

Petrobras' corporate strategy and advantages for future development

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Abstract. In this paper, SWOT analysis and value analysis are used to introduce the current operation situation of Petrobras and to study the development strategy and advantages and disadvantages of the company from different perspectives. Through analysis, we can find out whether the company's stock is worth investing at present.

Keywords: SWOT analysis; Value analysis; Strategy.

1. Introduction

Petróleo Brasileiro S.A.--Petrobras

Energy stock has been a hot topic in recent days, Seems like the conflict of Russia Ukraine doesn't end immediately. Energy face high demand. So there are some opportunities for energy stocks. I choose Petrobras from many stocks with the same concept. The stock was listed in 2008, NYSE. Petrobras, is an oil-based company. The company Main business is about exploration, production and refining oil, they also produce natural gas.

Exploration and production of oil and gas is the core activity of Petrobras. The company seeks to increase reserves and develop production to meet the growing energy demand. The company's oil and gas exploration and production activities are a major component of their product portfolio, including offshore and onshore exploration, evaluation, development, production and inclusion of oil and gas reserves.

Petrobras was chosen because of its future goals and positioning. As an oil company, Petrobras is in the mature stage of the company, and its business and output are relatively stable. But recently, due to the fluctuation of oil price, the company faces great challenges. Therefore, in the future, the company will actively change, tap its own advantages and improve its competitiveness. Since the 1970s, relying on technology and perseverance, the company has been striving in the sea of Campos Basin. Today, production in ultra deep water has become a solid reality. In the plan for the next five years, the company will take the deep water and ultra deep water reservoirs in Brazil as the main development targets. At the same time, the company has also found valuable light oil in the region. In my opinion, the company is confident and capable of converting these light oil into huge value in the future.

The company uses exploration and production consortia to cooperate in block exploration and oilfield production in Brazil, especially in ultra deep waters.

Based on the development plan of the future company, it can be analyzed that the future company will reduce the negative products produced by oil refining, improve the quality of oil, and shift the focus of exploration to the deep sea. In my opinion, the company can maintain and increase its output in the future while being environmentally friendly.

2. Financial strategy

Petrobras intends to: increasing investment funds in deep and ultra-deep waters assets, where the company have been increasing their competitive advantage over the years, resulting in the production of a better-quality oil with lower greenhouse gas emissions. Through decades of research, the company found that pre-salt regions are the most likely places to bring them great value. Such pre-salt regions comprise large accumulations of excellent quality, low sulphur high commercial value light oil. It is in this area that Petrobras have internationally recognized, technical capacity and developed technology. In order to retain this focus, The company gradually reduces the development

of oil fields in land and shallow water areas. The company investing 67% of total CAPEX amount in E&P, concentrating specifically on pre-salt assets and projects, particularly the Búzios(oil field), ultimately allocating approximately US\$23 billion out of US\$57 billion towards this segment. Meanwhile, Campos Basin is also an important investment target of the company. They plan to invest US \$16 billion to build more than 100 new oil wells and FPSO system in the land group. These plans can greatly improve operational efficiency and optimize production capacity, It is estimated that these projects may increase the oil production from 700000 barrels in 2021 to 900000 barrels in 2026. The company plans to upgrade its refineries and refining units to improve oil production, refining capacity and operation efficiency.

3. Business strategy

Petrobras create a strategy call Go Digital, which aims to put technology at the core of businesses and, therefore, create value throughout the value chain. This strategy relies mainly on high-tech computers. By collecting and analyzing the data. Integrate supporting environment, health, safety management, and other information. To achieve efficient operation of the enterprise. Also, this strategy can improve the abilities of SAP Ariba (Procurement), SAP Concur (expend management), Blackline (accounting reconciliation), Intelligent Asset Management (industrial asset reliability) and Celonis (process mining). This program began in 2020 and is expected to be fully implemented by 2023 which able to operate at optimal performance, at any market conditions and regardless of the types of oil that company disposal. In the future, the company plans to increase research and development investment in low-carbon oil, train professionals and recruit technical experts to accelerate innovation. Expand the R & D team. The company added 300 teams in 2021, and there will be more in the future, also they Invest 563 million US dollars to build laboratories and purchase advanced equipment.

4. potential risk

Firstly, the revenue of oil company depends largely on international oil prices. In the past 2021, the oil price rose sharply, which was the main reason for the increase of the company's income. However, at present, in order to reduce the consumer price index, it may cause the oil price to fall, it depends on the policy decision of the government. In addition, public health epidemics and pandemics such as the Covid-19 outbreak could cause health restrictions to workforce and, therefore, impact the operation of some of facilities, including platforms, refineries, terminals, among others.

5. Strengths

(1) The operating revenue of Petrobras in the second quarter was US \$61.892 billion, an increase of 68.74% over the same period last year.

(2) The net profit of the company in the second quarter reached 19.615 billion, and it increase of 136.30% over the previous year.

(3) It is worth noting that in the second quarter of 2022, the company's operating cash flow reached 24.804 billion, an increase of 37.29% over the previous year, indicating that there will be sufficient cash in the future and the possibility of capital chain breaking will be reduced.

6. Weakness

International oil price drops

Petrobras' revenues are largely dependent on oil prices. The recent fall in US oil prices has led to a drop in international crude oil prices, The average price of gasoline in the U.S. fell to \$3.978/gallon after the recent continuous decline, falling below the \$4 / gallon level, the lowest point since March this year. Compared with the peak of US \$5.016/gallon on June 14, it dropped by about 20%. Experts

speculate that if there are no new major international events and conflicts, the international oil price may continue to decline in the second half of the year

7. Opportunity

(1) Oil price rises due to conflict between Russia and Ukraine

Various military equipment will consume a large amount of oil, which is one of the reasons for the rise in oil prices,

(2) Russia may reduce oil exports in the future, which will increase the value of oil points, The Russian Economic Department predicts that the oil export volume will decrease by 20% in 2022.

(3) Petrobras is expected to produce more valuable light oil by increasing investment in the pre-salt regions. At the same time, the company has increased its exploration of deep-sea areas.

(4) Air ticket prices rise in Brazil

According to the statistics of the Brazilian Civil Aviation Authority, the number of passengers has increased significantly, greatly increasing the demand for flights

8. Threats

(1) The rise of new energy electric vehicles

In recent years, the new energy electric vehicle industry has developed rapidly, such as Tesla, BYD and other brands. New energy vehicles have many advantages, such as fast acceleration and low price. As more and more people choose new energy vehicles, fuel vehicles will lose their previous dominant position, which means that the demand for oil will decrease.

(2) The threat of epidemics

At present, the company is still facing the problem of Covid-19, which will reduce manpower, and may cause production reduction, population shortage and other problems

9. Conclusion of SWOT

Through the SWOT analysis of Petrobras, we can briefly understand the company's advantages and possible difficulties. The company's performance is good, but why not directly choose oil or other better international oil companies.

In my opinion, a very important point is the future growth forecast. The strategy of Petrobras for the future is not to maintain stability, but to seek to accelerate the development of its own advantages. On the contrary, at present, the oil products of many companies fluctuate with the changes of international oil prices, and Petrobras was the same in the past. However, the company's share price can maintain a relatively upward trend in the process of oil price decline in the near future, It is believed that the market funds have also discovered the potential value of the company - it can develop oil fields with higher output and develop better refining technology. At the same time, Petrobras has received full support from the Brazilian government, and the company represents the future development of Brazil to a large extent

10. Valuation

In the oil and natural gas sector, Petrobras ranks tenth in market value. Looking at the top ten, all of them are well-known international oil companies, Petrobras, which is a good performance.

Next, let's see the P / E ratio, which is a very important judgment indicator. The P / E ratio of PBR is 4.05, compared with 2019, it has decreased. Select some famous enterprises in the plate for reference, like Exxon Mobil(15.70)、Chevron(14.90)、Shell(5.60)、ConocoPhillips(10.80). From the above companies, we can find that the P / E ratio of Petrobras is low. This means that the company's share price may be undervalued and may generate high returns in the future. The income of Petrobras will increase significantly in 2022. This is exciting news.

11. Conclusion

Petrobras is worthy of long-term investment. From a macro perspective, most oil enterprises are in the mature period, and their income, profit and gross profit rate are relatively stable. Petrobras is no exception. However, the company's plan for the future is bright. In my opinion, the company's plan for the future is very innovative, and it also combines the company's current positioning and Brazil's environment. The company plans to invest a lot in deep-water oil development and light oil exploitation in the pre salt area, which can bring huge profits in the future. At the same time, the company's new refining technology can greatly reduce carbon emissions, which is in line with the general trend of the future international environment. Whether a company can maintain a good development momentum in the future depends on its plan. The strategy of Petrobras makes investors feel that they are very focused on amplifying their advantages and improving their competitiveness. Through value analysis, it can be concluded that the share price of Petrobras may be undervalued.

It must be acknowledged that Petrobras currently has some shortcomings, and there is still a gap with some international oil companies. However, if the company can seize the opportunity and enlarge its advantages in technology and resources, it may bring huge profits. To sum up, I think that the company's stock is a good long-term investment.

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