

TENARIS

Sector: Energy

NEUTRAL

Price: Eu12.72 - Target: Eu15.00

Record-high Quarter, But More Cautious Guidance

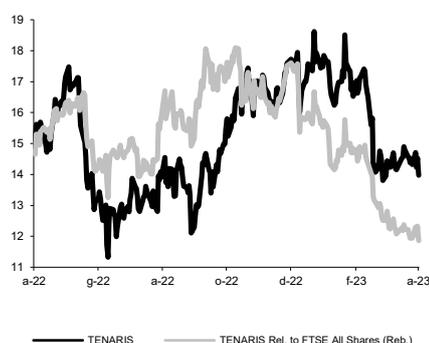
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 19.50 to 15.00		
	2023E	2024E	2025E
Chg in Adj EPS	-0.4%	-4.0%	-5.1%

TENARIS - 12M Performance



Stock Data

Reuters code:	TENR.MI		
Bloomberg code:	TEN IM		
Performance	1M	3M	12M
Absolute	0.1%	-21.7%	-5.1%
Relative	-3.3%	-24.1%	-17.7%
12M (H/L)	17.34/11.11		
3M Average Volume (th):	3,595.66		

Shareholder Data

No. of Ord shares (mn):	1,181
Total no. of shares (mn):	1,181
Mkt Cap Ord (Eu mn):	14,981
Total Mkt Cap (Eu mn):	14,981
Mkt Float - Ord (Eu mn):	5,808
Mkt Float (in %):	38.8%
Main Shareholder:	
Techint	61.2%

Balance Sheet Data

Book Value (\$ mn):	16,426
BVPS (\$):	14.02
P/BV:	1.0
Net Financial Position (\$ mn):	2,863
Enterprise Value (\$ mn):	12,357

■ **1Q23 results.** Tenaris reported better-than-expected operating results in 1Q23, thanks to higher volumes and better margins. The bottom line was also supported by stronger equity contributions from Ternium and a lower tax rate. In detail, revenues closed at US\$4,142mn (+75% YoY, +14% QoQ, vs. exp. US\$3,957mn), EBITDA at Eu1,477mn (+135% YoY, +16% QoQ, vs. exp. US\$1,370mn), and net income at US\$1,129mn (+124% YoY, +40% QoQ, vs. exp. US\$963mn). At operating level, Tube volumes closed at 1,123ktons (+37% YoY, +16% QoQ, vs. exp. 1,025ktons) reaching the highest level in 15 years. Compared to 4Q22, Tenaris recorded increases in sales of OCTG and line pipe for offshore projects and a peak of shipments to a large pipeline project in Argentina, while sales for shale operations in North America and Argentina remained stable. Average sale prices reached US\$3,540/ton, (+32% YoY, -1% QoQ, vs. exp. US\$3,699/ton), while the adj. EBIT unit margin was up 6% QoQ to US\$1,168/ton, thanks to declining raw materials and energy costs, lower depreciations and a better fixed costs absorption. Moving to the balance sheet, the net financial position closed cash positive at US\$1,736mn (vs. exp. US\$1,259mn), from US\$921mn at YE22.

■ **Market outlook.** In North America, oil and gas drilling activity has declined slightly in the United States and may decline further in natural gas focused plays but should be supported by current oil price levels. In South America, offshore drilling projects move forward in Brazil and Guyana but onshore drilling in Colombia and Ecuador has been affected by political and security concerns. In the Eastern Hemisphere, drilling activity continues to increase particularly in the Middle East and offshore regions.

■ **2023 guidance.** After a record-high quarter, Tenaris expects sales and margins to remain at good levels but show gradual, sequential declines in the rest of the year. Sales in the Eastern Hemisphere are expected to consolidate above Q1 levels, while sales in the Americas will be affected by lower prices and the marginal reduction in US drilling activity. In addition, further investment in pipeline projects in Argentina will be subject to high levels of uncertainty reflecting the current economic and political situation. More in details, sales in 2Q23 are projected down single digit QoQ, while margins slightly down. Regarding 2H23, Ceo Rocca during the call preferred not to give detailed indications, just saying margins could potentially decline to a more 'normalized' level at around 30% in the medium term. On the financial side, Tenaris said cash flow from operations is expected to continue to increase during the year.

■ **Estimates and valuation.** Following 1Q we have updated our projections to book the stronger than expected results, coupled nevertheless with more conservative volumes and selling prices assumption for coming quarters (2023-24 EBITDA -1% and -4% respectively). Target price reduced from Eu19.50ps to Eu15.00ps, to reflect also a more conservative market target multiple (4.0x 2023-24 EV/EBITDA).

■ **Action on the stock.** 1Q23 results showed record-high figures, while the guidance for 2Q23 was more conservative compared with the indications released along with 4Q22 results. Despite the share price correction recorded YTD, we prefer to maintain a NEUTRAL recommendation on the stock, as we believe the market could continue to be concerned over sales and margins' evolution in coming months.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (\$ mn)	6,522	11,763	14,112	12,394	11,245
EBITDA Adj (\$ mn)	1,355	3,648	4,609	3,582	3,032
Net Profit Adj (\$ mn)	1,100	2,553	3,158	2,338	1,917
EPS New Adj (\$)	0.932	2.163	2.675	1.980	1.624
EPS Old Adj (\$)	0.932	2.163	2.685	2.062	1.712
DPS (\$)	0.410	0.510	0.600	0.600	0.600
EV/EBITDA Adj	7.7	4.1	2.7	3.0	3.1
EV/EBIT Adj	13.7	5.0	3.1	3.7	3.9
P/E Adj	15.0	6.5	5.2	7.1	8.6
Div. Yield	2.9%	3.7%	4.3%	4.3%	4.3%
Net Debt/EBITDA Adj	-0.5	-0.3	-0.6	-1.2	-1.9