

TENARIS

Sector: Energy

NEUTRAL

Price: Eu15.29 - Target: Eu16.00

Focus on Margins Evolution

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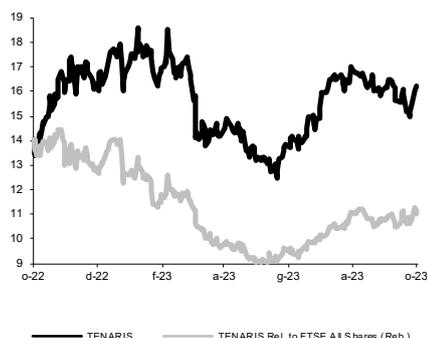
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 15.00 to 16.00		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

3Q23 Results Out 1 November

TENARIS - 12M Performance



Stock Data

Reuters code:	TENR.MI		
Bloomberg code:	TEN IM		
Performance	1M	3M	12M
Absolute	0.4%	5.6%	15.4%
Relative	1.2%	5.2%	-18.8%
12M (H/L)	17.34/11.67		
3M Average Volume (th):	2,542.63		

Shareholder Data

No. of Ord shares (mn):	1,181
Total no. of shares (mn):	1,181
Mkt Cap Ord (Eu mn):	18,045
Total Mkt Cap (Eu mn):	18,045
Mkt Float - Ord (Eu mn):	6,996
Mkt Float (in %):	38.8%
Main Shareholder:	
Techint	61.2%

Balance Sheet Data

Book Value (\$ mn):	16,681
BVPS (\$):	14.27
P/BV:	1.1
Net Financial Position (\$ mn):	2,885
Enterprise Value (\$ mn):	15,048

■ **3Q23 results preview.** On release of 2Q23 results, Tenaris disclosed that sales and margins were expected to be significantly lower in 2H23 vs. 1H23. Tenaris anticipated declining sales in North and South America due to lower selling prices, declining activity and lower pipeline shipments, only partly offset by higher sales in the Middle East (led by Saudi Arabia), and offshore projects. In more detail: for 3Q23, Tenaris projected EBITDA below US\$1.0bn, with the EBITDA margin close to/slightly below 30%. Looking at 4Q23, Tenaris preferred not to give guidance, merely saying that EBITDA in the US could decline slightly further in 4Q23 due primarily to lower selling prices. On the financial front, Tenaris's free cash flow is expected to remain at a good level with a further reduction in working capital. On the back of these indications, we project 3Q23 revenues of US\$3,118mn (+5% YoY, -23% QoQ), EBITDA of US\$954mn (+1% YoY, -32% QoQ), and net income of US\$654mn (+8% YoY, -42% QoQ). Tube volumes are expected to have closed at 930k tons (+9% YoY, -15% QoQ); average sale prices are expected to have declined 8% QoQ. EBIT is expected to have come to US\$784mn at Tubes, and US\$25mn at Projects. Looking at the balance sheet, the net financial position is expected to have closed cash positive at US\$2.9bn from US\$2.3bn as at the end of June.

■ **Market outlook.** In the US, the decline in drilling activity seen in 1H23 should bottom out before YE or at the beginning of 2024. This decline, together with the accumulation of excess OCTG inventories following a surge in imports in 1H23, is being reflected in pipe prices (Pipelogix down 35% from the peak recorded in late 2022), which will affect Tenaris's results in 2H23. In Canada, while drilling activity has held up well so far this year, some of the operators are reducing activity as they face cashflow restrictions. In Latin America, offshore drilling in Brazil and Guyana is expected to remain at a high level, but onshore drilling is being affected by political uncertainty in Colombia, Ecuador and Argentina. In the Eastern Hemisphere, activity continues to increase, particularly in the Middle East and offshore.

■ **Estimates and valuation.** Following 2Q23 results we updated our 2023 projections (EBITDA +2%, net income +8%), while leaving numbers for 2024 and the following years broadly unchanged. Ahead of 3Q23 results, we confirm our projections, while slightly increasing our target price from Eu15.0ps to Eu16.0ps, based on a 4.0x 2023-24 EV/EBITDA multiple.

■ **Action on the stock.** 2Q23 results showed very robust figures, while the guidance for 2H23 was more conservative than the indications released alongside 1Q23 results, resulting in a further downward revision of FY23 consensus numbers. While we see limited further downside risk on current market projections, we believe it could be too early to anticipate an inversion of earnings revision trends, with the US rig count and Pipelogix still pointing to the downside. Despite the supportive macro momentum for the Energy sector, we confirm our NEUTRAL recommendation on the stock, taking into account the share price recovery recorded in the last three months, supported primarily by rising oil prices, following Saudi Arabia voluntary production cuts.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (\$ mn)	6,522	11,763	14,436	12,545	11,381
EBITDA Adj (\$ mn)	1,355	3,648	4,703	3,620	3,062
Net Profit Adj (\$ mn)	1,100	2,553	3,413	2,371	1,923
EPS New Adj (\$)	0.932	2.163	2.891	2.009	1.629
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	3.2	3.7	3.9
EV/EBIT Adj	13.7	5.0	3.7	4.5	5.0
P/E Adj	17.4	7.5	5.6	8.1	10.0
Div. Yield	2.5%	3.1%	3.7%	3.7%	3.7%
Net Debt/EBITDA Adj	-0.5	-0.3	-0.6	-1.2	-2.0