

Petroleo Brasileiro SA Petrobras XPBR ★★★★★ Q 6 Jun 2023, 23:13 UTC

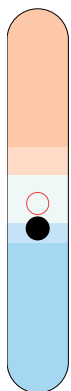
Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	ESG Risk Rating Assessment ¹	Trailing Dividend Yield %	Market Cap	Investment Style	Sector	Industry
None	High	0.9	3 May 2023 05:00, UTC	41.68	71.9458 Bil	Large Value	Energy	Oil & Gas Integrated

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Performance
0.75	0.50	0.66	1.51	0.99	0.84	0.94	0.90	0.76	0.83	0.87	Price/Fair Value ^Q
-35.40	-21.12	-34.11	147.45	-15.49	38.42	30.20	-36.17	36.67	72.21	18.06	Total Return %
-31.29	-17.03	-21.39	110.40	-43.41	22.02	-3.83	-41.12	48.54	67.15	14.76	+/- Index

As of 6 Jun 2023 | Index: Morningstar Brazil GR BRL. Fair Value data as of 6 Jun 2023, 23:13 UTC.

*The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating. Lee Davidson, Head of Manger and Quantitative Research, oversees the methodology that supports Quantitative Fair Value Estimates and Quantitative Star Ratings. Mr. Davidson is guided by the Code of Ethics and Investment Research Integrity Policy of Morningstar Research Services LLC, a subsidiary of Morningstar, Inc. Morningstar's Quantitative Research team, which consist of employees of Morningstar, Inc., are guided by Morningstar, Inc.'s Code of Ethics. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>.

Valuation ^Q as of 6 Jun 2023



Fair Value^Q
6.62
Uncertainty^Q :
High

Last Close
5.76

XPBR is Under Valued at a 13% discount.

Economic Moat ^Q

⊖ None

Financial Health ^Q

Moderate

1-Star Price ^Q

> 8.49

5-Star Price ^Q

< 5.16

Financials as of 6 Jun 2023 (Fiscal Year End 31 Dec 2023)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Fiscal
141	144	97	81	78	85	77	54	84	124	27	Revenue (Bil)
15	14	15	16	11	23	21	18	33	56	12	Operating Income (Bil)
10.75	9.95	15.11	19.28	14.33	27.43	27.21	34.0	39.09	44.65	44.12	Operating Margin (%)
11.09	-7.37	-8.45	-4.84	-0.09	7.17	10.15	1.14	19.88	36.62	7.34	Net Income (Bil)
0.85	-0.56	-0.65	-0.37	-0.01	0.55	0.78	0.09	1.52	2.81	0.56	Diluted Earnings/Share
26	27	26	26	27	26	26	29	38	50	10	Operating Cash Flow (Bil)
-45.11	-34.81	-21.65	-14.09	-13.55	-11.91	-23.90	-5.87	-6.33	-9.58	-2.42	Capital Spending (Bil)
-18.82	-8.06	4.33	12.03	13.57	14.45	1.70	23.02	31.47	40.14	7.92	Free Cash Flow (Bil)
13	13	13	13	13	13	13	13	13	13	13	Avg Shares Outstand(Bil)
0.27	1.06	—	—	—	0.25	0.50	0.24	7.26	16.77	2.75	Dividend Per Share

Valuation as of 6 Jun 2023

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Current	Calendar
0.75	0.50	0.66	1.51	0.99	0.84	0.94	0.90	0.76	0.83	0.87	Price/Fair Value ^Q
0.58	0.33	0.25	0.80	—	0.87	1.15	1.20	0.99	0.62	0.65	Price/Sales
6.79	5.29	—	—	—	16.56	15.48	—	2.85	2.17	2.27	Price/Earnings
3.03	2.16	1.09	2.57	—	3.21	4.11	2.45	2.05	1.61	1.62	Price/Cash Flow
0.54	0.28	0.38	0.82	—	1.13	1.40	1.63	1.08	1.07	1.02	Price/Book

Operating Performance as of 6 Jun 2023 (Fiscal Year End 31 Dec 2023)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q3	Fiscal (%)
3.4	-2.38	-3.19	-2.03	-0.04	3.03	4.49	0.54	10.91	20.26	3.87	Return on Assets
7.01	-5.56	-9.31	-6.81	-0.12	9.48	14.01	1.72	30.87	52.73	9.88	Return on Equity
4.33	-2.16	-2.09	-0.2	1.6	5.45	9.16	3.32	17.8	30.57	6.18	Rtn on Invested Capital

Business Description

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 2022 was 2.7 million barrels of oil equivalent a day (80% oil production), and reserves stood at

10.5 billion boe (85% oil). At year-end 2022, Petrobras operated 11 refineries in Brazil with capacity of 1.9 million barrels a day and distributes refined products and natural gas throughout Brazil.

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The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. 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.

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Morningstar's quantitative equity ratings consist of: (i) Quantitative Fair Value Estimate, (ii) Quantitative Star Rating, (iii) Quantitative Uncertainty, (iv) Quantitative Economic Moat, and (v) Quantitative Financial Health (collectively the "Quantitative Ratings").

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- 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, Quantitative Uncertainty Rating, and momentum. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

★ – the stock is overvalued with a reasonable margin of safety.

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

*Micro-Caps: Log (Quant FVE/Price) < -1.5*Quantitative Uncertainty*

★★ – the stock is somewhat overvalued.

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

*Micro-Caps: Log (Quant FVE/Price) between (-1.5*Quantitative Uncertainty, -0.75*Quantitative Uncertainty)*

★★★ – the stock is approximately fairly valued.

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

*Micro-Caps: Log (Quant FVE/Price) between (-0.75*Quantitative Uncertainty, 0.75*Quantitative Uncertainty)*

★★★★ – the stock is somewhat undervalued.

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

*Micro-Caps: Log (Quant FVE/Price) between (0.75*Quantitative Uncertainty, 1.5*Quantitative Uncertainty)*

★★★★★ – the stock is undervalued with a reasonable margin of safety.

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

*Micro-Caps: Log (Quant FVE/Price) > 1.5*Quantitative Uncertainty*

After the initial calculation for the star rating, there is a final filtering step based on the momentum of the company. We rank the companies based on their 12-1 month momentum, then restrict those below the 30th percentile to a maximum of 3 stars.

- iv. **Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the Quantitative Fair Value Estimate. Generally, the lower the Quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

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.
- ii. **Quantitative Valuation** – Using the below terms, intended to denote the relationship between the security's **Last Price** and Morningstar's quantitative fair value estimate for that security.

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

Fairly Valued – Last Price is in line with Morningstar's quantitative fair value estimate.

Overvalued – Last Price is above Morningstar's quantitative fair value estimate.

Overvalued – Last Price is above Morningstar's quantitative fair value estimate.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company. Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk

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The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

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