ENERGY / OIL, GAS & CONSUMABLE FUELS · LSE: SHEL — GARP PLAY

SHEL: Shell plc

A Balanced Energy Transition · Top-Tier Quantitative Metrics · Value & Growth Blend

NTM P/E	Exp. 2-Yr Avg. EPS Growth	Net Debt/EBITDA	LTM ROIC
~7.9x	~24.0%	0.58x	11.7%
Next Twelve Months	Forward outlook	Improving structure	Trailing 12 Months

GARP PLAY: THE QUANTITATIVE VALUE & GROWTH BLEND

Shell plc (SHEL) represents a rare, highly compelling blend of high profitability and conservative pricing, firmly placing it at the forefront of our European Universe. Operating across integrated gas, upstream, renewables, and marketing, Shell successfully balances legacy cash flows with a low-carbon transition. Supported by deep momentum and exceptional efficiency, our models highlight SHEL as a **high-conviction GARP (Growth at a Reasonable Price) idea**, driven by an elite **Growth Rank of 92/100** and a powerful **Value Rank of 75/100**.

Value Score	Growth Score	LTM P/BV	FCF Margin 2026E
75/100	92/100	~1.4x	~9.5%
Top 20% in EU universe	TOP GROWTH	Attractive book value	Robust cash generation

1 · Structural Growth & Profitability Rebound

Shell is projecting a massive top-and-bottom-line acceleration, shaking off historical cyclicality to deliver superior forward growth.

- **Top-Line Momentum:** After facing historical headwinds (negative 3-year revenue trend), forward estimates indicate a sharp reversal — average revenue growth moving into a steady **~6% annualised** expansion phase, with full-year 2026 revenue expected to bounce back significantly.
- **Operating Leverage:** EBITDA forecasted to expand by more than **+31% YoY** for 2026, driving projected core margins toward **~22%**. Operating margins (EBIT) on track to reach roughly **15.3%** as operating income scales rapidly YoY.
- **Earnings Inflection:** Normalised EPS projected to experience a major surge over the current fiscal year, contributing to a robust **average annual EPS growth of ~24%** over the next two years — vastly outperforming sector averages.

2 · Sector-Specific Quality & Capital Efficiency

In the capital-intensive energy sector, efficient allocation and cash generation are the ultimate indicators of quality. Shell screens exceptionally well on these metrics.

- **Robust Returns on Capital:** LTM ROIC of **11.7%** and LTM ROCE of **10.7%**. ROE forecast to climb structurally from 10.7% toward nearly **16.8%** by year-end.
- **Free Cash Flow Generation:** A true cash engine — expecting a **+22% YoY** increase in Free Cash Flow for 2026, translating to a healthy **FCF Margin of ~9.5%**.
- **De-risked Balance Sheet:** LTM Net Debt/EBITDA at a comfortable **0.96x**, improving further to an ultra-lean **0.58x for 2026** — highly disciplined capital structure management.

3 · Valuation & Market Momentum

Our multi-factor ranks indicate that the market is beginning to reward Shell's operational improvements without pushing multiples into overvalued territory.

- ■ **Deep Value Multiples:** Trading at a significant discount to historical averages — **NTM P/E of just ~7.9x** and LTM P/E of ~13.1x. LTM P/BV of ~1.4x provides a comfortable margin of safety.
- ■ **Strong Price Momentum:** A price return exceeding **30%** over the last 12 months signals strong institutional accumulation and positive market sentiment.
- ■ **Shareholder Yield:** A **3.7% Dividend Yield** secured by a highly sustainable payout ratio of ~44.8% — ensuring investors are well rewarded while the macro thesis plays out.

The Bottom Line

Shell plc offers a highly attractive, de-risked profile for institutional portfolios. Sitting comfortably at the top tier of our European Universe, it couples deep-value pricing (~7.9x NTM P/E) with aggressive forward momentum (average annual EPS growth of ~24% over the next two years). Supported by an improving balance sheet, an 11.7% ROIC, and strong cash generation, SHEL is a structurally sound core holding positioned to win in both legacy energy cycles and the broader low-carbon transition.
