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TotalEnergies (TTE.PA)
Equity Research Report Generated by AI

This comprehensive analysis examines TotalEnergies, a leading European energy company balancing traditional oil and gas operations with renewable energy investments. The report covers technical analysis, fundamental performance, shareholder returns, valuation metrics, and competitive positioning against peers like Shell and BP. With a strong dividend yield of 6.5-7%, robust cash flow generation, and a balanced energy transition strategy, TotalEnergies presents an attractive investment opportunity despite current market undervaluation.

Technical Analysis

Short-Term Outlook (Days to Weeks) Weeks)

The stock has pulled back from early-summer highs in the low €60s, falling below the Ichimoku cloud on the daily chart. The conversion/base lines have turned down, signaling a near-term bearish bias. Bollinger Bands have widened on the recent sell-off, with price hugging the lower band.

Near-term support lies around €50-51, with initial resistance around €55 (coinciding with the bottom of the daily cloud and the 50-day MA).

Medium-Term Outlook (Months)

TotalEnergies remains in a sideways consolidation between €47-48 (strong support) and €60 (strong resistance). The weekly Ichimoku cloud is thinning, indicating a potential larger move brewing.

On-Balance Volume (OBV) on weekly suggests neutral accumulation, with the indicator roughly flat over 2023-2024, implying neither heavy accumulation nor distribution.

Long-Term Outlook (1+ Year)

The primary trend since 2020 has been upwards, underpinned by improving fundamentals and commodity prices. The monthly Heikin-Ashi chart shows mostly green candles from 2020 through 2022, with smaller-bodied candles in 2023 as the trend cooled.

The 200-month moving average is rising for the first time in over a decade, reflecting secular strength. Fibonacci retracement levels highlight €58-60 as a key inflection zone.

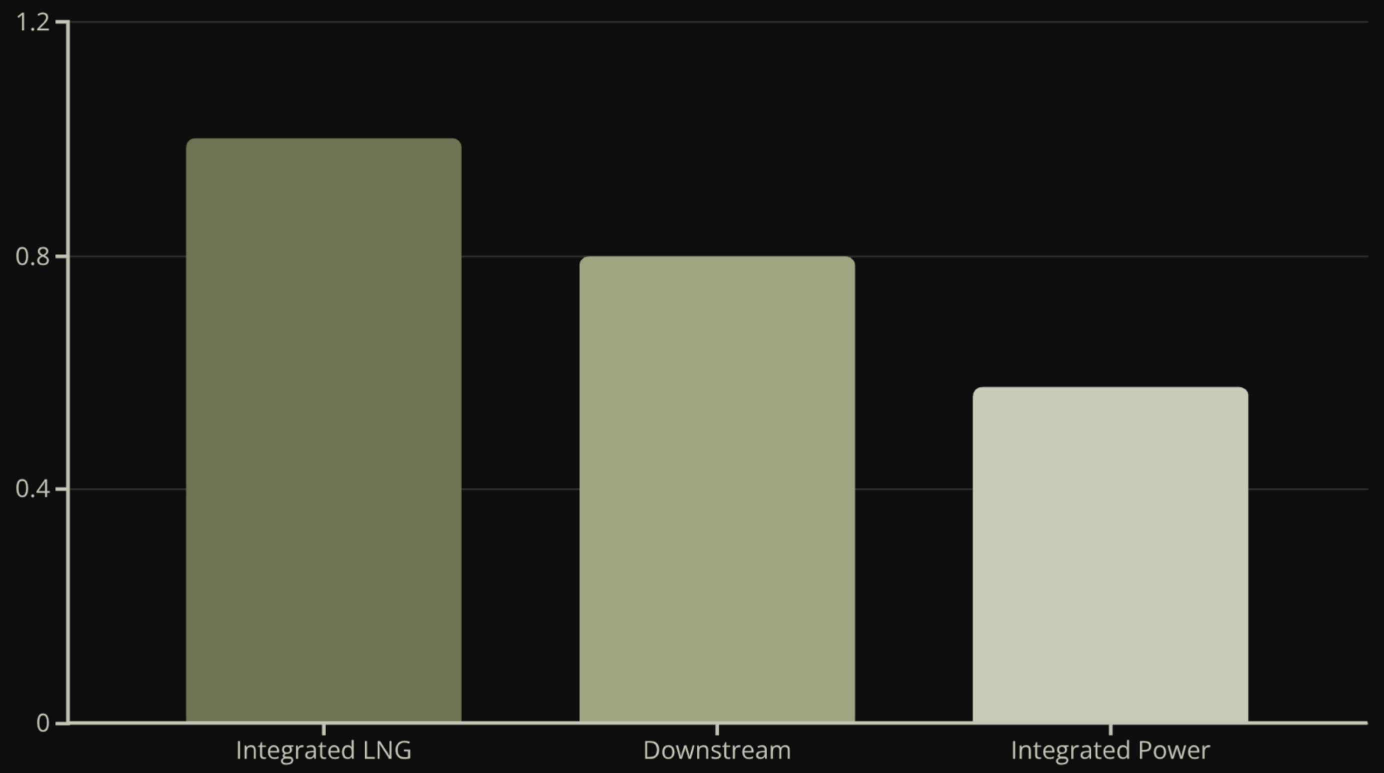
Preferred indicators for energy equities include Ichimoku Cloud to capture trend and momentum shifts driven by commodity price swings, OBV and volume metrics to confirm price moves, and volatility measures like Bollinger Bands and the Squeeze Momentum Indicator to flag breakout conditions. These indicators collectively point to a neutral-to-bearish short-term outlook, a range-bound medium-term bias, and a still-positive long-term trend.

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 came in at $6.54 billion, 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, with trailing ROE likely in the high-teens for 2025 given the earnings normalization.



Segment highlights show the company's diversified model providing a buffer against macro headwinds. Hydrocarbon output rose >3% YoY to 2.53 million boe/d, thanks to project start-ups. The Integrated Power segment saw renewables output increase 18% YoY, demonstrating successful expansion into electricity.

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. Despite the macro headwinds, cash flow resilience was high, with Q2 cash flow only 5% lower YoY even with ~10% lower oil prices.

Dividend Policy and Shareholder Returns

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€0.85	6.5-7%	$2B	~50%
Q2 2025 Dividend	**Dividend Yield**	**Quarterly Buybacks**	**Cash Flow Payout**
7.6% increase year-over-year	Among the highest in Big Oil	$4B executed in H1 2025	Target for 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, 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%.

Management has consistently complemented cash dividends with repurchases: TotalEnergies is executing a $2 billion buyback in Q3 2025 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.

Valuation Multiples

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8-9×

P/E Ratio (TTM)

Well below market averages

12-15%

Free Cash Flow Yield

Based on 2023-24 average FCF

~4×

EV/EBITDA

Modest multiple vs peers

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, 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×. TotalEnergies appears undervalued on an absolute and relative basis, given its asset mix and cash generation.

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, implying potential hidden value.

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.

Internal Rate of Return (IRR) Calculations

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1-Year IRR: ~28%

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%.

Even in a more conservative case (if the stock only reaches ~€56), the 1-year IRR would be ~15% (9% price gain + 6% yield).

5-Year IRR: ~13%

Under a balanced scenario, assume TTE's stock reaches €75 in five years. 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.

We can interpret this as roughly 6-7% from price CAGR plus ~6% from dividend yield compounding – a strong double-barreled return.

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3-Year IRR: 13-16%

Assuming the stock could rise to around €65 in three years 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 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%.

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.

Market Context and Macroeconomic Outlook

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Oil Market Dynamics

Global oil demand remains robust in 2025, having fully recovered from the pandemic. 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.

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 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).

Energy Transition Impact

The green energy transition is a double-edged factor. Over the long term, widespread electrification, EVs, and renewables will cap oil demand growth. Europe's push for decarbonization also brings regulatory risks (windfall profit taxes, stricter emissions costs) which have already been seen.

However, in the medium term (next 5-10 years), the transition itself is creating opportunities and market tightness. Under-investment in upstream projects could lead to a supply crunch before demand truly rolls over. TotalEnergies is somewhat unique in that it is aggressively investing in renewables and power while still growing its oil & gas output (notably LNG).

1

Geopolitical Factors

The Russia-Ukraine war continues to disrupt energy flows; EU embargoes on Russian crude and refined products have re-routed trade and introduced inefficiencies. 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.

2

Inflation and Interest Rates

The surge of global inflation has two main impacts: higher operating costs and higher financing costs. However, oil and product prices also inflate, often outpacing cost inflation. TotalEnergies carries a modest net debt and has A/A1 credit ratings, so its borrowing costs remain low. Higher rates have contributed to low valuation multiples for the sector.

3

Price Outlook

Oil prices are biased to the upside in the coming years. Brent crude is expected 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.

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 could firm up in winter 2024/25. Refining margins have recovered from 2020 lows and should remain reasonable given normalized product inventories.

Competitor Comparison: TotalEnergies vs. Shell vs. BP

Metric	TotalEnergies	Shell	BP
Dividend Yield	~6-7%	~4%	~5-6%
Quarterly Buybacks	$2B	$4B	$1-2B
P/E Ratio	~8-9×	~9×	~6-7×
EV/EBITDA	~4×	~4-5×	~3-4×
Net Debt Ratio	~15%	~18-20%	~25-30%
2020 Dividend Action	Maintained	Cut ~50%	Cut ~50%

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.

TotalEnergies and Shell have delivered more consistent earnings recently than BP. 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. Operationally, Shell is the world's largest LNG trader and has a slightly larger oil & gas production than Total, while BP is smaller.

TotalEnergies currently offers the highest dividend yield among the trio at ~6-7%. By comparison, BP yields ~5-6% and Shell ~4%. TotalEnergies' dividend is larger and was never cut during the 2020 downturn, and it has been increasing (including an exceptional special dividend in 2022).

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%, which is also very comfortable. BP's net debt ratio is higher, ~25-30%, partly because BP's book equity shrank after the Rosneft write-off.

Risks and Challenges

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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. TotalEnergies' diversified portfolio provides some buffer, but energy price volatility remains the primary risk factor.

Regulatory and Climate Policy Risk

As a European major, TTE could face higher carbon costs, windfall profit taxes (as seen in 2022), or restrictions on oil/gas development. Increasing climate regulations could accelerate the transition away from fossil fuels, potentially stranding assets or reducing their economic life.

Operational and Political Risks

Accidents such as a refinery explosion or oil spill could incur large one-time losses or fines. Political risk in countries where TotalEnergies operates (Africa, Middle East, Russia) could result in expropriation or forced project exits. Foreign exchange fluctuations can also impact EUR-denominated performance.

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.

TotalEnergies has a good safety record, but the industry by nature has tail risks. The company has minimized its Russia exposure following geopolitical developments, but still maintains operations in politically sensitive regions.

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.

Despite these risks, TotalEnergies' strong balance sheet, diversified business model, and proven ability to navigate industry downturns provide significant resilience. The company's balanced approach to the energy transition also helps mitigate long-term strategic risks compared to peers that have made more dramatic pivots.

Investment Case and Conclusion

Price Target: €63

Using a blended valuation approach (combining multiples and DCF logic), we derive a 12-month price target range of €60-€65 per share. Taking the midpoint, we set a base case target of €63, which is in line with the analyst consensus.

Valuation Upside

At €63, the stock would still only be ~10× earnings and ~5× EBITDA – hardly stretched – and would yield ~5.3%, implying room for further upside if oil markets tighten significantly. In a bull case scenario, the stock could trade in the mid-€70s to €80 range.

Compelling Returns

TotalEnergies offers a blend of value and growth characteristics with potential for ~15% annual total returns driven by re-rating and compounding dividends. The high yield and buybacks provide downside protection.

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).

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.

Several catalysts could unlock upside in the stock, including sustained increases in oil prices, valuation re-rating as investors rotate back into energy stocks, and potential portfolio actions such as highlighting the value of the renewables division. The successful delivery of new LNG projects would also underpin volume and cash flow growth.

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 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.