

Petrobras shares plunge on axed dividend as Brazil pushes more investment

Description

Fabricated by Lisandra Paraguassu, Marta Nogueira and Fabio Teixeira

In the strategically important venues of BRASILIA/RIO DE JANEIRO, a striking event unfolded. The Brazilian government, operating under discerning guidance, has instigated an audacious strategy to encourage the state-operated petroleum powerhouse, Petrobras, to prioritize the reinvestment of revenue initially earmarked for dividend allocation, as unveiled to Reuters by two anonymous insiders. This groundbreaking plan was precipitated by an unforeseen volte-face by Petrobras' executive board. Their abrupt decision to abandon an impending extra dividend led to a value diminution, surprising unsuspecting investors and resulting in a precipitous 10% slump in share prices on Friday.

Jean Paul Prates, at the helm of Petrobras as CEO, dedicated over two hours attempting to assuage the growing anxiety on an earnings call. Investors and stakeholders were concerned about an ostensible shift in the company's capital management policy, as it seemed that the leftist government of Brazil was maneuvering to prioritize reinvestment over the disbursement of dividends to shareholders.

In a pivotal board gathering on Thursday that marked a financial analysis of the fourth-quarter earnings, Prates put forward a proposal to sanction a payout that amounted to half of the extraordinary dividend permitted by the organisation's bylaws. However, this proposition was summarily dismissed by the government-appointed members of the board.

The resolution to rebuff the purported payment stemmed from an intervention by the Brazilian potentate, President Luiz Inacio Lula da Silva. During a meeting with both Prates and Energy Minister Alexandre Silveira, he made his stance resoundingly clear, as revealed by an individual privy to the situation who requested anonymity.

Through its earnings disclosure, Petrobras elucidated its controversial decision to only accord shareholders with a routine dividend of 14.2 billion reais (\$2.9 billion), whilst socking away an additional 43.9 billion reais in a specially designated fund referred to as "capital remuneration".

Controlled conversations were held with anxious investors where Sergio Caetano, Chief Financial Officer of Petrobras, expended significant effort in persuading them that the funds were exclusively earmarked for investors, void of investment purposes, however no concrete timeframe was set for these impending payouts. He further iterated that decisions relating to extraordinary dividends are made at the culmination of every fiscal year.

Profound doubts have emerged questioning if the accumulated funds could be employed for investment purposes. However, these assumptions were quickly quashed. "The definitive objective of this reserve is for disbursing dividends," voiced Caetano, in his call with the financial analysts.

In a further twist in this financial tale, the Brazilian government - the majority stakeholder in Petrobras - has



signaled their intent to reassess the regulations currently governing the dividend reserve, leveraging it for reinvestment purposes. This intriguing revelation was shared by two key government officials who preferred to remain anonymous.

Further Details Continue

This anticipated change has instigated further apprehension among investors, with considerable concern that Lula intends to leverage Petrobras as a catalyst to fortify Brazil's economy and generate greater employment. It echoes the measures adopted by his Worker's Party over a decade ago, which entailed a capital spending spree that left Petrobras with a substantial accumulated debt.

Recently, Petrobras has emerged as a veritable cash cow for shareholders, including the Brazilian government, with the previous management being particularly generous with dividend payouts, far exceeding their Western oil industry counterparts.

Under their new management assembled by Lula, the company has curtailed its payouts, but the market had widely expected an extraordinary dividend.

Goldman Sachs analysts conveyed a message to their clients, reflecting that investors had been anticipating an extraordinary dividend in the ballpark figure of \$3 billion to \$4 billion, over and above the predetermined year-end payout.

The absence of an additional dividend has initiated a series of downgrades, including Bank of America, Bradesco BBI, and Santander, causing considerable speculation regarding the preferred method of utilising the rapidly expanding cash reserves of Petrobras.

Analysts at Bank of America penned down their thoughts to their clients stating, "The decision amplifies the perceived risk at Petrobras, particularly the government's influence concerning crucial capital allocation decisions," while they downgraded the stock to neutral.

Petrobras reported a relatively modest 6.3% decline in its fourth quarter net recurring profits to 41 billion reais, outperforming the anticipated 35.3 billion reais as per analysts polled by LSEG.

With an exchange rate of \$1 = 4.9769 reais, Petrobras is a major player to watch in the global energy market.

Reporting by Marta Nogueira and Fabio Teixeira in Rio de Janeiro, Peter Frontini in Sao Paulo, Lisandra Paraguassu in Brasilia; Under the sage editorial guidance of Gabriel Araujo, Brad Haynes, Jonathan Oatis, and Marguerita Choy

Warning: Trying to access array offset on false in `/home/u750883576/domains/esl-news.com/public_html/wp-content/plugins/gpt-post-quiz/includes/admin/forms/gpoq-post-pdf-questions.php` on line 76

Warning: Trying to access array offset on false in `/home/u750883576/domains/esl-news.com/public_html/wp-content/plugins/gpt-post-quiz/includes/admin/forms/gpoq-post-pdf-questions.php` on line



76

Warning: Trying to access array offset on false in `/home/u750883576/domains/esl-news.com/public_html/wp-content/plugins/gpt-post-quiz/includes/admin/forms/gpoq-post-pdf-questions.php` on line **76**

Warning: Trying to access array offset on false in `/home/u750883576/domains/esl-news.com/public_html/wp-content/plugins/gpt-post-quiz/includes/admin/forms/gpoq-post-pdf-questions.php` on line **76**

Warning: Trying to access array offset on false in `/home/u750883576/domains/esl-news.com/public_html/wp-content/plugins/gpt-post-quiz/includes/admin/forms/gpoq-post-pdf-questions.php` on line **76**

Warning: Trying to access array offset on false in `/home/u750883576/domains/esl-news.com/public_html/wp-content/plugins/gpt-post-quiz/includes/admin/forms/gpoq-post-pdf-questions.php` on line **76**

Vocabulary List:

1. **Strategically** // (adverb): In a way that relates to the identification of long-term or overall aims and interests and the means of achieving them.
2. **Audacious** // (adjective): Showing a willingness to take surprisingly bold risks.
3. **Diminution** // (noun): A reduction in the size or importance of something.
4. **Assuage** // (verb): Make an unpleasant feeling less intense.
5. **Rebuff** // (verb): Reject in an abrupt or ungracious manner.
6. **Reinvestment** // (noun): The action or process of investing money that has been produced by previous investments.

Vocabulary quizzes

Multiple Choice (Select the Correct answer for each question.)

1. Which word means showing a willingness to take surprisingly bold risks?

Option: Audacious

Option: Diminution

Option: Assuage

Option: Rebuff

2. Which term refers to the action of investing money back into a project or business?

Option: Anticipated



- Option: Tainted
- Option: Reinvestment
- Option: Revelation

3. A person who exposes secretive information is known as a:

- Option: Impetus
- Option: Recalibration
- Option: Whistleblower
- Option: Advancing

4. Which term describes someone who is willing to take risks in order to start new businesses?

- Option: Jubilantly
- Option: Pioneering
- Option: Entrepreneurial
- Option: Expedition

5. Which word means refusing to give in or compromise?

- Option: Unyielding
- Option: Invaluable
- Option: Viral
- Option: Exponentiate

6. What term describes rapid growth or reproduction of something?

- Option: Ascension
- Option: Global dominance
- Option: Subtle war
- Option: Proliferate

7. Which word means a sudden and large increase in something?

- Option: Meticulously strategizing
- Option: Raw materials
- Option: Subsidies
- Option: Surge

8. What term means having or showing an ability to accurately assess situations or people?

- Option: Advancing
- Option: Jubilantly
- Option: Astutely
- Option: Pioneering

9. Which word means to make an unpleasant feeling less intense?

- Option: Expedition
- Option: Unyielding



- Option: Assuage
- Option: Invaluable

10. Which term refers to something expected or predicted?

- Option: Viral
- Option: Exponentiate
- Option: Anticipated
- Option: Recalibration

Gap-Fill (Fill in the blanks with the correct word from the vocabulary list.)

- 11. A _____ in the funds allocated to the project led to delays.
- 12. Some companies aspire to achieve _____ in their industry.
- 13. The mentor's advice was _____ to the success of the young entrepreneur.
- 14. The video went _____ on social media platforms reaching millions of views.
- 15. His rapid _____ within the company surprised many of his colleagues.
- 16. The ongoing competition between the two tech giants resembled a _____ for dominance.
- 17. The team spent days _____ their next move to outmaneuver the competition.
- 18. The factory required a steady supply of _____ to maintain production levels.
- 19. The technology sector is constantly _____ with new innovations and breakthroughs.
- 20. By leveraging digital marketing the company aimed to _____ its customer reach.

Matching Sentences (Match each definition to the correct word from the vocabulary list.)

21. The unexpected about the company's true financial situation shocked investors.
22. The new policy served as the for businesses to adopt more sustainable practices.
23. The team celebrated after winning the championship.



24. The company is known for its work in developing cutting-edge technology.
25. The researchers set out on an to study the rare species in the remote jungle.
26. The company needed to undergo a process of to realign its goals with market demands.
27. Government helped lower the cost of renewable energy projects.
28. The in customer complaints indicated an improvement in product quality.
29. The company's revenue growth was higher than for the quarter.
30. The scandal the reputation of the once-respected politician.

Answer

Multiple Choice: 1. Audacious 2. Reinvestment 3. Whistleblower 4. Entrepreneurial 5. Unyielding 6. Proliferate 7. Surge 8. Astutely 9. Assuage 10. Anticipated

Gap-Fill: 11. Diminution 12. Global dominance 13. Invaluable 14. Viral 15. Ascension 16. Subtle war 17. Meticulously strategizing 18. Raw materials 19. Advancing 20. Exponentiate

Matching sentence: 1. Revelation 2. Impetus 3. Jubilantly 4. Pioneering 5. Expedition 6. Recalibration 7. Subsidies 8. Diminution 9. Anticipated 10. Tainted

CATEGORY

1. Business - LEVEL6

Date Created

2024/03/09

Author

aimeeyoung99