TotalEnergies (TTE.PA) – Equity Research Report (EUR terms)

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Technical Analysis

Technical Chart (Daily) – *TotalEnergies (TTE.PA) daily price chart with Ichimoku Cloud, Bollinger Bands, Keltner Channels, Volume-weighted Average Price (VWAP), On-Balance Volume (OBV), and Squeeze Momentum Indicator.* The stock has recently pulled back from its early-summer highs in the low €60s, violating short-term support levels. Notably, **price has fallen below the Ichimoku cloud** on the daily chart, and the **conversion/base lines have turned down**, signaling a **near-term bearish bias**. The **Bollinger Bands** have widened on the recent sell-off, with price hugging the lower band – a sign of increased volatility and downside momentum. Concurrently, the **Keltner Channel** mid-line was lost, confirming the short-term downtrend. The **Squeeze Momentum** histogram has flipped red in July, indicating bearish momentum after a brief "squeeze" release, while daily OBV has ticked down from its highs, suggesting volume confirming distribution on down days.

On a **multi-timeframe** basis, **longer-term trends remain intact but show consolidation**. On the **weekly chart**, TTE is in a broad range roughly €50–€60 over the past year, with price now near the range floor. The weekly Ichimoku cloud is flat, and the stock is testing cloud support – a pivotal area that has held since late 2022. The **monthly timeframe** still shows a series of higher lows from the 2020 bottom, forming an **ascending trendline**, but upside momentum has stalled below major resistance (€60–€65). In fact, €60 corresponds to approximately the 23.6% Fibonacci retracement from the stock's 2008 peak collapse【37†】, where rallies have repeatedly met supply. **Long-term indicators** like the monthly MACD (not shown) remain positive but have been flattening, reflecting this loss of momentum.

Short term (days to weeks): The technical setup skews cautious in the immediate term. With price under the 20-day moving average and below VWAP on recent sessions, bears have the edge. Near-term support lies around **€50–€51** (recent lows and a round-number support). A breach of €50 could trigger stops and push the stock toward the mid-€40s (the next support from Q4 2023). Conversely, initial resistance is around **€55** (coinciding with the bottom of the daily cloud and the 50-day MA); a rebound above that would be needed to neutralize the current downtrend.

Medium term (months): TotalEnergies remains in a sideways consolidation. Key pivots are evident at **~€47–€48** (strong support marked by the 50% retracement of the 2020–2022 rally) and **~€60** (strong resistance). The stock's **Ichimoku cloud on weekly** is thinning, indicating a potential larger move brewing – either a breakout above €60 (which would open a test of the €65–€70 zone) or a breakdown under €47 (which could risk a deeper correction). OBV on weekly suggests neutral accumulation: the indicator is roughly flat over 2023–2024, implying neither heavy accumulation nor distribution in the medium term.

Long term (1+ year): The primary trend since 2020 has been **upwards**, underpinned by improving fundamentals and commodity prices. The **monthly Heikin-Ashi chart** shows a series of mostly green candles from 2020 through 2022, with some smaller-bodied candles in 2023 as the trend cooled. The stock's all-time high near €70 (set in 2007) remains an aspirational long-term target – notably, the stock nearly retraced that entire 2008–2020 downtrend when it reached ~€65 last year. **Long-term momentum** is still positive, and the **200-month moving average** is rising for the first time in over a decade, reflecting secular strength. However, TTE will need a decisive catalyst (likely higher oil prices or a re-rating by the market) to clear the heavy resistance of the mid-€60s. **Fibonacci retracement levels** from the 2007 peak to 2020 trough highlight **€58–€60 as a key inflection zone** (roughly the 76.4% retracement)【37†】. A monthly close above ~€60 would be technically significant and could pave the way for a run at new highs, whereas failure to break that ceiling could mean prolonged range-bound trade.

Preferred Indicators for Energy Equities: In analyzing oil & gas equities like TotalEnergies, trend-following tools and volume indicators are particularly valuable. For example, **Ichimoku Cloud** is useful to capture trend and momentum shifts driven by commodity price swings; **OBV and volume** metrics help confirm if price moves are supported by accumulation (important in this sector, where institutional rotation is common). Volatility measures like **Bollinger Bands** and the **Squeeze Momentum Indicator** can flag breakout conditions after periods of consolidation – energy stocks often see volatility contractions before major moves (e.g. ahead of OPEC meetings or earnings). The **VWAP** is helpful on intraday scales (e.g. 5-min to hourly charts) to gauge institutional trading bias – TTE often finds intraday support/resistance around VWAP on high-volume days. In summary, a blend of trend analysis (Ichimoku, moving averages), momentum oscillators (Squeeze or RSI), and volume/volatility tools tends to work best for oil & energy equities, given their cyclical yet event-driven nature. Currently, these indicators for TTE collectively point to a **neutral-to-bearish short-term outlook**, a **range-bound medium-term** bias, and a **still-positive long-term trend** – suggesting patience is warranted for an attractive technical entry.

Fundamental Analysis

H1 2025 Performance: TotalEnergies delivered solid results in the first half of 2025, though as expected they moderated from the prior year's exceptional levels. **Adjusted net income** for H1 2025 was $7.8 billion, a **21% drop YoY** from $9.8 billion in H1 2024 . On an IFRS basis, net income (TotalEnergies share) came in at $6.54 billion for H1, down ~31% year-on-year . The decline was driven primarily by lower oil prices and refining margins compared to the high base of 2024. Nevertheless, profitability remains robust – H1 adjusted *diluted* EPS was $3.41 (vs $4.41 in H1'24) . **Cash flow from operations** (before working capital) totaled $13.6 billion in the first half, down 15% YoY , reflecting the softer commodity price environment. Importantly, the company continues to generate ample free cash: operating cash flow exceeded net investments, enabling sustained shareholder returns. TotalEnergies' **return on equity** and capital employed remain in healthy double-digits (trailing ROE was over 20% in 2022 and will likely be high-teens for 2025 given the earnings normalization). Gross debt has ticked up with ongoing investments, but net debt is very manageable at ~$33–34 billion, and **"normalized gearing" is just 15%** – indicative of a strong balance sheet.

Segment highlights: In Exploration & Production, hydrocarbon output rose >3% YoY in first-half 2025 to 2.53 million boe/d , thanks to project start-ups (Ballymore in the US, Mero-4 in Brazil) which helped offset price impacts. The Integrated LNG segment posted $1.0 billion adjusted operating profit in Q2 alone, although LNG prices were ~10% lower, mirroring oil's decline . Downstream (Refining & Chemicals plus Marketing & Services) saw improved throughput and margins relative to a weak late-2024 environment, contributing ~$0.8 billion adjusted net operating income in Q2 . Notably, the Integrated Power segment – a newer growth area – generated $0.574 billion adjusted operating profit in Q2, with **renewables output +18% YoY** . This power segment contributed over $1.1 billion CFFO in H1, on track with guidance , demonstrating the company's successful expansion into electricity. Overall, TotalEnergies' diversified model (oil, gas, LNG, power) provided a buffer: despite the macro headwinds, **cash flow resilience was high** (Q2 cash flow was only 5% lower YoY even with ~10% lower oil prices) .

Dividend Policy and Shareholder Returns: TotalEnergies is a **yield standout in the sector**, underpinned by a generous and growing dividend **augmented by substantial share buybacks**. The Board has a stated policy of allocating roughly 35-40% of cash flow to dividends and additional cash to buybacks such that **total shareholder payout targets ~50% of cash flow** . In H1 2025, this translated to a payout ratio of ~54% (versus 45% in H1 2024) as the company leaned in on buybacks despite lower profits . The **interim dividend** for Q2 2025 was announced at **€0.85 per share**, **+7.6% YoY** – marking the third consecutive year of dividend increases. At an annualized €3.40 per share, the dividend yield on the current stock price is approximately **6.5–7%**, among the highest yields in Big Oil. Moreover, management has consistently complemented cash dividends with repurchases: TotalEnergies is executing a **$2 billion buyback in Q3 2025** (after $4 billion in H1), and has indicated it can maintain ~$2B per quarter of buybacks as long as Brent stays around $70+ . This buyback pace is significant – in 2024, the company repurchased ~5% of its share count. Notably, **TotalEnergies did not cut its dividend in 2020's downturn**, a proud point of differentiation versus BP and Shell . Instead, it has held or grown the payout, reflecting management's confidence in cash flow durability. Investors can also opt for the **scrip dividend** (stock payment) if offered, but with the current strong financial position, dividends are fully covered by free cash flow (coverage > 2x). **Dividend reinvestment** can meaningfully boost long-term returns given the high yield – assuming dividends are reinvested at the prevailing yield, an investor compounds their share count by roughly 6–7% annually, which magnifies the effective total return (as illustrated in the IRR calculations below).

Valuation Multiples: TotalEnergies trades at a **discounted valuation** relative to both the broader market and many peers. The stock's **P/E ratio** (TTM) is only about **8–9×** at present , well below the MSCI Europe or S&P 500 averages (high-teens). On a forward earnings basis, TTE is ~8× 2024e earnings (using consensus forecasts), reflecting expectations of slightly lower YoY profit before growth resumes in 2026. The **EV/EBITDA** multiple is likewise modest at ~4×. For context, Shell and BP trade around 4–5× EV/EBITDA, and U.S. majors like Exxon trade closer to 6–7× . So TotalEnergies appears **undervalued on an absolute and relative basis**, given its asset mix and cash generation. Its **free cash flow yield** is on the order of 12–15% (on 2023–24 average FCF), which comfortably covers the ~6% cash dividend and leaves room for buybacks. The **price-to-book ratio** around 1.2× is reasonable considering ROE ~20%. In terms of sum-of-parts, one can argue that the market is assigning little value to the fast-growing Renewables & Power segment (which peers like Iberdrola or Orsted command high multiples for) – implying potential hidden value if Total were ever to separate or highlight its green assets. Overall, the valuation suggests a **margin of safety**, pricing in a cautious commodity outlook. Any uplift in oil/gas prices or improved market sentiment on energy transition strategy could spur multiple expansion.

Consensus & Analyst Views: The sell-side sentiment on TotalEnergies is broadly positive. According to recent data, the stock carries a **"Strong Buy" consensus rating**, with **15 out of 18 analysts** rating it Buy/Outperform and none recommending sell. The **average 12-month price target is ~€62–63**, which implies roughly **17% upside** from current levels, **excluding** the hefty dividend . For instance, RBC Capital recently reiterated an **Outperform (Buy)** on TTE with a **bullish €75 target price**, citing the company's robust cash generation and undervaluation of its renewables business . Other analysts have similarly upgraded the stock: in the past quarter Sanford Bernstein, Morgan Stanley, DBS Bank, and BNP Paribas all raised their recommendations . On the conservative side, Goldman Sachs is maintaining a **Neutral** stance with a price target of **€56** – essentially around the current price – as Goldman awaits clearer signs of commodity upcycle or capital returns inflection. The consensus EPS estimates anticipate ~$6.0 earnings per share for full-year 2025 (slightly down vs 2024) and a rebound in 2026, putting the **forward PEG ratio** comfortably below 1. In sum, equity research sentiment underscores that **TotalEnergies is viewed as a high-yield value play** with upside potential, balanced by macro-driven uncertainty. The strong analyst conviction (many highlighting its diversified portfolio and shareholder returns) lends credence to the investment case, though as always for an oil major, the trajectory of oil and gas prices will be the dominant swing factor in hitting those price targets.

Internal Rate of Return (IRR) Calculations for 1, 3, 5-Year Horizons

We estimate the **annualized internal rate of return (IRR)** for an investment in TotalEnergies over 1, 3, and 5-year holding periods, using the current stock price (~€51) as entry and assuming dividends are reinvested. These scenarios incorporate both capital appreciation (based on price targets or assumptions) and the compounding effect of the company's dividend.

- **1-Year IRR:** For a 1-year horizon, we use the consensus price target as a reasonable outcome. With the stock currently ~€51 and an average target price of ~€62 in 12 months , the **capital gain would be ~+21%**. Adding the ~6.5% dividend yield (assumed reinvested once during the year), the **total return would be ~+28%**, equivalent to an IRR of **≈28%** for the one-year period. In other words, if TTE's price reaches the low €60s in a year, an investor could see roughly mid-to-high twenties percent return with dividends. Even in a more conservative case (say the stock only reaches ~€56, Goldman's target), the 1-year IRR would be ~15% (9% price gain + 6% yield). This illustrates the powerful boost the dividend provides to short-term returns.

- **3-Year IRR:** Over a 3-year period, we project a moderate price appreciation scenario informed by the company's fundamentals and oil price outlook. Assuming the stock could rise to around **€65** in three years (near the upper end of its recent range, but not requiring new all-time highs) and that dividends (~€3.4/share annual, growing modestly) are reinvested each year, the **total ending value** would be approximately €75–78 per original share. This implies a **3-year CAGR** on the order of **13%–16%**. Specifically, an entry at €51 growing to ~€75–€78 total value yields an IRR of about **15%**. This factors in ~27% cumulative price gain and an additional ~18% accumulation from reinvested payouts. Even if the stock merely drifts around current levels for 3 years but one reinvests the high dividends, the IRR would be ~6–7% (essentially the yield). Conversely, in a bullish scenario where TTE breaks out to ~€75 by 2028 (approaching prior highs), the 3-year IRR could exceed 20%. Our base case ~15% IRR indicates a very attractive medium-term return profile, driven by the combination of yield and potential multiple expansion/earnings growth.

- **5-Year IRR:** Looking out 5 years, the longer-term total return is influenced by both earnings trajectory and valuation at exit. Under a balanced scenario, assume TTE's stock reaches **€75** in five years (a price that would likely require a constructive oil market and successful renewables growth, but is achievable given it's below the 2007 peak). Adding roughly 5 years of dividends (~€17+ per share, assuming modest annual dividend hikes and reinvestment), an initial €51 investment would grow to about **€92** in value. That equates to an **IRR of ~13%** per annum over five years. We can interpret this as roughly 6-7% from price CAGR plus ~6% from dividend yield compounding – a strong double-barreled return. In a more optimistic case where oil prices strengthen materially and TTE re-rates (stock perhaps hitting ~€85–€90 in 5 years, near all-time highs), the IRR could be ~18%+. In a pessimistic case (flat share price ~€ Fifty and dividends only), the IRR would equal the dividend yield (~6-7%). Overall, the **5-year IRR projection in the low-to-mid teens** underscores the investment's long-term appeal: even without aggressive assumptions, TotalEnergies offers potential returns well above what one might expect from broad equity indices, largely thanks to the substantial dividend reinvestment effect.

Key Takeaway: TotalEnergies' high current yield significantly bolsters IRRs across all horizons. If the company merely meets modest growth expectations and maintains its payout, an investor is looking at low-teens or better annualized returns over multi-year periods – with upside if the stock appreciates meaningfully. These estimates assume dividends are reinvested to buy additional shares; this compounding accelerates wealth creation (for example, reinvesting a ~6% yield for 5 years adds roughly an extra 35% to the final value). Of course, actual IRRs will depend on future market prices – which ties into the oil price and macro outlook discussed next.

Market Context and Macroeconomic Outlook

The macro backdrop for oil & gas is a critical factor in the TotalEnergies investment case. **Global oil demand** remains robust in 2025, having fully recovered from the pandemic. In fact, world oil consumption is expected to hit a record **105 million barrels per day in 2025** . Demand growth is projected to slow somewhat (the IEA forecasts +0.7 mb/d in 2025 vs 2+ mb/d in 2023) , but importantly, **no peak in oil use is yet in sight** according to OPEC – they see demand rising into the 2030s . This is despite energy transition headwinds; even as EV adoption and efficiency improve, rising prosperity and petrochemical needs in developing countries are driving oil demand higher . TotalEnergies, with its global portfolio, is poised to benefit from this sustained demand, especially in growth markets like India, Africa, and the Middle East (which OPEC highlights as long-term demand engines) .

On the **supply side**, the market has tightened compared to early 2023, largely due to **OPEC+ production cuts and disciplined investment**. OPEC+, led by Saudi Arabia and Russia, has been actively managing output to support prices. Notably, the alliance has **3.65 million barrels per day of voluntary cuts still in place through end-2026** . Saudi Arabia recently extended a unilateral 1 mb/d cut, indicating determination to defend a floor on oil prices (widely believed to be around $80 Brent). This supply restraint comes after years of under-investment globally – a legacy of the 2015–2020 downturn and Western oil companies shifting capital to renewables. **Non-OPEC supply** (e.g., U.S. shale) is growing only modestly; shale producers have adopted a “value over volume” approach, and U.S. output is expected to rise only ~0.4 mb/d in 2025 . The net effect is that the oil market entering 2025 is finely balanced to slightly undersupplied. OECD industry inventories have been drawing down from the highs seen during pandemic and SPR (Strategic Petroleum Reserve) releases. If global GDP growth remains decent (~3% IMF forecast) and no severe demand shock occurs, **oil prices are likely to trend upward** or at least remain well-supported at current levels.

Geopolitical factors add an upside skew to price risks. The Russia-Ukraine war continues to disrupt energy flows; EU embargoes on Russian crude and refined products have re-routed trade and introduced inefficiencies. While Russia has managed to keep exporting by discounting to Asia, any escalation (or, conversely, a peace deal) could jolt prices. Additionally, political unrest in other oil regions (Libya, Nigeria, etc.) has periodically curtailed output. In the Middle East, tensions around Iran’s nuclear program persist – a conflict there could spike oil prices. TotalEnergies, by virtue of being an integrated major, can actually benefit from periods of higher volatility and prices, though extreme spikes can also destroy demand. Notably, CEO Patrick Pouyanné has indicated the company can sustain its buybacks **even at $70/bbl oil** , highlighting resilience, but also that **higher prices ($80–100)** would simply translate to greater cash returns.

The **green energy transition** is a double-edged factor. Over the long term, widespread electrification, EVs, and renewables will cap oil demand growth – indeed BP and the IEA project oil demand to peak by end of this decade . Europe’s push for decarbonization also brings regulatory risks (windfall profit taxes, stricter emissions costs) which have already been seen – e.g., EU imposed temporary taxes on surplus refining profits in 2022. However, in the medium term (next 5-10 years), the transition itself is creating opportunities and market tightness. Under-investment in upstream projects (as many companies scaled back oil capex to appease ESG concerns) could lead to a **supply crunch** before demand truly rolls over – a point OPEC often makes, urging $12 trillion+ investment through 2040 to meet projected needs . TotalEnergies is somewhat unique in that it is aggressively investing in renewables and power **while** still growing its oil & gas output (notably LNG). This balanced strategy should allow it to capture upside from fossil fuels this cycle, **without being left with stranded assets** later on. In the meantime, high gas prices in Europe in 2022–23 demonstrated the value of companies with diversified energy supply; TotalEnergies profited from its LNG trading and flexible portfolio to meet gas shortages.

Inflation and interest rates: The surge of global inflation has two main impacts on an oil major: higher operating costs (equipment, wages) and higher financing costs. TotalEnergies has felt inflation in project development (capex budgets for new projects have risen). However, oil and product prices also inflate, often outpacing cost inflation – energy is an inflation beneficiary in revenue terms. The company’s margins actually expanded in upstream during 2022’s inflation spike, as oil prices rose faster than costs. In the downstream, extreme energy costs last year compressed European refining margins for a time, but those have normalized. High interest rates globally make financing more expensive, but TotalEnergies carries a modest net debt and has **A/A1 credit ratings**, so its borrowing costs remain low (and much of its debt is long-term at fixed rates). One indirect effect of higher rates is a **higher equity risk premium** – contributing to the low valuation multiples for the sector (investors demand higher cash yields when "safe" yields like bonds are ~4%). This dynamic actually favors TotalEnergies in the peer group because it already offers a ~6-7% dividend yield (well above, say, Shell's ~4%), making it comparatively attractive for income-focused investors in a rising rate world .

Pulling back, **our view is that oil prices are biased to the upside in the coming years**. We expect Brent crude to gravitate towards the **$85–$100 per barrel** range over the next 12-24 months (from roughly $80 now). The rationale: OPEC's proactive supply management, limited spare capacity, and the lack of major new project start-ups through mid-decade. Demand, while not surging, is at record highs and proving sticky even under high price regimes. If a recession hits developed markets, OPEC+ has shown willingness to cut further to prop up prices. Meanwhile, **upstream capital discipline** by publicly traded oil companies means even at $80-90 oil, we aren't seeing the capex booms of past cycles – which paradoxically prolongs the cycle by preventing oversupply. TotalEnergies itself plans ~$16-18B capex annually (of which a large share is for renewables) , a far cry from the spending sprees of the 2010s. Thus, supply will likely remain constrained relative to demand growth.

For **natural gas**, the outlook is also positive for TotalEnergies. European gas storage is healthy now, but as China's economy picks up, competition for LNG cargoes will intensify. TTE is one of the top 3 global LNG players, and spot LNG prices, while off 2022 peaks, could firm up in winter 2024/25. Additionally, long-term LNG contracts the company has signed (e.g. with Qatar, U.S. projects) lock in future volume growth at attractive economics. **Refining margins** have recovered from 2020 lows; while they may not revisit the extremes of mid-2022, the structural closure of European refining capacity provides a tighter market for the remaining players like TotalEnergies (which has strong refining hubs in Antwerp, Normandy, etc.). Margins in Q2 2025 improved and should remain reasonable given normalized product inventories .

In summary, the macro context for TotalEnergies is **cautiously favorable**: oil supply/demand dynamics suggest stable to higher prices, and the company's multi-energy strategy gives it resilience under various scenarios (it benefits from oil upswings but is also preparing for the energy transition by investing in renewables, which diversifies future earnings). Key macro risks to watch include: a severe global recession (which could temporarily slash oil demand), dramatically faster EV adoption or policy shifts (demand destruction beyond forecasts), and currency fluctuations (TotalEnergies reports in USD, and a strengthening Euro could modestly reduce reported earnings in EUR terms). Barring those, the outlook supports the investment thesis that **the next few years will likely see a constructive environment for hydrocarbon producers**, underpinning TotalEnergies' earnings and shareholder returns.

Competitor Comparison: TotalEnergies vs. Shell vs. BP

TotalEnergies is frequently compared to its European supermajor peers **Shell plc (SHEL)** and **BP plc (BP)**. All three are integrated energy giants with global operations, but there are noteworthy differences in profitability, valuation, shareholder returns, and balance sheet strength:

- **Profitability & Operations:** All three firms are generating strong profits, but **TotalEnergies and Shell have delivered more consistent earnings recently than BP**. For example, Shell earned $5.6 billion in adjusted profit in Q1 2025 and continued robust cash generation in Q2, whereas BP's reported profits have been more volatile – BP's underlying net income was only $1.38 billion in Q1 2025 after a large miss in refining and trading. (BP also took a huge one-time loss in 2022 from exiting its Rosneft stake, skewing its headline net income.) TotalEnergies' H1 2025 adjusted net of $7.8B was higher than BP's and nearly on par with Shell's on a proportional basis , reflecting TTE's successful portfolio and project ramp-ups. In terms of **margins**, Shell and TotalEnergies both enjoy upstream net margins in the 15–20%+ range, whereas BP's refining/trading has occasionally lagged. **Return on capital employed (ROCE)** is strong for all (low 20s% for TTE and Shell in 2022, teens in 2023 due to price normalization; BP's ROCE lags somewhat due to its write-downs). Operationally, Shell is the world's largest LNG trader and has a slightly larger oil & gas production than Total (Shell ~2.9 mboe/d vs TTE ~2.5), while BP is smaller (~2.3 mboe/d). TotalEnergies has distinguished itself with growth in **renewables and power** – it now has 17 GW of renewables capacity with a target to 35 GW by 2025 – whereas Shell and BP have been more measured or have recently dialed back parts of their transition strategy. All three are benefiting from higher refining utilization in 2023–25, but **TotalEnergies did not cut its downstream exposure as drastically as BP/Shell** (both UK majors shut some refineries in the past decade), which means TTE can capitalize well on refining up-cycles. Importantly, **TotalEnergies has proven to be strategically steadier** – it maintained a consistent strategy of "multi-energy" expansion and crucially **did not cut its dividend during the 2020 oil crash**, unlike BP and Shell which roughly halved their payouts that year . This reliability in capital allocation is a competitive advantage for Total in investor perception.

- **Shareholder Returns (Dividends & Buybacks):** TotalEnergies currently offers the **highest dividend yield** among the trio at ~6–7%. By comparison, **BP yields ~5–6%** and **Shell ~4%** . Shell has been growing its dividend (it just raised by ~15% in 2023) but from the lower base post-2020 cut. BP likewise is increasing its dividend by about 4% annually, but its yield remains around 5%. TotalEnergies' dividend is **larger and was never cut**, and it has been increasing (including an exceptional special dividend in 2022). On buybacks, all three have been aggressive: Shell is executing $4 billion per quarter in repurchases recently, one of the largest buyback programs globally, while BP did $1–2 billion per quarter. **TotalEnergies' buybacks ($2B/quarter) are significant relative to its market cap**, effectively retiring ~5% of shares per annum at the current pace . As a result, Total's **total yield (dividend + buyback)**

is around 10%, similar to Shell's total yield (4% div + ~6% buyback) and higher than BP's (~5% + 4%) . All three commit ~$4–$6 billion+ annually to buybacks, but Shell's absolute program (given its larger market cap) is biggest. In summary, **investors in TotalEnergies enjoy a higher immediate cash yield**, while Shell offers a mix of moderate yield and high buybacks, and BP sits in between. It's worth noting TotalEnergies' **payout ratio ~50%** is higher than Shell's 20–30% and BP's ~40% , indicating TTE is returning a greater share of cash – a shareholder-friendly stance made possible by its stronger balance sheet and project pipeline.

- **Valuation:** All three European majors trade at *depressed valuations*, but BP is arguably cheapest by a hair – partly reflecting lingering Russia overhang and a perceived less clear strategy. **BP trades at ~3–4× 2025 EV/EBITDA** (3× per some estimates) , and ~6× forward earnings – an extremely low multiple. **TotalEnergies and Shell trade around 4× EV/EBITDA** and **8–9× earnings**, with Shell maybe a half-turn higher P/E due to its larger LNG business and U.S. listing premium. In other words, **the entire sector is priced at a steep discount** to market despite high returns. Total's P/E (~8–9) is about the same as Shell's (~9) and slightly above BP's (~6–7). On price-to-book, all are near 1.0–1.2×, reflecting that investors are valuing them only slightly above liquidation value despite strong profitability. TotalEnergies' **enterprise value to revenue** is ~0.85× , similar to BP and Shell (~0.8–0.9×), showing that revenue multiples are also very low (the market expects slim margins or is skeptical of sustainability). One nuance: Shell historically enjoyed a premium for its LNG and chemicals integration, whereas BP has carried a discount for higher debt and the 2020 reset. TotalEnergies sits in between but has been closing the gap as it executes well. If we consider **dividend yield as a valuation measure**, TTE at ~6.5% is actually "cheaper" than BP's ~6% and Shell's ~4% (a higher yield = lower price relative to dividend). Thus, by most metrics (P/E, EV/EBITDA, yield) **TotalEnergies is as cheap as or cheaper than peers**, despite arguably having the most balanced portfolio and the least execution risk (it consistently meets targets). This undervaluation is a common trait in European energy stocks, likely due to ESG concerns and European windfall taxes, but it provides significant upside potential if sentiment improves.

- **Balance Sheet Strength: TotalEnergies boasts the strongest balance sheet** of the three. Its **net debt-to-equity ("gearing") is ~15%** (normalized) , **the lowest** in the peer group. Shell's net debt ratio is around 18–20% (net debt $40 billion vs $210B equity) , which is also very comfortable and a far cry from Shell's 30%+ gearing several years ago. **BP's net debt ratio is higher, ~25–30%**, partly because BP's book equity shrank after the Rosneft write-off and because it carries $26–27B net debt . In absolute terms, TTE's net debt ($33B) is similar to BP's ($27B) and much less than Shell's ($40B), but relative to cash flow all are low (each generated $40–50B CFFO in 2022). TotalEnergies' **interest coverage** is very high (EBITDA to net interest >20x), and it holds an AA- credit rating (S&P) with stable outlook, essentially on par with Shell (AA-) and above BP (A-). All three have been using surplus cash to deleverage since 2020; notably, **BP's debt was $52B in 2019 and is ~$27B now**, Shell's was $79B and is

~$40B now – dramatic improvements. This means **financial risk is low across the board**, but TotalEnergies has the most headroom. It also has fewer legacy liabilities (Shell and BP still face some payments related to past spills or restructurings). The strong balance sheets enable continued investment in low-carbon projects while maintaining dividends. In terms of **asset mix**, Shell and Total have fairly similar upstream/downstream splits and both have growing renewables ventures, whereas BP, after its strategy pivot, is focusing on convenience retail and EV charging as well. But from a **balance sheet quality standpoint**, investors generally view TotalEnergies and Shell as roughly equal, with BP a notch below. It's telling that **BP's debt-to-equity far exceeds Shell's and Total's** according to Reuters , which can weigh on BP's valuation.

In summary, **TotalEnergies compares very favorably** to its peers: it matches Shell's operational breadth and outshines BP's in execution, offers the highest yield, and maintains rock-solid financials. Shell is larger and deeply entrenched in LNG, which is an advantage as gas transitions fuel mixes, but TotalEnergies is rapidly expanding in that area too (it's overtaken BP in LNG portfolio size). From an investor perspective, **TotalEnergies is often seen as the "best of both worlds"** – American-style shareholder returns (high payouts) combined with a European-style energy transition strategy (meaningful green investments without sacrificing core profitability). Indeed, some fund managers explicitly prefer Total over BP/Shell for its strategic consistency and dividend reliability . The key risk where peers differ is strategy execution: BP recently dialed back its emissions targets and is re-focusing on oil & gas after initially pushing hard into renewables – this policy uncertainty might concern some investors. Shell is undergoing a CEO change (Wael Sawan took over in 2023) and is also rebalancing its approach (emphasizing returns, slowing renewables investment growth), which actually is moving Shell a bit closer to Total's already-balanced stance. Therefore, if TotalEnergies can continue delivering steady results, it stands out as a leader among the group, potentially deserving a valuation re-rating closer to U.S. peers (Exxon trades ~10× earnings) – an upside catalyst if it materializes.

Conclusion and Investment Case

Investment Thesis: TotalEnergies represents a compelling investment case as a high-yield, cash-generative oil & gas major with a credible green transition plan. The company offers a unique combination of **strong near-term cash flows** (driven by oil, gas, and downstream) and **long-term adaptability** (through its growing renewables and power businesses). Its technical picture shows some short-term weakness, but fundamentally the company is sound and positioned to thrive in a range of macro scenarios. Trading at ~8× earnings and yielding ~6–7%, TTE provides an **attractive entry point** for long-term investors seeking income and inflation protection. The current share price around €51 appears to discount an overly pessimistic outlook, given TotalEnergies' demonstrated resilience and commitment to shareholder returns.

Catalysts/Upside Scenarios: We see several drivers that could unlock upside in the stock. Most importantly, a sustained increase in oil prices (e.g. Brent moving into the $90-100 range) would directly boost earnings and likely spark a rally in all oil equities. As outlined, our oil view is bullish due to supply constraints – if this plays out, TotalEnergies' profits and buybacks would exceed current forecasts. Additionally, any signs of **valuation re-rating** – for instance, if investors rotate back into energy stocks due to their low multiples and high dividends – could benefit TTE disproportionately (owing to its strong ESG credentials relative to peers, some generalist investors may find Total a "safer" energy play). Another upside catalyst could be **portfolio actions**: management might spin off or IPO a minority stake in its renewables division in the future to highlight its value, or continue with opportunistic acquisitions like the recent Adani Green Energy stake, which bolster renewable capacity. The successful delivery of new LNG projects (e.g. Mozambique LNG coming online in late 2020s) would also underpin volume and cash flow growth. If TotalEnergies hits its 2025 objectives (notably >35 GW renewables, >$5B integrated power CFFO, and >$15B overall CFFO at $50 oil), the market may reward it with a higher multiple for proving the multi-energy strategy.

Base Case Valuation & Price Target: Using a **blended valuation** approach (combining multiples and DCF logic), we derive a **12-month price target range of €60–€65** per share. This range is supported by multiple methods:

- On a **P/E basis**, applying a reasonable ~9× forward P/E to our 2024–25 EPS estimate (~€6.8) yields ~€61.
- On **EV/EBITDA**, using 4.5× forward EBITDA (a slight re-rating from ~4× currently, reflecting improving macro) gives a similar equity value in the low €60s.
- A rudimentary **discounted cash flow** focusing on the next 5 years of free cash (assuming ~$12–15B FCF p.a. and a 8% discount rate) plus terminal value also indicates an equity value around €60+.

Taking the midpoint, we set a **base case target of €63**, which is in line with the analyst consensus . At €63, the stock would still only be ~10× earnings and ~5× EBITDA – hardly stretched – and would yield ~5.3%, implying there is room for further upside beyond our target if oil markets tighten significantly.

Bull and Bear Cases: In a **bull case** scenario, where oil prices rise well above $100 and/or TotalEnergies achieves a higher valuation akin to U.S. peers, the stock could trade at 6× EBITDA or 11–12× earnings. That would put the share price in the **mid-€70s to €80** range. Indeed, RBC's €75 target (implying ~50% upside) reflects a view that stronger prices and continued buybacks will drive TTE toward €75 . This bull case also assumes no major adverse policy (e.g., no new super taxes and a smooth execution of renewables projects). Conversely, in a **bear case** – say a global recession cuts demand, oil falls back to $50-60 for a prolonged period, or a significant operational setback hits (like an upstream accident or geopolitical loss of assets) – the stock could retrace to the **mid-€40s**. That approximately aligns with strong support around €45 (also ~0.8× book). Even in this downside, the dividend yield would be extremely high (~8%+) which may prop up the stock from falling further, unless the dividend itself came under threat (which we view as unlikely barring oil < $50 for multiple years).

Risks: Investing in TotalEnergies is not without risks. Key risks include: **Commodity price risk** (a sharp drop in oil or gas prices would hurt revenues and cash flow – although the dividend would likely still be covered down to ~$40 oil given current breakevens). **Regulatory and climate policy risk** is also significant – as a European major, TTE could face higher carbon costs, windfall profit taxes (as seen in 2022), or restrictions on oil/gas development. The company's expansion in renewables comes with execution risk and different return profiles; if these projects yield lower returns than legacy business, there's a potential drag on ROE (management asserts they target ~10% IRR on renewables, which is lower than oil projects but stable). **Operational risks** such as accidents (e.g., a refinery explosion or oil spill) could incur large one-time losses or fines – Total has a good safety record, but the industry by nature has tail risks. Additionally, **political risk** in countries where TotalEnergies operates (Africa, Middle East, Russia – although Russia exposure has been minimized) could result in expropriation or forced project exits. Lastly, **foreign exchange**: a strengthening Euro against the Dollar can reduce the EUR-denominated stock price performance (since oil is priced in USD) – this has been a minor headwind in 2023 as the euro appreciated.

Final Takeaway: TotalEnergies offers a blend of value and growth characteristics. The stock provides a high yield and significant cash returns in the short run, while the company's investments in LNG and renewables position it for the future of energy. Management's shareholder-friendly actions (dividend raises, buybacks, disciplined capex) inspire confidence. Given our expectation of firming oil fundamentals and TotalEnergies' robust financials, we believe the stock is **undervalued at current levels**. We **recommend a Buy** on TotalEnergies with a one-year price target of **€63** (approximately 20% upside, plus ~6% dividend yield). Our 3-5 year view is even more positive: we foresee the potential for ~15% annual total returns driven by re-rating and compounding dividends. Investors should be mindful of commodity volatility and policy developments, but at ~4× EBITDA and a 50% payout ratio, much of the risk seems priced in. In our view, **TotalEnergies is a quality name to own within the energy sector**, offering both defensive qualities (strong balance sheet, diversified business) and offensive upside (leveraged to any oil price rally). The current technical dip may in fact present an attractive entry point for long-term investors to accumulate shares in anticipation of a likely stronger second half for oil markets and the company's continued execution on its strategy.