

Petroleo Brasileiro SA Petrobras XPBR ★★★★★^Q 14 Oct 2019 02:00 UTC

Last Close
14 Oct 2019
6.40

Fair Value^Q
14 Oct 2019 02:00 UTC
7.77

Market Cap
14 Oct 2019
82,233.2 Mil

Sector
Energy

Industry
Oil & Gas Integrated

Country of Domicile
BRA Brazil

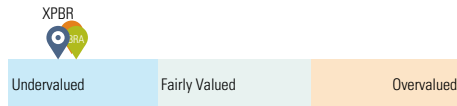
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Company Profile

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 2018 was 2.63 million barrels of oil equivalent a day (80% oil production), and reserves stood at 9.6 billion boe (86% 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	None	5	13	3
Valuation	Undervalued	44	23	74
Quantitative Uncertainty	High	84	87	78
Financial Health	Moderate	48	48	23



Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.82	0.99	0.84	0.84
Price/Earnings	11.4	22.6	16.0	13.7
Forward P/E	8.0	—	10.9	11.4
Price/Cash Flow	4.1	2.5	6.7	7.3
Price/Free Cash Flow	7.3	31.2	14.4	11.6
Trailing Dividend Yield %	1.59	—	3.75	2.55
Price/Book	1.2	0.7	1.3	1.3
Price/Sales	1.0	0.6	1.3	1.1

Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	10.1	-2.5	9.8	12.0
Return on Assets %	3.3	-0.9	4.6	4.8
Revenue/Employee (Mil)	1.5	1.4	1.6	1.0

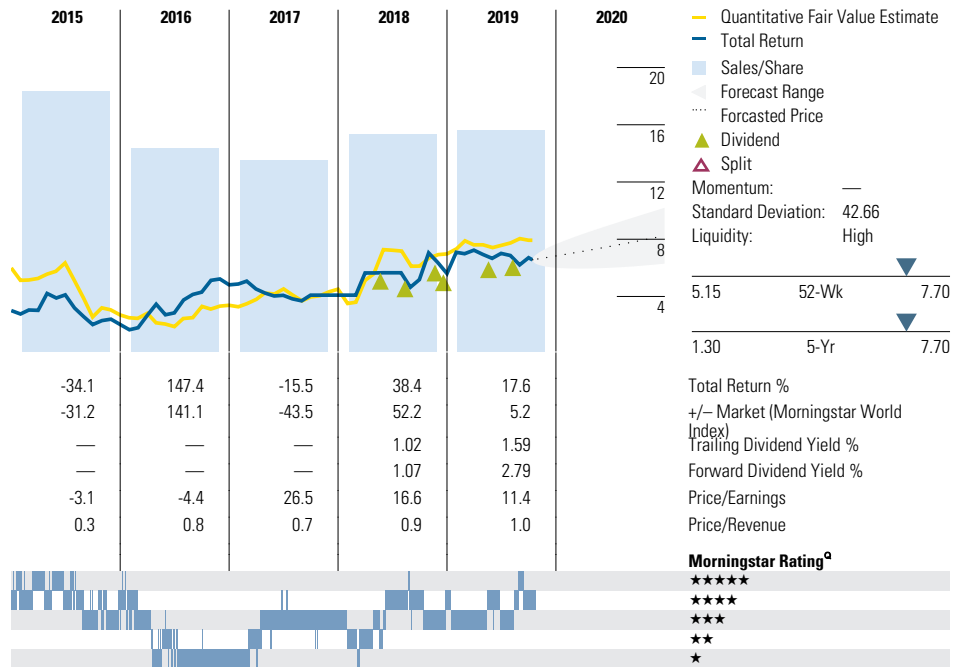
Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.5	0.3	0.5	0.6
Solvency Score	586.9	—	582.8	530.5
Assets/Equity	3.1	3.1	1.6	2.1
Long-Term Debt/Equity	1.1	1.3	0.4	0.3

Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	7.6	-0.6	-7.5	-2.1
Operating Income %	84.6	16.7	7.8	-1.8
Earnings %	—	—	-8.3	-12.7
Dividends %	—	—	-13.7	-18.6
Book Value %	-10.4	3.1	-13.6	0.3
Stock Total Return %	1.6	9.0	-0.9	-4.8

Price vs. Quantitative Fair Value

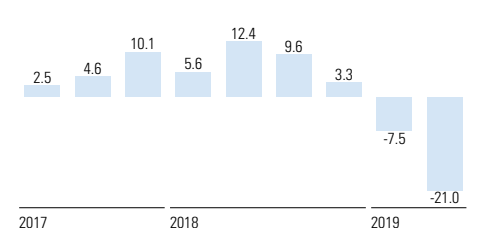


	2014	2015	2016	2017	2018	TTM	Financials (Fiscal Year in Mil)
Revenue	143,657	97,314	81,405	88,827	95,584	92,534	Revenue
% Change	1.6	-32.3	-16.3	9.1	7.6	-3.2	% Change
Operating Income	12,350	13,518	13,058	11,630	21,467	19,783	Operating Income
% Change	-19.4	9.5	-3.4	-10.9	84.6	-7.8	% Change
Net Income	-7,367	-8,450	-4,838	-91	7,173	8,115	Net Income
Operating Cash Flow	26,632	25,913	26,114	27,112	26,353	22,339	Operating Cash Flow
Capital Spending	-34,808	-21,653	-14,085	-13,639	-12,021	-9,832	Capital Spending
Free Cash Flow	-8,176	4,260	12,029	13,473	14,332	12,507	Free Cash Flow
% Sales	-5.7	4.4	14.8	15.2	15.0	13.5	% Sales
EPS	-0.56	-0.65	-0.37	-0.01	0.55	0.62	EPS
% Change	-165.9	—	—	—	—	12.7	% Change
Free Cash Flow/Share	-1.49	-0.02	0.76	0.97	1.35	0.88	Free Cash Flow/Share
Dividends/Share	0.24	0.00	0.00	0.00	0.06	0.08	Dividends/Share
Book Value/Share	9.88	5.11	5.80	5.34	4.86	5.55	Book Value/Share
Shares Outstanding (Mil)	13,044	13,044	13,044	13,044	13,044	13,044	Shares Outstanding (Mil)
Return on Equity %	-5.6	-9.3	-6.8	-0.1	9.5	10.1	Return on Equity %
Return on Assets %	-2.4	-3.2	-2.0	0.0	3.0	3.3	Return on Assets %
Net Margin %	-5.1	-8.7	-5.9	-0.1	7.5	8.3	Net Margin %
Asset Turnover	0.46	0.37	0.34	0.36	0.40	0.39	Asset Turnover
Financial Leverage	2.6	3.5	3.2	3.1	3.1	3.2	Financial Leverage
Gross Margin %	23.8	30.7	31.9	32.3	35.6	34.8	Gross Margin %
Operating Margin %	8.6	13.9	16.0	13.1	22.5	21.4	Operating Margin %
Long-Term Debt	120,218	111,482	108,371	102,045	80,508	69,832	Long-Term Debt
Total Equity	116,272	65,236	76,779	79,802	71,544	79,229	Total Equity
Fixed Asset Turns	0.6	0.5	0.5	0.5	0.6	0.6	Fixed Asset Turns

Quarterly Revenue & EPS

Revenue (Mil)	Mar	Jun	Sep	Dec	Total
2019	21,229.0	18,502.0	—	—	—
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
2016	17,989.0	20,320.0	21,693.0	21,403.0	81,405.0
Earnings Per Share (€)					
2019	0.08	0.37	—	—	—
2018	0.16	0.22	0.13	0.04	0.55
2017	0.11	0.01	0.01	-0.13	-0.01
2016	-0.02	0.01	-0.41	0.06	-0.37

Revenue Growth Year On Year %



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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").

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*

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

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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.

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