



TotalEnergies SE (TTE)

Updated November 1st, 2021 by Aristofanis Papadatos

Key Metrics

Current Price:	\$50	5 Year CAGR Estimate:	11.6%	Market Cap:	\$132.4 B
Fair Value Price:	\$71	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	12/29/2021 ¹
% Fair Value:	71%	5 Year Valuation Multiple Estimate:	7.2%	Dividend Payment Date:	1/24/2022
Dividend Yield:	6.2%	5 Year Price Target	\$71	Years Of Dividend Growth:	3
Dividend Risk Score:	C	Retirement Suitability Score:	A	Last Dividend Increase:	4.1%

Overview & Current Events

On June 12th, 2021, Total SA (TOT) changed its name to TotalEnergies SE (TTE) to emphasize its efforts to transform in the changing energy landscape. TotalEnergies is the fourth-largest oil and gas company in the world based on its market capitalization of \$132.4 billion. Like the other oil and gas super majors, it is a fully integrated company. TotalEnergies operates in four segments: upstream, downstream (mostly refining), marketing & services and gas, renewables & power. In late October, TotalEnergies reported (10/28/21) financial results for the third quarter of fiscal 2021. The company grew its production 2% sequentially thanks to slightly higher OPEC quotas. In addition, oil prices grew 7% sequentially and gas prices in Asia and Europe nearly doubled thanks to the recovery from the pandemic amid low inventories. Moreover, the Gas, Renewables & Power segment posted record profit of \$1.6 billion, partly thanks to high trading profits. As a result, TotalEnergies grew its earnings-per-share 39% sequentially, from \$1.27 to \$1.76. Due to the rally of oil and gas prices to multi-year highs, we have raised our earnings-per-share forecast for 2021 from \$4.50 to \$5.90. We reiterate that TotalEnergies is the most defensive oil major during downturns thanks to its integrated business model. Its Gas, Renewables & Power and Marketing segments incurred just a -26% decline in their earnings in 2020 and thus they provided a strong buffer to the results of the company amid an unprecedented downturn. The oil major has repeatedly stated that its dividend is sustainable at Brent prices around \$40 and its breakeven oil price is below \$25. This is in sharp contrast to Royal Dutch Shell and BP, which cut their dividends in 2020.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	\$7.05	\$7.01	\$6.28	\$5.63	\$2.19	\$2.52	\$4.12	\$5.05	\$4.38	\$1.43	\$5.90	\$5.90
DPS	\$3.11	\$2.98	\$3.13	\$3.16	\$2.73	\$2.72	\$2.72	\$2.87	\$2.90	\$3.02	\$3.08	\$3.26
Shares²	2254.2	2257.5	2268.5	2275.9	2336.1	2419.8	2520.6	2637	2618	2645	2660	2600

Like most of its peers, TotalEnergies failed to grow its production during 2010-2014. However, the company has returned to a solid growth trajectory. It grew its output 8% in 2018 and 9% in 2019. Due to the pandemic and the resultant OPEC production cuts, TotalEnergies reduced its output by -5% in 2020. However, the energy market has begun to recover strongly from the pandemic and thus TotalEnergies has resumed growing its output. Given the high comparison base formed this year amid multi-year high prices of oil and gas, we expect flat earnings-per-share from TotalEnergies by 2026.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	7.7	7.1	8.6	11.3	22.6	18.6	15.5	11.8	12.3	27.7	8.5	12.0
Avg. Yld.	5.8%	6.0%	5.8%	5.0%	5.5%	5.8%	5.2%	4.8%	5.4%	7.6%	6.2%	4.6%

¹ Estimated date.

² In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



TotalEnergies SE (TTE)

Updated November 1st, 2021 by Aristofanis Papadatos

TotalEnergies is currently trading at a price-to-earnings ratio of 8.5. This earnings multiple is lower than its 10-year average of 12.8. TotalEnergies has historically traded for a price-to-earnings ratio of 10 or lower during periods of high oil prices. We assume a price-to-earnings ratio of 12.0 as a reasonable approximation of 'fair value' for TotalEnergies. If the stock reverts to its fair valuation over the next five years, it will enjoy a 7.2% annualized gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	44.1%	42.5%	49.8%	56.1%	125%	108%	81.0%	56.8%	66.2%	211%	52.2%	55.3%

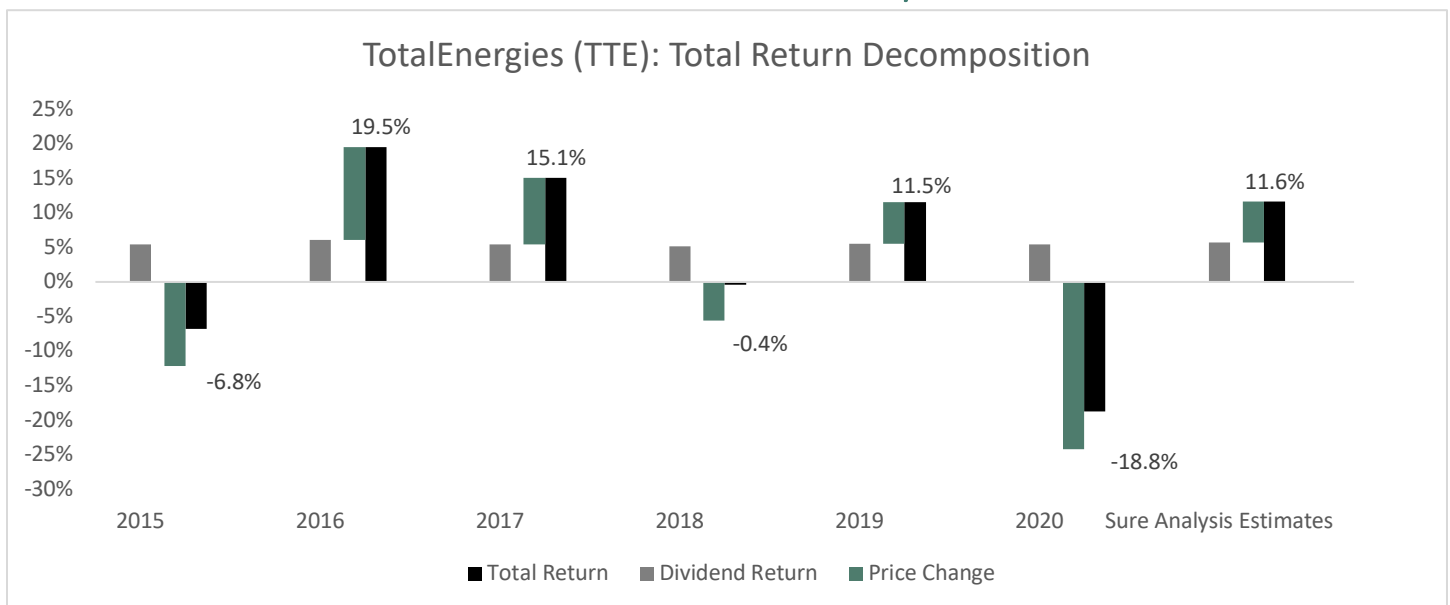
TotalEnergies exhibited much better performance than its peers during the 3-year downturn of the oil market that began in 2014. During this period, in which the price of oil fell up to -70%, the earnings-per-share of TotalEnergies fell only -49% whereas those of Exxon Mobil fell -75% and Chevron and BP posted losses in 2016. The key behind the resilience of TotalEnergies was its superior refining segment. During the rough years of refining (2008-2013), upstream segments were generating ~90% of the total earnings of all the oil majors. Consequently, the other oil majors sold many of their refineries during that period, which were hedges against a fall of the price of oil. TotalEnergies maintained almost all its refineries and hence it reaped the full benefit from high refining margins in 2014-2019.

TotalEnergies has another competitive advantage when compared to its American peers. It produces only a minor portion (less than 10%) of its natural gas in the U.S. and hence its average selling price of gas is much higher than the price of Henry Hub. Moreover, while all the oil producers drastically cut their production costs during the recent downturn, TotalEnergies managed to reduce this cost to 5.5 \$/bbl, which is nearly half of the production cost of most of its peers. Overall, TotalEnergies is the most resilient oil major during downturns or periods of suppressed oil prices.

Final Thoughts & Recommendation

TotalEnergies is on track to enjoy a strong recovery this year thanks to the massive distribution of vaccines. The stock has rallied 68% in the last 12 months, but it could still offer an 11.6% average annual return over the next five years. The stock is suitable for income-oriented investors, and we maintain our buy rating.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



TotalEnergies SE (TTE)

Updated November 1st, 2021 by Aristofanis Papadatos

Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue (\$B)	215.86	234.22	227.97	212.02	143.42	127.93	149.10	184.11	176.25	119.70
Gross Profit	57,754	58,751	54,834	39,133	28,698	30,681	33,393	44,073	44,031	19,611
Gross Margin	26.8%	25.1%	24.1%	18.5%	20.0%	24.0%	22.4%	23.9%	25.0%	16.4%
Operating Profit	30,335	27,101	23,317	8,277	1,849	4,592	7,019	15,262	15,352	(7,265)
Op. Margin	14.1%	11.6%	10.2%	3.9%	1.3%	3.6%	4.7%	8.3%	8.7%	-6.1%
Net Profit	15,954	13,648	11,228	4,244	5,087	6,196	8,631	11,446	11,267	(7,242)
Net Margin	7.4%	5.8%	4.9%	2.0%	3.5%	4.8%	5.8%	6.2%	6.4%	-6.0%
Free Cash Flow	2,056	3,284	-1,235	-712	-5,186	-1,585	8,552	7,623	12,875	4,039
Income Tax	18,263	16,747	14,767	8,614	1,653	970	3,029	6,516	5,872	318

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets (\$B)	212.18	225.89	239.22	229.80	224.48	230.98	242.63	256.76	273.29	266.13
Cash & Equivalents	18178	20409	20200	25181	23269	24597	33185	27907	27,352	31,268
Acc. Receivable	25985	25339	23422	15704	10629	12213	14893	17270	18,488	14,068
Inventories	23488	22954	22097	15196	13116	15247	16520	14880	17,132	14,730
Goodwill & Int.	16088	16965	18395	14682	14549	15362	14587	28922	33,178	33,528
Total Liab. (\$B)	123.66	130.23	135.84	136.27	129.08	129.40	128.59	138.65	153.99	160.0
Accounts Payable	28625	28563	30282	24150	20928	23227	26479	26134	28,394	23,574
Long-Term Debt	41776	43927	45767	56423	56952	56987	52436	53435	61,390	76,096
Total Equity (\$B)	86.77	93.97	100.24	90.33	92.49	98.68	111.56	115.64	116.78	103.70
D/E Ratio	0.48	0.47	0.46	0.62	0.62	0.58	0.47	0.46	0.53	0.73

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	7.9%	6.2%	4.8%	1.8%	2.2%	2.7%	3.6%	4.6%	4.3%	-2.7%
Return on Equity	19.1%	15.1%	11.6%	4.5%	5.6%	6.5%	8.2%	10.1%	9.7%	-6.6%
ROIC	12.6%	10.1%	7.8%	2.8%	3.4%	4.0%	5.3%	6.8%	6.4%	-4.0%
Shares Out.	2254.2	2257.5	2268.5	2275.9	2336.1	2419.8	2520.6	2637	2618	2645
Revenue/Share	95.64	103.33	100.36	92.95	62.24	53.53	59.77	68.68	67.32	46.00
FCF/Share	0.91	1.45	-0.54	-0.31	-2.25	-0.66	3.43	2.84	4.92	1.55

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.