

Tenaris S.A.

3Q21 Earnings First Take –Positive

Quick Take: Positive. TS reported revenues of \$1,754M/\$381M, 6%/15% above Street est. However, FCF was ~(-\$20M) driven by \$275M working capital increase. We est. 4Q21 EBITDA could be ~\$415M, about 20% above Street est. of \$347M. We also see ~20-25% upside to 2022 Street EBITDA est. Working capital remains a big wildcard for 2022 FCF.

Earnings Reaction: Positive. TS reported revenues of \$1,754M, 6% above Street est. and adj. EBITDA of \$381M, 15% above Street est. However, FCF was ~(-\$20M) driven by \$275M working capital increase.

4Q21 Potential Earnings: Positive. TS is guiding to q/q revs. improvement led by North America and flattish EBITDA margins q/q. We est. 4Q21 EBITDA could be ~\$415M, about 20% above Street est. of \$347M, assuming 10% revenue growth and flat EBITDA margins sequentially.

Stock Reaction: Positive. A 15% EBITDA beat and potentially a 20% upside to 4Q21 Street EBITDA Est. bode well tempered by ~(-\$20M) FCF. Additionally, interim dividend has been reinstated to \$153M from \$88M in 4Q20.

Positives

- Reported revenues of \$1,754M, 6% above Street est.
- Reported adj. EBITDA of \$381M, 15% above Street est.
- We est. ~\$415M EBITDA for 4Q21, ~20% above Street est.
- Annualizing 4Q21 EBITDA of \$415M with the high margins MidEast revenues taking a step up in 2H22 could imply of \$1.7-1.8B EBITDA for 2022, about 20-25% above Street est. of \$1.4B.
- The interim dividend has been reinstated to \$153M from \$88M in 4Q20.
- Selling prices increased though COGS were contained despite higher raw material costs from higher cost absorption.

Negatives

- FCF of ~(-\$20M) was worse than Street's \$107M est.
- The U.S. Department of Commerce (DOC) has initiated anti-dumping duty investigations on OCTG imports from Mexico, Argentina and Russia and countervailing duty investigations on OCTG imports from Russia and South Korea. TS imports OCTG from Argentina and Mexico.

Questions to Ask

- How should we think about working capital as we move into 2022 with rising revenues?
- Can pricing increases continue to outpace raw material inflation?
- How are supply/demand dynamics around casings?
- Impact of termination of NKKT JV?
- Timing of DOC investigation?

OILFIELD SERVICES & GREEN ENERGY

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Appendix A – Required Disclosures

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Appendix A – Required Disclosures Contd.

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Coker & Palmer Institutional Ratings Distribution

Category	Count	Percent
Sector Outperform	4	29%
Sector Perform	4	29%
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Total	14	100%

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Appendix A – Required Disclosures Contd.

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