Company Update Report

TotalEnergies SE

Energy

Ticker	TTE-FR
Share price	€78.28
Intrinsic value	€76
Upside/(Downside)	-3%
Recommendation	Hold

As at: 14 May 2026

Analyst thesis

Our recommendation is based on:

- TotalEnergies operates across integrated gas (LNG), exploration and production, refining and chemicals, and integrated power, providing diversified revenue streams across the energy value chain. The portfolio blends commodity-linked upstream operations with more stable downstream and contracted power income, while growing LNG and electricity exposure enhances resilience and supports earnings across varying environments.
- The group's strategic focus on LNG and integrated power positions it well within the evolving energy landscape. A globally diversified LNG portfolio, combined with trading capabilities and long-term contracts, supports margin optimisation and cash flow visibility, while disciplined expansion in renewables and electricity provides a complementary, lower-volatility earnings base over time.
- TotalEnergies delivers strong cash generation and capital discipline, supported by competitive operating costs and a high-quality asset base. This underpins consistent shareholder returns through dividends and buybacks, while maintaining balance sheet strength and funding capacity for both hydrocarbon and low-carbon investments.
- Solid fundamentals, but valuation constrains upside: While the company benefits from a balanced portfolio and differentiated LNG exposure, the stock appears fairly valued. Uncertainty around the future oil price trajectory and ongoing geopolitical tensions create a balanced risk-reward profile, with much of the quality and strategic positioning already reflected in the share price, supporting a hold stance.

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Key highlights

In this report, we review the 1Q26 results released in April 2026:

Financial results at a glance:

- Revenue and earnings: Revenue from sales increased by 3% from $47.9 billion reported in 1Q25 to $49.5 billion, and by 8% QoQ (4Q25: $45.9bn). Revenue was higher mainly due to stronger downstream and refining sales, improved marketing activity, and higher LNG trading contributions.
- Costs and profitability: Purchases declined by 11% from $30.9 billion in 1Q25 to $27.3bn, supporting margins, while other operating expenses grew by 15% from $7.6 billion to $8.7 billion YoY. Depreciation rose from $3.0 billion to $3.2 billion, with higher taxes of $3.8 billion (1Q25: $2.7 billion) partially offsetting gains.
- Segment performance: Adjusted net operating income increased from $4.8 billion to $6.3 billion, representing growth of 31%, driven by exploration and production (+5%) and integrated LNG (+2%), while refining and chemicals rebounded sharply with a 431% increase. The smaller contributing sectors, integrated power and marketing and Services, remained stable.
- Consolidated net income rose by 51% from $3.9 billion in 1Q25 to $5.9 billion, and by 103% QoQ (4Q25: $2.9 billion). EPS increased by 59% from $1.69 to $2.68, reflecting improved operating performance.
- Cash flow from operations improved by 31% to $3.4 billion, despite the impact of a $7.0 billion (YoY net effect of $2.8 billion) working capital outflow. Capital expenditure remained disciplined at $5.2 billion.
- Balance sheet and capital allocation: Equity increased by 4% to $125.2 billion YoY, supported by strong earnings generation. Shareholder returns continued through dividends and buybacks, supported by strong earnings.
- TotalEnergies reported operating cash flow of $3.4 billion, heavily impacted by a $7.0 billion working capital outflow, while underlying cash generation remained strong at $10.4 billion (1Q25: $6.8 billion), excluding working capital. Dividends declared during the period rose modestly by 5.9% to €0.90 per share.

Sector outlook

The global integrated oil and gas sector remains highly cash generative, supported by disciplined capital allocation and tight supply, although earnings are increasingly influenced by macro volatility and geopolitical risk, contributing to price instability. OPEC+ supply discipline and uneven non-OPEC production growth continue to underpin a risk premium in oil prices. Refining margins remain cyclical, while LNG provides a more stable earnings base through long-term contracts and strong demand from Asia and Europe.

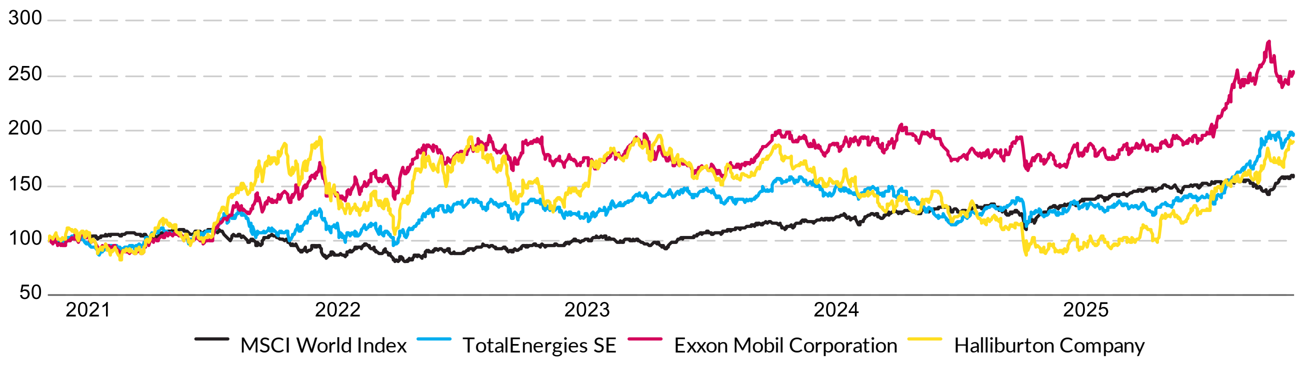
Low-carbon investments are a growing earnings contributor, with returns driven largely by contracting structures and policy support. Rising capital costs, regulation, and geopolitical tensions are increasing complexity across the sector.

Table 1: Qualitative summary

Factor	Rating	Description
Growth	★★★☆☆	Expected three-year revenue CAGR is 2.1%, and expected three-year EPS CAGR is 15.8%. Modest revenue growth reflects stable production and downstream resilience, while oil prices remain influenced by oversupply dynamics and the potential for easing geopolitical tensions, which may weigh on realised pricing and returns.
Valuation	★★☆☆☆	The share price is trading at a 3% premium to the intrinsic value (IV). Current NTM P:E of 8.5x is trading at a 16% premium to the five-year average P:E of 7.3x.
Dividend	★★★☆☆	LTM dividend yield 4.3%. NTM dividend yield 4.5%.
Issuance	★★★★☆	Shares issued have decreased 16% in the past five years as part of the continued buyback programme.
Catalyst	LNG market tightening and supply discipline: Tight global LNG markets, driven by European demand and Asian growth with limited new supply through 2027, support firmer pricing and stable margins for integrated players with trading and long-term contracts. Geopolitical supply disruptions: Ongoing geopolitical tensions, including Middle East and Russia-Ukraine risks, create episodic supply shocks and volatility, supporting cash flow upside for low-cost global producers. Refining margin recovery: Refining capacity closures in Europe and slower additions in Asia to support margin recovery over time, benefiting integrated players with optimisation flexibility. Low-carbon earnings growth: Growth in renewables and power, backed by long-term contracts and rising electricity demand from electrification and data centres, provides an expanding but still developing earnings stream that enhances diversification.	
Quality of earnings	★★★☆☆	Five-year average ROE 15.4%. Five-year average net profit margin 8.3%. Seven of the past 10 years had positive earnings growth. Returns are largely driven by commodity prices (oil and gas), which affect margins and the ROE. These prices are out of management's control.
Moat	★★★★☆	Economies of scale: Integrated operations across upstream, LNG, refining, and power enable lower unit costs, diversification benefits, and absorption of regulatory and transition-related investment. High barriers to entry: Oil and gas, LNG, and refining assets require multi-decade, multi-billion-dollar investments, creating high barriers to entry and protecting incumbents. Network effects (LNG ecosystem): An integrated LNG portfolio creates increasing value with scale across production, shipping, storage, and regasification, enabling optimisation and flexibility that fragmented players cannot replicate. Intangible assets: Long-life licences, access rights, long-term contracts, and established relationships with governments and national oil companies provide durable access to resources and markets.
Management and governance	★★★★☆	Patrick Pouyanné has served as chairman and CEO of TotalEnergies since 2015, having joined in 1997 and held senior roles across refining, chemicals, and strategy. He has extensive experience across the integrated energy value chain and has led the company through multiple commodity cycles, geopolitical disruptions, and the energy transition.
Balance sheet	★★★☆☆	Debt to equity is at 51,9%, which remains in line with the five-year average of 50.7% Debt to assets at 21%.
Risks	Commodity price volatility: Lower oil and gas prices from weaker demand, OPEC+ actions, or macro slowdown could reduce upstream cash flow and returns. Geopolitical risk: Exposure to unstable regions creates risks of sanctions, disruptions, and operational or security incidents. Energy transition risk: Faster decarbonisation and substitution toward renewables could pressure long-term hydrocarbon demand and returns. Regulatory risk: Stricter emissions rules, carbon pricing, and climate litigation could raise costs and capital intensity. Refining risk: Cyclical margins and capacity additions, particularly in Asia, could drive downstream earnings volatility. Execution risk: Cost overruns or poor capital allocation in projects could reduce returns and shareholder value.	

Source: FactSet

Graph 1: Five-year price (Indexed to 100)



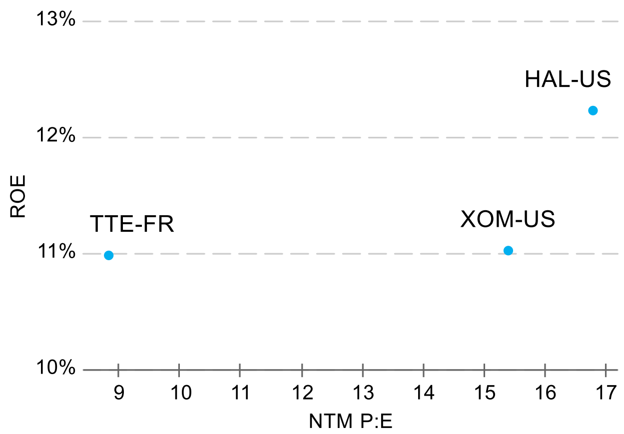
Source: FactSet

Table 2: Price performance versus benchmark and peers

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
TTE-FR	41.5%	-0.8%	25.7%	46.7%	54.6%	18.5%	43.9%	108.8%	86.6%
XOM-US	27.7%	-0.4%	4.1%	34.7%	44.7%	32.5%	44.9%	159.7%	74.8%
HAL-US	48.5%	-0.8%	22.2%	56.6%	103.8%	14.3%	44.7%	100.3%	5.3%
MSCI world	4.7%	-0.3%	3.2%	6.3%	25.0%	34.8%	66.5%	63.7%	190.3%

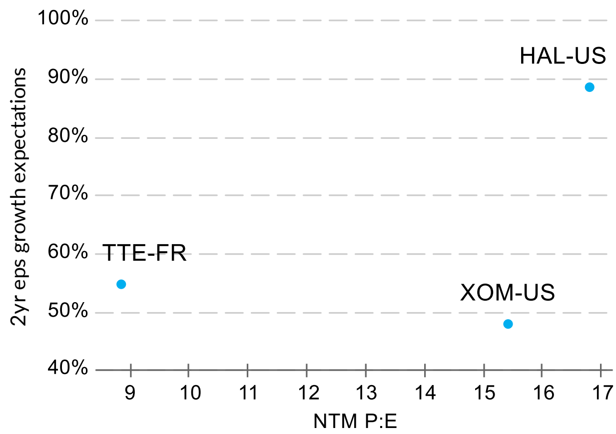
Source: FactSet

Graph 2: P:E vs 2Y average ROE



Source: FactSet

Graph 3: P:E vs EPS 2Y CAGR forecast



Source: FactSet

Valuation

The valuation of TotalEnergies is based on forecast EBIT and a forward MV:EBIT multiple reflecting the group's diversified integrated energy operations. Bear, base, and bull scenarios are considered, with probability weightings reflecting commodity price outcomes and macroeconomic conditions. Given the cyclical nature of the sector, lower earnings scenarios may attract higher valuation multiples on expectations of future earnings recovery, while higher earnings scenarios may attract lower multiples where profitability is viewed as closer to peak-cycle levels. The valuation also considers forecast EBIT, net debt, enterprise value, and the implied equity value under each scenario.

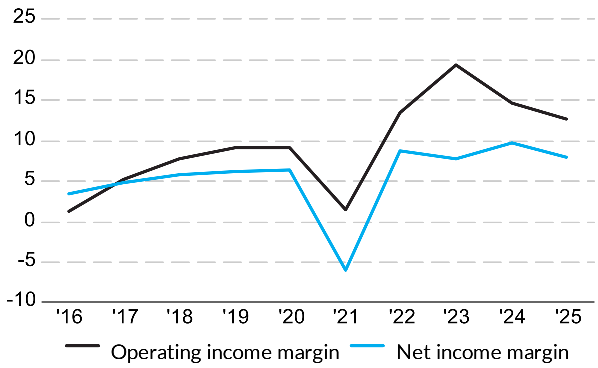
Table 3: Valuation summary

Valuation Probabilities			
	Bear	Base	Bull
MV:EBIT Multiple	16x	6x	4x
Probability	15%	65%	20%
Implied share price	€52	€77	€90
Weighted intrinsic value			**€76**
Upside/(Downside)			**-3%**

Graph 4: NTM P:E relative to benchmark

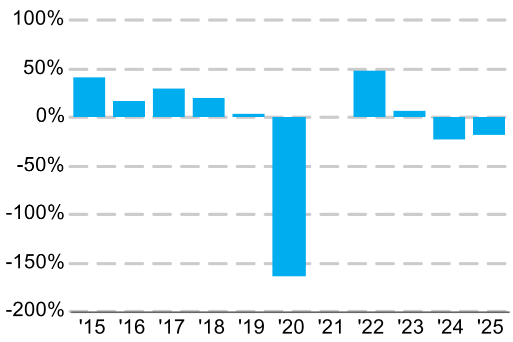
Source: FactSet

Graph 5: Profit margins (%)



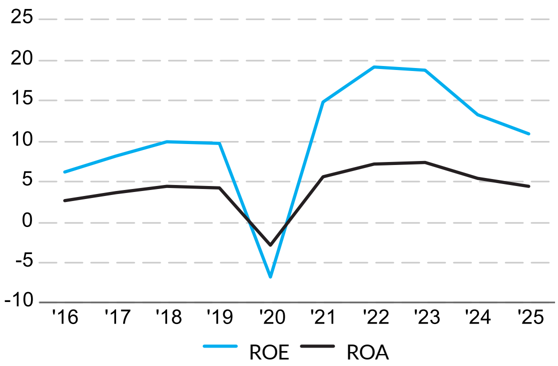
Source: FactSet

Graph 6: 10Y EPS year-on-year change



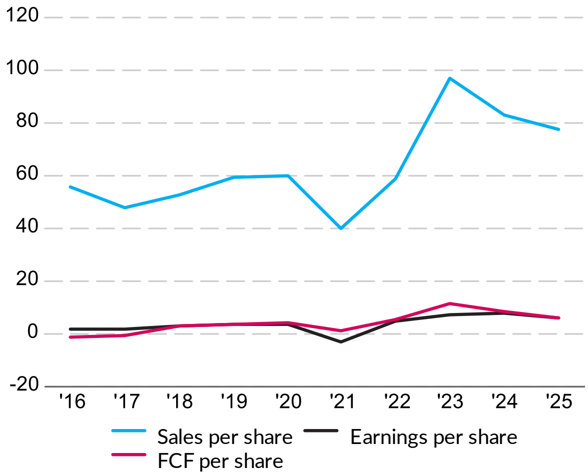
Source: FactSet

Graph 7: ROE and ROA (%)



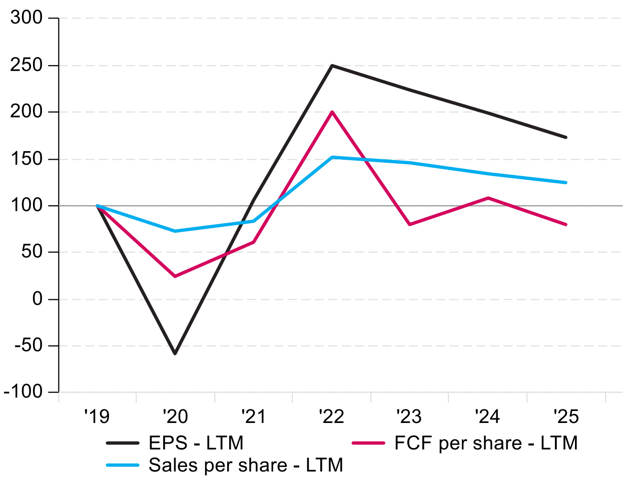
Source: FactSet

Graph 8: Sales, earnings and FCF per share (EUR)



Source: FactSet

Graph 9: Sales, earnings, and FCF per share indexed



Source: FactSet

Graph 10: NTM P:E

Source: FactSet

Table 4: Financials and ratios

Income statement ($Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	184 634	263 310	218 945	195 610	182 344	-7%	-12%	9%
Cost of sales	161 110	213 326	187 692	171 496	162 284	-5%	-9%	6%
Gross income	23 524	49 984	31 253	24 114	20 060	-17%	-26%	83%
EBIT	24 793	50 882	31 982	24 924	20 735	-17%	-26%	65%
EBITDA	38 378	62 774	44 912	37 087	34 271	-8%	-18%	17%
Net income	16 366	21 044	21 510	16 031	13 357	-17%	-14%	23%
EPS (USD)	6.1	8.0	8.8	6.9	6.0	-13%	-9%	26%
Balance sheet ($Mn)	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**1Y Growth**	**3Y CAGR**	**5Y CAGR**
Total assets	293 458	303 864	283 654	285 487	291 055	2%	-1%	2%
Total shareholders' equity	114 999	114 570	119 453	120 255	117 523	-2%	1%	2%
Total liabilities	178 459	189 294	164 201	165 232	173 532	5%	-3%	2%
Ratios	**Dec 21**	**Dec 22**	**Dec 23**	**Dec 24**	**Dec 25**	**5Y Avg**		
Net debt/EBITDA	0.81	0.31	0.37	0.57	0.93	0.60		
Interest coverage	13.2	21.4	11.0	7.9	6.2	12.0		
Debt/assets	22%	20%	18%	19%	21%	20%		

Source: FactSet

Table 5: Standard finance and investment abbreviations

Abbreviation	Definition
$	United States dollar
€	Euro
CAGR	Compounded annual growth rate
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free cash flow
FY	Financial year
HAL-US	Halliburton Co
LTM	Last twelve months (also known as trailing)
M	Month
MTD	Month-to-date
MV	Market value
NTM	Next twelve months (also known as forward)
OPEC	Organization of the Petroleum Exporting Countries
P:E	Price to earnings
QoQ	Quarter-on-quarter
ROA	Return on assets
ROE	Return on equity
TTE-FR	TotalEnergies SE
XOM-US	Exxon Mobil Corp
YoY	Year-on-year
YTD	Year-to-date

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*Share price as at closing.

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