

# TENARIS

Sector: Energy

## NEUTRAL

Price: Eu12.99 - Target: Eu15.00

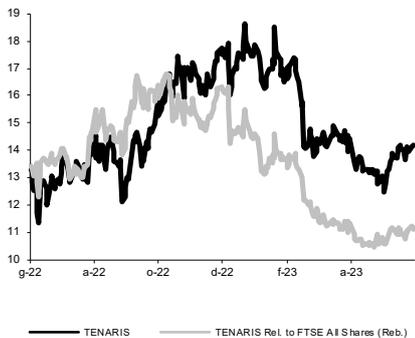
## Sequentially Declining Figures Expected

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

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

**Next Event**  
 2Q23 Results Out 2 August

### TENARIS - 12M Performance



Stock Data			
Reuters code:	TENR.MI		
Bloomberg code:	TEN IM		
Performance	1M	3M	12M
Absolute	10.4%	-1.9%	5.4%
Relative	7.4%	-6.2%	-17.5%
12M (H/L)	17.34/11.11		
3M Average Volume (th):	3,717.42		

Shareholder Data	
No. of Ord shares (mn):	1,181
Total no. of shares (mn):	1,181
Mkt Cap Ord (Eu mn):	15,341
Total Mkt Cap (Eu mn):	15,341
Mkt Float - Ord (Eu mn):	5,948
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):	12,584

- **Tenaris will report 2Q23 results on 2 August**, with a press release scheduled to come out after Wall Street close. The conference call will take place on 3 August.
- **2Q23 results preview.** On release of 1Q23 results, Tenaris disclosed that sales and margins were expected to remain at good levels but show gradual sequential declines in the rest of the year. More specifically, sales in 2Q23 were projected down single digit QoQ, while margins slightly down QoQ. Regarding 2H23, no detailed indications were released, merely the indication that margins could potentially decline to a more 'normalized' level at around 30% in the medium term. On the financial front, cash flow from operations was expected to continue to increase during the year. On the back of these indications, we project 2Q revenues of US\$3,835mn (+37% YoY, -7% QoQ), adj. EBITDA of US\$1,298mn (+61% YoY, -12% QoQ), and net income of US\$928mn (+46% YoY, -18% QoQ). Tube volumes are expected to have closed at 1,058k tons (+19% YoY, -6% QoQ); average sale prices are expected to have declined 2% QoQ. EBIT is expected to have come to US\$1,138mn 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\$2.1bn from US\$1.7bn as at the end of March after the dividend balance payment for US\$401mn and expected working capital expansion of US\$150mn.
- **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 are moving 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. In this context, Tenaris's 2Q23 sales in the Eastern Hemisphere were expected to consolidate above 1Q23 levels, while sales in the Americas were expected to be affected by lower prices and the marginal reduction in US drilling activity. In addition, further investment in pipeline projects in Argentina was expected to be subject to high levels of uncertainty reflecting the current economic and political situation.
- **Estimates and valuation.** Following 1Q23 results we updated our projections to take the stronger-than-expected results into account, albeit coupled to more conservative volumes and selling price assumptions for the following quarters (2023-24 EBITDA -1% and -4% respectively). Ahead of 2Q23 results, we confirm our projections as well as our Eu15.00ps target price for the stock based on a 4.0x 2023-24 EV/EBITDA multiple.
- **Action on the stock.** 1Q23 results showed record-high figures, while the guidance for 2Q23 was more conservative compared to the indications released alongside 4Q22 results. Despite the share price correction recorded YtD, we maintain a NEUTRAL recommendation on the stock, as we believe market concerns could persist regarding a deceleration of sales and margins over the 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	2.675	1.980	1.624
DPS (\$)	0.410	0.510	0.600	0.600	0.600
EV/EBITDA Adj	7.7	4.1	2.7	3.1	3.2
EV/EBIT Adj	13.7	5.0	3.2	3.8	4.0
P/E Adj	15.2	6.5	5.3	7.2	8.7
Div. Yield	2.9%	3.6%	4.2%	4.2%	4.2%
Net Debt/EBITDA Adj	-0.5	-0.3	-0.6	-1.2	-1.9