Intermonte

Milan, 02 May 2025

Italian Equity Research – 1Q25 Results

TENARIS

NEUTRAL

Sector: Energy

Price: Eu14.69 - **Target: Eu16.00**

1Q25 Results Better, Risk of Reduced Activity in 2H25

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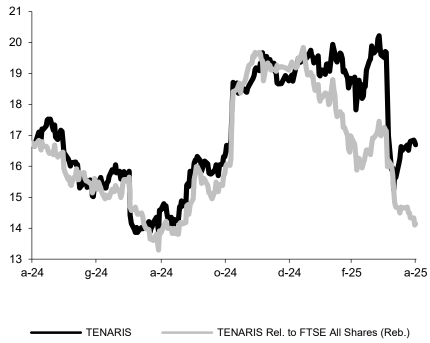
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 19.00 to 16.00
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-5.6%	-6.4%	-5.5%

TENARIS - 12M Performance



Stock Data			
Reuters code:			TENR.MI
Bloomberg code:			TEN IM
Performance	**1M**	**3M**	**12M**
Absolute	-15.3%	-12.6%	-0.4%
Relative	-13.2%	-15.7%	-11.4%
12M (H/L)			19.33/12.48
3M Average Volume (th):			2,341.39

Shareholder Data	
No. of Ord shares (mn):	1,181
Total no. of shares (mn):	1,181
Mkt Cap Ord (Eu mn):	17,336
Total Mkt Cap (Eu mn):	17,336
Mkt Float - Ord (Eu mn):	6,856
Mkt Float (in %):	39.6%
Main Shareholder:	
Techint	60.5%

Balance Sheet Data	
Book Value ($ mn):	16,909
BVPS ($):	14.55
P/BV:	1.1
Net Financial Position ($ mn):	4,034
Enterprise Value ($ mn):	14,386

- **1Q25 results.** Tenaris's 1Q25 operating results were slightly above our expectations thanks to higher volumes that offset a lower average selling price. The EBITDA margin was slightly better, with stronger cash flow generation. In detail, group revenues closed at US$2,922mn (-15% YoY, +3% QoQ, vs. exp. US$2,897mn), EBITDA at US$696mn (-30% YoY, +6% QoQ, vs. exp. US$671mn), with the adj. EBITDA margin at 23.8% (vs. exp. 23.2%) from 23.2% in 4Q24. Net income closed at US$507mn (-32% YoY, -2% QoQ, vs. exp. US$465mn). Tubes volumes closed at 987k tons (-6% YoY, +8% QoQ, vs. exp. 925k tons); the average selling price was US$2,801/ton (-11% YoY, -5% QoQ, vs. exp. US$2,970/ton), due to a weaker mix. The net cash position closed at US$4.0bn (vs. exp. US$3.6bn) from US$3.6bn as at the end of December.
- **Market outlook.** Oil and gas drilling activity has been stable in most parts of the world so far this year. Over the last month, however, the outlook for oil demand and prices has changed, with a decline in expectations for global economic growth and the announcement by OPEC+ that it would increase production. Oil and gas companies are likely to adjust their investment plans over the short term in response to a lower oil and gas price environment while maintaining their medium and long-term plans for the development of major projects. US OCTG reference prices have continued to increase following the extension of tariffs to imports of all steel products. These and further increases should offset much of the impact of the tariffs and higher steel and scrap purchase costs on Tenaris's US operations.
- **2Q25 guidance and 2H25 outlook.** In this context, Tenaris expects revenues to show a small increase QoQ in 2Q25, driven by a minor recovery in average selling prices, with flat volumes. The EBITDA margin is projected to be in line with 1Q25. 2H25 outlook: if oil prices remain close to US$60/bl, there is likely to be a reduction of activity in 3Q25. US oil shale is more reactive to lower prices in the short term, while Offshore is much more resilient. Margins are expected at between 20-25% in the coming quarters. The Pipelogix is up around 10% YTD, while Tenaris's average selling price is expected to increase slightly in 3Q25. The rise in raw material costs caused by tariffs is not the primary concern for Tenaris, which is more apprehensive of a potentially lower level of activity, and the risk of a recession. Impact of US tariffs: US$70mn per quarter of additional costs, coming in gradually in the coming quarters, but nevertheless expected to be largely offset by a higher average selling price.
- **Estimates and valuation.** We are reducing our 2025/26 projections primarily to reflect lower volumes and slightly lower margins. In terms of the valuation, we are cutting our target price to Eu16.0ps from Eu19.0ps, partly to reflect a weaker dollar and a lower 2025E EV/EBITDA target multiple (5.5x from 6.0x previously) due to the increased macro uncertainties.
- **Action on the stock.** While 1Q25 results were better than expected and 2Q25 guidance was supportive, the introduction of US tariffs has significantly raised the level of uncertainty over expected 2H25 volume and margin trends. We confirm our NEUTRAL rating on the stock.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales ($ mn)	14,869	12,524	11,978	11,811	11,619
EBITDA Adj ($ mn)	4,865	3,159	2,739	2,742	2,827
Net Profit Adj ($ mn)	3,918	2,036	1,946	1,935	2,011
EPS New Adj ($)	3.319	1.725	1.649	1.639	1.704
EPS Old Adj ($)	3.319	1.725	1.746	1.752	1.802
DPS ($)	0.600	0.830	0.930	1.030	1.030
EV/EBITDA Adj	2.9	4.8	5.3	4.9	4.5
EV/EBIT Adj	3.3	5.9	6.8	6.4	5.8
P/E Adj	5.0	9.6	10.0	10.1	9.7
Div. Yield	3.6%	5.0%	5.6%	6.2%	6.2%
Net Debt/EBITDA Adj	-0.7	-1.1	-1.5	-1.8	-2.0

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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&PMIB40 Index, most of those on the MIDEX 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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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Further information is available