mbd)	2,469	2,469	2,455	2,455	2,455	2,455	2,455	2,455	2,455
Total gas & oil (mmb)	353	359	1,407	352	351	352	359	1,416	1,416
Total gas & oil (mbd)	3,880	3,905	3,844	3,916	3,862	3,831	3,906	3,879	3,879
Price									
Natural gas (\$/mcf)									
Henry Hub (\$/mmbtu)	8.02	6.95	9.04	4.90	3.42	3.62	4.57	4.13	4.30
U.S.	6.73	3.89	6.77	3.38	2.36	2.71	3.83	3.07	3.40
Overseas (or Int'l)	5.59	5.50	5.74	3.72	4.33	4.56	4.82	4.36	4.69
Total	5.88	5.08	6.00	3.63	3.78	4.04	4.56	4.01	4.34
Oil (\$/bbl)									
WTI Cushing	97.94	58.45	99.59	42.96	49.97	52.66	55.70	50.32	54.12
Worldwide	90.92	52.09	90.95	41.26	47.99	50.58	53.50	48.37	51.97
Total gas & oil (\$/bbl)	70.69	44.15	71.11	33.99	38.78	41.12	43.79	39.44	42.45
NY Harbor 3-2-1 (\$/bbl)	7.57	5.10	9.86	9.18	8.11	6.98	3.00	6.82	5.74
BP Refining Indicator	4.57	5.20		6.20					
Revenue (\$mm)									
Natural Gas									
U.S.	1,316	803	5,343	710	501	583	823	2,618	2,897
Overseas (or Int'l)	3,213	3,223	12,971	2,154	2,406	2,483	2,827	9,870	10,632
Total	4,529	4,025	18,314	2,864	2,906	3,066	3,651	12,487	13,529
Oil	20,428	11,832	81,731	9,117	10,723	11,424	12,085	43,350	46,575
Other	65,191	45,236	267,009	36,103	36,103	36,103	36,103	144,414	144,414
Total	90,148	61,094	367,053	48,085	49,733	50,594	51,839	200,251	204,518
Expense (\$mm)									
Production	13,453	10,566	55,366	8,115	8,939	9,369	9,992	36,415	37,886
Other	63,167	43,257	257,489	32,673	34,333	34,561	35,018	136,586	138,702
Ebitda (\$mm)									
Exploration and Production	11,503	5,292	44,678	3,867	5,588	5,941	6,452	21,847	24,643
Other	2,024	1,979	9,520	3,430	1,771	1,542	1,085	7,828	5,712
Total Ebitda	13,528	7,271	54,198	7,297	7,359	7,483	7,537	29,676	30,355
Exploration	293	239	882	119	119	119	119	476	476
Deprec., Deplet., & Amort.	2,782	2,700	11,062	2,823	2,823	2,823	2,823	11,292	11,292
Other non cash									
Ebit	10,453	4,332	42,254	4,355	4,417	4,541	4,595	17,908	18,587
Interest	337	265	1,157	318	318	318	318	1,272	1,272
Ebt	10,116	4,067	41,097	4,037	4,099	4,223	4,277	16,636	17,315
Income Tax	3,540	1,423	14,384	1,413	1,435	1,478	1,497	5,823	6,060
Net Income (\$mm)									
Exploration and Production	10,448	4,259	38,904	3,851					
Other	640	644	3,541	1,549					
Unallocated	(4,513)	(2,260)	(15,732)	(2,776)					
Total	6,575	2,643	26,713	2,624	2,664	2,745	2,780	10,813	11,254
Shares (millions)									
Per share (\$)	3,146	3,147	3,136	3,153	3,153	3,153	3,153	3,153	3,153
Per share (\$)	2.09	0.84	8.52	0.83	0.84	0.87	0.88	3.43	3.57
Ebitda Margin (E&P)	46%	33%	45%	32%	41%	41%	41%	39%	41%
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%



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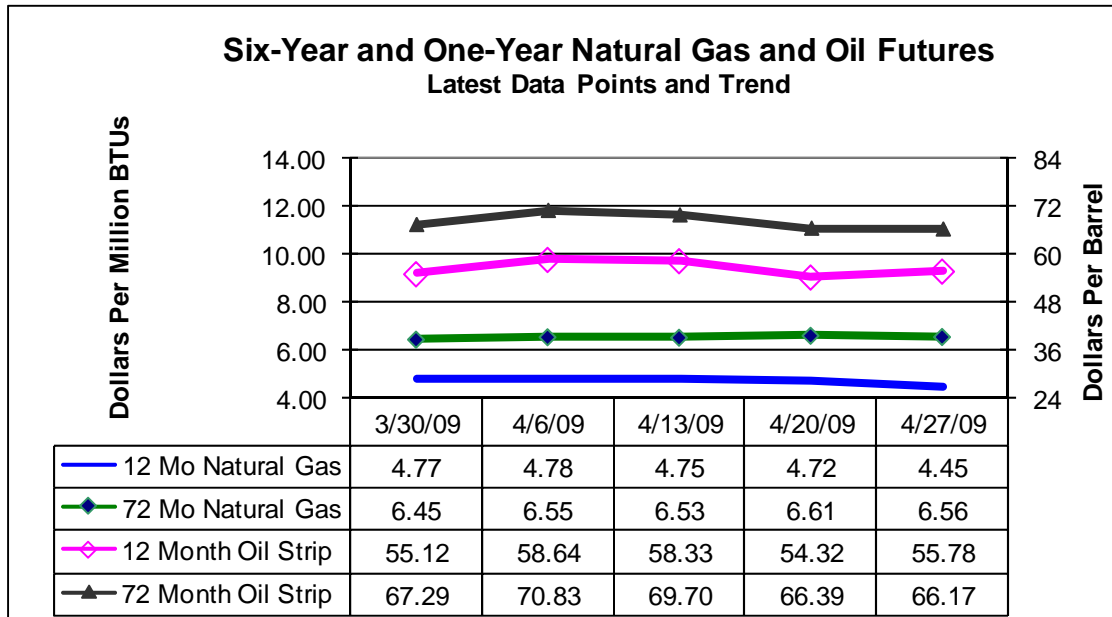
BP plc					
Functional Cash Flow and Present Value					
				Present	
	NTM Ebitda	Adjusted	PV/	Value	
	(US\$mm)	R/P	Ebitda	(US\$mm)	
North American Natural Gas	1,190	13.8	20.2	24,000	8%
Rest of World Natural Gas	4,360	9.7	8.3	36,000	12%
Oil	19,090	9.2	10.1	192,000	64%
Downstream	5,710		8.1	46,000	15%
	30,350	9.8	9.8	298,000	100%
Debt (US\$mm)					64,900
Net Present Value (US\$mm)					233,300
Shares (mm)					3,153
Net Present Value - Standard Estimate (US\$/sh)					74
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					74





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