

# VF Invest

## Total Energies: We're Buying!

Have we mentioned before that we are generally positive about companies that benefit from increasing energy demand? Probably more than once. We reaffirm this expectation by investing in the fifth tranche of TotalEnergies.

The now multinational energy company has recently drawn attention through both strategic business decisions and positive market developments. These developments suggest that the company's future looks promising despite a volatile energy market. TotalEnergies has long been pursuing a comprehensive diversification strategy that shifts the company from traditional fossil fuels to renewable energies. This strategy is a central component of the company's plan to ensure long-term sustainable growth. Recent successes include winning offshore wind projects in Germany worth \$3.2 billion and the development of a \$550 million gas project in Nigeria.

### Good Prospects for Rising Dividends

With a current price-to-earnings ratio of 6.9 and a dividend yield of 5.45 percent, the company offers both growth potential and attractive returns for investors. The payout ratio is 28.22 percent, which is quite respectable given the investments. Analysts estimate that the dividend will at least remain stable over the next year. However, despite the company's strategy, future dividends will still be significantly influenced by oil and gas prices. Currently, electricity generation from gas-fired combined heat and power plants and renewable energies accounts for about twelve percent of revenues.

### Better Margins

Another positive aspect is cost efficiency. The company has made significant progress in reducing operating costs and improving margins in recent years. These measures have contributed to increasing profitability, even in a volatile oil price environment. The company has sold non-

core assets to further strengthen its balance sheet. Some gas station networks have been sold; however, the company still operates over 14,000 gas stations worldwide. This is a good thing, as those who regularly visit gas stations can appreciate that the margins here are likely better than in traditional supermarkets.

### Significant Liquefied Natural Gas (LNG) Stock

In recent years, TotalEnergies has established itself as a major player in the liquefied natural gas (LNG) sector and is making substantial investments in hydrogen technologies. These areas are crucial for the future of global energy supply and offer significant growth potential, particularly in the industrial demand sector. The company's integrated LNG division covers the entire value chain, from production to distribution, providing a competitive advantage.

### Analysts are Satisfied

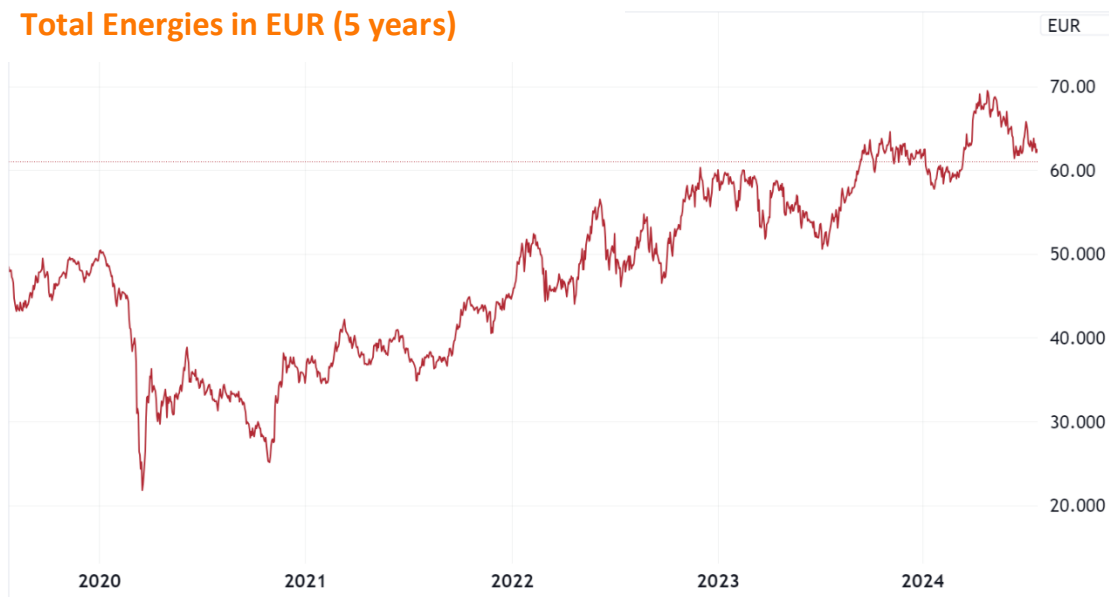
For various reasons, companies in this sector generally face a relatively challenging stance with analysts, which partly explains the continued favorable industry valuation. On July 16, the Swiss bank UBS maintained its rating for TotalEnergies at "Buy" with a target price of €74. The oil and gas company reported key figures for the second quarter that were slightly below expectations, according to analyst Henri Patricot in a study released on Tuesday. He noted that TotalEnergies plans to release its full financial results on July 25.

# Total Energies

## Stock Check

Profit Growth:	Solid in a Challenging Environment	+ -
Debt:	Slightly increasing, yet healthy balance sheet	+ -
P/E Ratio Evaluation:	Cheap	+
Industry Outlook:	Strong in some areas	+ -
Technical Analysis:	Stock in an uptrend	+ -
Market Leader:	Leading in some segments	+
Management Quality:	Very Good, Future-Oriented, We Like It	+
Dividend Yield:	Very Good	+
Business Model:	Future-Oriented	+
Insider Buys/Sells:	No notable activity	+

## Total Energies in EUR (5 years)



TradingView

## Total Energies <https://totalenergies.com/investors>

ISIN	FR0000120271
Current Price	61.71 EUR
Market Capitalization	149.21 b. €
Profit Growth 2022 - 2025e	+19.2%
Dividend 2024e	3.44 EUR
Dividend Yield 2024e	5.45%
Earnings Per Share 2024e	3.44 EUR
P/E Ratio 2024e	6.9

## Buy-Order

ISIN	FR0000120271
Transaction	Buy
Exchange	NYSE / Euronext Paris
Quantity	15
Current Price	\$66.94 / 61.71€
Buy-Limit	\$69 / 63.50€

**Our conclusion:** Over the next few years, we expect a solid mix of price appreciation and dividends. Therefore, we continue to include TotalEnergies in our LTP and are ordering an additional tranche. For those who find the French withholding tax a drawback, Shell remains a suitable alternative for the portfolio.