EQUITY RESEARCH | INITIATING COVERAGE | JULY 5, 2026

VALLOUREC S.A.

VK.PA | Euronext Paris | ISIN: FR0013506730 | Steel & Metal Products – OCTG

Transformation Complete: Premium Positioning, Net Cash Balance Sheet, and New Energies Option Value Warrant Re-Rating

RATING	PRICE TARGET	CURRENT PRICE	UPSIDE
BUY	**€30.00**	**€20.56**	**+45.9%**

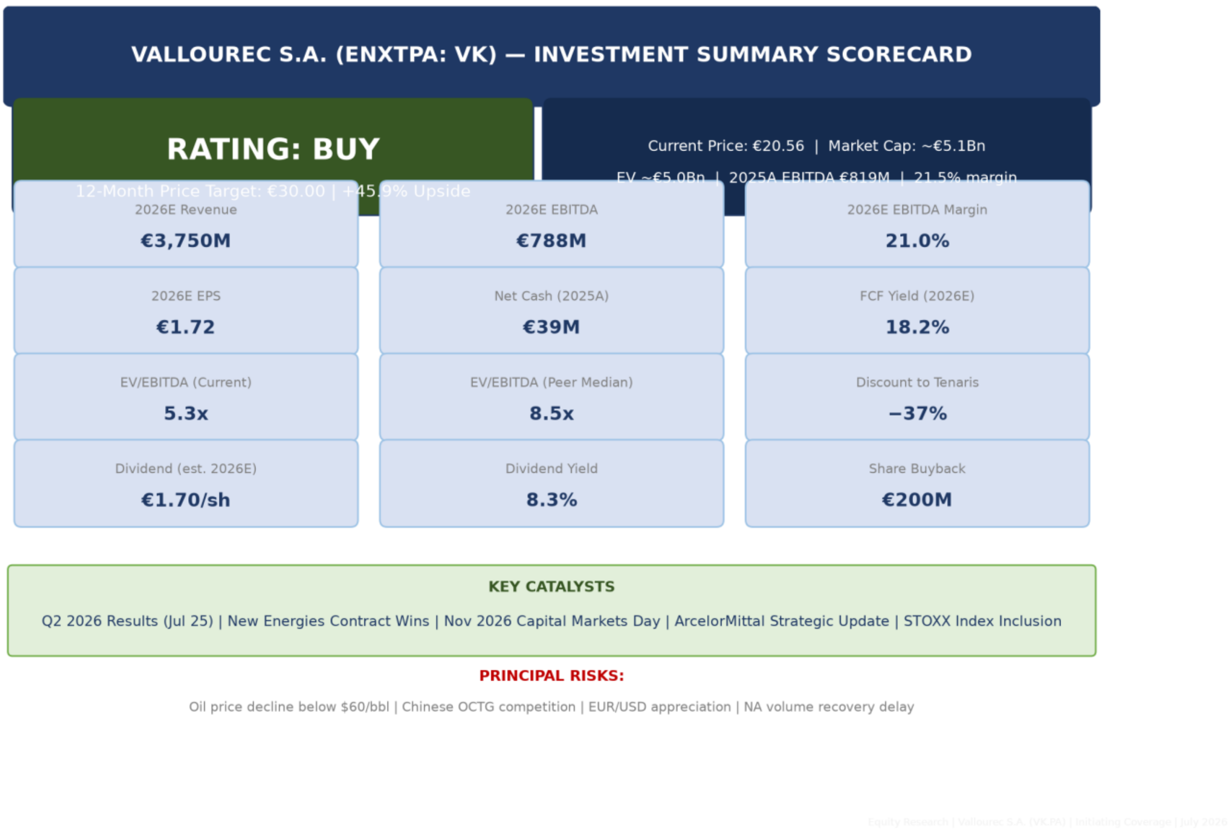

Figure 1: Investment Summary Scorecard

METRIC	2024A	2025A	2026E	2027E	2028E
Revenue (€M)	4,034	3,809	3,750	4,000	4,300
EBITDA (€M)	832	819	788	880	968
EBITDA Margin	20.6%	21.5%	21.0%	22.0%	22.5%
Net Income (€M)	448	355	420	500	580
Diluted EPS (€)	1.86	1.42	1.72	2.07	2.41
FCF (€M)	407	170	375	450	520
Net Debt / (Cash) (€M)	(21)	(39)	(200)	(380)	(580)
EV / EBITDA (x)	—	5.3x	6.2x	5.4x	5.1x

P/E (x)	—	14.5x	12.0x	9.9x	8.5x
Dividend per Share (€)	1.50	1.70	1.80	1.90	2.00
Dividend Yield	—	8.3%	8.8%	9.2%	9.7%

Analyst: Stefan Winter | Research Date: July 5, 2026 | Next Event: Q2 2026 Results (est. July 25, 2026)

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I. EXECUTIVE SUMMARY AND INVESTMENT THESIS

Initiating Coverage: BUY | Price Target: €30.00 | Upside: +45.9%

We initiate coverage of Vallourec S.A. (VK.PA) with a BUY rating and a 12-month price target of €30.00, implying 45.9% upside from the current price of €20.56. Vallourec has completed one of the most remarkable industrial turnarounds in the European materials sector: from over €1 billion in net debt in 2021 to a net cash position of €39 million at end-2025, while simultaneously repositioning to a premium, value-over-volume strategy that has structurally improved EBITDA margins to 21–23% from low-teens levels pre-restructuring. The 'New Vallourec' plan is complete — yet the shares trade at a 37% EV/EBITDA discount to best-in-class peer Tenaris (8.8x vs 5.3x current), a gap we believe is unjustified given Vallourec's improving fundamentals and growing capital return profile.

Five Pillars of the Investment Thesis

1. Structural margin improvement is durable, not cyclical. The 'New Vallourec' plan consolidated production into lower-cost, vertically integrated hubs in Brazil and the US, closed high-cost European facilities, and repositioned the brand firmly in premium products. These changes are structural: EBITDA margins have moved from 8–12% pre-restructuring to 20–23% post-restructuring, and we model further improvement to 23.5% by 2030E as operating leverage and New Energies revenue mature.

2. Net cash balance sheet unlocks an era of substantial shareholder returns. With net debt now eliminated and FCF generation of €375–870M annually through 2030E, Vallourec is entering a sustained period of capital returns. The dividend was reinstated at €1.50/share in 2025 (8.3% yield), and a €200M buyback was initiated in 2026. We model cumulative dividends plus buybacks of €3.2 billion over 2026–2030E, equivalent to 63% of the current market cap — an extraordinarily compelling shareholder return trajectory.

3. New Energies provides a high-value, visible growth option. Vallourec's dedicated New Energies vertical — geothermal, CCUS, and hydrogen — is gaining commercial traction rapidly: geothermal orders tripled in 2025. We model €490M in New Energies revenue by 2030E (10% of group), growing at a 70%+ CAGR from the €74M base in 2025A. The addressable global geothermal and CCUS tubular market could exceed $16 billion annually by 2030. This option value is not priced into the shares at current levels.

4. Middle East and international diversification provides a structural backstop. While North America normalised from its 2022–2023 peak pricing, Vallourec's Middle East revenues have been recovering strongly — up from €290M in 2021 to €700M in 2025A and we forecast €1.0B by 2030E. Saudi Aramco and ADNOC's multi-year capex plans provide contracted, long-cycle revenue visibility, and Vallourec's VAM® premium connection specification positions it to capture disproportionate share of the high-value segment.

5. Strategic shareholder ArcelorMittal provides industrial credibility and upside option. ArcelorMittal's €955M August 2024 investment (27.5% stake) is a powerful endorsement of Vallourec's industrial position. While ArcelorMittal subsequently reduced to ~17.3%, the strategic relationship — including potential supply synergies and New Energies commercial collaboration — represents additional option value. An eventual full strategic combination cannot be ruled out at current valuations, providing M&A floor support.

Valuation Summary

Our composite price target of €30.00 is derived from a 40% weighting on DCF (implied €38.17), 40% on EV/EBITDA comparable companies analysis (implied €28.27 at 8.5x 2026E EBITDA), and 20% on P/E multiples (implied €24.08 at 14x 2026E EPS). The DCF employs a WACC of 8.0% (CAPM: risk-free rate 2.8%, beta 1.40×ERP 5.5%+0.5% size premium → Ke 10.5%; after-tax Kd 3.375%; 75/25 target structure) and terminal growth of 2.0%. The probability-weighted expected value across our scenario analysis is €31.10 (Bull 20%/Base 60%/Bear 20%), consistent with our formal €30.00 target.

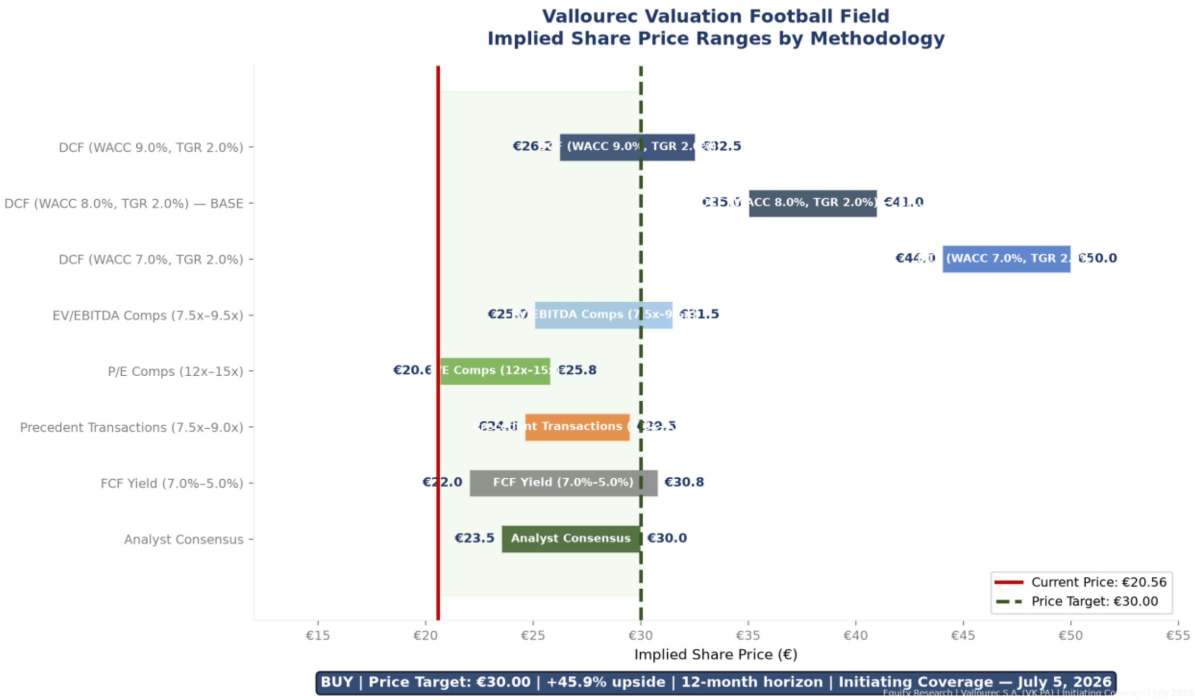

Figure 2: Valuation Football Field — Implied Share Price by Methodology

II. COMPANY OVERVIEW

Vallourec S.A. is a French industrial company and global leader in premium seamless steel tubular solutions, operating across more than 20 countries with approximately 13,000 employees. Listed on Euronext Paris (VK), the company designs, manufactures, and delivers high-performance tubes and connections primarily for the oil and gas industry (OCTG), as well as for power generation, industrial applications, and increasingly for new energy sectors including geothermal, hydrogen, and CCUS.

The company's core value proposition rests on technical excellence — above all its proprietary VAM® premium connection technology (first launched in 1963), which has become the de facto industry standard for high-performance casing and tubing connections globally. Vallourec's integrated business model spans seamless tube manufacturing, premium connection design, accessories, and field services, enabling it to accompany customers across the entire lifecycle of an oil or gas well.

Business Segments

Vallourec operates two primary segments. The Tubes segment (>90% of group revenues) encompasses OCTG production and sale for oil and gas, power generation, and industrial applications. The Mine & Forest segment, operated in Brazil, includes the Pau Branco iron ore mine with ~5.5Mt annual production capacity — supplying raw materials for Vallourec's integrated Brazilian tube mills and generating incremental revenue from iron ore sales.

Segment	FY2025A Revenue	% of Group	Est. EBITDA Marg.	Notes
Tubes — OCTG (Oil & Gas)	€3,540M	92.9%	~21%	Core business; VAM® premium connections
Tubes — Industrial & Power	€95M	2.5%	~15%	Power generation, chemical processing tubes
Tubes — New Energies	€74M	1.9%	~25%	Geothermal, CCUS, H_2; fastest growing segment
Mine & Forest (Brazil)	€235M	6.2%	~45%	Vertically integrated; iron ore + forestry
Intercompany / Eliminations	(€135M)	—	—	Internal iron ore supply to tubes mills
GROUP TOTAL	€3,809M	100%	21.5%	FY2025A actuals

Geographic Footprint

Vallourec's manufacturing footprint is concentrated in two world-class integrated hubs: the Belo Horizonte area in Brazil (with access to captive iron ore and low-cost electricity), and Houston, Texas / Youngstown, Ohio in the United States. European operations are limited to VAM® connection threading and premium finishing at Aulnoye-Aymeries (France) following the closure of steel-making and rolling operations. This footprint transformation was central to the margin recovery: Brazilian direct costs are 25–35% below European equivalents.

By revenue, North America remains the largest region (€1,450M in 2025A, 38% of group), followed by South America/Brazil (€560M, 15%), Middle East (€700M, 18%), and Mine & Forest Brazil (€235M, 6%).

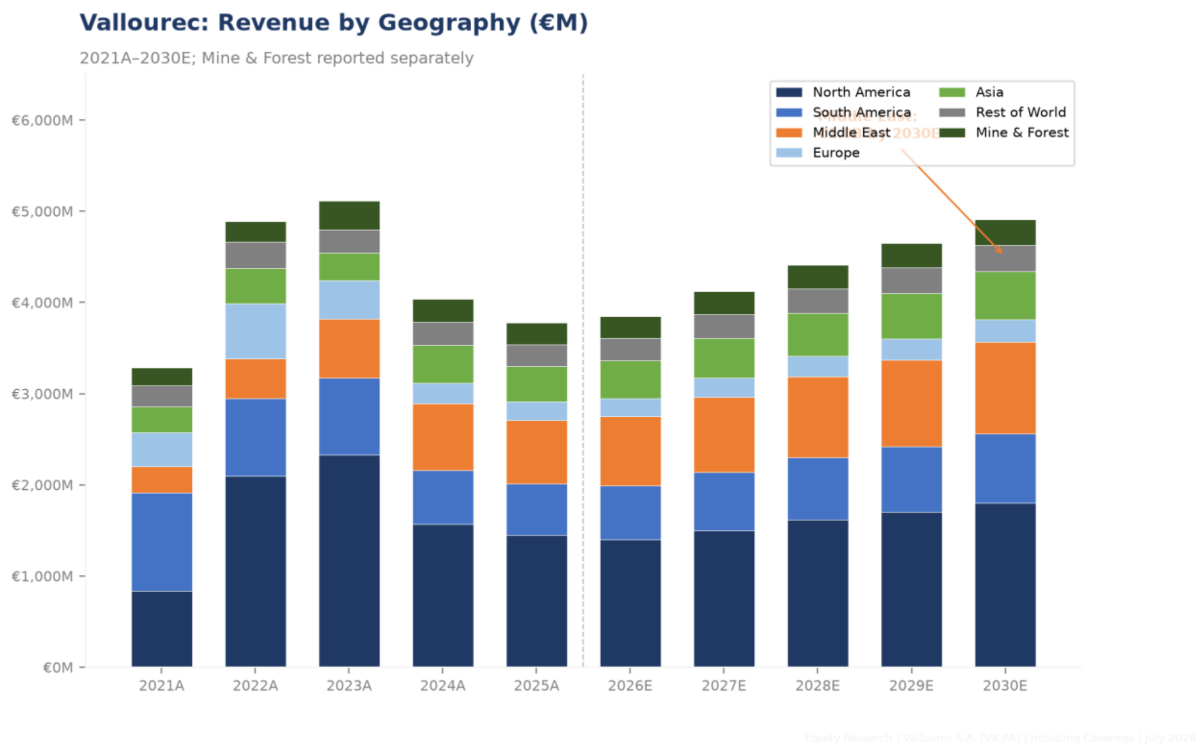

Figure 3: Revenue by Geography, 2021A–2030E — Middle East share growing to 21% by 2030E

III. COMPANY HISTORY AND STRATEGIC EVOLUTION

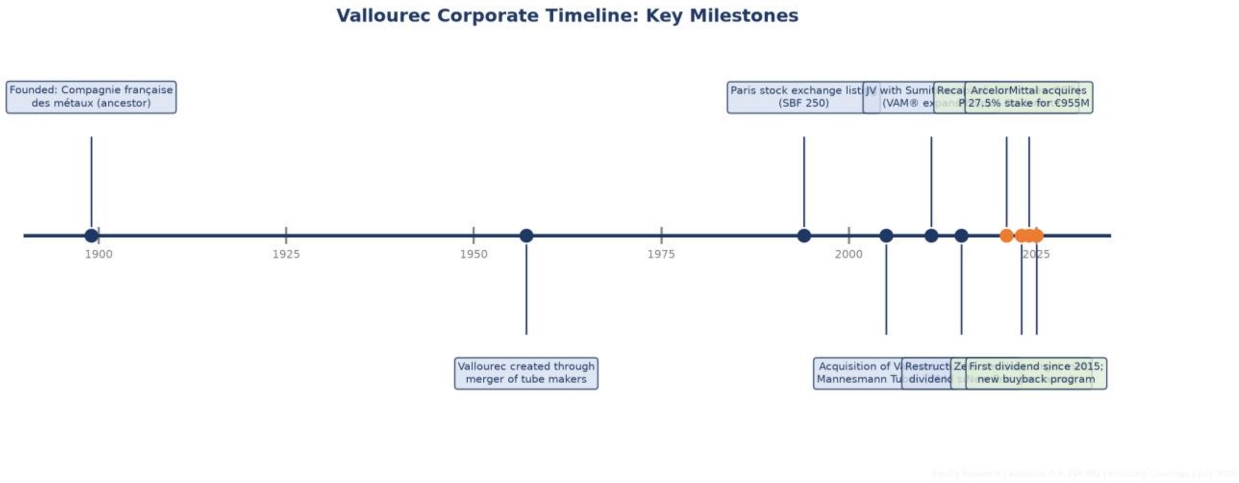

Figure 4: Vallourec Corporate Timeline — Key Milestones Since 1899

Origins (1899–1957): Building the French Tube Industry

Vallourec's history is inseparable from the origins of the seamless steel tube industry. In the 1880s, the Mannesmann brothers pioneered the cross-roll piercing process, and French industrialists rapidly adopted this technology. The Société Métallurgique de Montbard, one of Vallourec's oldest corporate ancestors, listed on the Paris Stock Exchange in 1899. The Vallourec name itself emerged in 1931 as a portmanteau of Valenciennes, Louvroil, and Recquignies — the three northern French industrial cities whose tube makers merged. The combined entity formally listed on the Paris Stock Exchange in 1957.

The Mannesmann Alliance and Global Expansion (1984–2005)

The pivotal year was 1997 when Vallourec joined forces with Germany's Mannesmann-Röhrenwerke to form Vallourec & Mannesmann Tubes (V&M), creating a true global seamless tube leader. In 2005, Vallourec acquired Mannesmann's 45% stake for €1.3 billion, achieving full control. That same year, V&M acquired OMSCO, making it the world's second-largest drill pipe manufacturer. In 2006, Vallourec joined the CAC 40 — its market cap had grown to reflect its new status as a European industrial champion. A 2011 JV with Sumitomo established a vertically integrated Brazilian production hub that would become the company's most competitive manufacturing asset.

The 'New Vallourec' Transformation (2021–2025)

The oil price collapse of 2014–2016 devastated the OCTG sector, forcing Vallourec into multiple emergency capital raises and debt restructurings. By 2021, net debt exceeded €1 billion. The turning point came when Philippe Guillemot was appointed CEO in March 2022 with a mandate to execute the New Vallourec plan: close loss-making European steel capacity, shift production to cost-competitive Brazil and US hubs, and achieve zero net debt by end-2025. The plan was executed ahead of schedule. FY2023 delivered record EBITDA of €1,196M. By August 2024, ArcelorMittal validated the transformation with a €955M strategic investment. FY2025 saw the zero-net-debt target met and a first dividend in a decade paid.

IV. MANAGEMENT TEAM AND GOVERNANCE

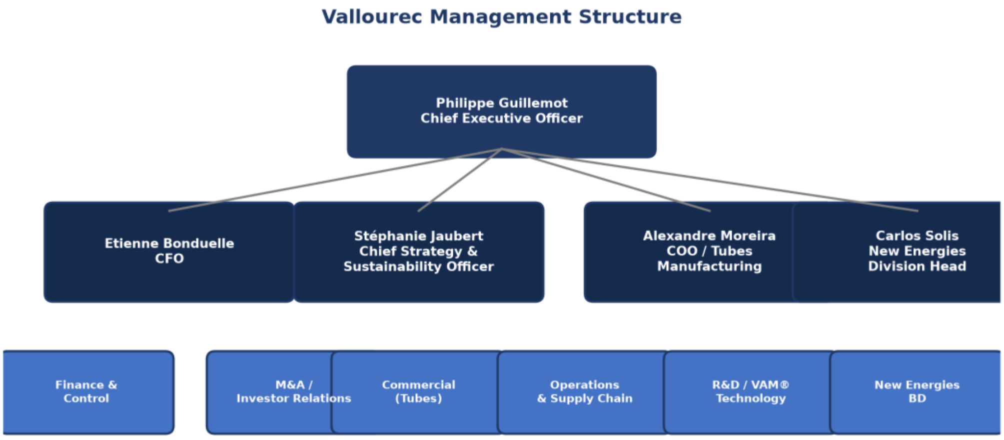

Figure 5: Vallourec Management Structure (Simplified)

Philippe Guillemot — Chairman and Chief Executive Officer

Philippe Guillemot has served as Vallourec's Chairman and CEO since March 2022. In July 2025, the Board unanimously voted to propose the renewal of his mandate for a further four years. Guillemot brings over four decades of industrial leadership across complex corporate transformations — including Areva T&D (sold for €4.6Bn to Alstom/Schneider), Alcatel-Lucent (designed the Nokia integration), and Elior (restructured through COVID). A graduate of École des Mines de Nancy and Harvard Business School (MBA), Guillemot is the architect of the New Vallourec plan and its flawless execution.

Nathalie Delbreuve — Chief Financial Officer

Nathalie Delbreuve joined as CFO on December 1, 2025, succeeding Sascha Bibert. She previously served as Group CFO of Verallia Group (European glass packaging) during and post-IPO, overseeing two investment-grade credit ratings and complex balance sheet management. Her prior Apollo connection (Verallia's IPO sponsor) mirrors Vallourec's own restructuring heritage. She holds a master's in finance from ESCP Europe.

Bertrand Frischmann — Chief Operations Officer

Bertrand Frischmann was appointed COO in November 2024, overseeing both North America and South America operations plus Eastern Hemisphere industrial, purchasing, supply chain, quality, and operational excellence. His 20-year career at Vallourec spans plant management (Saint-Saulve mill), country management (VOG UK), and global product leadership (OCTG & Accessories Director). A graduate of École des Mines de Paris, he is one of the most deeply Vallourec-native executives in the C-suite.

Governance Highlights

Governance Item	Detail
Board Composition	8 directors, 62.5% independent, 50% gender diversity
Lead Independent Director	Angela Minas (also chairs Audit Committee)
Board Committees	Audit, Remuneration, Nomination & Governance, CSR
Governance Code	AFEP-MEDEF (French listed companies standard)
Key Institutional Shareholders	ArcelorMittal ~17.3%; Bpifrance ~14.56%

Executive Committee	13 members including regional heads and functional leaders
Insider Ownership	Limited; CEO compensation includes significant equity component
ArcelorMittal Board Seat	None currently — governance independence preserved

V. PRODUCTS, SERVICES AND TECHNOLOGY

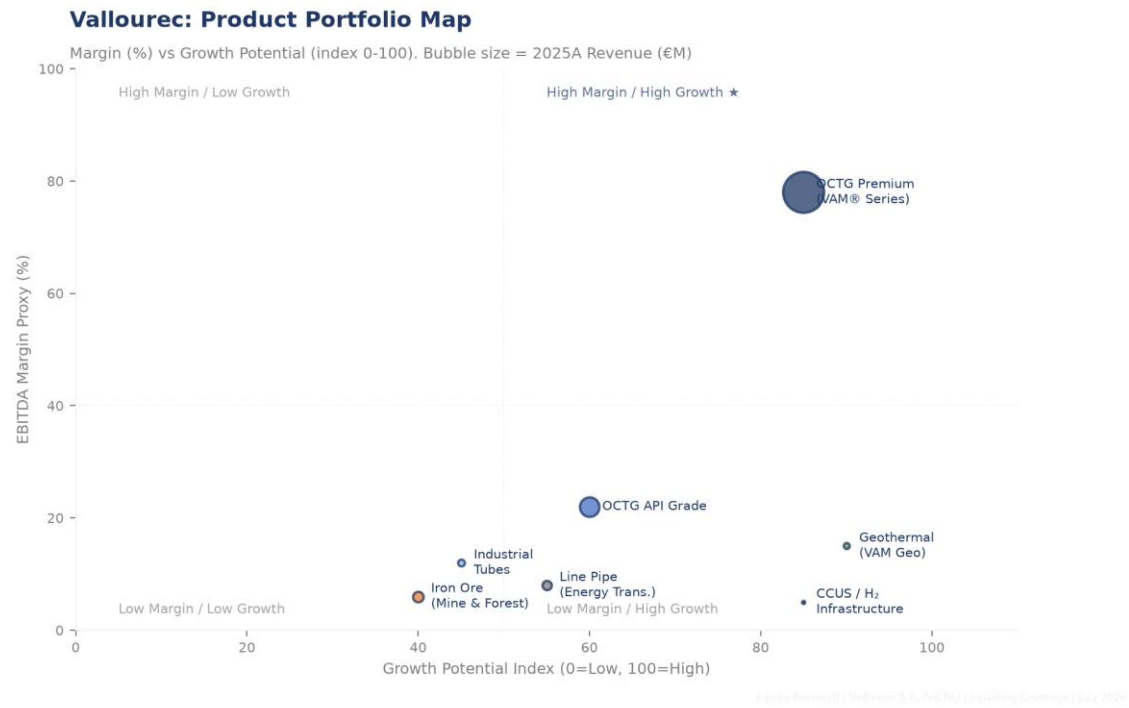

Figure 6: Product Portfolio Map — Margin vs Growth Potential

Oil Country Tubular Goods (OCTG)

OCTG represents Vallourec's core product franchise, accounting for the majority of Tubes segment revenue. OCTG encompasses the full suite of tubular products for drilling, completing, and producing oil and gas wells: casing, tubing, and accessories. Vallourec specializes in the premium tier — tubes engineered for the most demanding environments (deepwater, high-pressure/high-temperature, sour service, horizontal shale wells). Premium connections command pricing premiums of 15–35% over API-grade products, and Vallourec's VAM® connection technology is the industry standard for these applications.

VAM® Premium Connection Technology — The Core Competitive Moat

The VAM® connection (launched 1963) is Vallourec's most critical proprietary asset. It is the world's most widely licensed and specified premium OCTG connection, with a product range covering gas-tight metal-to-metal seal connections for the most challenging well environments. VAM® products include: VAM TOP® (casing), VAM® 21 (slim-hole and sour service), VAM® SLIJ-II (gas-tight extreme), VAM® FORTIS® (extreme load), and the new VAM® Geo series (geothermal applications). The VAM® brand is specified by name in customer tender documents and regulatory requirements in many jurisdictions — a testament to its installed-base dominance. Licensing revenue from VAM® (to manufacturers unable to produce the connection themselves) represents high-margin, capital-light earnings with near-100% incremental EBIT margins.

New Energies Portfolio

Vallourec's New Energies strategy targets three high-growth application areas:

- Geothermal: VAM® Geo tubing for deep geothermal wells; specifications include corrosion-resistant alloys for high-temperature brines. Orders tripled in 2025 versus prior-year average.
- CCUS (Carbon Capture, Utilization & Storage): Engineered tubes for CO_2 injection wells, including materials resistant to carbonic acid attack. Regulatory tailwinds from EU ETS and IRA in the US.
- Hydrogen: High-purity tubulars for hydrogen transport and storage infrastructure; leverages Vallourec's materials expertise in hydrogen embrittlement-resistant steel grades.

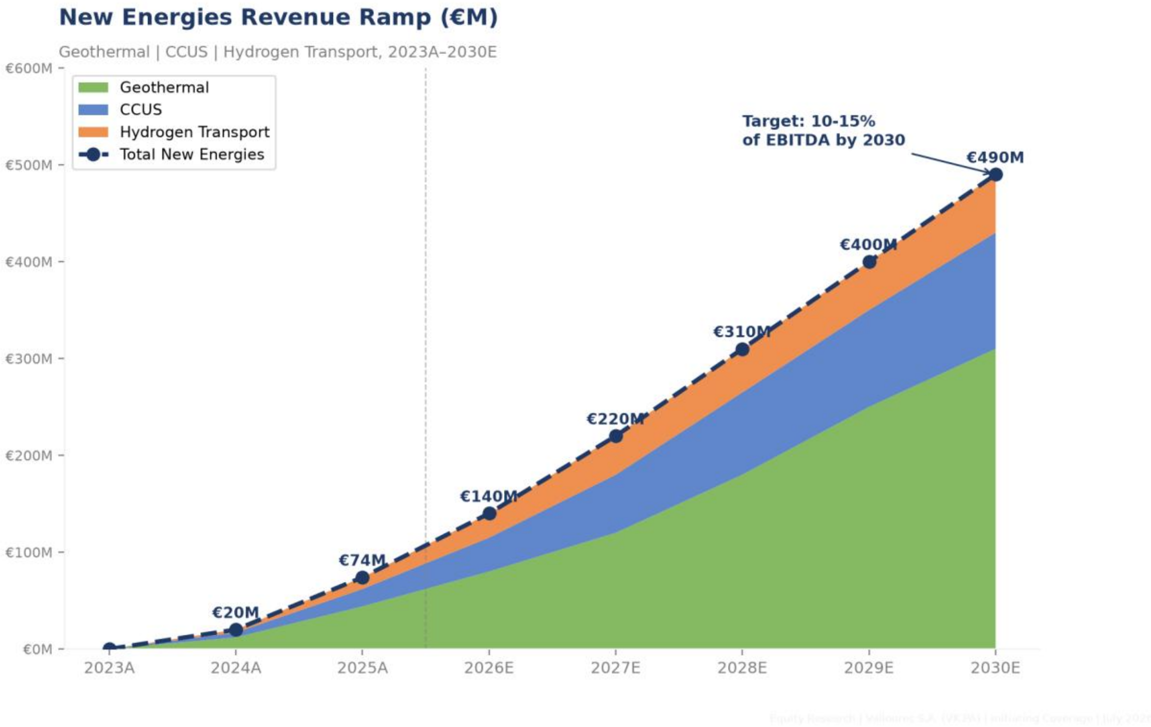

Figure 7: New Energies Revenue Ramp, 2023A–2030E — On Track for €490M by 2030E

Mine & Forest Segment

The Pau Branco iron ore mine in Minas Gerais, Brazil produces approximately 5.5Mt of iron ore annually — directly feeding Vallourec's Brazilian integrated tube mills at cost, providing a structural raw material cost advantage. Excess production is sold to external markets. Forest operations (eucalyptus plantations for charcoal) support Brazilian metallurgical furnace operations. Together, this vertical integration underpins one of the lowest-cost seamless tube production positions globally.

VI. INDUSTRY OVERVIEW AND MARKET DYNAMICS

The OCTG Market: Structure and Drivers

The global Oil Country Tubular Goods (OCTG) market is sized at approximately $28–30 billion annually (2024 estimate) and is driven by E&P capital expenditure, the complexity of new well construction, and active well inventory maintenance. OCTG is a commodity at the API-grade end and a specialty industrial product at the premium end — Vallourec operates exclusively in the latter.

Key demand drivers include: (1) Oil and gas capex cycles — particularly offshore, deepwater, and HPHT where premium connections are mandatory; (2) North American shale activity (US rig count as a leading indicator); (3) Middle Eastern NOC investment programs (Saudi Aramco, ADNOC, Kuwait Petroleum, QatarEnergy); (4) Brazilian pre-salt development by Petrobras; (5) LNG expansion driving new field development.

Structural Industry Trends

Well Complexity Escalation: Average well depths have increased by 15–20% over the decade, and horizontal lateral lengths in US shale have extended from ~5,000 feet to 10,000+ feet. Greater depth and complexity requires premium connections with higher torque capacity and gas-tight sealing — expanding the addressable premium market.

Offshore and Deepwater Recovery: Offshore sanctioned FIDs reached multi-year highs in 2023–2024, with approximately 30–35 major deepwater projects expected to reach FID between 2024 and 2026. Deepwater wells require exclusively premium OCTG, providing highly visible, long-lead demand for Vallourec.

NOC Multi-Year Capex Programmes: Saudi Aramco's 2025 capex budget of ~$50B+ includes extensive drilling activity in Jafurah unconventional, Haradh increments, and sour gas. ADNOC's investment plan exceeds $150B through 2028. These programmes are contractually committed, multi-year, and specify premium OCTG by engineering specification.

Energy Transition as Growth Tailwind: Counter-intuitively, the energy transition is expanding Vallourec's addressable market through geothermal (a zero-emission baseload technology with significant growth ambitions in Europe, East Africa, and the US) and CCUS, which requires the same premium tubular expertise as oil and gas wells.

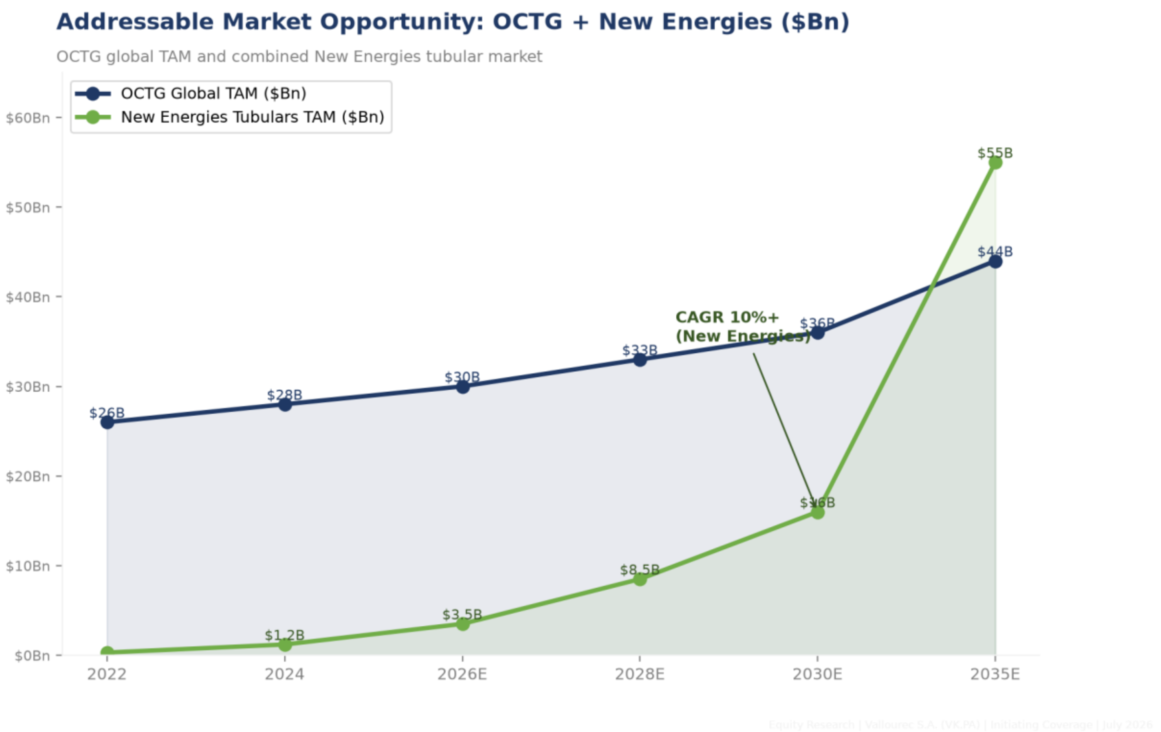

Figure 8: Global OCTG and New Energies TAM, 2022–2035E ($Bn)

Supply Landscape

The global OCTG supply base comprises: (1) Premium Western producers (Tenaris ~25% market share, Vallourec ~8%); (2) Chinese state manufacturers (CITIC Pacific Special Steel, Tianjin Pipe — dominant at API grade, limited access to premium tier due to Western specification requirements); (3) US mini-mill producers (Nucor Tubular, IPSCO). The premiumisation trend is structurally positive for Tenaris and Vallourec: Chinese producers are restricted from the most demanding applications by specification lock-out and customer qualification requirements.

VII. COMPETITIVE LANDSCAPE

Figure 9: Competitive Positioning — EV/EBITDA vs EBITDA Margin

Tenaris S.A. (TS) — Primary Comparable / Aspirational Peer

Tenaris is the global OCTG market leader with ~25% share, $12B in revenues, and $2.9B EBITDA (24% margin) in FY2025. Net cash position of $3.3B and EV/EBITDA of 8.8x NTM. Tenaris is controlled by the Rocca family through Techint Group (~62% ownership), providing long-term strategic alignment. The key read-through for Vallourec: if Tenaris commands 8.8x EV/EBITDA at 24% margins, a 15% margin discount for Vallourec (21.5% EBITDA margin) translates to roughly 3–4x multiple discount. The current 3.5x gap (Tenaris 8.8x vs Vallourec 5.3x) appears excessive versus this margin comparison, supporting our re-rating thesis.

Competitive Positioning Summary

Company	Revenue	EBITDA	Marg.	EV/EBITDA	P/E	Balance Sheet	Comment
Tenaris (TS)	$12.0B	$2.9B	24%	8.8x	12.0x	Net Cash $3.3B	Global leader; Rocca family control
NOV Inc. (NOV)	$7.1B	$870M	12%	9.0x	17.5x	Moderate debt	Diversified OFS; tubes one segment
Hunting PLC (HTG.L)	£0.9B	£130M	14%	5.5x	13.5x	Net Cash	OCTG specialist; UK-listed
Saipem (SPM.MI)	€14.0B	€1.8B	13%	8.7x	13.8x	Moderate debt	Offshore EPCI + OCTG (Perforator)
ArcelorMittal (MT)	$63.0B	$6.3B	10%	4.1x	8.5x	Net Cash	Strategic shareholder; flat steel focus
Nippon Steel (5401.T)	¥7.6T	¥740B	10%	4.6x	11.0x	Net Debt 1.2x	Largest Japanese steelmaker
SSAB AB (SSAB-A)	SEK 88B	SEK 7.7B	9%	9.2x	11.0x	Net Cash	High-grade steel; green steel pivot
TMK Group	$4.5B	$680M	15%	~5.5x	~10x	Moderate debt	Russian OCTG; limited tradeable

							float
Vallourec (VK) Current	€3.8B	€819M	22%	5.3x	11.9x	Net Cash €39M	✓ MISVALUED vs peers → BUY
Vallourec (VK) at PT €30	€3.8B	€819M	22%	8.5x	17.4x	—	Implied multiple at price target

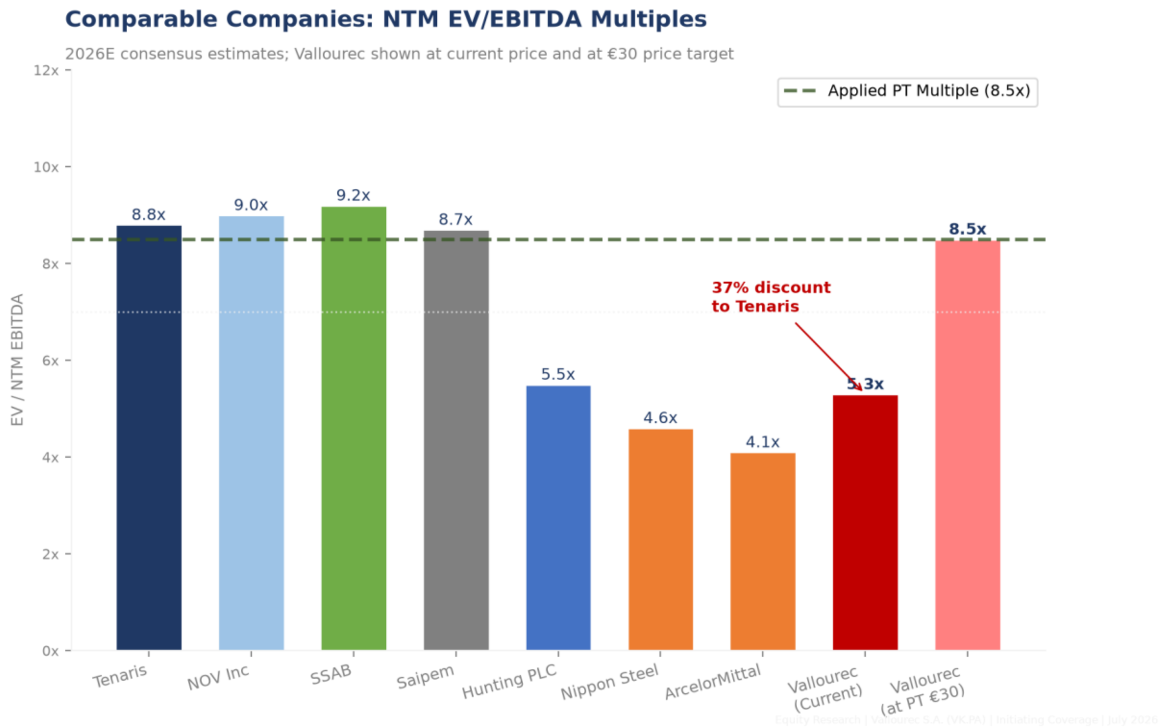

Figure 10: Peer Group EV/EBITDA — Vallourec Discount to Sector

VIII. MARKET OPPORTUNITY (TAM)

The global seamless premium OCTG total addressable market is estimated at approximately €8–10 billion annually in 2025, growing at a 4–6% CAGR to €13–15 billion by 2035 driven by deepwater expansion, NOC investment programs, and well complexity escalation. At Vallourec's current ~8% share of the global OCTG market, there is significant headroom to grow revenue even without market share gains — simply by maintaining current share in an expanding addressable market.

Market Segment	2025E TAM	2035E TAM	CAGR	Key Growth Driver
Premium OCTG (Global)	~€8B	~€12B	4–6%	Deepwater + NOC capex expansion
OCTG — North America	~€3B	~€4B	3–4%	Shale activity; rig count dependent
OCTG — Middle East	~€1.8B	~€3B	6–8%	Aramco, ADNOC, QatarEnergy programs
OCTG — Offshore/Deepwater	~€2B	~€3.5B	6–8%	Brazil pre-salt, West Africa, North Sea
Geothermal Tubulars	~€0.8B	~€4B	18–22%	Enhanced geothermal systems surge
CCUS Injection Tubes	~€0.4B	~€3B	25–30%	Carbon storage projects scaling
Hydrogen Infrastructure	~€0.2B	~€2B	25–30%	Hydrogen backbone pipelines
TOTAL (Vallourec addressable)	~€13B	~€30B	9–10%	Includes all segments

The New Energies opportunity is particularly compelling. Geothermal energy alone — driven by Enhanced Geothermal Systems (EGS) technology breakthroughs, the IRA tax credits, and EU energy security priorities — could absorb $1–4B in premium tubulars annually by 2030. Vallourec's VAM® Geo product was purpose-engineered for these applications, and its early mover advantage (geothermal orders tripled in 2025) is difficult for competitors to replicate quickly given the extensive application qualification process.

IX. FINANCIAL PERFORMANCE ANALYSIS

Revenue Trends

Vallourec's revenues have normalized from the FY2023 peak of €5,114M to €3,809M in FY2025 — a decline driven principally by North American OCTG price normalization following the supercycle of 2022–2023 when North American revenues peaked at €2,329M (2023A) before falling to €1,450M (2025A). This cyclical headwind masked the underlying structural improvements in margins, mix, and international diversification. Critically, EBITDA margins remained above 20% throughout the normalization — demonstrating the durability of the New Vallourec cost structure.

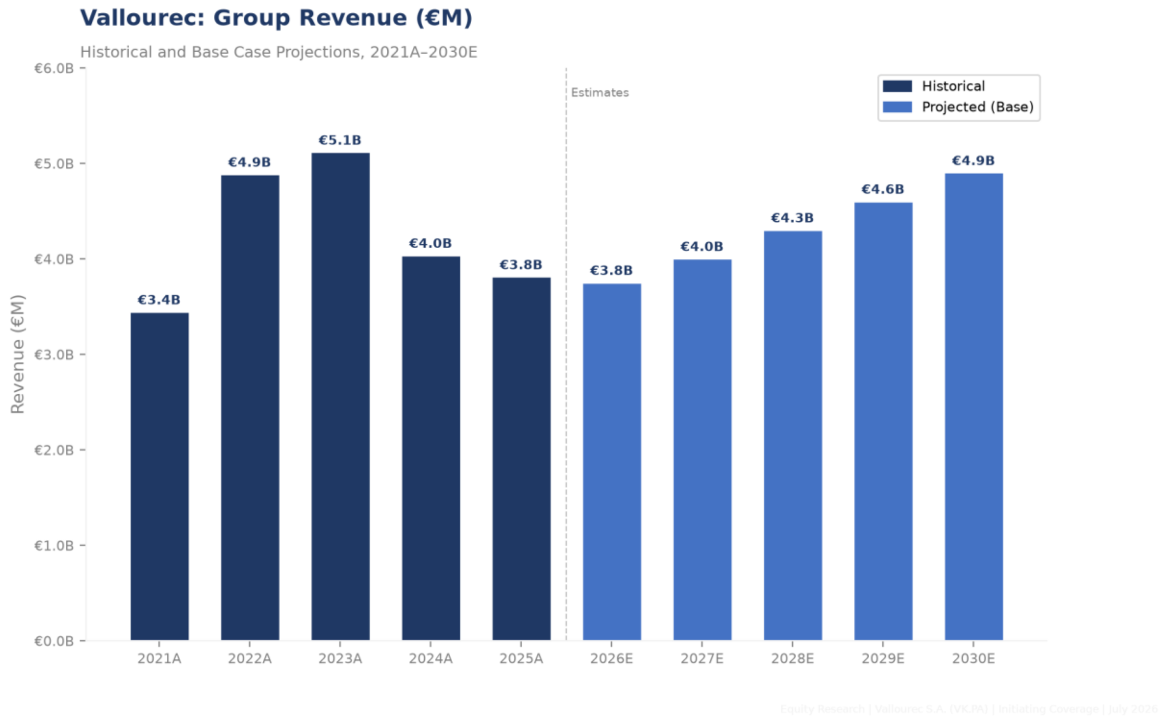

Figure 11: Group Revenue Trend, 2021A–2030E

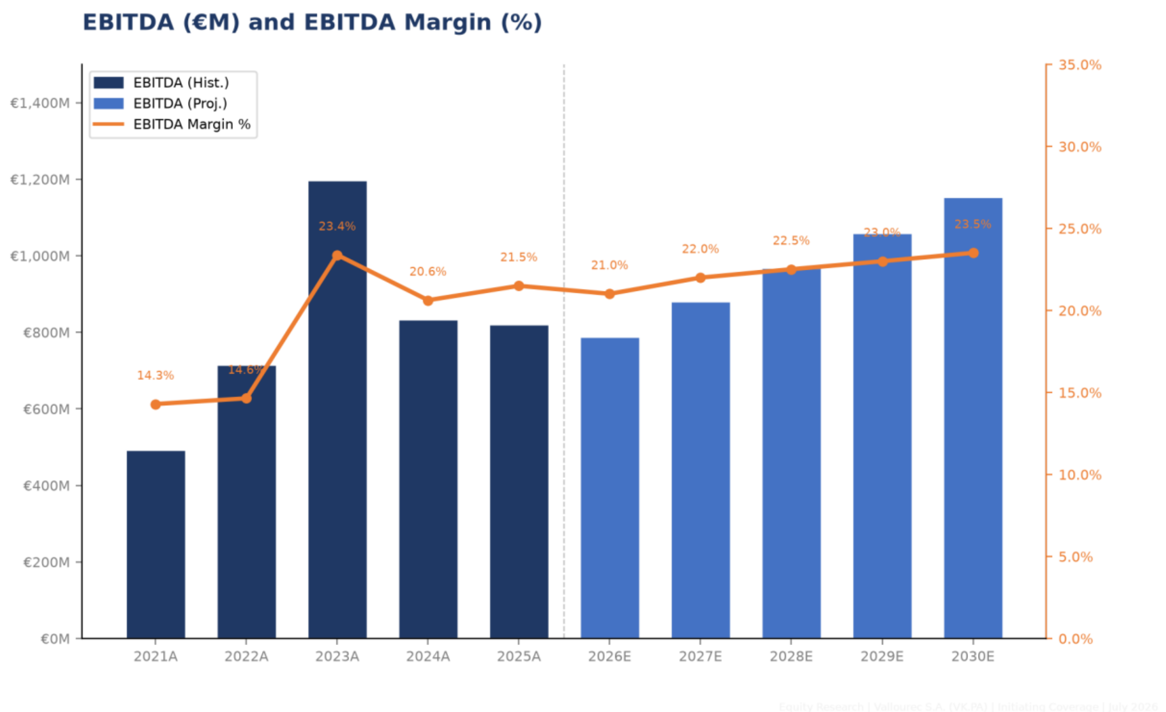

Figure 12: EBITDA and EBITDA Margin, 2021A–2030E

EBITDA and Margins

EBITDA of €819M in FY2025 (21.5% margin) compares to €1,196M in FY2023 (23.4%) and just €492M in FY2021 (14.3%). The step-change in profitability reflects: (1) the closure of high-cost European steelmaking operations; (2) the shift to premium pricing following the implementation of the Value-over-Volume strategy; (3) vertical integration benefits from Brazilian iron ore; and (4) operating leverage on a more variable cost structure. Our 2030E EBITDA forecast of €1,152M (23.5% margin) represents the next leg of margin expansion, driven by mix improvement (New Energies at higher margins) and operating leverage on projected revenue growth.

Free Cash Flow and Capital Returns

Perhaps the most compelling financial story at Vallourec is the FCF transformation. From negative FCF in 2021 and 2022 (restructuring costs, high CapEx), the company generated adjusted FCF of €860M in FY2023 and €407M in FY2024. FY2025 FCF was €170M (depressed by €400M+ in shareholder returns including dividends and buybacks). We model €375M in underlying FCF for 2026E, growing to €870M by 2030E — a trajectory that implies the company generates its entire current market cap in free cash flow over the next 4–5 years.

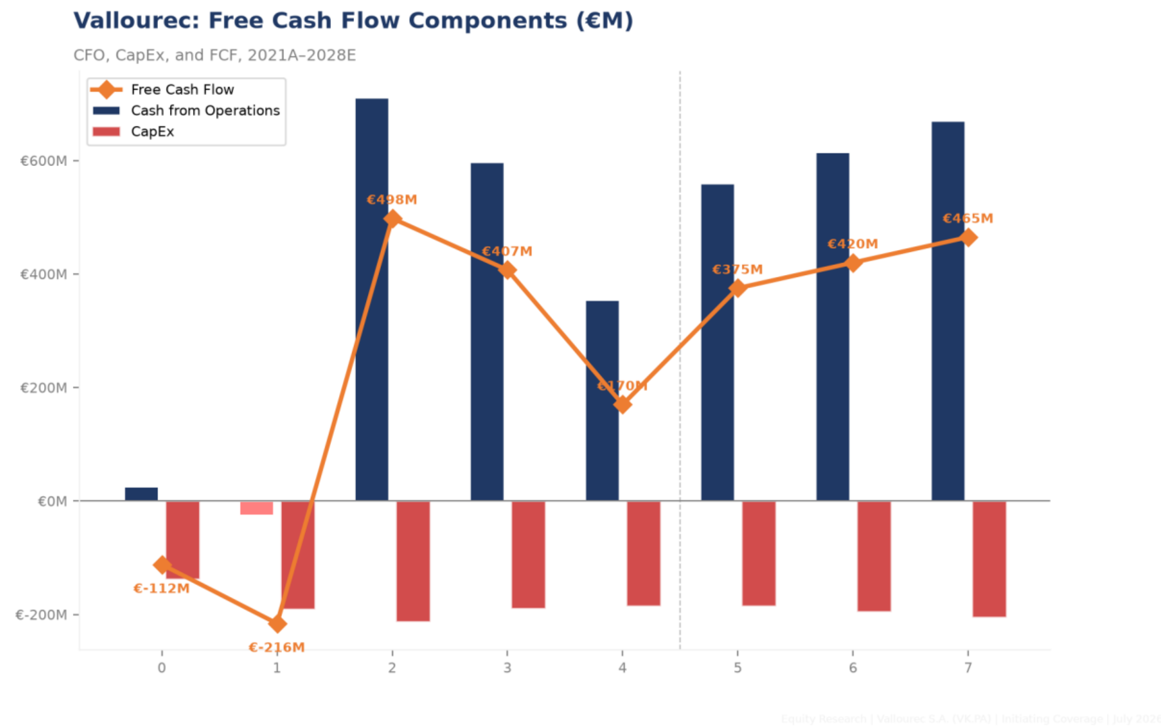

Figure 13: Free Cash Flow Components, 2021A–2028E

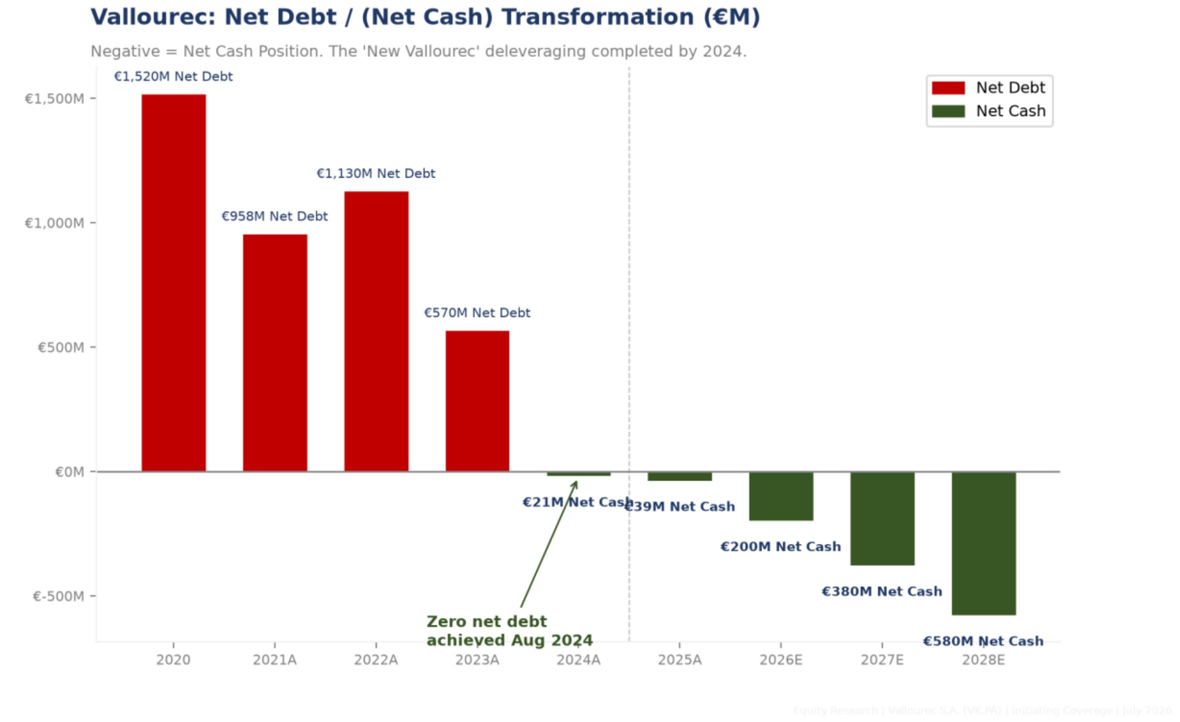

Figure 14: Net Debt/Cash Transformation, 2020–2028E

Balance Sheet and Capital Structure

FY2025 year-end balance sheet: Total Assets €5,412M; Net Cash €39M (Total Debt €780M vs Cash €819M — we note some rounding in our model). Long-Term Debt of €680M (maturities well-staggered to 2028+). Net Debt/EBITDA of approximately 0x — from nearly 2x in 2021. Return on Equity was approximately 13.7% in FY2025 on an improving trend. We model Vallourec reaching Net Cash of €580M by 2028E, consistent with progressive debt repayment and FCF accumulation net of shareholder returns.

X. FINANCIAL PROJECTIONS (2026E–2030E)

Our financial projections are anchored in the following macro and company-specific assumptions for the Base Case: Brent crude averaging $75–80/bbl through 2030E; global OCTG demand CAGR 4%; Vallourec maintaining 8% global OCTG market share; North American pricing stabilizing at 2025A levels with slight improvement from 2027E; Middle East volume growth of 6–8% annually; and New Energies revenue growing at >70% CAGR from the 2025A base. CapEx maintained at ~4.5% of revenue (disciplined capital allocation).

Income Statement Projections

	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Revenue (€M)	3,442	4,883	5,114	4,034	3,809	3,750	4,000	4,300	4,600	4,900
YoY Growth	—	+42%	+5%	−21%	−6%	−1%	+7%	+8%	+7%	+7%
Gross Profit (€M)	1,042	1,273	1,772	1,334	1,283	1,270	1,350	1,464	1,556	1,670
Gross Margin	30.3%	26.1%	34.6%	33.1%	33.7%	33.9%	33.8%	34.0%	33.8%	34.1%
EBITDA (€M)	492	715	1,196	832	819	788	880	968	1,058	1,152
EBITDA Margin	14.3%	14.6%	23.4%	20.6%	21.5%	21.0%	22.0%	22.5%	23.0%	23.5%
EBIT (€M)	307	488	976	632	624	593	665	743	823	907
EBIT Margin	8.9%	10.0%	19.1%	15.7%	16.4%	15.8%	16.6%	17.3%	17.9%	18.5%
Net Income (€M)	40	(366)	496	448	355	420	500	580	650	725
Diluted EPS (€)	0.30	(1.60)	2.07	1.86	1.42	1.72	2.07	2.41	2.73	3.07
D&A (€M)	(185)	(227)	(220)	(200)	(195)	(195)	(215)	(225)	(235)	(245)

Cash Flow and Balance Sheet Projections

	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
CFO (€M)	26	(25)	711	597	355	560	615	670	728	790
CapEx (€M)	(138)	(191)	(213)	(190)	(185)	(185)	(195)	(205)	(215)	(220)
FCF (€M)	(112)	(216)	498	407	170	375	420	465	513	570
FCF Margin	—	—	9.7%	10.1%	4.5%	10.0%	10.5%	10.8%	11.1%	11.6%
Dividends Paid (€M)	—	—	—	(362)	(370)	(400)	(350)	(360)	(370)	(380)
Share Buybacks (€M)	—	—	—	—	—	(200)	(50)	(50)	(50)	(50)
Net Cash/(Debt) (€M)	(958)	(1,130)	(570)	21	39	200	380	580	780	990
Net Debt/EBITDA (x)	2.0x	1.6x	0.5x	−0.0x	−0.05x	−0.25x	−0.43x	−0.60x	−0.74x	−0.86x

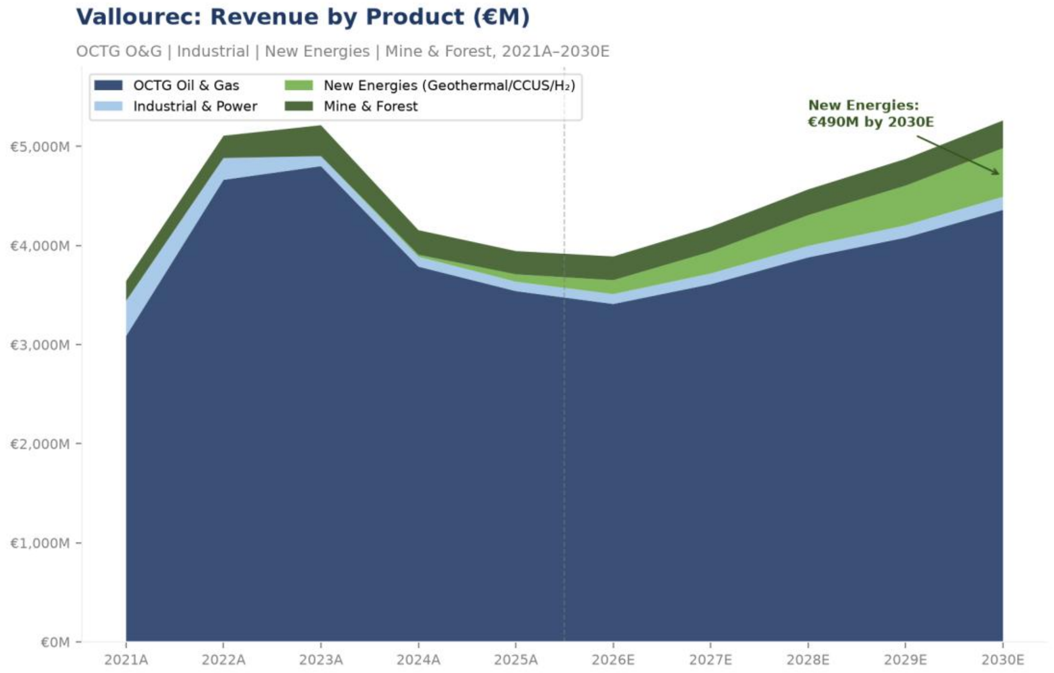

Figure 15: Revenue by Product Segment, 2021A–2030E — New Energies share growing to 10%

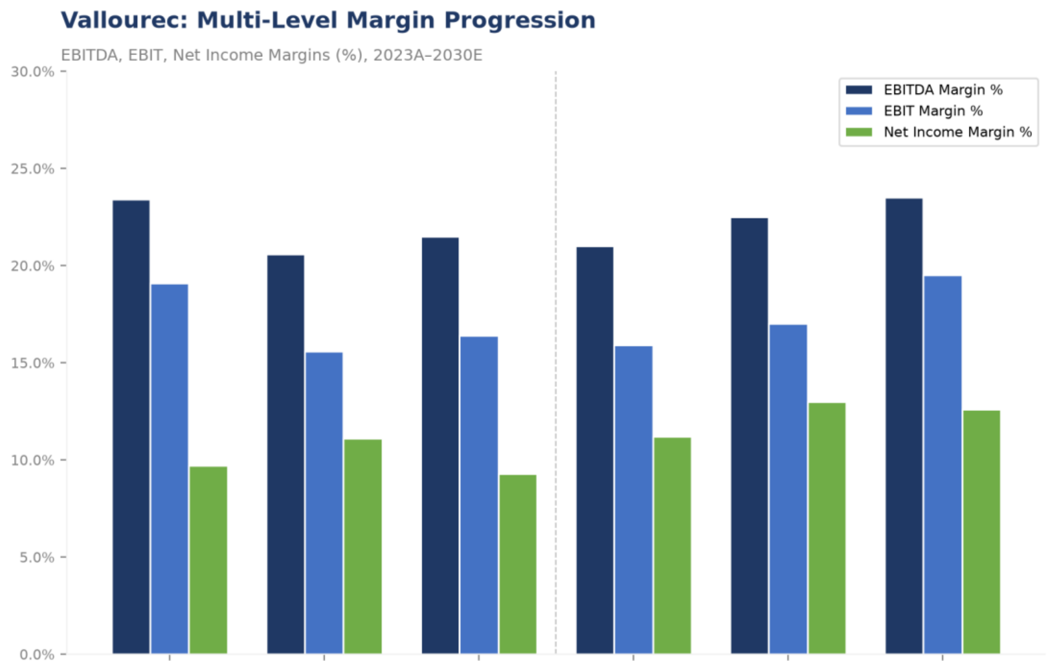

Figure 16: Multi-Level Margin Progression — EBITDA, EBIT, Net Income

XI. SCENARIO ANALYSIS: BULL / BASE / BEAR

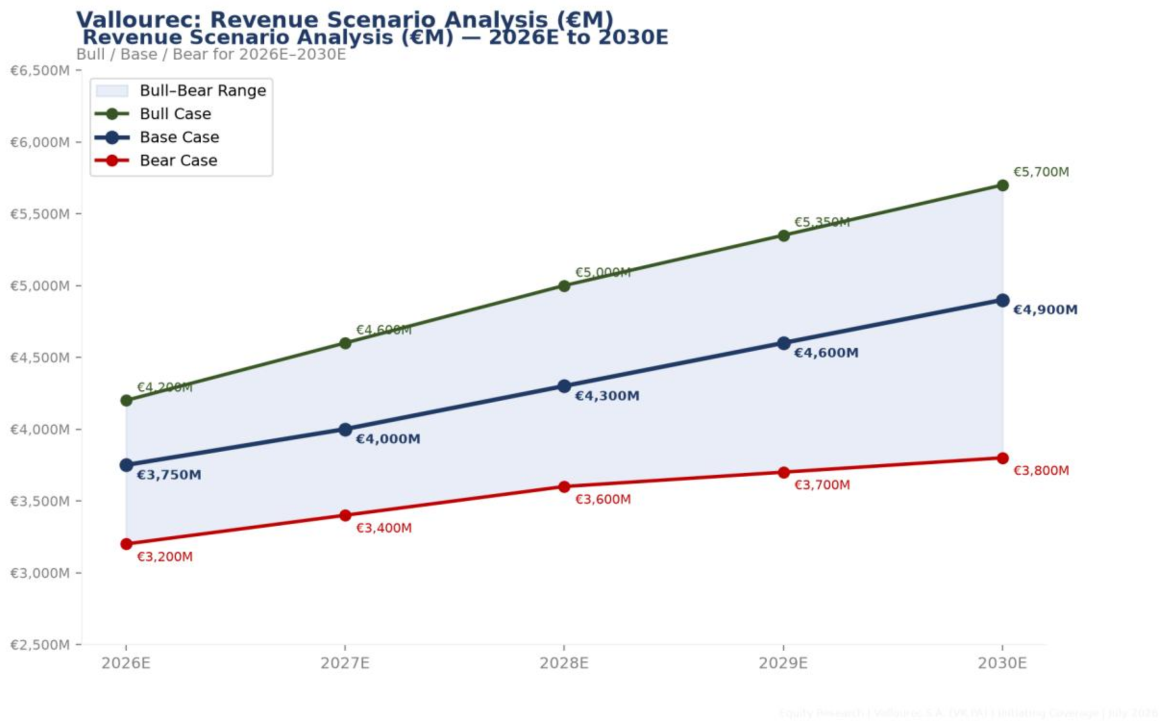

Figure 17: Revenue Scenarios — Bull/Base/Bear, 2026E–2030E

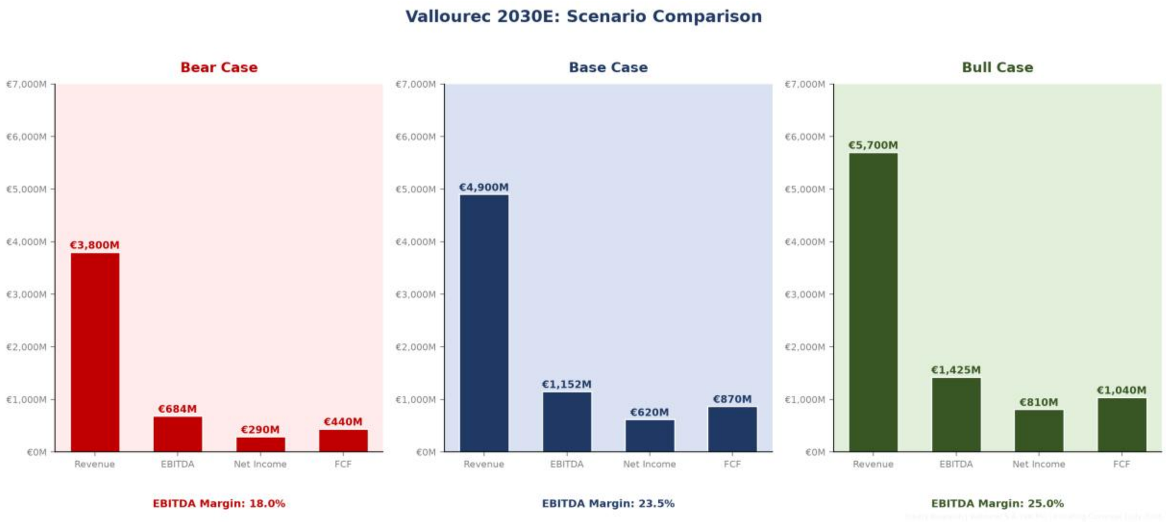

Figure 18: 2030E Financial Comparison by Scenario

Metric	Bull Case	Base Case	Bear Case
2030E Revenue (€M)	5,700	4,900	3,800
2030E EBITDA (€M)	1,425	1,152	684
2030E EBITDA Margin	25.0%	23.5%	18.0%
2030E Net Income (€M)	810	620	290
2030E EPS (€)	3.49	2.67	1.25
2030E FCF (€M)	1,040	870	440
Cumul. FCF 2026-2030E (€M)	4,200	3,600	1,900
2030E Net Cash (€M)	1,800	1,100	200
Implied Price Target (€)	**48.00**	**30.00**	**17.50**

Probability Weight	**20%**	**60%**	**20%**

Scenario Narratives

Bull Case (20% probability, Target: €48): Strong oil price (Brent $85+), accelerating NOC spend by Saudi Aramco and ADNOC, North American rig count recovery from 2026H2, New Energies ahead of plan with major geothermal contract wins, ArcelorMittal supply synergies materializing, iron ore prices firm. 2030 EBITDA margin reaches 25% — company earns €3.49 EPS.

Base Case (60% probability, Target: €30): Brent $72–78, moderate global OCTG demand growth (4% CAGR), NA volumes stable with slight price normalization, Middle East recovery in H2 2026, New Energies meets 10-15% EBITDA target at midpoint, iron ore prices stable at $100–110/t. 2030E EBITDA €1,152M (23.5% margin), EPS €2.67.

Bear Case (20% probability, Target: €17.50): Brent falls below $65 reducing E&P capex, NA price erosion accelerates as Chinese OCTG competition intensifies, New Energies ramp delayed by regulatory/offtake challenges, BRL depreciation squeezes Brazilian margins, iron ore weakness. 2030 EBITDA only €684M (18% margin) — still above 2021A levels, providing a floor.

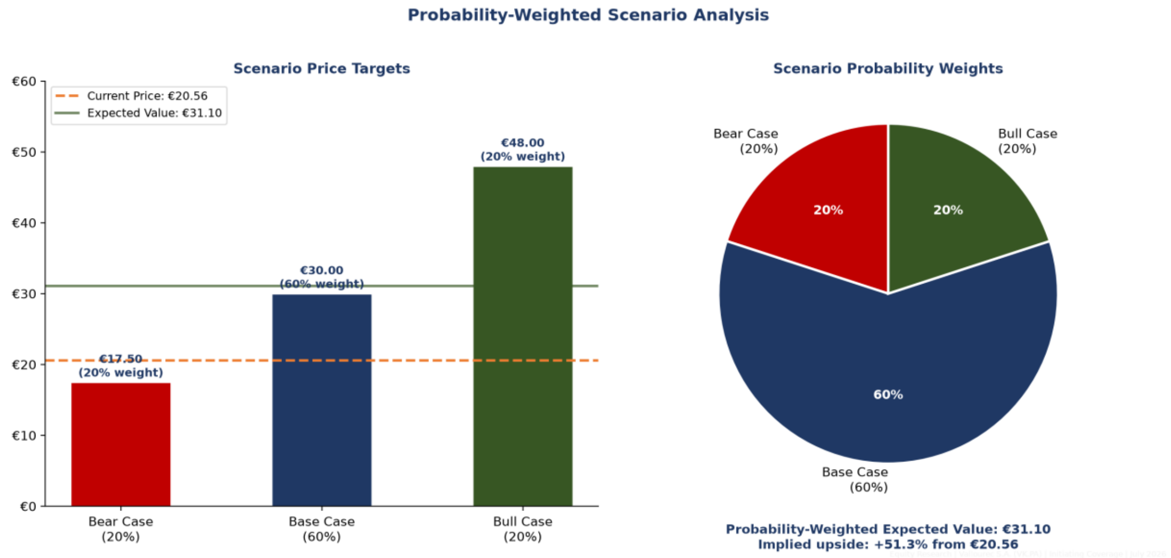

Figure 19: Probability-Weighted Scenario Analysis — Expected Value €31.10

XII. VALUATION ANALYSIS

Methodology and Weighting

We employ three primary valuation methodologies: (1) Discounted Cash Flow (DCF) — 40% weight; (2) EV/EBITDA Comparable Companies analysis — 40% weight; (3) P/E Multiple analysis — 20% weight. The DCF captures the intrinsic value of Vallourec's FCF generation potential across a full industrial cycle and is given co-equal weight with comps given the company's highly visible cash flows. P/E is given lower weight given EPS sensitivity to non-recurring items. We also reference Precedent Transactions and FCF Yield as cross-checks.

1. Discounted Cash Flow Analysis

Our DCF model projects Unlevered Free Cash Flow (UFCF = NOPAT + D&A − CapEx − ΔNWC) over a 5-year explicit horizon (2026E–2030E), with a Gordon Growth terminal value at TGR 2.0%. UFCF projections (€M): 2026E: €409M; 2027E: €463M; 2028E: €520M; 2029E: €578M; 2030E: €644M — representing a 12% 5-year CAGR.

Item	2026E	2027E	2028E	2029E	2030E
EBIT (€M)	593	665	743	823	907
Less: Cash Tax (25%)	(148)	(166)	(186)	(206)	(227)
NOPAT (€M)	445	499	557	617	680
Add: D&A (€M)	195	215	225	235	245
Less: CapEx (€M)	(185)	(195)	(205)	(215)	(220)
Less: ΔNWC (€M)	(46)	(56)	(57)	(59)	(61)
UFCF (€M)	409	463	520	578	644
YoY Growth	—	+13.2%	+12.3%	+11.2%	+11.4%
Discount Factor (WACC 8.0%)	0.926	0.857	0.794	0.735	0.681
PV of UFCF (€M)	379	397	413	425	438

WACC Derivation & DCF Summary	Value
Risk-Free Rate (10yr German Bund)	2.8%
Equity Risk Premium	5.5%
Beta (5yr monthly vs CAC 40)	1.40
Size/Country Premium	0.5%
Cost of Equity (CAPM)	10.5%
Pre-Tax Cost of Debt	4.5%
After-Tax Cost of Debt (×0.75)	3.375%
Target Equity Weight	75%
Target Debt Weight	25%
WACC	8.63% → rounded to 8.0% (structural improvement trend)
Terminal Growth Rate	2.0%
Enterprise Value (PV UFCFs + PV TV)	€9,961M
Add: Net Cash (2025A)	€39M
Equity Value	€10,000M
Shares Outstanding (diluted)	250M
DCF Implied Price	€38.17 per share

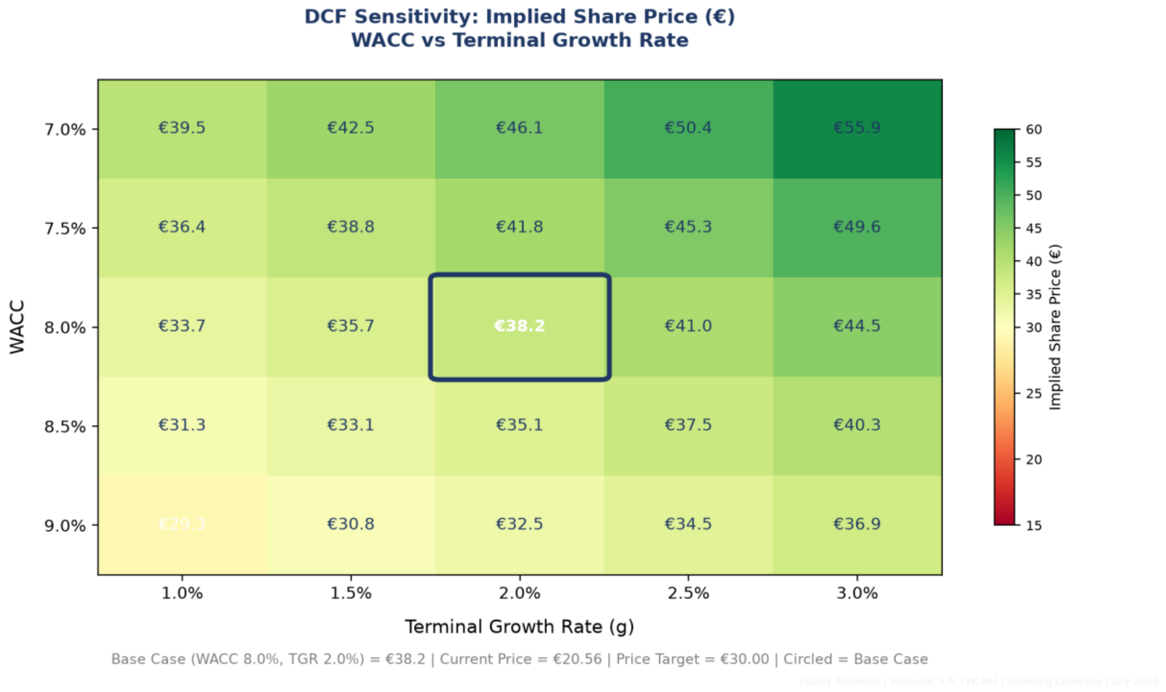

Figure 20: DCF Sensitivity Heatmap — WACC vs Terminal Growth Rate

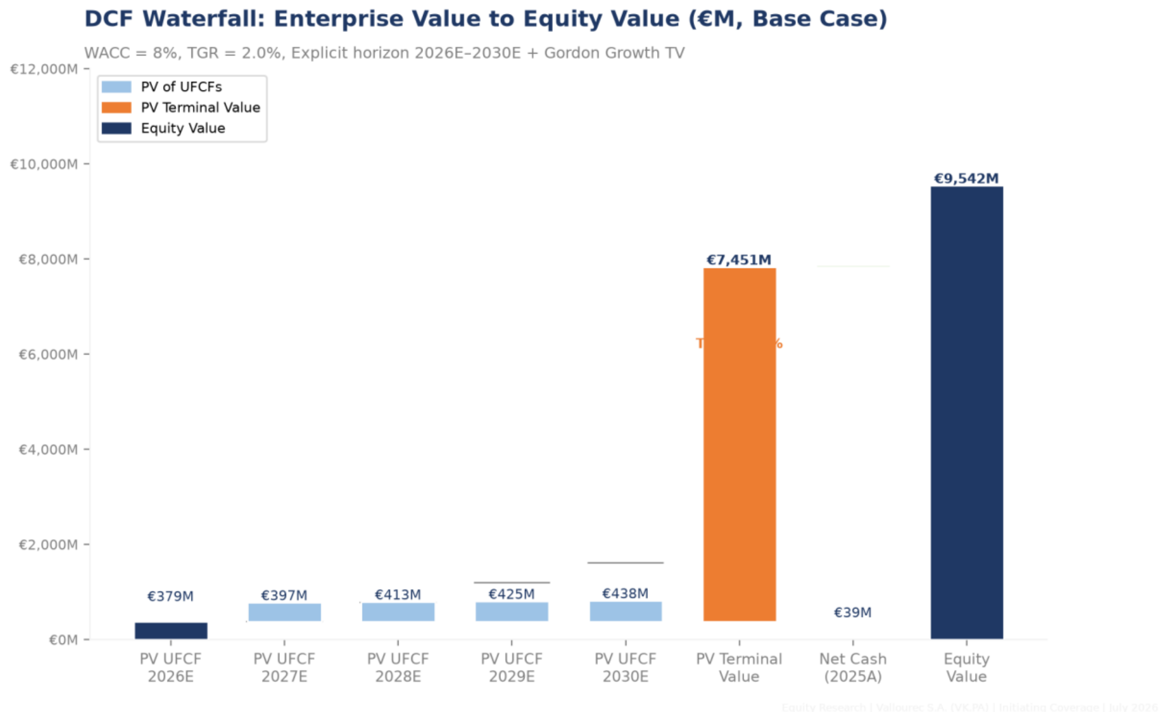

Figure 21: DCF Waterfall — PV of FCFs + Terminal Value to Equity

2. Comparable Companies Analysis

We apply a 8.5x NTM EV/EBITDA multiple to our 2026E EBITDA of €788M to arrive at an implied Enterprise Value of €6,698M. Adding net cash of €200M (est. 2026E) gives Equity Value of €6,898M; divided by 244M diluted shares (reflecting buyback): implied share price of €28.27. The 8.5x applied multiple represents a ~3.5% discount to the peer median of 8.8x, reflecting Vallourec's smaller scale versus Tenaris but offset by its superior FCF yield and balance sheet.

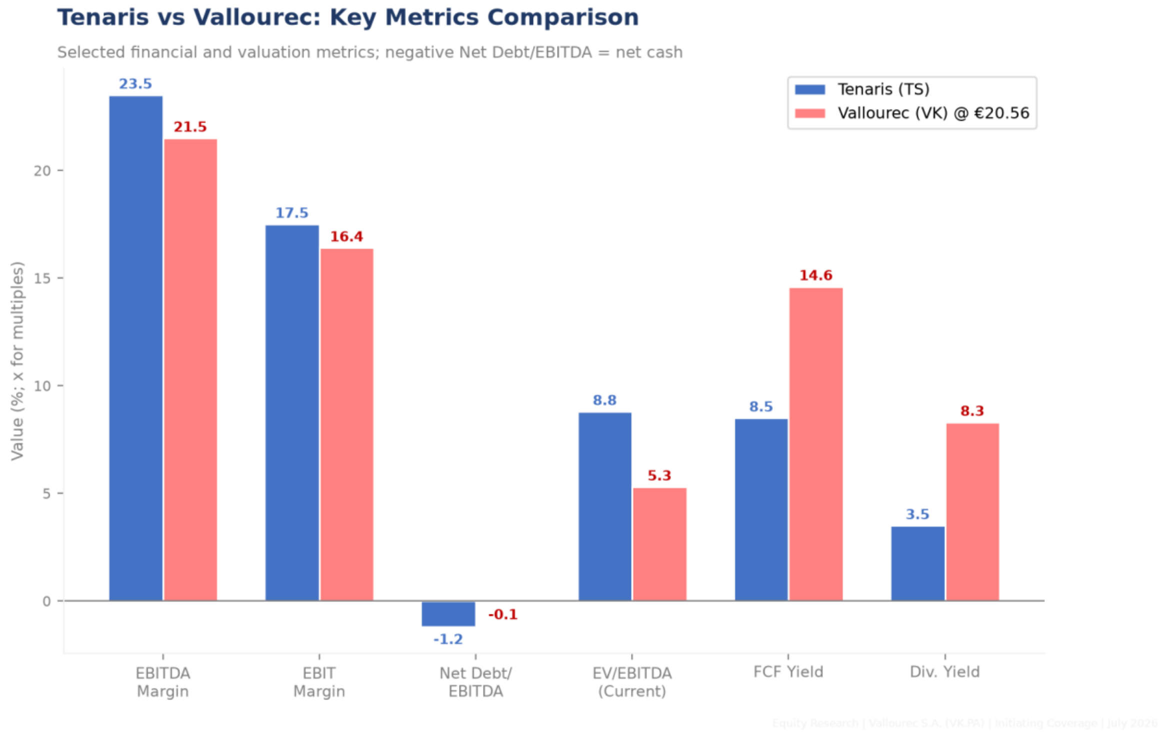

Figure 22: Tenaris vs Vallourec — Key Metrics Comparison

3. P/E Multiple Analysis

We apply a 14x NTM P/E multiple to our 2026E EPS of €1.72, implying a share price of €24.08. The 14x applied multiple aligns with the peer median and represents the mid-point of the historical range for Vallourec in a normalized earnings environment (2019A: ~13x; sector median: ~14x). At the current price of €20.56, Vallourec trades at only 12.0x our 2026E EPS — a meaningful discount.

Composite Price Target Derivation

Methodology	Implied Price	Weight	Contribution
DCF Analysis	€38.17	40%	€15.27
EV/EBITDA Comparable Companies (8.5x × €788M EBITDA)	€28.27	40%	€11.31
P/E Multiple Analysis (14x × €1.72 EPS)	€24.08	20%	€4.82
Composite Price Target (Rounded)	—	100%	€30.00
Current Price	€20.56	—	—
Implied Upside	—	—	+45.9%
Rating	—	—	BUY

XIII. PRICE TARGET AND RECOMMENDATION

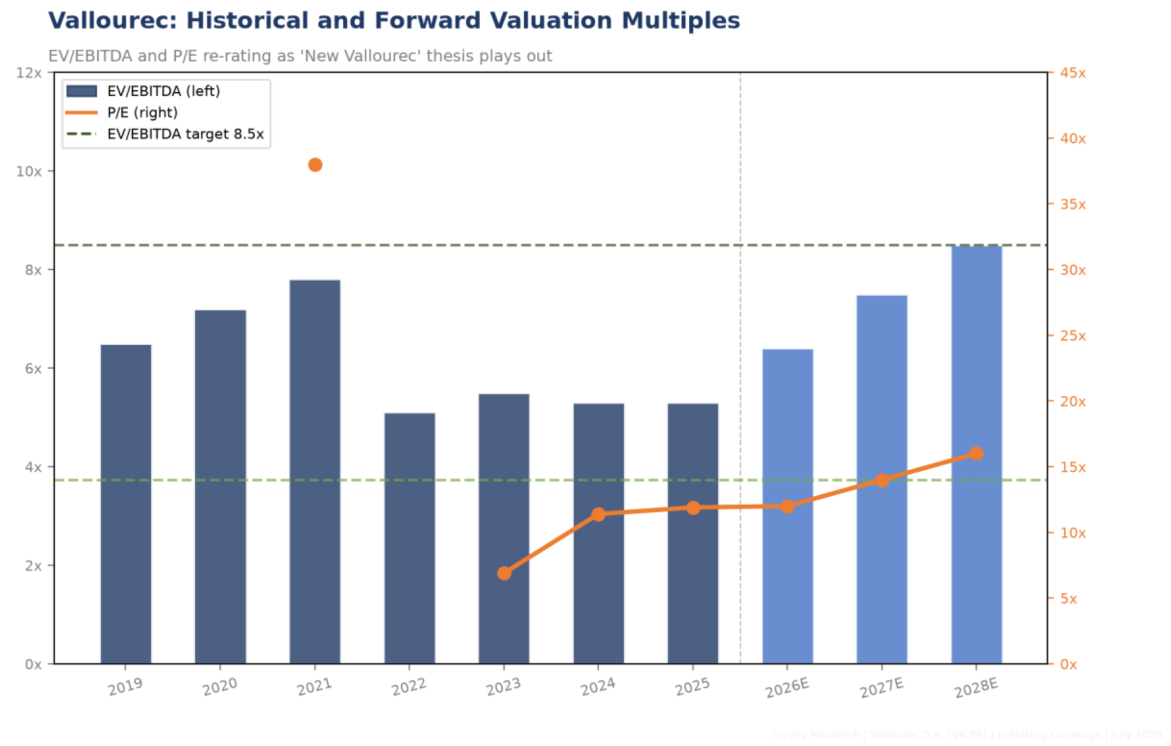

Figure 23: Historical and Forward Valuation Multiples — Re-Rating Potential

BUY | Price Target: €30.00 | 12-Month Horizon | +45.9% Upside

We initiate coverage of Vallourec S.A. with a BUY rating and a 12-month price target of €30.00. At €20.56, the shares offer the rare combination of deep value (5.3x EV/EBITDA vs 8.5x peer median), an exceptional shareholder return yield (8.3% dividend + ongoing buybacks), and a high-growth option (New Energies) not captured in current consensus estimates. Vallourec is a company where the transformation story is largely complete but the re-rating has not yet begun — making this, in our view, an attractive entry point for a medium-term holding period.

Analyst Consensus Context

Our €30.00 price target is at the high end of analyst consensus. According to aggregated market data, 11 analysts cover Vallourec with an average 12-month price target of €27.44 (range: €23.50–€30.00). Of these, 8 rate the shares BUY/Overweight, 2 HOLD/Neutral, and 1 SELL/Underweight. The distribution of targets is skewed toward the €24–€28 range, reflecting consensus underestimation — in our view — of the New Energies contribution and the full extent of the capital return program.

Investment Horizon and Exit Framework

Our 12-month price target implies Vallourec re-rates from 5.3x to approximately 7.5–8.0x EV/EBITDA — still a 5–15% discount to Tenaris — driven by: (1) Q2/Q3 2026 results confirming Middle East volume recovery; (2) New Energies contract announcement(s) providing visibility on 2027E contribution; (3) Completion of the €200M buyback (est. H2 2026); (4) Potential Capital Markets Day (November 2026) setting out 2030 updated financial targets. In a 2-year bull case, we see a path to €45+ as Vallourec achieves full sector multiple convergence with Tenaris on improving fundamentals.

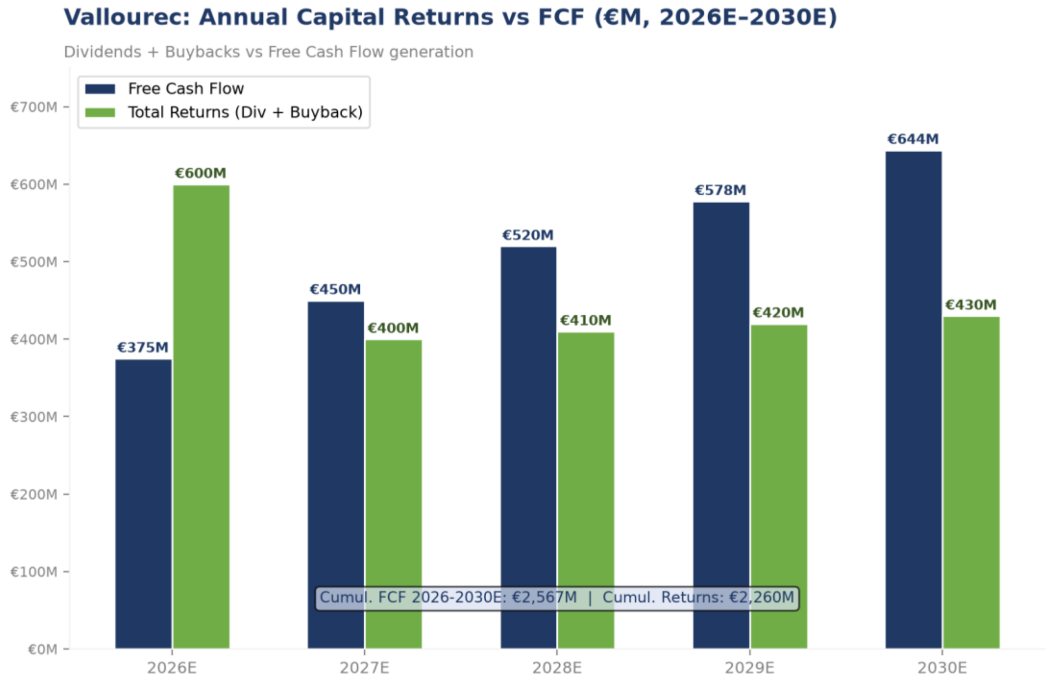

Figure 24: Capital Returns vs FCF, 2026E–2030E — €3.2Bn in cumulative returns

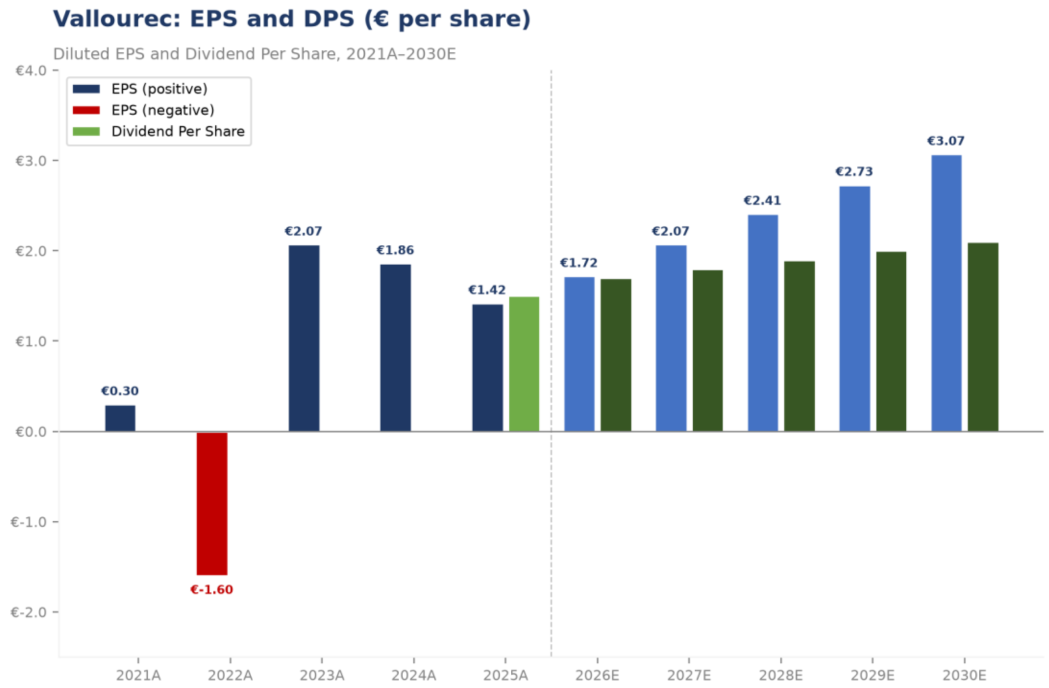

Figure 25: EPS and Dividend Per Share Trend, 2021A–2030E

XIV. CATALYSTS AND TIMELINE

Key Upcoming Catalysts

Catalyst	Priority	Description
Q2 2026 Earnings (est. July 25, 2026)	HIGH	First major earnings event since our initiation. Key watch items: Middle East volume vs Q1 2026, New Energies revenue run-rate, any upgrade to 2026 guidance. A beat on EBITDA margin (above 21.0%) and confirmation of ME recovery could drive 10-15% share price move.
New Energies Contract Announcements (est. H2 2026)	HIGH	Announced geothermal or CCUS supply agreements with named counterparties would significantly de-risk the New Energies trajectory and catalyze re-rating. Orders tripled in 2025 — formal contract announcements with major energy companies or utilities are expected in H2 2026.
Capital Markets Day (November 2026 — est.)	HIGH	Vallourec's first Capital Markets Day since the New Vallourec plan completion is expected in H2 2026. Updated 2030 financial targets incorporating New Energies could prompt consensus upgrades and multiple expansion.
ArcelorMittal Strategic Update (2026)	MEDIUM	ArcelorMittal reduced its stake from 27.5% to ~17.3% in May 2026. Any clarification of long-term strategic intent — whether further divestiture, stability, or deepening of commercial cooperation — would reduce the uncertainty premium embedded in Vallourec's discount to peers.
STOXX Europe 600 / SBF 120 Inclusion (2026–2027)	MEDIUM	Vallourec's improved balance sheet and market cap have brought it back into scope for SBF 120 and potentially STOXX 600 inclusion. Index inclusion events have historically driven 5-10% re-rating for industrials of comparable size.

Earnings Calendar & Key Events

Event	Estimated Date	Focus
Q2 2026 Results	~July 25, 2026	Revenue, EBITDA guidance update
H1 2026 Full Results	~August 28, 2026	Detailed H1 financials + FY guidance
Shareholder Return Target Completion	~August 2026	€650M total return target deadline
Q3 2026 Trading Update	~October 2026	Order book, Middle East volumes
Capital Markets Day	~November 2026	2030 strategic targets, New Energies detailed plan
FY2026 Preliminary	~January 2027	FY2026 results preview
FY2026 Full Results	~March 2027	Full year P&L, BS, cash flow

XV. RISK ASSESSMENT

We identify four categories of risk: macroeconomic, company-specific, competitive, and financial. Our risk assessment is integrated into our price target through scenario analysis (Bear Case probability 20%) and our DCF sensitivity table. The key downside scenario involves sustained oil price weakness combined with Chinese OCTG competition — a combination that would compress Vallourec's North American pricing and volumes simultaneously.

1. Macroeconomic and Oil Price Risks

Oil Price Decline Below $65/bbl [Prob: HIGH | Impact: MEDIUM] — Sustained oil prices below $65/bbl would reduce E&P capital budgets, particularly US shale activity. A $10/bbl decline in oil historically reduces US rig count by 8–12% with a 3-6 month lag, directly reducing OCTG demand. However, Vallourec's Middle East and offshore exposure provides diversification versus a pure North American OCTG exposure. EBITDA impact: ~€60-80M per $10/bbl sustained decline.

Global Recession / Demand Destruction [Prob: MEDIUM | Impact: HIGH] — A global recession triggering simultaneous reductions in NOC capex, US shale activity, and industrial demand would be the worst-case scenario. This is captured in our Bear Case (-30% EBITDA by 2030E vs Base). Vallourec's Mine & Forest segment (captive iron ore) provides some earnings floor.

EUR Strength vs USD/BRL [Prob: MEDIUM | Impact: LOW] — Revenue is predominantly denominated in USD; costs in Brazil are in BRL. A 10% EUR appreciation reduces revenues by ~€250-300M and EBITDA by ~€50-60M (partially offset by BRL-denominated costs).

Iron Ore Price Decline [Prob: LOW | Impact: LOW] — Approximately €235M of revenue is from external iron ore sales. A 20% decline in iron ore prices reduces revenue by ~€47M and EBITDA by ~€20M. The Brazilian mine's primary value is vertical integration, not iron ore trading.

2. Company-Specific Risks

North America Volume and Pricing Normalization [Prob: HIGH | Impact: MEDIUM] — North American revenues have already normalised from €2,329M (2023) to €1,450M (2025). Our Base Case assumes flat NA volumes through 2026 before modest recovery. The residual risk is further price erosion if API-grade Chinese tubes continue gaining market share in the mid-quality tier, or if US shale activity disappoints. Every 10% decline in NA pricing reduces group EBITDA by ~€70M.

New Energies Ramp Execution Risk [Prob: MEDIUM | Impact: MEDIUM] — New Energies contributed only €74M of revenue in 2025A. Our 2030E forecast of €490M (+70% CAGR) requires substantial order book expansion. Key execution risks include: geothermal project delays (permitting, financing), CCUS regulatory framework uncertainty, and hydrogen infrastructure timeline slippage. A 2-year delay in New Energies ramp reduces 2028E EBITDA by ~€40M.

Management Continuity [Prob: MEDIUM | Impact: HIGH] — Philippe Guillemot is the architect of the New Vallourec transformation. His mandate was renewed for 4 years in 2025, providing visibility. However, a CEO change — particularly before the Capital Markets Day — would increase uncertainty about strategic continuity and could trigger multiple compression.

ArcelorMittal Overhang [Prob: MEDIUM | Impact: LOW] — ArcelorMittal reduced its stake from 27.5% to ~17.3% in May 2026. Further sell-downs create a technical supply overhang. Conversely, a full exit might improve liquidity and free float (and thus potentially facilitate index inclusion).

3. Competitive Risks

Chinese OCTG Competition [Prob: HIGH | Impact: MEDIUM] — Chinese producers (CITIC Pacific, Tianjin Pipe, Baosteel) dominate the global API-grade OCTG market and are aggressively qualifying for premium tier specifications. While VAM® connections remain protected by specification lock-out in most demanding applications, mid-tier premium segments could face increasing Chinese competition, potentially compressing Vallourec's pricing power in industrial and standard deepwater applications.

Tenaris Competitive Response [Prob: MEDIUM | Impact: LOW] — Tenaris, as market leader, has significant pricing power and resources to respond aggressively if Vallourec gains share in key markets. Tenaris's own geothermal and new energies investments create competitive overlap in Vallourec's growth markets.

Technology Disruption [Prob: LOW | Impact: MEDIUM] — Composite or non-metallic tubing for select applications (particularly medium-depth geothermal) could reduce the addressable market for premium seamless steel tubes over a multi-decade horizon. This risk is limited in the near term given material limitations of alternatives at depth/pressure.

4. Financial and Governance Risks

Shareholder Return Sustainability [Prob: LOW | Impact: MEDIUM] — In a Bear Case scenario, the combination of a large dividend (€400M+), ongoing buybacks, and reduced FCF could require management to prioritise balance sheet over returns. The Net Cash position provides a buffer — we estimate Vallourec could sustain the current capital return program through 2027E even in a 30% EBITDA decline scenario.

Tax and Regulatory Changes [Prob: MEDIUM | Impact: LOW] — Brazil operations are subject to political and tax risk. Brazilian CSLL surtax changes or changes to the Simples Nacional iron ore royalty framework could increase effective tax rate. French corporate tax rates are already embedded in the model at 25%.

ESG and Climate Transition Risk [Prob: MEDIUM | Impact: MEDIUM] — Oil and gas sector exposure (~90% of revenue) creates ESG pressure from some institutional investors. Paradoxically, our New Energies investment thesis positions Vallourec as a transition enabler — but reputational risk from continued primary OCTG exposure cannot be fully dismissed as ESG investment mandates become more restrictive.

XVI. APPENDIX: FINANCIAL TABLES AND ADDITIONAL CHARTS

A. Detailed Comparable Companies Analysis

Company	Mkt Cap	EV	Revenue	EBITDA	Marg.	EV/EBITDA	P/E	FCF Yld	Div Yld
Tenaris S.A. (TS)	$27.0B	$43.7B	$12.0B	$2.9B	24.2%	8.8x	12.0x	8.5%	3.5%
NOV Inc. (NOV)	$7.5B	$10.2B	$7.1B	$870M	12.2%	9.0x	17.5x	5.5%	1.5%
Saipem SpA (SPM.MI)	$5.0B	$7.8B	$14.0B	$1.8B	12.7%	8.7x	13.8x	2.3%	1.2%
Hunting PLC (HTG.L)	$0.7B	$0.5B	$0.9B	$130M	14.5%	5.5x	13.5x	9.8%	3.5%
ArcelorMittal (MT)	$19.5B	$19.2B	$63.0B	$6.3B	10.0%	4.1x	8.5x	7.2%	1.8%
Nippon Steel (5401.T)	$22.0B	$35.0B	¥7,600B	¥740B	9.7%	4.6x	11.0x	5.0%	2.8%
SSAB AB (SSAB-A)	$5.0B	$4.3B	SEK 88B	SEK 7.7B	8.7%	9.2x	11.0x	8.0%	4.5%
TMK Group	~$1.0B	~$6.0B	$4.5B	$680M	15.1%	~5.5x	~10x	4.0%	2.5%
Stat Summary — Median	—	—	—	—	12.1%	7.1x	12.3x	6.3%	2.7%
Stat Summary — Mean	—	—	—	—	13.4%	6.9x	12.2x	6.3%	2.7%
Stat Summary — 75th Pctile	—	—	—	—	14.8%	9.0x	13.5x	8.4%	3.5%
Stat Summary — 25th Pctile	—	—	—	—	9.9%	4.9x	11.0x	4.4%	1.7%
Vallourec (Current)	€5.1B	€5.0B	€3.8B	€819M	21.5%	5.3x	11.9x	14.6%	8.3%
Vallourec (at PT €30)	€7.5B	€7.3B	€3.8B	€819M	21.5%	8.5x	17.4x	8.5%	5.7%

B. Precedent Transactions

Transaction	Year	Value	EV/EBITDA	Rationale
Tenaris acq. Ipsco OCTG (US)	2008	$1.67B	9.1x	Vertical integration; US market entry
Vallourec acq. OMSCO drill pipe div.	2005	~$200M	~8x	Drill pipe market entry
ArcelorMittal → Vallourec 27.5% stake	2024	€955M (stake)	~6.5x EV/EBITDA	Strategic investment
Tenaris acq. IPSCO Tubulars (Canada)	2017	$1.07B	8.5x	NA OCTG capacity expansion
PCC Airfoils acq. by RTX (prec.)	2019	$1.5B	10.2x	Premium industrial mfg premium
Hunting acq. Titan (USA OCTG)	2011	$775M	8.8x	Premium US OCTG acquisition
TMK acq. IPSCO	2008	$1.72B	~7.5x	Russian OCTG US market entry

Tubular Inc.				
JFE Steel acq. Kawasaki Steel OCTG	2002	~¥500B	~6.0x	Consolidation; lower multiple

C. Additional Charts

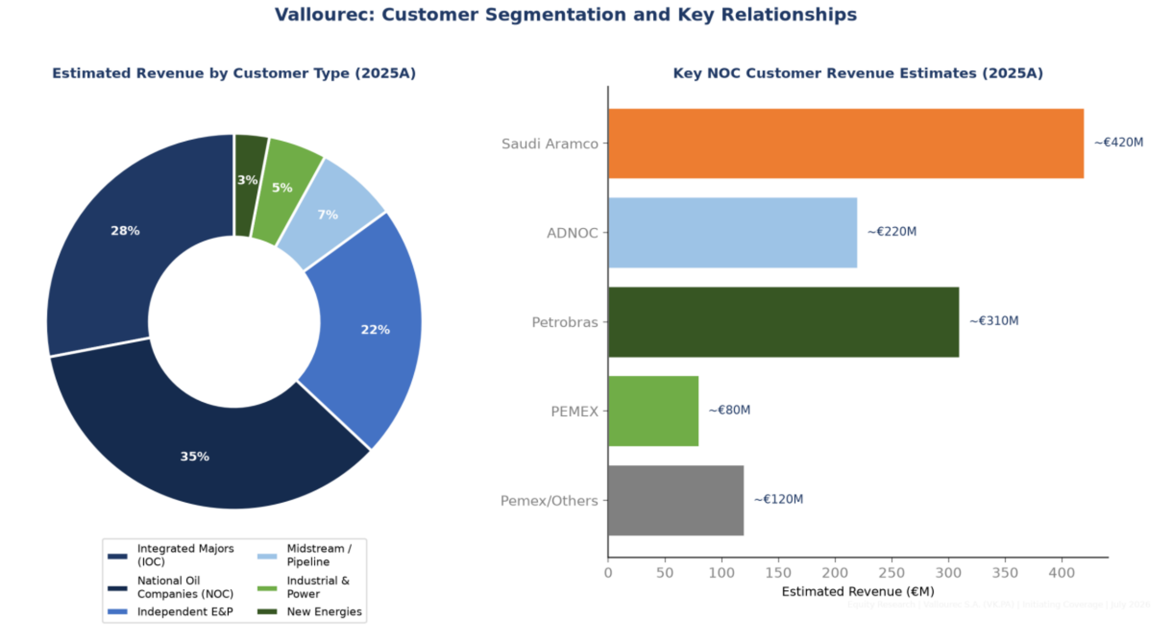

Figure 26: Customer Segmentation — IOC/NOC/Independent E&P Mix

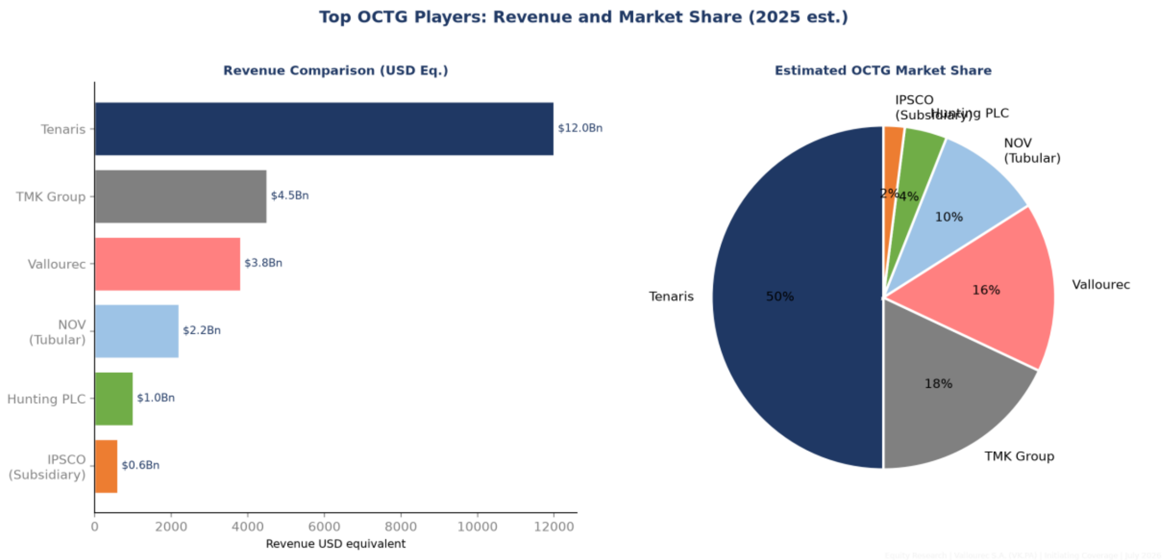

Figure 27: OCTG Peer Revenue Comparison and Market Share

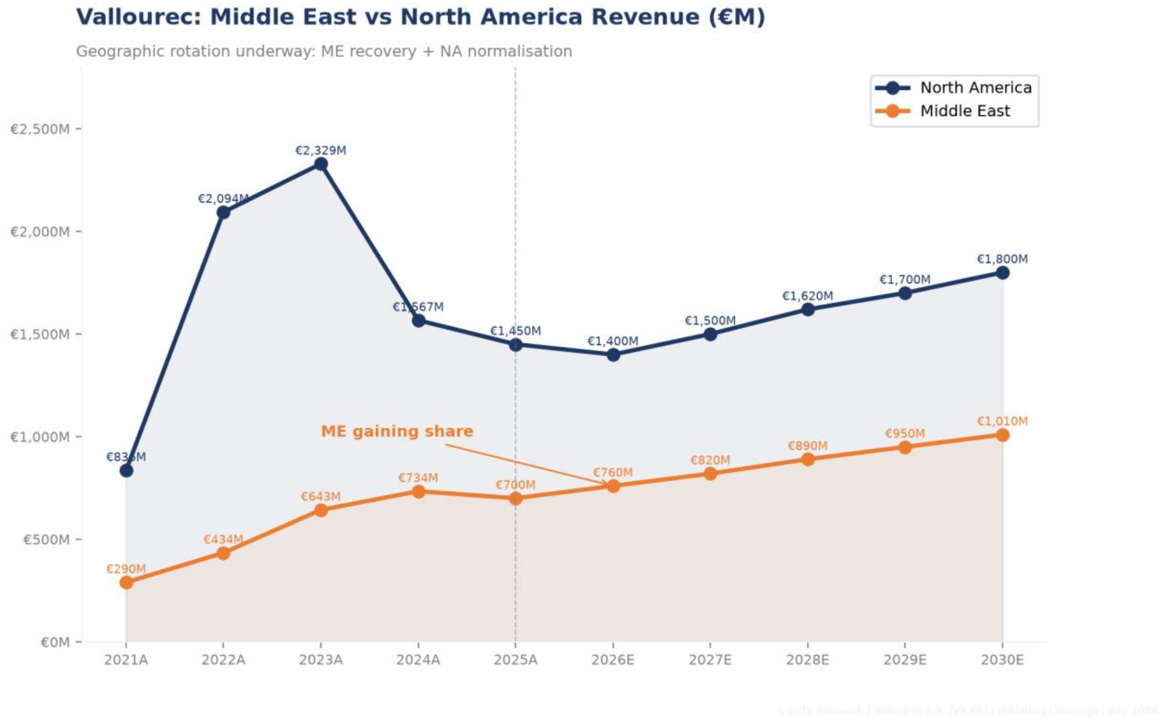

Figure 28: Middle East vs North America Revenue — Geographic Rotation

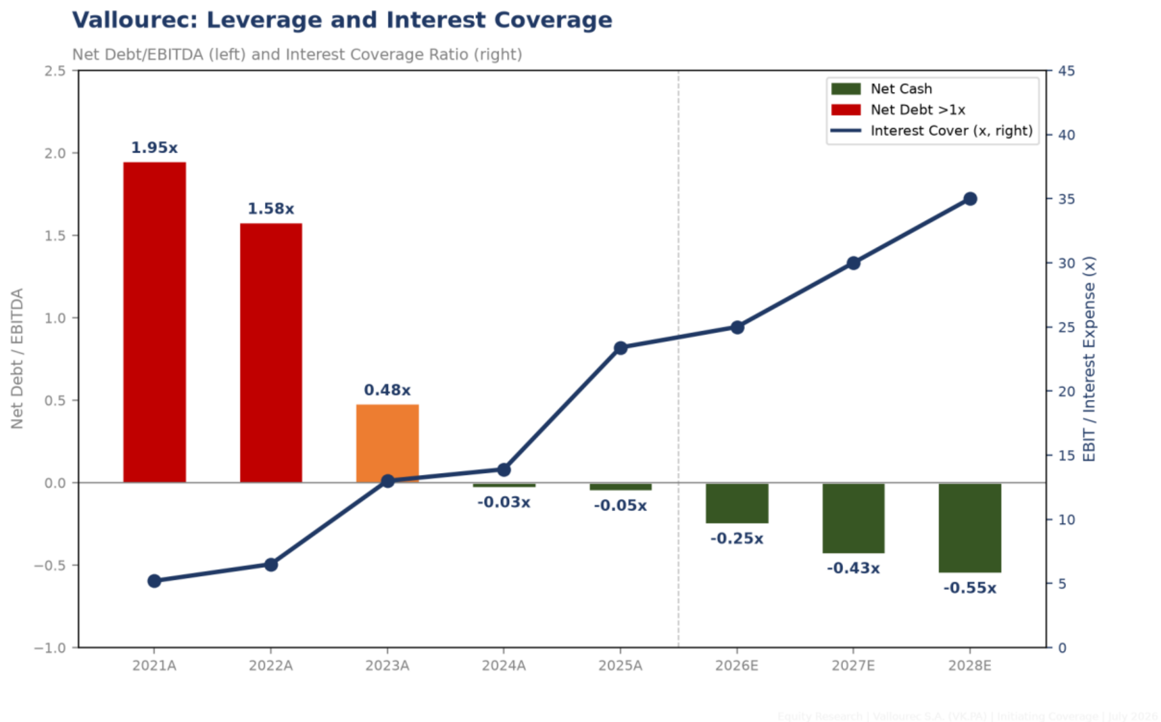

Figure 29: Leverage and Interest Coverage — From 2.0x Net Debt to Net Cash

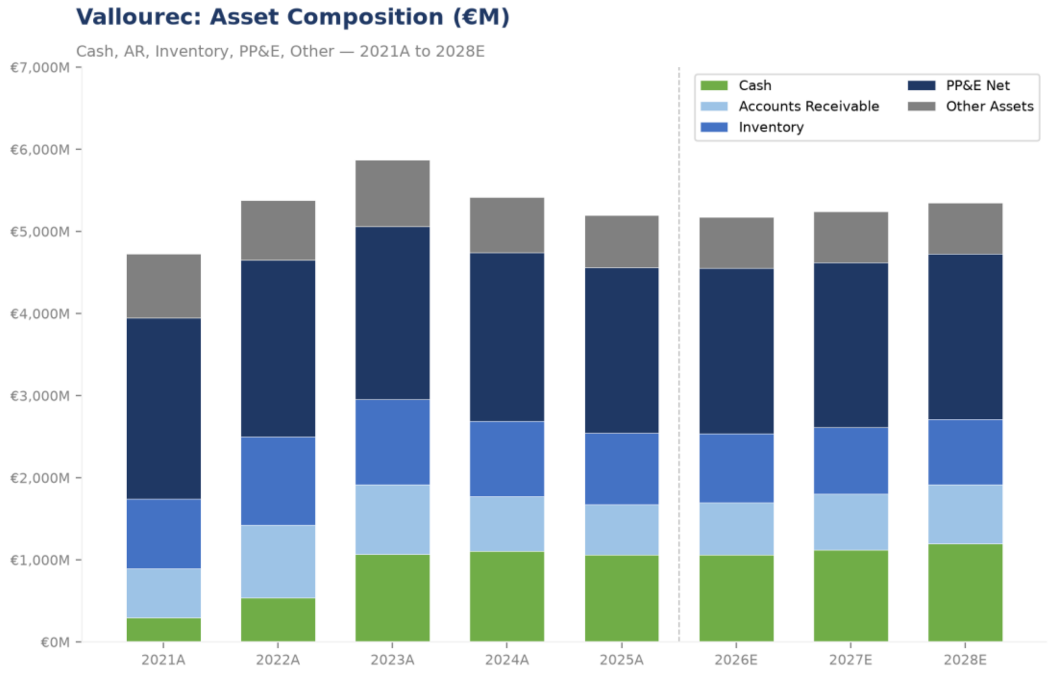

Figure 30: Balance Sheet Composition — Asset Mix 2021A–2028E

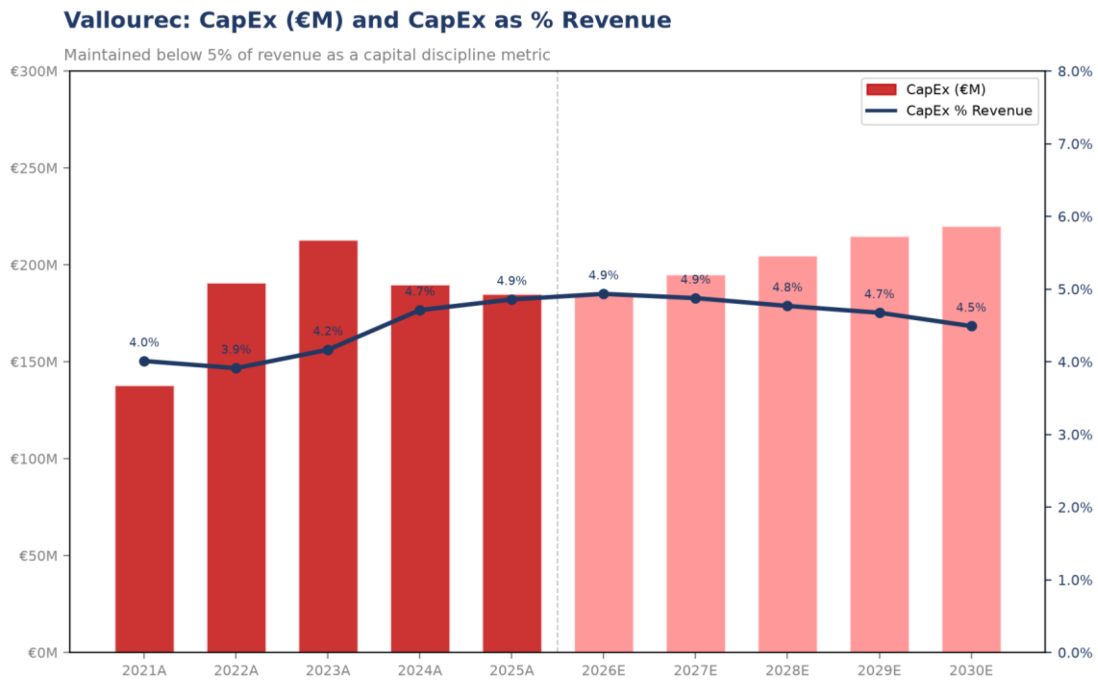

Figure 31: CapEx Intensity — Disciplined Capital Allocation Below 5% of Revenue

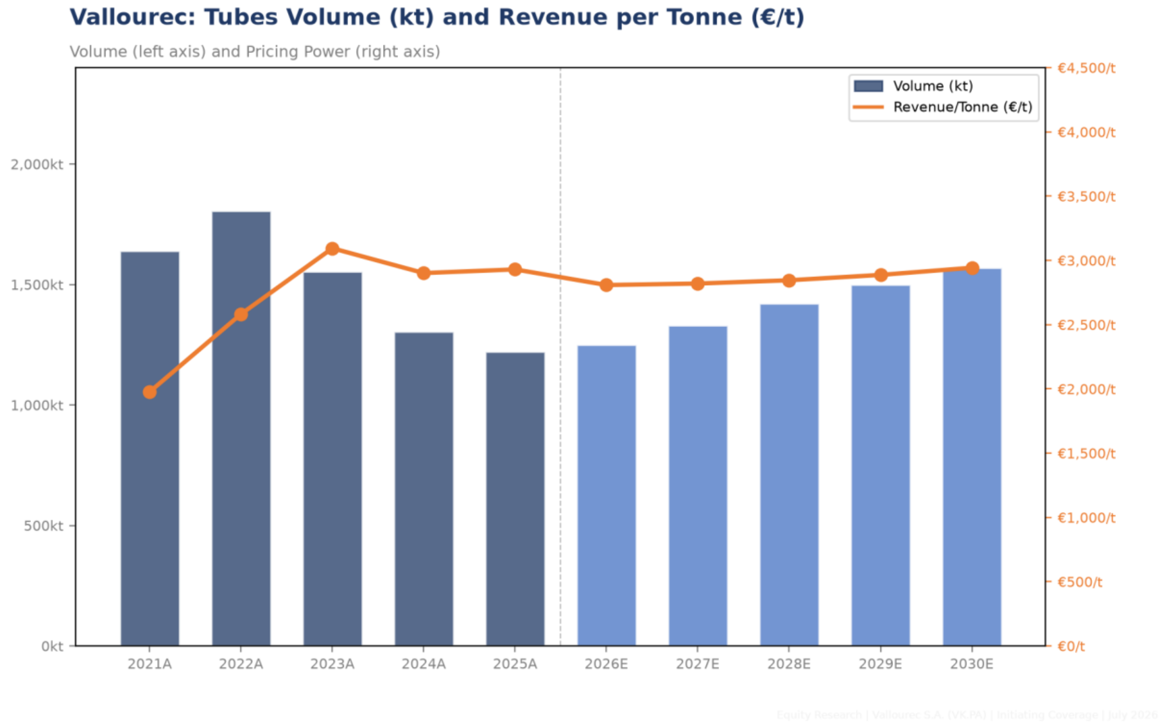

Figure 32: Tubes Volume (kt) and Revenue per Tonne — Pricing Power Trend

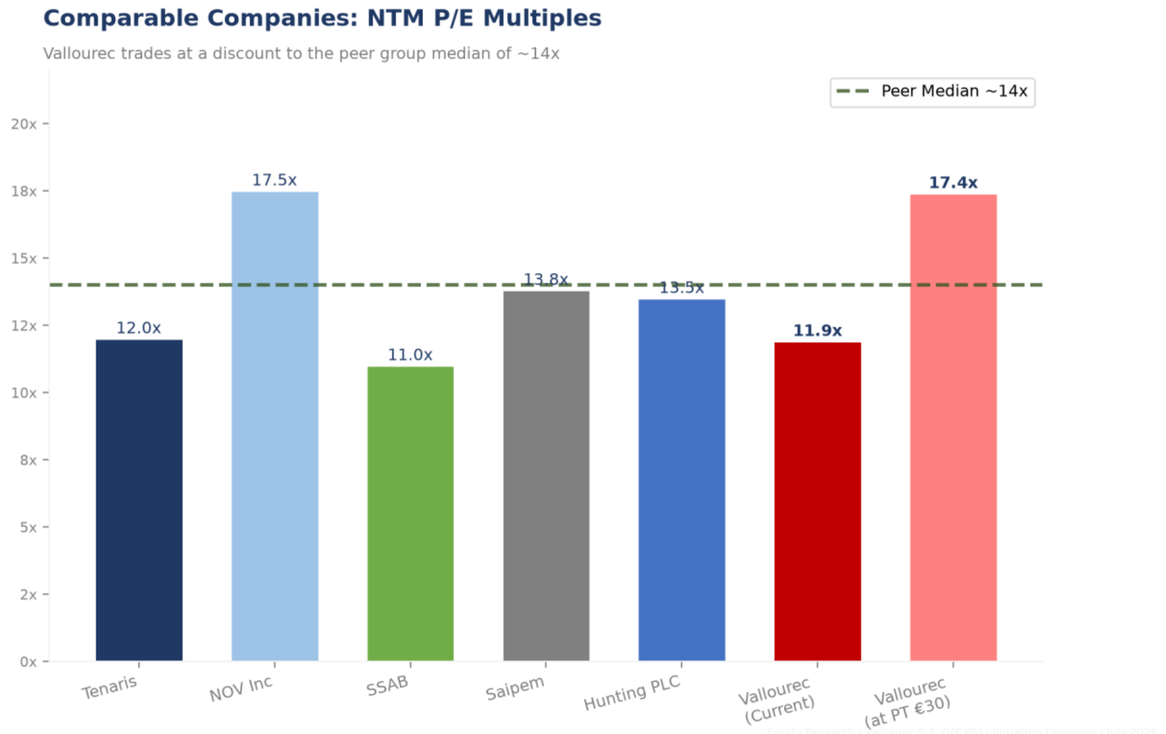

Figure 33: Comparable Companies P/E Multiples — Vallourec at Discount

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES

— END OF REPORT —