

Petroleo Brasileiro SA Petrobras XPBR ★★★^Q 22 Sep 2020 02:00 UTC

Last Close
22 Sep 2020
3.32

Fair Value^Q
22 Sep 2020 02:00 UTC
5.30

Market Cap
22 Sep 2020
42,940.9 Mil

Sector
Energy

Industry
Oil & Gas Integrated

Country of Domicile
BRA Brazil

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>

Company Profile

Petrobras is a Brazil-based integrated energy company controlled by the Brazilian government. The company focuses on exploration and production for oil and gas in Brazilian offshore fields. Production in 2019 was 2.8 million barrels of oil equivalent a day (80% oil production), and reserves stood at 9.6 billion boe (85% oil). Petrobras operates 13 refineries in Brazil with capacity of 2.2 million barrels a day and distributes refined products and natural gas throughout Brazil.

Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Narrow	96	99	97
Valuation	Undervalued	89	54	94
Quantitative Uncertainty	Extreme	14	30	12
Financial Health	Moderate	25	31	8

XPBR



Undervalued Fairly Valued Overvalued

Source: Morningstar Equity Research

Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.63	1.01	0.84	0.84
Price/Earnings	—	26.1	16.0	13.7
Forward P/E	14.0	—	10.9	11.4
Price/Cash Flow	1.8	2.6	6.7	7.3
Price/Free Cash Flow	9.8	26.1	14.4	11.6
Trailing Dividend Yield %	3.84	—	3.75	2.55
Price/Book	1.2	0.8	1.3	1.3
Price/Sales	—	0.7	1.3	1.1

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	—	1.5	9.8	12.0
Return on Assets %	—	0.5	4.6	4.8
Revenue/Employee (Mil)	—	1.3	1.6	1.0

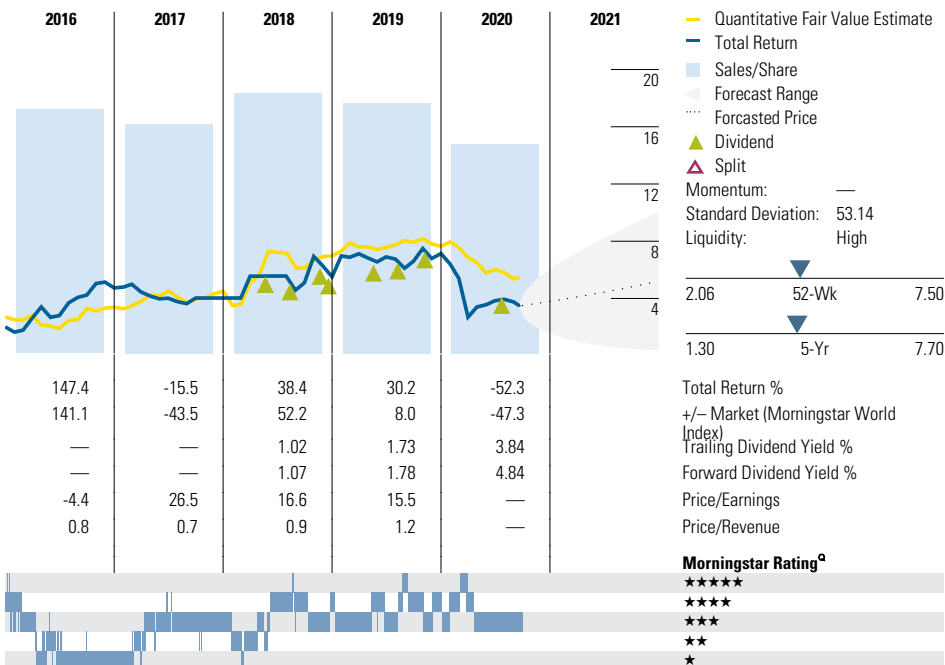
Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.2	0.3	0.5	0.6
Solvency Score	—	—	582.8	530.5
Assets/Equity	3.1	3.2	1.6	2.1
Long-Term Debt/Equity	0.8	1.3	0.4	0.3

Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	-9.5	-2.0	-11.8	-1.8
Operating Income %	-11.5	10.5	7.7	-1.8
Earnings %	18.0	—	—	-10.4
Dividends %	86.4	—	-12.7	-2.9
Book Value %	2.5	-1.5	-8.8	-4.6
Stock Total Return %	-47.6	-4.2	14.0	-6.5

Price vs. Quantitative Fair Value

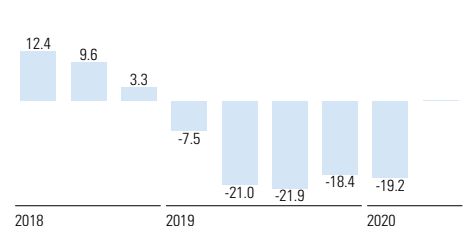


	2015	2016	2017	2018	2019	TTM	Financials (Fiscal Year in Mil)
Revenue	97,314	81,405	88,827	95,584	76,589	—	Revenue
% Change	-32.3	-16.3	9.1	7.6	-19.9	—	% Change
Operating Income	13,518	13,729	12,062	21,526	18,502	—	Operating Income
% Change	9.5	1.6	-12.1	78.5	-14.0	—	% Change
Net Income	-8,450	-4,838	-91	7,173	10,151	—	Net Income
Operating Cash Flow	25,913	26,114	27,112	26,353	25,600	28,898	Operating Cash Flow
Capital Spending	-21,653	-14,085	-13,639	-13,639	-23,897	-23,646	Capital Spending
Free Cash Flow	4,260	12,029	13,473	14,332	1,703	5,252	Free Cash Flow
% Sales	4.4	14.8	15.2	15.0	2.2	—	% Sales
EPS	-0.65	-0.37	-0.01	0.55	0.78	—	EPS
% Change	-0.02	0.76	0.97	0.80	1.16	0.34	% Change
Free Cash Flow/Share	0.00	0.00	0.00	0.06	0.12	0.10	Free Cash Flow/Share
Dividends/Share	5.11	5.80	5.34	4.86	5.03	2.85	Dividends/Share
Book Value/Share	13,044	13,044	13,044	13,044	13,044	13,044	Book Value/Share
Shares Outstanding (Mil)	—	—	—	—	—	—	Shares Outstanding (Mil)
Return on Equity %	-9.3	-6.8	-0.1	9.5	14.0	—	Return on Equity %
Return on Assets %	-3.2	-2.0	0.0	3.0	4.5	—	Return on Assets %
Net Margin %	-8.7	-5.9	-0.1	7.5	13.3	—	Net Margin %
Asset Turnover	0.37	0.34	0.36	0.40	0.34	—	Asset Turnover
Financial Leverage	3.5	3.2	3.1	3.1	3.1	4.2	Financial Leverage
Gross Margin %	30.7	31.9	32.3	35.6	40.3	—	Gross Margin %
Operating Margin %	13.9	16.9	13.6	22.5	24.2	—	Operating Margin %
Long-Term Debt	111,482	108,371	102,045	80,508	58,791	62,620	Long-Term Debt
Total Equity	65,236	76,779	79,802	71,544	73,323	44,332	Total Equity
Fixed Asset Turns	0.5	0.5	0.5	0.6	0.5	—	Fixed Asset Turns

Quarterly Revenue & EPS

Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2020	17,143.0	—	—	—	—
2019	21,229.0	18,502.0	19,416.0	19,868.0	76,589.0
2018	22,958.0	23,407.0	24,873.0	24,346.0	95,584.0
2017	21,737.0	20,823.0	22,700.0	23,567.0	88,827.0
Earnings Per Share (€)					
2020	-0.74	-0.03	—	—	—
2019	0.08	0.37	0.18	0.15	0.78
2018	0.16	0.22	0.13	0.04	0.55
2017	0.11	0.01	0.01	-0.13	-0.01

Revenue Growth Year On Year %



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The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar", "we", "our") calculates Quantitative Ratings for companies whether or not it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

i. **Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the Quantitative Fair Value Estimate using a statistical model derived from the Fair Value Estimate Morningstar's equity analysts assign to companies. Please go to <http://global.morningstar.com/equitydisclosures> for information about Fair Value Estimate Morningstar's equity analysts assign to companies.

ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

Narrow – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.

Wide – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.

None – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

One-Star – the stock is overvalued with a reasonable margin of safety.

*Log (Quant FVE/Price) < -1*Quantitative Uncertainty*

Two-Star – the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1*Quantitative Uncertainty, -0.5*Quantitative Uncertainty)*

Three-Star – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)*

Four-Star – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative Uncertainty)*

Five-Star – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1*Quantitative Uncertainty*

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Low – the interquartile range for possible fair values is less than 10%

Medium – the interquartile range for possible fair values is less than 15% but greater than 10%

High – the interquartile range for possible fair values is less than 35% but greater than 15%

Very High – the interquartile range for possible fair values is less than 80% but greater than 35%

Extreme – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

Weak – assigned when Quantitative Financial Health < 0.2

Moderate – assigned when Quantitative Financial Health is between 0.2 and 0.7

Strong – assigned when Quantitative Financial Health > 0.7

Other Definitions

i. **Last Close** – Price of the stock as of the close of the market of the last trading day before date of the report.

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Undervalued – Last Price is below Morningstar's quantitative fair value estimate.

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