TENARIS

NEUTRAL

Sector: Energy

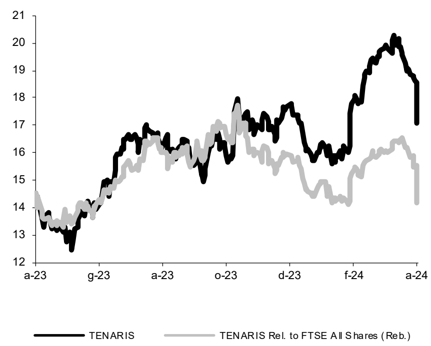
Price: Eu15.98 - **Target: Eu17.00**

Weak Guidance Due to Declining Prices and Maintenance

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

Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 19.00 to 17.00		
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-15.3%	-6.1%	-0.5%

TENARIS - 12M Performance



Stock Data			
Reuters code:			TENR.MI
Bloomberg code:			TEN IM
Performance	**1M**	**3M**	**12M**
Absolute	-13.9%	4.3%	17.4%
Relative	-12.6%	-7.5%	-7.0%
12M (H/L)			18.64/11.67
3M Average Volume (th):			2,692.03

Shareholder Data	
No. of Ord shares (mn):	1,181
Total no. of shares (mn):	1,181
Mkt Cap Ord (Eu mn):	18,865
Total Mkt Cap (Eu mn):	18,865
Mkt Float - Ord (Eu mn):	7,461
Mkt Float (in %):	39.6%
Main Shareholder:	
Techint	60.5%

Balance Sheet Data	
Book Value ($ mn):	17,512
BVPS ($):	15.02
P/BV:	1.1
Net Financial Position ($ mn):	4,174
Enterprise Value ($ mn):	14,792

- **1Q24 results.** In a context of declining selling prices, Tenaris's 1Q24 results were broadly flat QoQ, above our estimates and market expectations, benefiting from lower costs. Furthermore, the bottom line was boosted by lower taxes. In detail, revenues closed at US$3,442mn (-17% YoY, +1% QoQ, vs. exp. US$3,470mn), EBITDA at Eu987mn (-33% YoY, +1% QoQ, vs. exp. US$902mn), with the EBITDA margin flat QoQ at 28.7% (vs. exp. 26.0%). Net income closed at US$737mn (-35% YoY and QoQ, vs. exp. US$695mn), with higher net financial charges more than offset by lower taxes. Tube volumes closed at 1,046k tons (-7% YoY, +4% QoQ, vs. exp. 1,075k tons); average sale prices were down 15% YoY and 6% QoQ. The net cash position closed at US$3.9bn (vs. exp. US$4.0bn) from US$3.4bn as at the end of December, after US$172mn of CapEx and US$311mn in share buybacks, with WC fairly flat QoQ.
- **Market outlook.** Demand for oil and gas continues to grow. Although oil prices have risen, there has been no pick-up in drilling activity in the USA so far this year, and it remains below last year's level in North America as a whole. At the same time, OCTG imports increased, which is delaying price stabilisation. In the rest of the world, offshore projects are increasing and demand in the Middle East remains at a healthy level. In Latin America, however, political and economic volatility is affecting activity.
- **2Q/3Q24 guidance.** For 2Q24, as anticipated, sales and margins are expected to be lower than in 1Q24 reflecting the ongoing decline in OCTG prices in the Americas. The 2Q24 EBITDA margin is expected just below 25%. In 3Q24 Tenaris will have stoppages at many of its mills, including at its Siderca steel shop where it will install a new furnace to improve its environmental footprint, and this will lead to a further decline in sales and margins in the quarter (EBITDA margin expected slightly above 20%). In terms of FY24 volumes, Tenaris expects broadly stable figures YoY, with lower seamless offset by higher welded. FY24 CapEx was confirmed in the region of US$730mn.
- **Estimates and valuation.** We have updated our projections, cutting FY24 EBITDA projections by around 11% to c.US$3.16bn. We have factored in stronger-than-expected 1Q24 margins, offset by reduced projections for the remaining quarters, reflecting slightly lower prices, seamless volumes and operational efficiency due to maintenance stoppages. In terms of the valuation, on the back of our new lower projections, we are cutting our target price from Eu19.0ps to Eu17.0ps, still based on a 4.5x 2024/25 EV/EBITDA target multiple.
- **Action on the stock: downgrade from Outperform to NEUTRAL**. Despite declining prices, 1Q24 results surprised on the upside, with both revenues and margins broadly flat QoQ, thanks to higher volumes and lower costs. The ongoing decline in prices, tracking the Pipelogix with a delay of roughly 3 months, will take its toll, however, and start to exercise more serious pressure in 2Q24. With 3Q24 margins down further due to lower volumes and maintenance stoppages, earnings momentum has weakened significantly, postponing the expected inflection point in margins. We are lowering our recommendation to NEUTRAL on the back of expected pressure on the stock in the short term. The potential support we see would come from the resumption of the buyback.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales ($ mn)	11,763	14,869	12,367	13,194	12,604
EBITDA Adj ($ mn)	3,648	4,865	3,156	3,393	3,340
Net Profit Adj ($ mn)	2,553	3,918	2,278	2,324	2,260
EPS New Adj ($)	2.163	3.319	1.929	1.968	1.914
EPS Old Adj ($)	2.163	3.319	2.278	2.097	1.924
DPS ($)	0.510	0.600	0.700	0.800	0.800
EV/EBITDA Adj	4.1	2.9	4.7	4.0	3.7
EV/EBIT Adj	5.0	3.3	5.9	5.1	4.7
P/E Adj	7.9	5.1	8.8	8.7	8.9
Div. Yield	3.0%	3.5%	4.1%	4.7%	4.7%
Net Debt/EBITDA Adj	-0.3	-0.7	-1.3	-1.6	-2.0

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- 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)

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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;
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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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