

# TENARIS

Sector: Energy

## OUTPERFORM

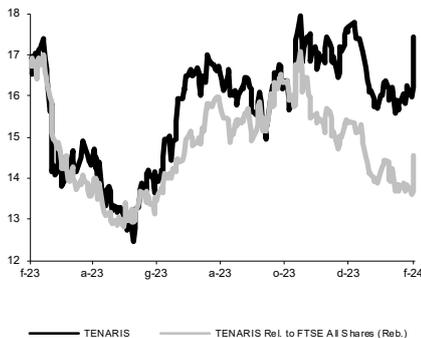
Price: Eu16.12 - Target: Eu19.00

## Higher Volumes to Offset Lower Prices

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-2.6%	3.3%	5.6%

### Tenaris - 12M Performance



Stock Data			
Reuters code:	TENR.MI		
Bloomberg code:	TEN IM		
Performance	1M	3M	12M
Absolute	8.9%	4.6%	4.2%
Relative	2.1%	-6.3%	-13.4%
12M (H/L)	16.71/11.67		
3M Average Volume (th):	2,521.78		

Shareholder Data	
No. of Ord shares (mn):	1,181
Total no. of shares (mn):	1,181
Mkt Cap Ord (Eu mn):	19,030
Total Mkt Cap (Eu mn):	19,030
Mkt Float - Ord (Eu mn):	7,526
Mkt Float (in %):	39.6%
Main Shareholder:	
Techint	60.5%

Balance Sheet Data	
Book Value (\$ mn):	17,924
BVPS (\$):	15.37
P/BV:	1.1
Net Financial Position (\$ mn):	4,265
Enterprise Value (\$ mn):	15,125

- **4Q23 results:** Main feedback from the conference call.
- **Market outlook: North America stabilising, Middle East and Offshore continuing to improve.** Drilling activity is stabilising in North America, with tube prices and margins back to sustainable levels and expected to stabilise in the coming months (the Pipelogix is expected to stabilise in the next two months, also taking the current very low level of imports into account). In the Middle East, activity is expected to continue to increase in the coming quarters. In Saudi Arabia, Saudi Aramco is continuing to expand oil and gas drilling activity (more than 300 rigs in operation, strong demand for gas rigs), despite the recent announcement calling a halt to capacity expansion. In Abu Dhabi, demand from Adnoc remains very strong and Tenaris is benefiting from the start-up of the new industrial complex opened last week (70 rigs served by Tenaris under its Rig Direct Service programme). In the rest of the world, prices and margins should remain at healthy levels, supported by strong demand for offshore operations and pipeline projects. In Latin America, fundamental conditions remain favourable, but political and economic volatility may affect these prospects.
- **1H24 guidance: sales in line with 2H23, EBITDA margin in the region of 25%.** Tenaris confirmed expectations for 1H24 sales to be in line with 2H23. US sales should be broadly stable, with lower average selling prices offset by higher volumes and the contribution of Shawcor. Middle East and Offshore sales are expected to continue to benefit from the current favourable scenario. On costs, Tenaris does not expect big impacts in 1H24, with slightly higher HRC prices offset by lower prices for other raw materials and the devaluation of the peso in Argentina. On margins, Tenaris guided for an EBITDA margin in the region of 25% in 1H24, penalised by lower prices and the dilutive impact from the consolidation of Shawcor. The company preferred not to give indications on 2H24, with too many moving parts potentially affecting numbers.
- **CapEx and working capital.** Tenaris confirmed indications for around US\$700mn of CapEx in 2024, including investments for the completion of the second wind farm in Argentina. On working capital, Tenaris does not expect major changes in 2024, with some potential release from inventories.
- **Capital allocation:** with a net cash position in excess of US\$3.4bn at YE24 and expectations for robust cash flow generation in coming quarters, Tenaris will consider all options: i) organic investments to advance decarbonisation, digitalisation and operational efficiency; ii) growth along the value chain or expanding presence in different regions, including through M&A; iii) return extra cash to shareholders, if no notable business opportunities arise, both through dividends and new buyback plans.
- **Estimates and valuation.** We are fine-tuning our FY24 projections to reflect lower EBITDA margins in 1H24. Target price confirmed at Eu19.0ps.
- **Action on the stock:** We upgraded the stock to OUTPERFORM yesterday morning to reflect the stronger-than-expected 4Q23 results, the constructive 1H24 guidance and the positive expected impact on the share price performance when the buyback programme next resumes.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (\$ mn)	11,763	14,869	13,369	12,887	12,071
EBITDA Adj (\$ mn)	3,648	4,865	3,565	3,406	3,175
Net Profit Adj (\$ mn)	2,553	3,918	2,689	2,475	2,272
EPS New Adj (\$)	2.163	3.319	2.278	2.097	1.924
EPS Old Adj (\$)	2.163	3.319	2.338	2.029	1.822
DPS (\$)	0.510	0.600	0.700	0.800	0.800
EV/EBITDA Adj	4.1	2.9	4.2	4.0	3.9
EV/EBIT Adj	5.0	3.3	5.0	4.8	4.7
P/E Adj	8.1	5.3	7.6	8.3	9.1
Div. Yield	2.9%	3.4%	4.0%	4.6%	4.6%
Net Debt/EBITDA Adj	-0.3	-0.7	-1.2	-1.7	-2.3

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (48 in total) is as follows:

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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