

TENARIS

Sector: Energy

NEUTRAL

Price: Eu16.36 - Target: Eu17.00

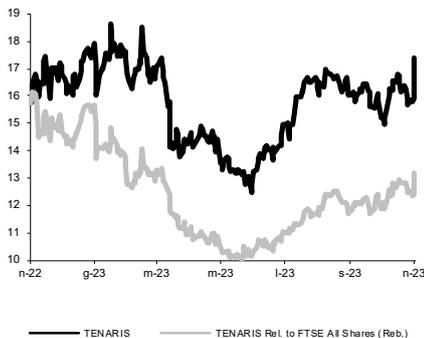
Strong Cash Generation, US\$1.2bn Buyback Plan Announced

 Paolo Citi +39-02-77115.430
 paolo.citi@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 16.00 to 17.00		
	2023E	2024E	2025E
Chg in Adj EPS	2.6%	5.1%	7.4%

TENARIS - 12M Performance



Stock Data

Reuters code:	TENR.MI		
Bloomberg code:	TEN IM		
Performance	1M	3M	12M
Absolute	14.4%	6.4%	10.5%
Relative	12.3%	8.5%	-12.2%
12M (H/L)	17.34/11.67		
3M Average Volume (th):	2,463.86		

Shareholder Data

No. of Ord shares (mn):	1,181
Total no. of shares (mn):	1,181
Mkt Cap Ord (Eu mn):	19,314
Total Mkt Cap (Eu mn):	19,314
Mkt Float - Ord (Eu mn):	7,488
Mkt Float (in %):	38.8%
Main Shareholder:	
Techint	61.2%

Balance Sheet Data

Book Value (\$ mn):	16,515
BVPS (\$):	14.13
P/BV:	1.2
Net Financial Position (\$ mn):	3,324
Enterprise Value (\$ mn):	15,948

■ **3Q23 results.** Tenaris 3Q23 results showed slightly better-than-expected figures at P&L level, while cash generation was much stronger, thanks in part to a further working capital contraction. In detail: revenues closed at US\$3,238mn (-21% QoQ), adj. EBITDA at Eu972mn (-31% QoQ, vs. exp. US\$954mn) and adj. net income at US\$691mn (-38% QoQ, vs. exp. US\$654mn). Tube volumes closed at 913k tons (+7% YoY, -17% QoQ, vs. exp. 930k tons); average sale prices were down 5% QoQ. The net cash position closed at US\$3.3bn (vs. exp. US\$2.9bn) from US\$2.3bn as at the end of June, also benefitting from a US\$0.4bn working capital reduction in the quarter. The interim dividend was set at US\$0.20ps (in line), ex-dividend date 20 November.

■ **US\$1.2bn buyback plan announced.** Thanks to its very strong balance sheet, Tenaris approved a share buyback programme of up to US\$1.2bn (6.4% of share capital, around 17% of free float), to be executed within a year, with the intention to cancel the shares acquired through the programme.

■ **New wind farm investment.** After the start-up in October of the 102MW Buena Ventura Wind Farm in Argentina supplying the Group industrial facilities in Campana, Tenaris announced the decision to build an additional 90MW at this site for an investment of US\$214mn, with completion in 2025.

■ **Market outlook.** In the US, the decline in oil and gas drilling activity is bottoming out and is expected to recover in coming months. The stock of drilled but uncompleted wells (DUCs) has declined to a low level, while OCTG inventories are coming down towards more normal levels. In Canada, drilling activity is expected to recover in 2024 with additional takeaway and LNG capacity coming on stream. Around the world, offshore drilling has been increasing with the focus on Brazil and Guyana, while in the Middle East, activity has increased this year and is expected to increase further.

■ **4Q23 guidance.** For 4Q23, Tenaris expects sales in the Americas to be impacted by the ongoing adjustment in price levels (still affected by imports), while sales in the Middle East and for offshore projects should increase and support total Group sales (Tubes volumes expected up QoQ, close to 1mn tons). The EBITDA margin is expected to decline (25-30% range), reflecting lower prices in the Americas, while free cash flow will adjust to lower EBITDA and more stable working capital. 2024 CapEx indicated in the region of US\$700mn.

■ **Estimates and valuation.** Following 3Q23 results, we have fine-tuned our P&L projections for 2023 and the following years to reflect slightly higher volumes and prices and slightly lower margins. In addition, we have improved the YE23 net cash position and factored in the US\$1.2bn buyback plan. In terms of the valuation, we are increasing our target price for the stock to Eu17.0ps from the prev. Eu16.0ps

■ **Action on the stock.** 3Q23 results showed very robust figures in terms of cash flow generation, further strengthening the Group balance sheet. While we welcome Tenaris's new, more generous shareholder remuneration policy and see supportive macro momentum for the Energy sector, we confirm our NEUTRAL recommendation on the stock due to the limited upside to our target price.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (\$ mn)	6,522	11,763	14,567	13,637	12,294
EBITDA Adj (\$ mn)	1,355	3,648	4,707	3,728	3,175
Net Profit Adj (\$ mn)	1,100	2,553	3,501	2,491	2,065
EPS New Adj (\$)	0.932	2.163	2.965	2.110	1.749
EPS Old Adj (\$)	0.932	2.163	2.891	2.009	1.629
DPS (\$)	0.410	0.510	0.600	0.600	0.600
EV/EBITDA Adj	7.7	4.1	3.4	4.2	4.5
EV/EBIT Adj	13.7	5.0	3.9	5.0	5.5
P/E Adj	18.6	8.0	5.9	8.2	9.9
Div. Yield	2.4%	2.9%	3.5%	3.5%	3.5%
Net Debt/EBITDA Adj	-0.5	-0.3	-0.7	-1.0	-1.6