

## Petrobras Contributed 15x More to Brazilian Society Than to Minority Shareholders in Last 10 Years

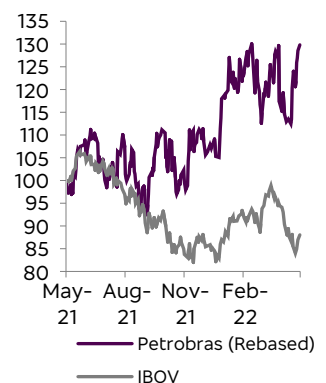
- Discussions related to Petrobras' pricing policy are heating up as the company is likely to pay record dividends in 2022 while high fuel prices are also impacting inflation.
- Nevertheless, while PBR has been reporting high levels of profitability, Brazilian citizens (indirectly through dividends and taxes paid by PBR to the gov't) appear to be benefitting more from these positive earnings dynamics than PBR's minority shareholders.
- From 2011 to 2021, the gov't's total return earned on PBR was ~15x higher than minority shareholders, collecting R\$1.4 trillion in taxes and dividends vs. minorities receiving R\$94bn in dividends, and debt holders R\$177bn in interest paid. Notably, PETR underperformed the Ibovespa, Brent, and the CDI, implying negative relative returns for minority shareholders.
- Thus, changes to PBR's pricing policy may backfire regarding BZ's fiscal accounts (lower dividends and future taxes received) plus the risk premium assigned by investors to allocate money to Brazil may rise, implying in turn, rising costs for overall goods/services
- Although corporate governance has recovered from a low point since the Carwash scandal, investors are still weary of past financial mismanagement and fossil fuel subsidies. New fuel price formulas may hinder more than help, resulting in new class actions against PBR/managers as well as the above-mentioned negative reactions regarding BZ's risk perception and inflation.
- In our view, other courses of action could be taken to mitigate fuel price hikes for consumers. For example, in 2022, the gov't will raise an incremental ~R\$120bn in taxes from PBR due to higher oil prices and stronger economic activity, part of which could be used for temporary energy-related social welfare policies, while keeping corporate governance intact.

**Discussions related to Petrobras' pricing policy are heating up as the company is expected to pay record dividends in 2022.** PBR's 1Q22 bottom line of R\$45bn and the declared dividends of R\$48.5bn have once again fired-up discussions about the company's high level of profitability and pricing policy. Although PBR's bottom lines in the coming quarters should be significantly lower (negatively hit by a non-cash effect from the BRL's depreciation vs. the USD), we expect declared dividends to stay at similar levels as we commented in a recent [report](#). This possible dividend distribution would likely happen close to Brazil's presidential election race, which may further intensify discussions, potentially leading to share price volatility.

**In fact, in the last 10 years, PBR has contributed 15x more to Brazilian society than to minority shareholders.** Figures 1-2 are the most important in this report and show that during the last 10 years Brazilian society (represented by the federal gov't and BNDES) has raised ~R\$1.4bn in taxes + dividends from PBR, or 15x the dividends of R\$94bn paid to minority shareholders. Additionally, creditors collected R\$176bn in accrued interest in the same period, which is ~2x that was collected by minority shareholders in dividends. Minorities, thus, have benefited the least from PBR's operations in the last 10 years. Indeed, Figure 3 also shows that shareholders virtually earned no capital gains in the last 10 years, as PBR's shares underperformed the Ibovespa by ~50%, and was below both the Brent price and the CDI by 150%. All in all, it appears that relative returns for minority shareholders were negative.

**Where is the Government's money going?** As we show in Fig 4, the gov't collected 53% of the cash from taxes paid in 2021, while the States collected 46% and municipalities only 1%. When looking at VAT (ICMS), São Paulo state collected the most in 2021 (R\$16.3bn) followed by Minas Gerais (R\$11bn) and Rio de Janeiro (R\$9.5bn). Rio de Janeiro has the largest ICMS on gasoline (34%), while Amapá has the highest ICMS on diesel (25%). It is also key to understand that, the government's cash collection with Petrobras has been increasing together with higher oil prices (Figure 5). In 4Q21, the gov't's total tax collection was 92% higher than 1Q21 at R\$69bn. For 2022, we estimate the Union's total cash collection (taxes + dividends) should be R\$345bn.

**Ticker:** PETR4 BZ  
**Rating:** Outperform  
**Target:** R\$50.00  
**Upside:** 44%



(R\$ mn)	2020A	2021E	2022E
EPS (R\$)	2.01	8.21	12.07
EBITDA	129,406	234,094	321,826
P/E	17.2	4.2	2.9
EV/EBITDA	6.0	3.1	2.1
P/BV	1.5	1.2	1.1
Dividend Yield	1.5%	16.1%	27.6%

Key Figures	17-May-22
Local Price (R\$)	34.61
Price Range - 52 wk (R\$)	24.65 - 34.67
Shares Outstanding (mn)	13,044
3-month ADTV (R\$mn)	1,378.8
Market Cap (R\$bn)	451.5
EV (R\$bn)	619.4
P/BV	1.2
Current Net Debt (R\$mn)	167,933
Net Debt/2022 EBITDA	0.7x

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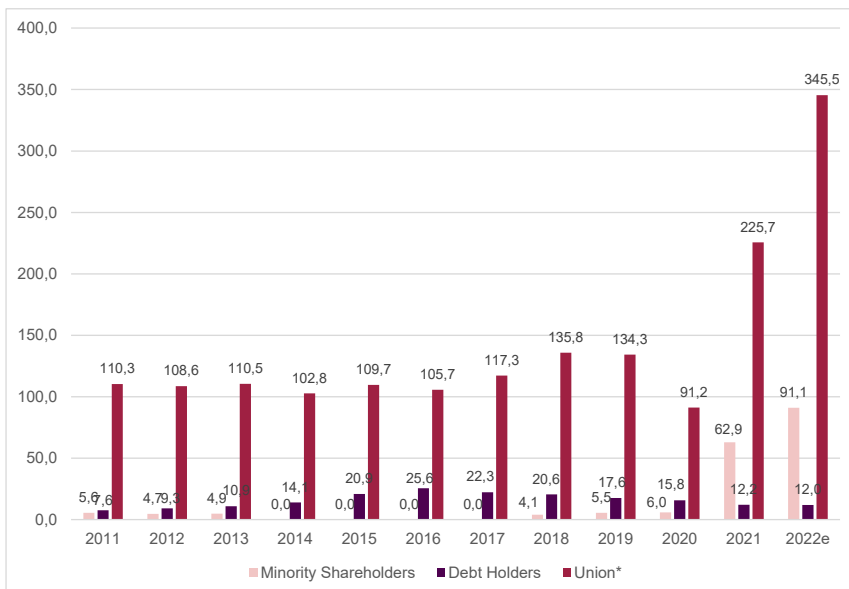
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**Hurting minority shareholders again would be a risky path to take.** As clearly shown by the data, minority shareholders still have not recovered from the effects of past financial mismanagement, and fossil fuel subsidies. Shares have massively underperformed other indexes in the last 10 years and its average dividend yield was 3.5% per year. In our view, any future malpractices may result in further class actions against PBR and its managers. Moreover, although this or future governments/congress might be tempted to change Petrobras' pricing policy via legislative means (bringing some legal comfort to the changes), the resulting damage might lead not just to litigation, but could also have negative repercussions on Brazil's risk perception, the BRL and therefore, inflation.

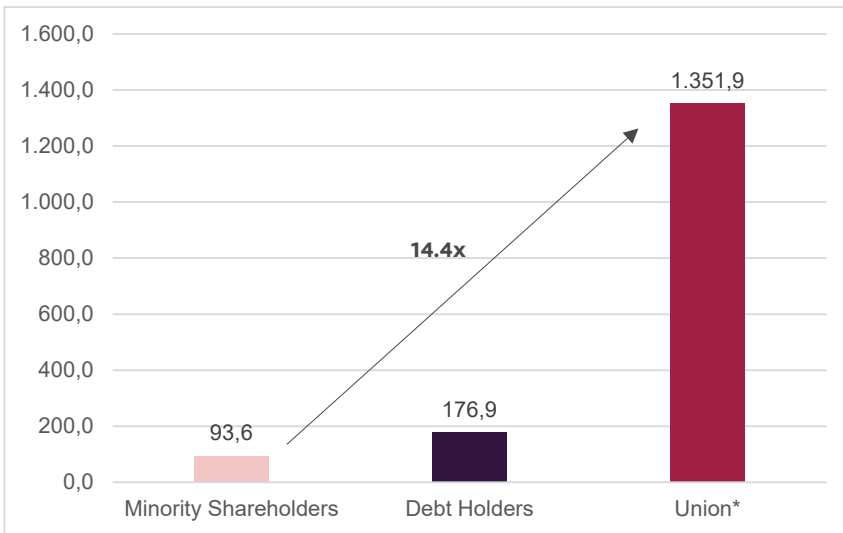
**What is the solution to high fuel prices in Brazil?** The solution is not simple, but, for example, temporary subsidies (such as those introduced in 2018 after the truck drivers' strike) and fuel vouchers (which began to be introduced more recently) seem to be possibilities that are broadly accepted by investors, policy makers, and society. **We estimate that, in 2022, the Federal + State Govt's will raise an incremental R\$120bn in taxes from PBR given higher oil prices and stronger economic activity. The government could use part of these funds (respecting fiscal limits) for energy-related social welfare policies, while also respecting the rights of minority shareholders.** A stabilization fund with PBR's dividends and taxes could also be potential a way out; however, we realize that such a move would create a long-term fiscal commitment, which is something that Brazil might want to avoid at this point in time.

**Figure 1: Funds raised per year from PBR (Union vs. Creditors vs. Minority shareholders) – R\$ billion**



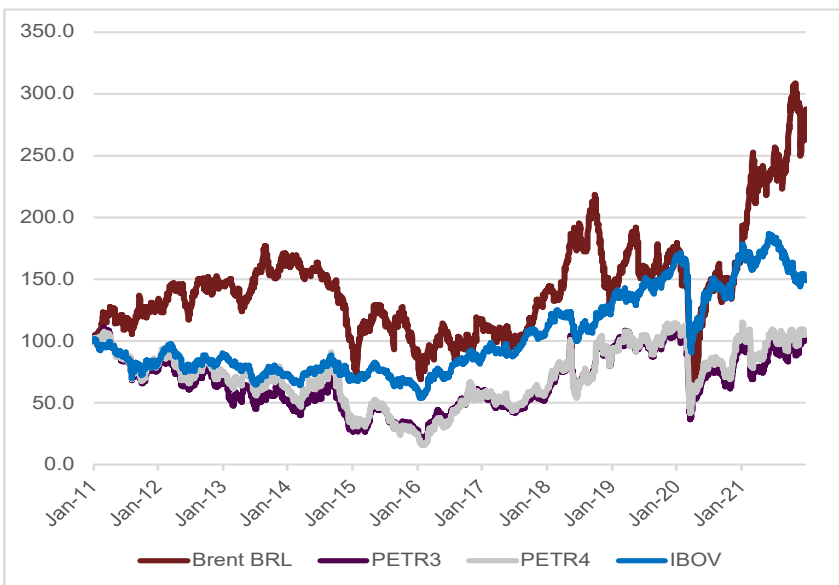
Source: Petrobras, Bradesco BBI \* historical Union figures are competence figures, which differ slightly from cash figures

**Figure 2: Accrued 10-yr amounts raised from PBR – R\$bn.  
Govt raised almost 15x vs. minority shareholders**



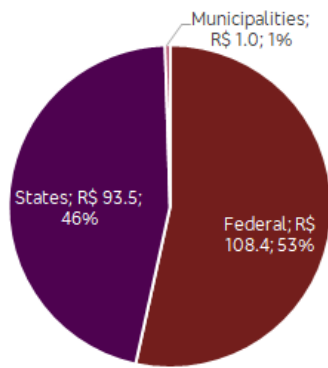
Source: Petrobras \* historical Union figures are competence figures, which differ slightly from cash figures

**Figure 3: PBR 2011-2021 share performance vs. Ibovespa and Brent\***



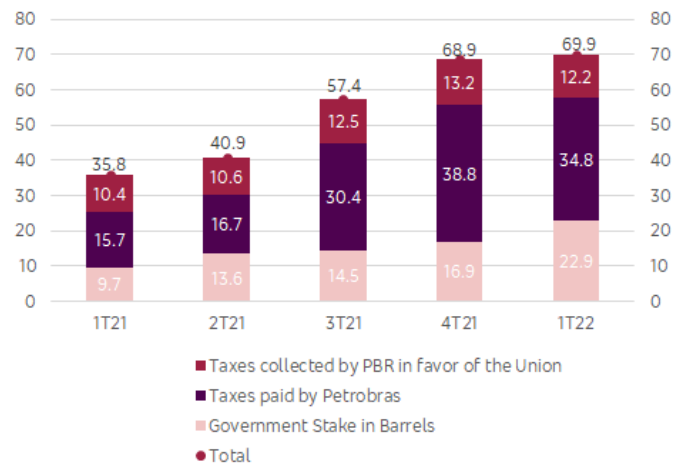
Source: Bloomberg \* Brent in BRL

**Figure 4: Breakdown of 2021 tax collection per Union entity – R\$bn**



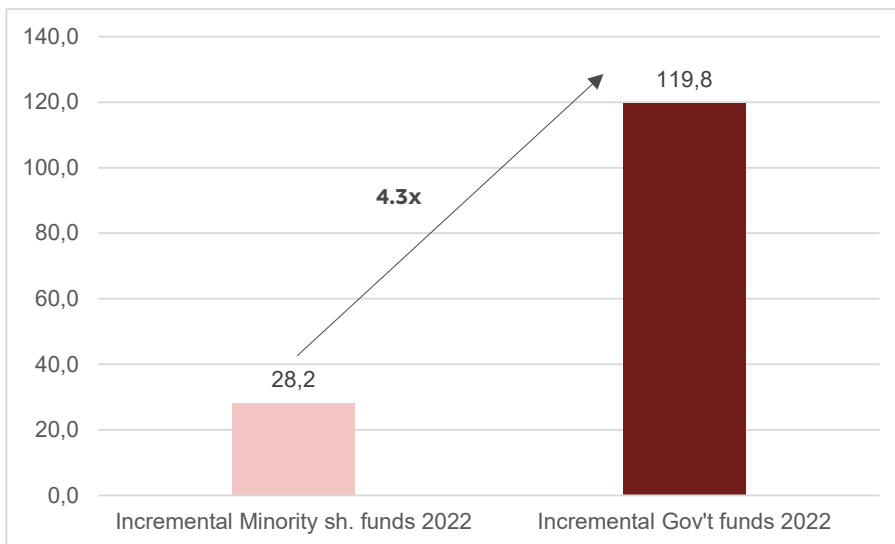
Source: Petrobras

**Figure 5: Union’s tax collection from PBR per quarter – R\$bn**



Source: Petrobras

**Figure 6: Estimated incremental funds from PBR in 2022 –R\$bn**



Source: Bradesco BBI

**Figure 7: Breakdown of PBR's ICMS ta collection per State**

STATES	PETROBRAS COLLECTION (R\$bn)	PETROBRAS CONTRIBUTION %
SÃO PAULO	16.3	8.8%
MINAS GERAIS	11.0	16.5%
RIO DE JANEIRO	9.5	20.1%
MARANHÃO	5.6	57.1%
RIO GRANDE DO SUL	5.5	12.2%
PARANÁ	5.1	13.2%
BAHIA	4.4	14.2%
GOIÁS	4.4	19.0%
SANTA CATARINA	3.5	11.8%
PARÁ	3,4	20.6%
MATO GROSSO DO SUL	3.0	21.7%
MATO GROSSO	2.8	13.4%
ESPÍRITO SANTO	2.7	18.4%
CEARÁ	2.3	14.4%
PERNAMBUCO	2.3	10.7%
DISTRITO FEDERAL	1.7	17.3%
AMAZONAS	1.5	11.8%
PARAÍBA	1.5	20.2%
RONDÔNIA	1.3	22.9%
RIO GRANDE DO NORTE	1.2	17.7%
ALAGOAS	1.1	20.5%
PIAUÍ	1.1	18.9%
TOCANTINS	1.0	24.8%
SERGIPE	0.5	11.2%
RORAIMA	0.4	28.3%
AMAPÁ	0.3	23.0%
ACRE	0.3	15.0%

Source: Petrobras



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### Company Description

Petrobras specializes in the oil, natural gas and energy industry. The Company is engaged in prospecting, drilling, refining, processing, trading and transporting crude oil from producing offshore and onshore oil fields. Its segments include Exploration and Production, Refining and Gas and Power. The company is controlled by the Brazilian government, the State owns 50.3% of the common shares and 28.7% of the total shares.

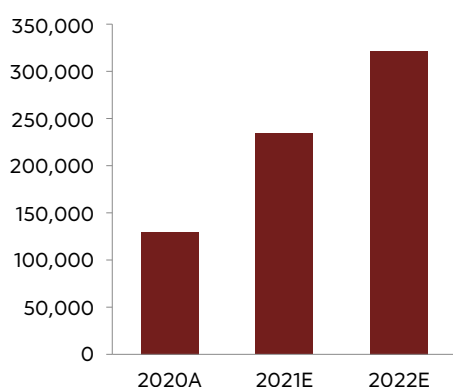
### Key Metrics (R\$m)

Market Cap	451,470
Current Net Debt	167,933
EV	619,403

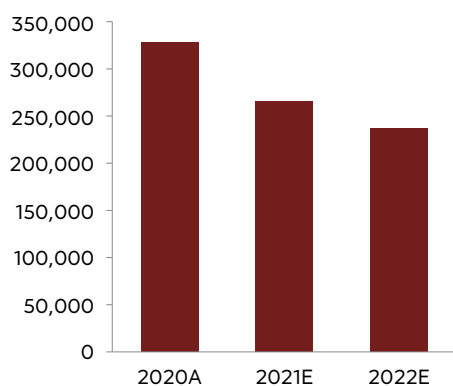
(R\$m)	2021E	2022E	2023E	2024E
Revenue	452,665.0	637,663.0	660,328.3	672,456.5
EBITDA	234,094.0	321,825.9	297,933.0	290,032.2
EBITDA Margin	51.7%	50.5%	45.1%	43.1%
Net Income	106,633.0	157,389.8	138,638.0	128,939.9
Net Margin	23.6%	24.7%	21.0%	19.2%
EPS	8.21	12.07	10.63	9.88

(R\$m)	2021E	2022E	2023E	2024E
Net Debt	265,778.0	237,236.5	205,912.1	163,110.1
Net Debt/EBITDA	1.1	0.7	0.7	0.6
ROE	27.5%	37.5%	30.1%	25.5%
ROIC	16.3%	23.9%	20.8%	19.3%
EV/EBITDA	3.1	2.1	2.2	2.1
P/E	4.2	2.9	3.3	3.5
P/BV	1.2	1.1	1.0	0.9
FCF Yield %	38.3%	44.6%	48.2%	48.1%
Dividend Yield %	16.1%	27.6%	21.7%	18.5%

### EBITDA



### Net Debt



	2021E	2022E	2023E	2024E
BZ Oil Production (kbpd)	2,211	2,215	2,300	2,489
Total Oil Production (kbpd)	2,253	2,258	2,344	2,534
BZ O&G Production (kboepd)	2,763	2,762	2,847	3,036
Total O&G Production (kboep)	2,806	2,805	2,891	3,081
Lifting Cost (US\$/bbl)	5	5	5	5

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