

Petrobras

4Q23 operating result: Strong upstream figures

Reiterate Rating: BUY | PO: 20.20 USD | Price: 17.24 USD

Strong production of ~2.4Mbpd, as expected

Petrobras reported strong domestic oil production of 2,361kbpd, up 1.9% QoQ and +11.1% YoY. The improvement can be largely explained by the ramp-up of: 1) P-71, at Itapu field (150kbpd); 2) Almirante Barroso (150kbpd), at Búzios field; and 3) FPSO Anna Nery (70kbpd) & FPSO Anita Garibaldi (80kbpd), at Marlim complex. According to Petrobras, start-up of four new wells in complementary projects in Campos and Santos basins also contributed to the strong performance.

Pre-salt oil production stood at 1,937kbpd, up 3.5% QoQ and +18.2% YoY, mainly explained by the ramp-up of the abovementioned platforms. Pre-salt production represented 82% of the company's domestic oil output. Post-salt prod. dropped 5.8% QoQ to 388kbpd as a result of higher losses from stoppages and maintenance, partially offset by the ramp-up of FPSO Anna Nery and start-up of two new wells from complementary projects.

We see PBR 2024 production guidance as conservative

As we have been flagging, we believe that Petrobras is being conservative in its production guidance for 2024 of 2.2Mbpd. Our view is based on: 1) 2023 year-end production is around 2.4Mbpd; 2) FPSOs Anna Nery & Anita Garibaldi are still in their-ramp-up process (together these units produced only 60kbpd in December); and 3) there is still the ramp-up of FPSO Sepetiba (180kbpd), in Mero field (45% PBR stake), which started-up in December 31st 2023. See more details in our report [Petrobras: Feedback from PBR Deep Dive; A new and re-energized company emerges](#).

Downstream: Utilization rate clocked 94%

Utilization factor clocked in 94% in 4Q23, down 2ppt from the record posted in the 3Q23 of 96%. Domestic sales vol. was 1,733kbpd (-4.8% QoQ and -3.5% YoY) – the decrease was mainly driven by lower diesel (-6.6% QoQ) and LPG (-5.6% QoQ), due to weaker seasonality, and gasoline (-2.2% QoQ), as hydrous ethanol gained market share.

Higher thermal dispatched helped G&P volumes

Sale of electricity was 760 avg. MW, up 100% QoQ and 42.9% YoY. Gas sales was at 50MMm3/day (up 4.2% QoQ and -5.7% YoY). Volumes in G&P were stronger due to the need for greater thermoelectric dispatch to meet peak demand – in order to compensate for the drop in supply from solar and wind generation throughout the day.

We maintain our Buy rating on PBR

We maintain our Buy rating on the stock given: 1) substantial growth in upstream production ahead; 2) minimum dividend yields are still attractive for 2024 and potential to pay extraordinary dividends; and 3) its pricing policy more aligned with international prices. Yet, we expect the stock to face some volatility in the short-term as investors do not yet have a clear idea of PBR's total dividends (and buyback to be executed).

09 February 2024

Equity

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Stock Data

Price (Common ADR / Pref ADR)	17.24 USD / 16.75 USD
Price (Common / Pref)	43.23 BRL / 41.86 BRL
Price Objective (Common ADR / Pref ADR)	20.20 USD / 20.20 USD
Price Objective (Common / Pref)	48.00 BRL / 48.00 BRL
Date Established (Common ADR / Pref ADR)	9-Jan-2024 / 9-Jan-2024
Date Established (Common / Pref)	9-Jan-2024 / 9-Jan-2024
Investment Opinion	C-1-8 / C-1-8 / C-1-8 / C-1-8
52-Week Range	9.56 USD - 17.10 USD
Market Value (mn)	64,532 USD
Shares Outstanding (mn)	3721.2 / 6522.0 / 7442.5 / 13044.0
Average Daily Value (mn)	17.12 USD
BofA Ticker / Exchange	PBR / NYS
BofA Ticker / Exchange	PBRA / NYS
BofA Ticker / Exchange	PBRQF / SAO
BofA Ticker / Exchange	PTBFB / SAO
Bloomberg / Reuters	PBR US / PBR.N
ROE (2023E)	33.4%
Net Dbt to Eqty (Dec-2022A)	31.4%

FPSO – floating production storage and offloading

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Refer to important disclosures on page 3 to 6. Analyst Certification on page 2. Price Objective Basis/Risk on page 2.

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Timestamp: 09 February 2024 12:34AM EST

Price objective basis & risk

Petrobras (PBRQF / PBR)

Our price objective of US\$20.20/ADR (R\$48.00/share) is based on a discounted cash flow (DCF)-based valuation using the BofA base case oil price scenario, which assumes a Brent price of US\$80/bbl for 2024, and US\$70/bbl for 2025 and beyond. We use a 14.70% weighted-average cost of capital (WACC) and an long-term growth rate of 2.0%.

Upside and downside risks to achieving our price objective are more favorable or less favorable results from the following factors: (1) oil price trends, (2) political/economic developments in Brazil, (3) possible increase in global risk aversion/higher interest rate environment, and (4) operational delays in production/development projects.

Petrobras PN (PTRBF / PBRA)

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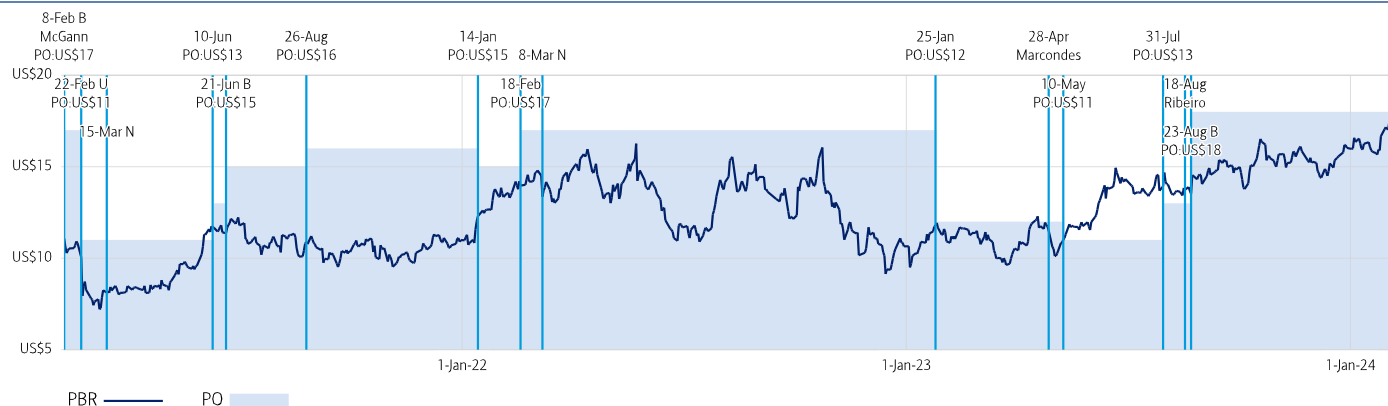
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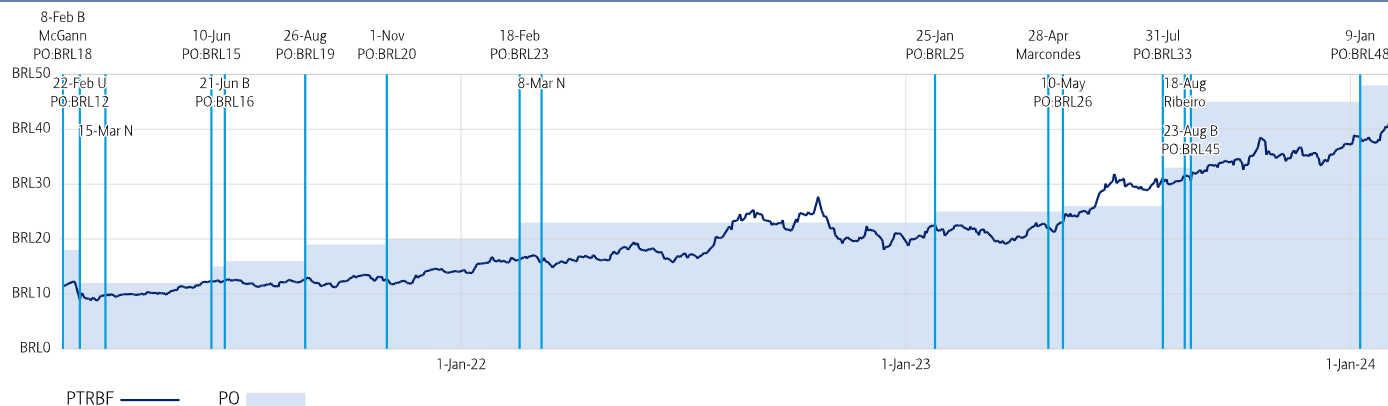
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Petrobras ON (PBR) Price Chart



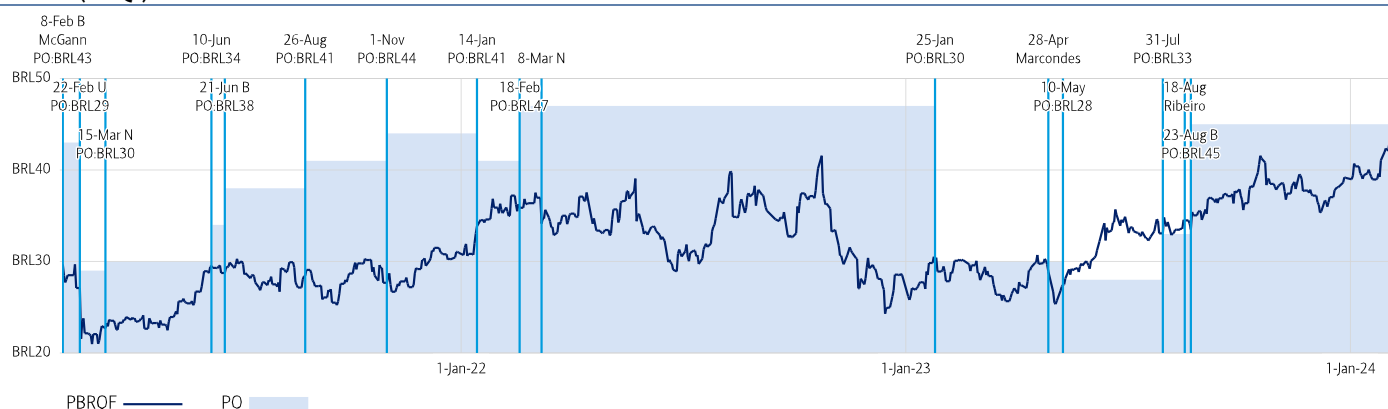
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Petrobras PN (PTRBF) Price Chart



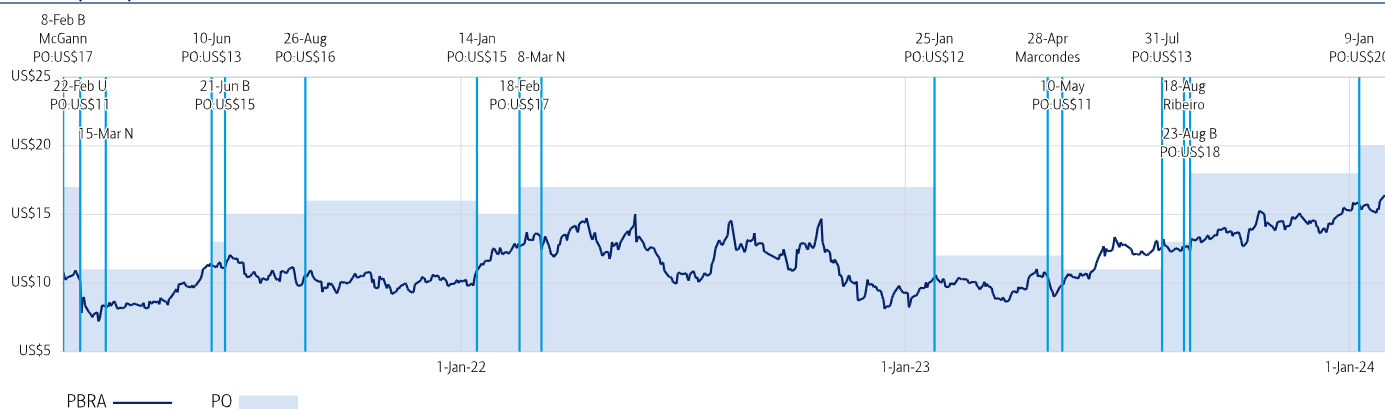
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Petrobras ON (PBRQF) Price Chart



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Petrobras PN (PBRA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	83	61.48%	Buy	64	77.11%
Hold	28	20.74%	Hold	21	75.00%
Sell	24	17.78%	Sell	18	75.00%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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