

## Petrobras

## 2023 Proven Reserves – Strong reserve addition

Maintain Rating: BUY | PO: 18.00 USD | Price: 17.05 USD

## 2023 Proven Reserves of 10.9 billion boe...

On Friday night, Petrobras disclosed its 2023 proven reserves. The company registered proven reserves of 10.9 billion barrels of oil equivalent (boe) as of 31 December 2023 – according to the company, oil/condensate correspond to 84% while natural gas to 16% of the total amount. We see the announcement as positive, given that the company was able to more than offset last year's production of 2.44Mboed (or approximately 900Mboe) and divestments, but we do not expect a strong market reaction as, in our view, PBR stocks are likely driven by the market's expectations over total cash returns.

## ... which implies 1.5 billion boe of reserve addition

Petrobras was able to maintain its trajectory of reserves addition in 2023. Proven reserves reached 10.9 billion boe, up 400Mboe vs. 2022 reserves, which implies a reserve addition of 1.5 billion boe. The organic reserve replacement index (IRRorg – which disregards divestments), totaled 168% of this year's production. The company's IRRorg considering the last three-year period was the highest in its history, reaching 207%. Petrobras reserve life (production/proven reserves) stood at 12.2 years.

## Strong pre-salt performance &amp; declaration of commerciality of BM-C-33

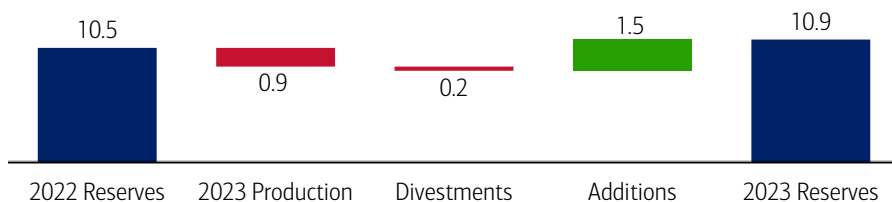
According to Petrobras, the reserve addition can be explained by: 1) strong performances of the pre-salt fields of Búzios, Tupi and Atapu, in Santos Basin; and 2) the declaration of commerciality of the Raia Manta and Raia Pintada fields (operated by Equinor – Petrobras holds 30% of participation in the consortium), in the BM-C-33 block located in the Campos Basin. In our view, it is impressive that the pre-salt fields continue to beat expectations in terms of production/productivity even after several years since its discovery.

## Maintain Buy Rating

We maintain our Buy given: 1) enticing total cash return yields, 2) strong growth in upstream production; and 3) its pricing policy more aligned with international prices.

## Exhibit 1: 2023 proven reserves

2023 proven reserves of 10.9 billion boe (up 400Mboe vs. 2022).



Source: Petrobras and BofA Global Research

BofA GLOBAL RESEARCH

29 January 2024

## Equity

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## Stock Data

Price (Common ADR / Pref ADR)	17.05 USD / 16.29 USD
Price (Common / Pref)	41.96 BRL / 39.96 BRL
Price Objective (Common ADR / Pref ADR)	18.00 USD / 20.20 USD
Price Objective (Common / Pref)	45.00 BRL / 48.00 BRL
Date Established (Common ADR / Pref ADR)	23-Aug-2023 / 9-Jan-2024
Date Established (Common / Pref)	23-Aug-2023 / 9-Jan-2024
Investment Opinion	C-1-8 / C-1-8 / C-1-8 / C-1-8
52-Week Range	9.56 USD - 16.33 USD
Market Value (mn)	63,499 USD
Shares Outstanding (mn)	3721.2 / 6522.0 / 7442.5 / 13044.0
Average Daily Value (mn)	15.94 USD
BofA Ticker / Exchange	PBR / NYS
BofA Ticker / Exchange	PBRA / NYS
BofA Ticker / Exchange	PBRQF / SAO
BofA Ticker / Exchange	PTRBF / SAO
Bloomberg / Reuters	PBR US / PBR.N
ROE (2023E)	33.4%
Net Dbt to Eqty (Dec-2022A)	31.4%

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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: 29 January 2024 04:09AM 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 2023, US\$90/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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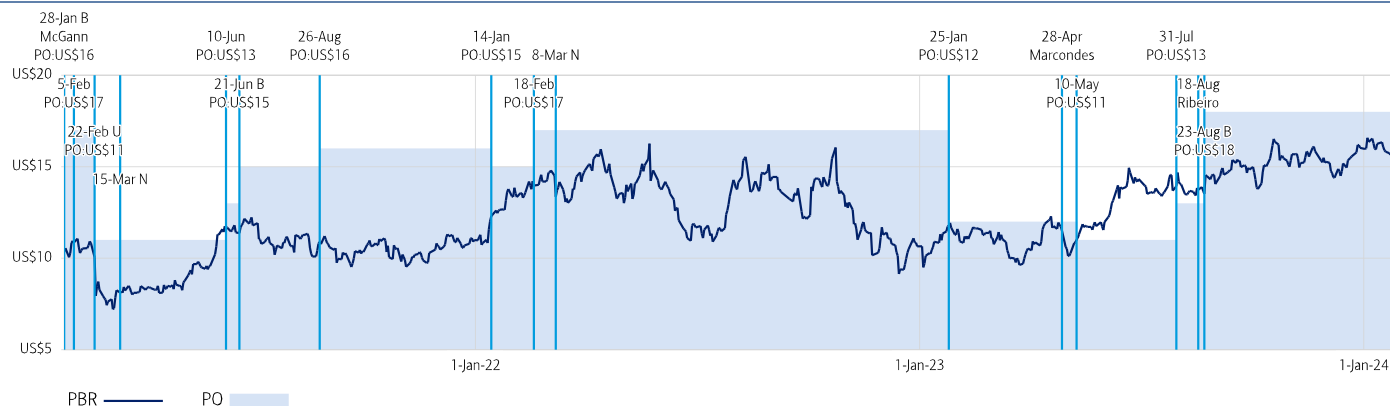
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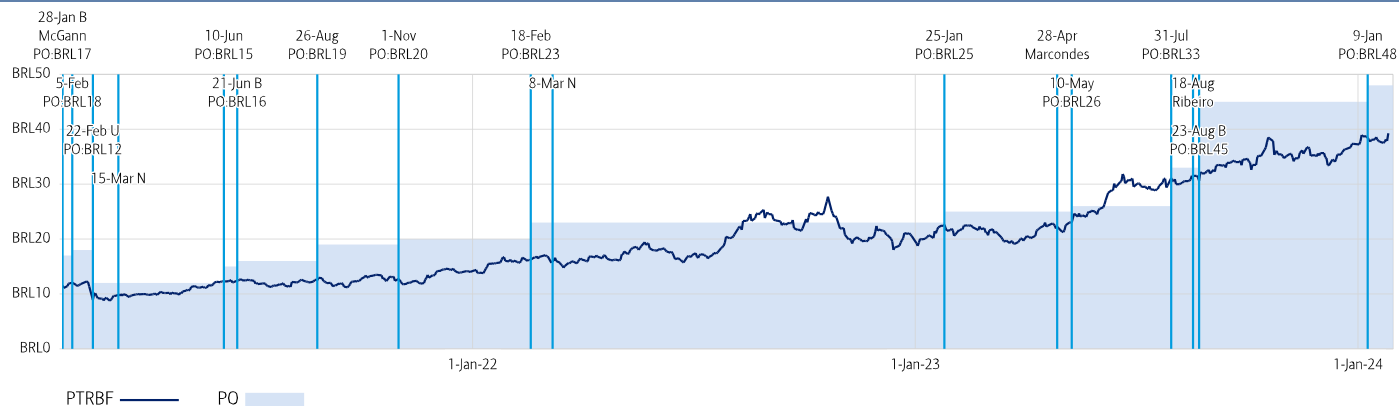
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### Petrobras ON (PBR) Price Chart



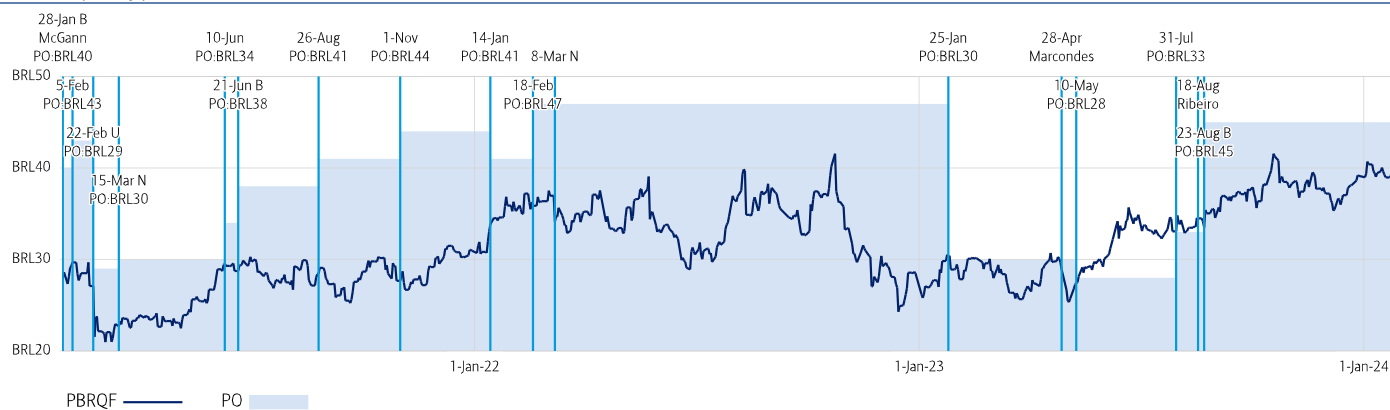
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### Petrobras PN (PTRBF) Price Chart



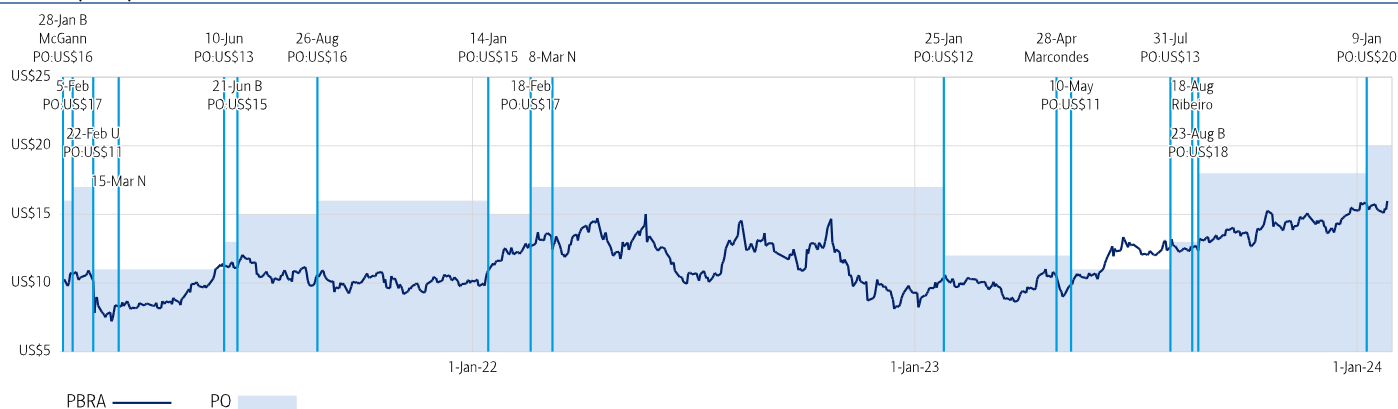
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### Petrobras ON (PBRQF) Price Chart



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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 <sup>R1</sup>	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 <sup>R1</sup>	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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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> 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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