Petrobras

1Q26 Review: Missed the mark

Export realization prices drive the miss in EBITDA and dividends (1.4% yield). Stronger results ahead

This Monday (11), after market close, Petrobras reported 1Q26 results. Despite increasing sequentially (+7.3% q/q), PBR's adjusted EBITDA of USD11.7bn was below our estimates (-7.1% vs. XPe) and consensus (-8.9%). Net income of USD6.2bn was roughly in line with our estimates (-2.7% vs. XPe). Accordingly, dividends of USD1.8bn (c.1.4% yield for the quarter) and free cash flow generation were also below our estimates by a similar amount to EBITDA. The miss is mainly explained by lower-than-expected realization prices for crude export sales (c.USD72/bbl, +6.5% q/q vs. Brent +27%). We believe PBR's 1Q26 results disappointed expectations and will likely trigger negative stock reaction in the next trading session. However, in our view, they should not translate into meaningful downward earnings revision going forward. For 2Q26, we expect substantially better results as PBR should capture more upside from higher Brent prices from export realization prices, derivative price increases and capture the benefit of the Government's diesel subsidy program.

1.4% dividend yield. Petrobras announced Interest on Equity of BRL0.70/sh (c.USD0.29/ADR) totaling BRL9.0bn (USD1.8bn). This represents yields of 1.5% and 1.4% for the preferred and common shares, respectively. Shares will start trading ex-dividends on June 2, 2026. Cash payments will be made in two equal tranches on August 20 and on September 21, 2026. Dividends announced were below expectations, both XPe and consensus (USD2.4bn and USD2.3bn, respectively).

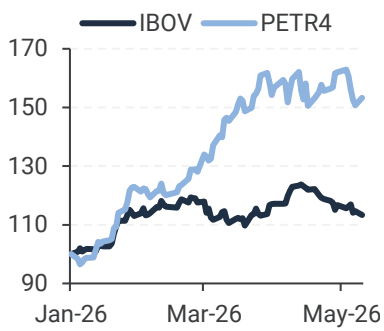
WK weighs on FCF. Petrobras EBITDA miss (c.-USD1bn vs. XPe) flowed through operational cash flow and 45% of that also flowed through to the dividend policy (c.-USD0.5bn same miss vs. XPe). The remainder of the cash flow lines were roughly in-line with our estimates, including capex of USD4.5bn and lease payments of c.USD2.4bn. Accordingly, FCFE of USD1.4bn was a similar miss to our estimates (c.-USD1.1bn vs. XPe of USD2.5bn). Cash flow for the quarter was negatively impacted by working capital of -USD1.3bn which was similar to what we had forecasted given the working capital requirements of the rising production. Adjusting for WK and asset sales (c.USD0.5bn), recurring FCFE for the quarter was c.USD2.1bn (6.6% annualized yield) – which is consistent with realization prices that barely increased q/q (+6.5% crude export price, +2.6% domestic derivative prices), but not what we would expect for upcoming quarters in such high Brent price environment (c.USD100/bbl currently). We expect significantly higher FCFE generation in 2Q26.

Stable leverage. Petrobras's financial net debt (ex-leases) increased c.+USD1.2bn q/q to USD18.4bn at the end of 1Q26, due to dividend payments of USD2.2bn in the quarter. Leverage remained stable at 1.4x ND/EBITDA LTM. Notably, gross debt including leases increased +USD1.4bn q/q to USD71.2bn (compares with business plan ceiling of USD75bn).

Petrobras (PETR4)	Buy
Target Price (R$/sh.)	R$ 47.00
Current Price (R$/sh.)	R$ 46.43
Upside (%)	*1%*
Target Price (US$/ADR)	17.40
Current Price (US$/ADR)	18.93
Upside (%)	-8%
Market Cap (R$ million)	631,021
# of shares (million)	12,889
Free Float (%)	64%
ADTV (R$ million)	2,341

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Performance vs. IBOV



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1Q26 Petrobras Review

USD Million	1Q26A	1Q26E	A vs. E	Cons	vs. Cons	4Q25A	q/q	1Q25A	y/y
Net Revenues	23,535	25,244	-6.8%	25,923	-9.2%	23,608	-0.3%	21,073	+11.7%
Adj. EBITDA	11,737	12,639	-7.1%	12,885	-8.9%	10,935	+7.3%	10,652	+10.2%
EBITDA mg	*49.9%*	*50.1%*	*0 p.p.*	*49.7%*	*0 p.p.*	*46.3%*	*4 p.p.*	*50.5%*	*-1 p.p.*
Net Income	6,199	6,369	-2.7%	5,483	+13.1%	2,915	+112.7%	5,995	+3.4%
Income mg	*26.3%*	*25.2%*	*1 p.p.*	*21.2%*	*5 p.p.*	*12.3%*	*14 p.p.*	*28.4%*	*-2 p.p.*

Growing production. Petrobras's oil production has increased significantly quarter-over-quarter to c.2.58MMbpd. PBR's production largely stems from its pre salt assets (2.19MMbpd), where output increased +3.5% q/q owing to the ramp-up of the FPSO P-78 (180kbpd capacity, c.89% PBR stake) in the Búzios field and FPSO Alexandre de Gusmão (180kbpd capacity, c.39% PBR stake) in the Mero field. Post-salt production increased to 361kbpd (+1.7% q/q), supported by the ramp-up of FPSOs Anna Nery and Anita Garibaldi. We expect Petrobras's production to continue trending upward in the coming quarters. Notably, FPSO P-79 (180kbpd capacity, c.89% PBR stake) achieved first oil on May 1.

Marginal increase in lifting costs. Lifting cost (including leases) increased slightly in 1Q26 to USD9.3/bbl, from USD9.1/bbl in 4Q25 (+2.1% q/q), mainly reflecting higher lifting cost in the pre-salt (+4.1% q/q). The increase is largely explained by the introduction of new FPSOs which are still ramping up, such as P-78 start-up, and the payment of performance bonuses related to platforms capacity increases.

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