

Technip Energies

FY'25 guidance 3% below consensus and updated medium-term outlook ahead of CMD

Our Take: This morning Technip Energies released a statement outlining its updated medium-term guidance ahead of its CMD today (followed online [here](#)). For FY'25, the midpoint group revenue guidance is €7.3bn (Cons €7.4bn, JPMe €7.8bn), EBITDA ~€640m (3% below Cons. €663m, JPMe €708m). In addition, the 2028 financial framework is for Projects Delivery revenue >€6bn, EBITDA margin ~8.5%; TPS revenue >€2.6bn, EBITDA margin ~14.5%; Corporate costs €60m. The group has a commercial pipeline of >€75bn, which management expects to underpin its new medium-term outlook. In addition, FCF conversion from EBITDA is expected to be 70-85%; 2024-2028 cumulative FCF of €2.2-2.6bn (JPMe €2.5bn). This its high cash generation and >€1 billion of available firepower is expected to support future dividend growth (Dividend payout 25-35% of FCF excl. WC and post leases) and allow the group to deploy capital selectively on value accretive M&A. While the outlook for FY'25 is slightly below consensus we expect a positive reaction to the solid medium term outlook, especially for TPS (and await more detail at the CMD).

- **2025 Guidance:** Midpoint group revenues €7.3bn (Cons €7.4bn, JPMe €7.8bn), EBITDA €640m (Cons. €663m, JPMe €708m). Segment split: Projects Delivery revenue €5-5.4bn (JPMe €5.5bn), EBITDA margin 8% (JPMe 8.6%); TPS revenue €2-2.2bn (JPMe €2.3bn), EBITDA margin ~13.5% (12.1%); Corporate costs €50-60m (JPMe €45m).
- **2028 Framework:** Projects Delivery revenue >€6bn, EBITDA margin ~8.5%; TPS revenue >€2.6bn, EBITDA margin ~14.5%; Corporate costs €60m.
- **FCF outlook:** FCF conversion from EBITDA expected 70-85%; 2024-2028 cumulative FCF of €2.2-2.6bn (JPMe €2.5bn).
- **Capital allocation priorities:** 1) Dividend payout 25-35% of FCF excl. WC and post leases; 2) Value accretive M&A in TPS (e.g. Reju)
- **Commercial pipeline** >€75bn through the end of 2026.

Neutral

TE.PA, TE FP
Price (20 Nov 24):€24.40
Price Target (Dec-25):€28.00

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Style Exposure

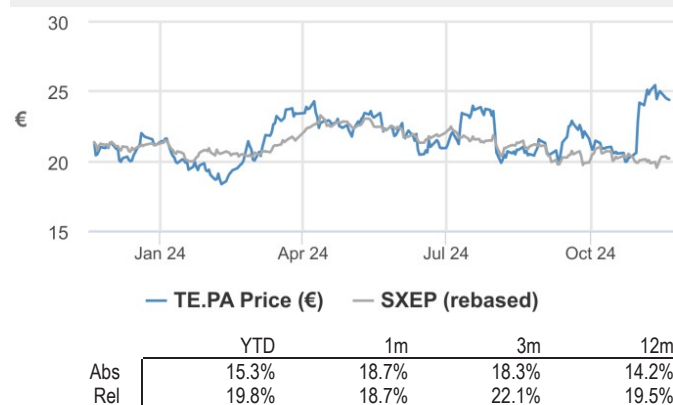
Quant Factors	Current %Rank	Hist %Rank (1=Top)			
		6M	1Y	3Y	5Y
Value	39			31	40
Growth	45	64	90		
Momentum	31	75		33	
Quality	43	51	39		
Low Vol	23	78	77	78	59
ESGQ	28	19	1	-	-

Sources for: Style Exposure – J.P. Morgan Quantitative and Derivatives Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance



Company Data

Shares O/S (mn)	180
52-week range (€)	25.78-18.33
Market cap (\$ mn)	4,648.36
Exchange rate	0.94
Free float (%)	70.4%
3M ADV (mn)	0.34
3M ADV (\$ mn)	8.0
Volatility (90 Day)	36
Index	SXEP Index
BBG ANR (Buy Hold Sell)	12 2 1

Key Metrics (FYE Dec)

€ in millions	FY23A	FY24E	FY25E	FY26E
Financial Estimates				
Revenue	6,015	6,950	7,800	8,099
Adj. EBITDA	494	612	708	753
Adj. EBIT	400	496	592	636
Adj. net income	294	373	434	464
Adj. EPS	1.63	2.12	2.47	2.64
BBG EPS	1.76	2.12	2.39	2.58
Cashflow from operations	261	905	872	643
FCFF	213	831	789	557
Margins and Growth				
Revenue Growth Y/Y (%)	(6.4%)	15.6%	12.2%	3.8%
EBITDA margin	8.2%	8.8%	9.1%	9.3%
EBITDA Growth Y/Y (%)	(11.6%)	23.9%	15.7%	6.3%
EBIT margin	6.7%	7.1%	7.6%	7.9%
Net margin	4.9%	5.4%	5.6%	5.7%
Adj. EPS growth	(8.1%)	30.1%	16.4%	6.8%
Ratios				
Adj. tax rate	29.9%	32.0%	32.0%	32.0%
Interest cover	-	-	-	-
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	10.9%	12.3%	13.7%	13.3%
ROE	16.0%	18.7%	19.8%	18.6%
Valuation				
FCFF yield	4.8%	19.4%	18.4%	13.0%
Dividend yield	2.1%	2.4%	2.6%	3.0%
EV/Revenue	0.6	0.5	0.4	0.3
EV/EBITDA	6.8	5.8	4.2	3.7
Adj. P/E	15.0	11.5	9.9	9.2

Summary Investment Thesis and Valuation

Investment Thesis

Technip Energies is an Engineering and Technology Company spun out of TechnipFMC in 2021. The company has significant market share in the engineering, procurement and construction (EPC) of large-scale LNG plants, downstream facilities and offshore installations. We see scope to grow its offering in Renewables and the Energy transition as it pivots with its customers to a low-carbon future, however we see short term headwinds given the increasingly tough backdrop for the roll out of renewables energy. We also see a temporary contraction in group margins as the group executes on its large backlog and early-stage milestones recognise a lower average margin. We rate the shares Neutral.

Valuation

Our Dec-25 price target is based on the average of our estimates for: 1) NPV, using 10.5% WACC and 1.0% TGR from 2029E; 2) our 2025E EV/EBITDA at 5.9x; and 3) our 2025E P/E at 10x. Our target multiples are dictated by factors such as the point in the cycle and the risk of earnings revisions and the growth outlook.

Performance Drivers

Market	30%	
Sector	4%	
Macro	9%	
Style	5%	
Idiosyn.	52%	
Factors		
Market: MSCI Europe ex UK	6M Corr	1Y Corr
Sect: Energy	0.67	0.58
Ind: Energy	0.20	0.29
Macro:	0.21	0.28
Germany Govt 10Y Yield	0.33	0.20
Citi Eco Surprise Eurozone	-0.08	-0.18
Eurozone Exports	0.17	0.18
Quant Styles:		
Value	0.33	0.41
DivYld	0.21	0.36
Quality	-0.41	-0.22

Investment Thesis, Valuation and Risks

Technip Energies *(Neutral; Price Target: €28.00)*

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Risks to Rating and Price Target

- **Order intake:** If order intake assumptions miss our expectations, we may have to revise our forecasts lower.
- **Execution risk:** We do not take into account execution issues in our modelling. We assume that, on average, projects are delivered as planned. Variance from this can have an impact on financial results.
- **Commodity cycle:** While TE's portfolio is gas and downstream rather than oil, a downturn in the Oil & Gas industry can reduce investment level of TE customers.

Technip Energies: Summary of Financials

Income Statement - Annual					Cash Flow Statement						
	FY23A	FY24E	FY25E	FY26E	FY27E		FY23A	FY24E	FY25E	FY26E	FY27E
Revenue	6,015	6,950	7,800	8,099	-	Cash flow from operating activities	261	905	872	643	-
SG&A	-	-	-	-	-	o/w Depreciation & amortization	153	162	162	162	-
Adj. EBITDAX	494	612	708	753	-	o/w Changes in working capital	(293)	325	231	(29)	-
Exploration expense	-	-	-	-	-	Cash flow from investing activities	(108)	(75)	(83)	(86)	-
Adj. EBITDA	494	612	708	753	-	o/w Capital expenditure	(48)	(75)	(83)	(86)	-
D&A	(94)	(117)	(117)	(117)	-	as % of sales	0.8%	1.1%	1.1%	1.1%	-
Adj. EBIT	400	496	592	636	-	Cash flow from financing activities	(227)	(303)	(214)	(232)	-
Net interest	86	53	47	45	-	o/w Dividends paid	(91)	(101)	(112)	(130)	-
Adj. PBT	487	549	639	681	-	o/w Net debt issued/(repaid)	0	0	0	0	-
Tax	(145)	(176)	(204)	(218)	-	Net change in cash	(132)	528	575	325	-
Minority interest	(47)	0	0	1	-	Adj. Free cash flow to firm	213	831	789	557	-
Adj. Net Income	294	373	434	464	-	y/y Growth	(3.9%)	290.6%	(5.0%)	(29.4%)	-
Reported EPS	1.63	2.12	2.47	2.64	-						
Adj. EPS	1.63	2.12	2.47	2.64	-						
y/y Growth	(8.1%)	30.1%	16.4%	6.8%	-						
DPS	0.52	0.57	0.64	0.74	-						
Payout ratio	32.1%	27.1%	25.8%	28.1%	-						
Shares outstanding	180	176	176	176	-						
Balance Sheet					Ratio Analysis						
	FY23A	FY24E	FY25E	FY26E	FY27E		FY23A	FY24E	FY25E	FY26E	FY27E
Cash and cash equivalents	3,569	3,760	4,319	4,566	-	ROE	16.0%	18.7%	19.8%	18.6%	-
Accounts receivable	1,624	1,556	1,917	1,826	-	ROA	3.3%	4.2%	4.6%	4.6%	-
Inventories	0	0	0	0	-	ROCE	10.9%	12.3%	13.7%	13.3%	-
Other current assets	748	670	872	807	-	Net debt/equity	NM	NM	NM	NM	-
Current assets	5,941	5,986	7,108	7,199	-	Net debt/capital	NM	NM	NM	NM	-
PP&E	117	117	117	117	-	EBITDA margin	8.2%	8.8%	9.1%	9.3%	-
LT investments	-	-	-	-	-	EBITDAX margin	8.2%	8.8%	9.1%	9.3%	-
Other non current assets	529	591	579	568	-	P/E (x)	15.0	11.5	9.9	9.2	-
Total assets	8,802	8,910	10,021	10,100	-	EV/DACF (x)	-	-	-	-	-
Short term borrowings	124	124	124	124	-	EV/EBITDA(x)	6.8	5.8	4.2	3.7	-
Payables	1,507	1,538	1,982	1,816	-	EV/EBITDAX (x)	6.8	5.8	4.2	3.7	-
Other short term liabilities	4,151	4,101	4,451	4,432	-	EV/Proved Reserves (boe)	-	-	-	-	-
Current liabilities	5,782	5,763	6,557	6,372	-	Dividend yield	2.1%	2.4%	2.6%	3.0%	-
Long-term debt	637	618	618	618	-	FCFF yield	4.8%	19.4%	18.4%	13.0%	-
Other long term liabilities	1,071	1,114	1,102	1,090	-	Tax rate	29.9%	32.0%	32.0%	32.0%	-
Total liabilities	6,853	6,877	7,659	7,462	-	CFFO Ex WC	-	-	-	-	-
Shareholders' equity	1,949	2,034	2,362	2,638	-	CFFO Ex WC per share	-	-	-	-	-
Minority interests	-	-	-	-	-						
Total liabilities & equity	8,802	8,910	10,021	10,100	-	Sector data					
BVPS	-	-	-	-	-	Natural gas price - \$/mcf	-	-	-	-	-
y/y Growth	-	-	-	-	-	Brent Crude Price (\$/bbl)	-	-	-	-	-
Net debt/(cash)	(2,808)	(3,018)	(3,577)	(3,824)	-	Daily production (mboed)	-	-	-	-	-
						y/y Growth	-	-	-	-	-
						Daily oil production (mblpd)	-	-	-	-	-
						Daily gas production (mmcfpd)	-	-	-	-	-
						Total Production (mmboe)	-	-	-	-	-
						Proved reserves (mmboe)	-	-	-	-	-
						Core NAV	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.

Note: € in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Technip Energies (TE.PA, TE FP) Price Chart



Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Mar 01, 2021. All share prices are as of market close on the previous business day.

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