

# TENARIS

Sector: Energy

## NEUTRAL

Price: Eu17.31 - Target: Eu18.50

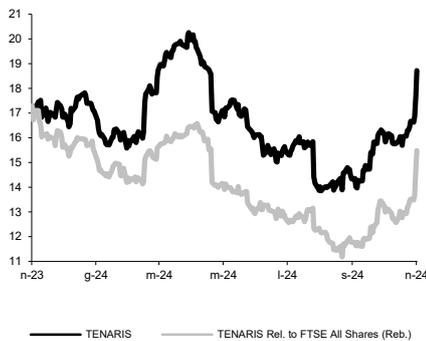
## Results Better, Positive 1Q25 Outlook

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### Stock Rating

|                    |                     |       |       |
|--------------------|---------------------|-------|-------|
| Rating:            | Unchanged           |       |       |
| Target Price (Eu): | from 15.00 to 18.50 |       |       |
|                    | 2024E               | 2025E | 2026E |
| Chg in Adj EPS     | 2.6%                | 4.8%  | 3.1%  |

### TENARIS - 12M Performance



### Stock Data

|                         |             |           |            |
|-------------------------|-------------|-----------|------------|
| Reuters code:           | TENR.MI     |           |            |
| Bloomberg code:         | TEN IM      |           |            |
| <b>Performance</b>      | <b>1M</b>   | <b>3M</b> | <b>12M</b> |
| Absolute                | 15.7%       | 33.5%     | 8.2%       |
| Relative                | 15.2%       | 27.0%     | -11.2%     |
| 12M (H/L)               | 18.64/12.48 |           |            |
| 3M Average Volume (th): | 2,624.68    |           |            |

### Shareholder Data

|                           |        |
|---------------------------|--------|
| No. of Ord shares (mn):   | 1,181  |
| Total no. of shares (mn): | 1,181  |
| Mkt Cap Ord (Eu mn):      | 20,435 |
| Total Mkt Cap (Eu mn):    | 20,435 |
| Mkt Float - Ord (Eu mn):  | 8,082  |
| Mkt Float (in %):         | 39.6%  |
| Main Shareholder:         |        |
| Techint                   | 60.5%  |

### Balance Sheet Data

|                                 |        |
|---------------------------------|--------|
| Book Value (\$ mn):             | 17,234 |
| BVPS (\$):                      | 14.80  |
| P/BV:                           | 1.3    |
| Net Financial Position (\$ mn): | 3,962  |
| Enterprise Value (\$ mn):       | 16,966 |

■ **3Q24 results.** Tenaris's 3Q24 results beat our expectations, thanks to higher volumes and better profitability. In detail: revenues closed at US\$2,915mn (-10% YoY, -12% QoQ, vs. exp. US\$2,770mn), EBITDA at US\$688mn (-31% YoY, -16% QoQ, vs. exp. US\$584mn), with the EBITDA margin at 23.6% (vs. exp. 21.1%) from 24.7% in 2Q24. Net income closed at US\$448mn (-17% YoY, -34% QoQ, vs. exp. US\$411mn). Tube volumes closed at 937k tons (+3% YoY, -9% QoQ, vs. exp. 900k tons); average sale prices were down 12% YoY, flat QoQ. The net cash position closed at US\$4.0bn (vs. exp. US\$3.9bn) from US\$3.8bn as at the end of June. The interim dividend was set at US\$0.27ps (vs. exp. US\$0.25ps), ex-dividend date 18 November.

■ **Market outlook.** Despite macro volatility, the Oil & Gas industry investment cycle still seems solid. The decline in OCTG prices in North America over the past two years has now come to an end as drilling activity has stabilised, and the level of US OCTG imports has come down. Looking at LatAm, in Mexico drilling activity is subdued in the short term, but is expected to recover next year. In Argentina, the economic environment is improving, which should support investments in the Vaca Muerta shale. In the Middle East, gas drilling activity remains at a stable level, while oil activity is showing some reduction and rationalisation of inventories, including pipes.

■ **2H24/1Q25 guidance.** Tenaris said 4Q24 sales and EBITDA are expected to be lower than in 3Q24, affected by lower sales in Mexico and Saudi Arabia and the delayed impact of OCTG pricing in the Americas. During the call CEO Rocca added that revenues are foreseen down 7-8% QoQ, while the EBITDA margin should remain fairly stable at the 3Q24 level. Going into 2025, Tenaris expects sales and EBITDA to recover with an increase in shipments in North America and the Middle East and a rebound in OCTG prices in North America. For 1Q25 volumes and revenues are seen up around 10% QoQ, with the EBITDA margin in line with 2H24.

■ **Follow-on Share Buyback Programme.** Tenaris's BoD approved a US\$700mn follow-on share buyback programme under the authority granted by the annual general meeting of shareholders held on June 2020. This new buyback programme, which will cover a maximum of 46.4mn shares (3.93% of the issued share capital), is expected to be launched in the near future and end by 26 March 2025.

■ **Estimates and valuation.** We are revising our projections upwards to reflect higher volumes and margins and lower taxes. In terms of the valuation, we are raising our target price to Eu18.50ps from Eu15.0ps, to reflect a higher target multiple (6.0x from 4.5x 2024/25 EV/EBITDA), to factor in the expected tailwinds from Trump's election for US domestic Energy players.

■ **Action on the stock.** While 3Q24 results exceeded our expectations, 4Q24 guidance was slightly weaker, highlighting a further sequential decline in both revenues and EBITDA. That said, we expect that the positive outlook for 1Q25 and the impact of Trump's election victory to drive up consensus estimates for 2025. While we see further positive share price momentum in the short term, we remain NEUTRAL on the stock, given the limited upside on our new updated target price.

| Key Figures & Ratios   | 2022A  | 2023A  | 2024E  | 2025E  | 2026E  |
|------------------------|--------|--------|--------|--------|--------|
| Sales (\$ mn)          | 11,763 | 14,869 | 12,379 | 12,796 | 12,257 |
| EBITDA Adj (\$mn)      | 3,648  | 4,865  | 3,118  | 3,044  | 3,068  |
| Net Profit Adj (\$ mn) | 2,553  | 3,918  | 1,999  | 2,154  | 2,162  |
| EPS New Adj (\$)       | 2.163  | 3.319  | 1.693  | 1.824  | 1.831  |
| EPS Old Adj (\$)       | 2.163  | 3.319  | 1.650  | 1.740  | 1.777  |
| DPS (\$)               | 0.510  | 0.600  | 0.700  | 0.800  | 0.800  |
| EV/EBITDA Adj          | 4.1    | 2.9    | 5.4    | 5.4    | 5.0    |
| EV/EBIT Adj            | 5.0    | 3.3    | 6.8    | 7.0    | 6.4    |
| P/E Adj                | 8.7    | 5.6    | 11.1   | 10.3   | 10.2   |
| Div. Yield             | 2.7%   | 3.2%   | 3.7%   | 4.3%   | 4.3%   |
| Net Debt/EBITDA Adj    | -0.3   | -0.7   | -1.3   | -1.4   | -1.9   |

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- 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 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.

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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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|              |         |
|--------------|---------|
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| NEUTRAL:     | 23.67 % |
| UNDERPERFORM | 00.00 % |
| SELL:        | 00.00 % |

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|              |         |
|--------------|---------|
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| NEUTRAL:     | 09.83 % |
| UNDERPERFORM | 00.00 % |
| SELL:        | 00.00 % |

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|-----------|---|------------|
|-----------|---|------------|

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