



## Petrobras Bulls Put on Size Positions as Oil Holds Near \$60

**Ticker/Price:** PBR (\$14.20)

### Analysis:

**Petrobras (PBR)** buyer of 5,000 October \$15 calls for \$1.02 to \$1.10 and also 10,000 November \$15 calls bought \$1.31 with shares seeing some intraday momentum. PBR has seen buyers recently in the July \$14 calls, October \$18 calls, and November \$15 calls with short puts opening across October. Shares have pulled back to weekly cloud support where they're finding support this week and forming a series of higher lows since mid-2018. PBR is flagging on the monthly in a long channel upwards from the 2016 lows which targets \$20. The \$89.8B company trades 7.43X earnings, 1.02X sales, and 7.35X FCF with a small yield. PBR sees 33% EPS growth in 2020 and 13.6% growth in 2021 amid long-term restructuring and portfolio adjustments. They see revenue growth of 6% next year. The company currently is working towards reducing their stake in BR Distribuidora which could raise \$8B and potentially be announced within the next two weeks. The move is part of their plan to cut debt and shift more towards E&P. They recently sold \$10.3B in assets to Engie and exploring how best to sell their new gas pipelines. Analysts have an average target for shares of \$18.50 with 7 buy ratings and 2 hold ratings. Credit Suisse upgrading to Outperform recently while UBS upgrading to Buy earlier this year citing optimism around the new CEO, production growth estimates, and deleveraging. Institutional ownership rose modestly last quarter. RenTech adding 8.4M shares.

### Hawk Vision:



**Trading Strategy:** PBR is always tricky to play as it moves so much with the Brazil market and see better opportunities in US leaders like PXD, HES and FANG.

**Confidence Ranking:** \$\$