

Arverne Buy

France | Utilities

MCap: EUR189.6m

Target Price: EUR6.00 (5.00)
Current Price: EUR5.45
Up/downside: 10.1%
Market data: 02 June 2025

Change in TP: 20.0%
Change in Sales: none 25E/none 26E
Change in Adj EBIT: none 25E/none 26E
Change in Adj. EPS: none 25E/none 26E

Bloomberg: ARVEN FP Reuters: ARVEN_p.PA
 Free float 18.4%
 Avg. daily volume (EURm) 0.0
 YTD abs performance 35.6%
 52-week high/low (EUR) 6.94/3.74

BPI France to support

Why this report?

BPI France enters the capital of Arverne, with 4.3% of the capital and 4.9% of the voting rights. This new long-term investor provides new strength for Arverne, which must find solutions to finance its capex-intensive growth. To reflect the positive impact of this new supporting shareholder, we have lowered our WACCs (from 14.4% to 13.6% for the lithium business and from 16.2% to 14.0% for the geothermal activities). Accordingly, we raise our target price by 20%, from EUR5 to EUR6. We confirm our Buy rating.

Key findings

- BPI France has acquired a 4.3% stake in Arverne and will appoint a representative to the board of directors.
- The stock jumped c. 30% following this announcement.
- This transaction was completed through an off-market block sale. This implies that at least one shareholder has reduced its stake.
- The union between Arverne the public investment bank is positive news, given that Arverne is looking for solutions to finance its capex-intensive growth.
- Counting the founders, the ADEME, Renault and now BPI France, Arverne's solid shareholder base is one of its greatest strengths.

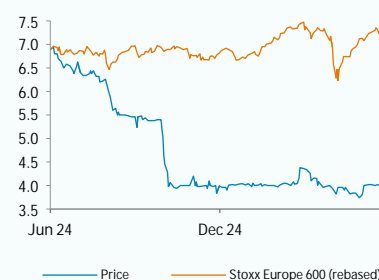
Deconstructing the forecasts

- We have not changed our forecasts. The change in our target price is explained by the lower WACCs for the value geothermal and lithium business.
- Arverne is in its investment phase and plans to start producing geothermal heat in 2026E and lithium in 2028E. Sales and EBITDA are not expected to change substantially before those dates.
- We model the need for a capital increase in H1 2026E to finance the capex-intensive growth (the 2025-31 gross capex budget is EUR2.4bn).
- Our model is aligned with the FY 2028 guidance, i.e. sales of EUR180-200m and an EBITDA margin of c. 40%.

Valuation and investment conclusion

- We value Arverne using an SOP to separate the geothermal, lithium, and drilling activities.
- The geothermal and lithium activities are valued using a DCF, and the drilling activity is valued with a FY 2025E EV/sales target multiple of 1.0x.
- We have lowered our WACCs (from 14.4% to 13.6% for the lithium business and from 16.2% to 14.0% for the geothermal activities) to reflect the improvement in conditions following the arrival of BPI France.
- A major part of our valuation assumes that Arverne will be able to scale up and receive subsidies for up to 35% of its capex programme.

Price performance



FY to 31/12 (EUR)	12/24	12/25E	12/26E
Sales (m)	14.1	20.0	16.8
EBITDA adj (m)	-18.4	-20.7	-26.1
EBIT adj (m)	-20.8	-24.1	-32.7
Net profit adj (m)	-11.1	-35.9	-38.5
Net financial debt (m)	-85.6	18.8	141.3
FCF (m)	-16.5	-107.6	-176.0
EPS adj. and ful. dil.	-0.32	-1.03	-1.11
Consensus EPS	-0.29	-0.54	-0.66
Net dividend	0.00	0.00	0.00
FY to 31/12	12/24	12/25E	12/26E
P/E adj and ful. dil.	na	na	na
EV/EBITDA	na	na	na
EV/EBIT	na	na	na
FCF yield	-7.4%	-56.7%	-92.8%
Dividend yield	0.0%	0.0%	0.0%
ND(F+IFRS16)/EBITDA	4.7	-0.9	-5.4
Gearing	-50.4%	14.0%	147.8%
ROIC	-50.3%	-18.9%	-13.1%
EV/IC	3.0	1.4	1.4
Sector Most Pref.	Sector Least Pref.		
E.ON	CEZ		
EDP	Hidroelectrica		
Engie			
National Grid			
Redeia			

Auguste Deryckx
 Equity Research Analyst
 +33 1 53 65 35 44

Company description

Arverne is an industrial and multidisciplinary energy transition player specialised in the valorisation of subsoil resources. The company aims to capitalise on its deep expertise in drilling activities to become a major player in the geothermal heat and geothermal lithium markets.

Management

Pierre Brossollet, CEO & Chairman
Sébastien Renaud, Deputy CEO and CFO
Emeline Othax, Deputy CFO

Key shareholders

Free float	18.40%
Arosco (P. Brossolet)	21.45%
Eiffel Essentiel (F. Dumonteil)	9.92%

Investment case

- Arverne is an industrial energy transition player specialised in the valorisation of subsoil resources. The group is focused on three units: 1) 2gré (geothermal heat), 2) Lithium de France (geothermal heat and lithium), and 3) Arverne Drilling Services (drilling operations).
- Its main competitive advantage stems from the synergy potential among its three entities, with drilling being crucial for the successful development of any geothermal activity.
- We see Arverne as a high-risk, high-reward story. Indeed, its development strategy relies exclusively on the development of geothermal energy and lithium, and to date, these activities generate no sales.

Catalysts

- Production of the first geothermal heating plant: 2026E.
- Production of the first lithium tonnes: 2028E.
- Announcement of a subsidy.

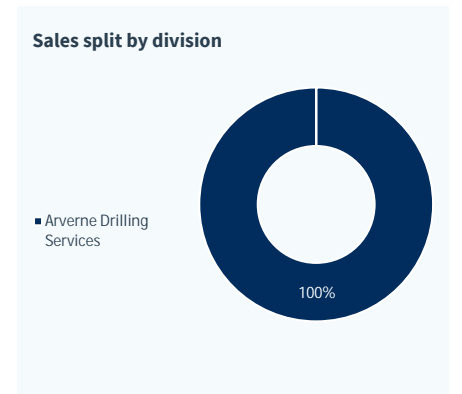
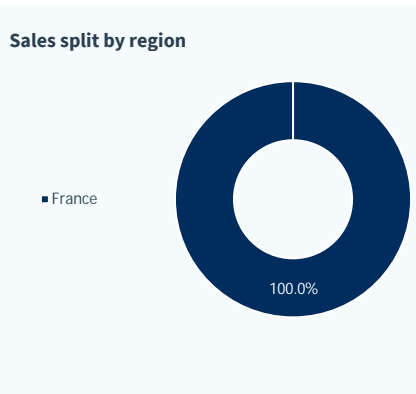
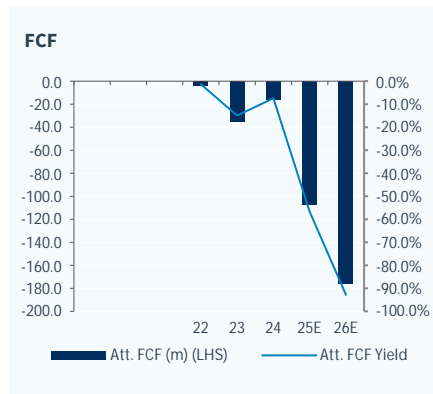
Valuation methodology

- We value Arverne using a sum-of-the-parts method to separate the geothermal, lithium, and drilling activities.
- The geothermal and the lithium activities are valued using a DCF and the drilling activities are valued with a FY 2025E EV/sales target multiple (of 1.0x).

Risks to our rating

- Our valuation is highly dependent on the company's ability to scale up successfully (its objective is reach a top line of >EUR800m by FY 2031E, versus EUR10m in FY 2023A).
- The group's growth will be capital-intensive: c. EUR2.4bn to be invested by FY 2031. The group expects to obtain subsidies for 35% of this envelope. Lower-than-expected subsidies should therefore generate the need for dilutive financing.

Key data charts



SWOT analysis

Strengths

- Provides local, low-carbon, renewable energy.
- Business model offering strong synergies.
- Deep know-how in drilling activities.

Opportunities

- Greater democratisation of geothermal heat.
- Increasing public aid to develop geothermal heat.
- International expansion.

Weaknesses

- The group has no track record.
- Tensions regarding financing.

Threats

- Ambitious business plan: execution risk.
- Slower democratisation of EVs.
- Increased competition in these nascent markets.

Valuation table

Market data as of: 02 June 2025

FY to 31/12 (EUR)	12/22	12/23	12/24	12/25E	12/26E
Per share data (EUR)					
EPS adjusted	-0.11	-2.20	-0.38	-1.03	-1.11
% Change		-chg	+chg	-chg	-chg
EPS adjusted and fully diluted	-0.11	-2.34	-0.32	-1.03	-1.11
% Change		-chg	+chg	-chg	-chg
EPS reported	-0.11	-2.20	-0.38	-1.03	-1.11
% Change		-chg	+chg	-chg	-chg
EPS Consensus				-0.54	-0.66
Cash flow per share	-0.09	-0.76	-0.24	-1.66	-0.74
Book value per share	-0.18	7.01	5.78	3.85	2.75
DPS	0.00	0.00	0.00	0.00	0.00
Number of shares, YE (m)	27.0	24.0	34.8	34.8	34.8
Nbr of shares, fully diluted, YE (m)	27.0	24.0	34.8	34.8	34.8
Share price					
Latest price / year end	9.9	9.5	4.0	5.5	5.5
52 week high	10.0	11.5	9.7	5.5	
52 week low	9.6	8.8	3.8	3.7	
Average price (Year)	9.9	9.8	6.4	5.5	5.5
Enterprise value (EURm)					
Market capitalisation	266.0	234.5	221.8	189.6	189.6
Net financial debt	2.0	-132.1	-85.6	18.8	141.3
Pension provisions	0.0	1.2	2.1	2.1	2.1
IFRS 16 debt	0.0	0.3	0.0	0.0	0.0
Market value of minorities	2.3	-17.8	0.0	0.0	0.0
MV of equity affiliates (net of tax)	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Enterprise value	270.3	86.1	138.3	210.5	333.0
Valuation					
P/E adjusted	na	na	na	na	na
P/E adjusted and fully diluted	na	na	na	na	na
P/E consensus				na	na
P/BV	na	1.4	1.1	1.4	2.0
P/CF	na	na	na	na	na
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Share buybacks over market cap (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Attributable FCF yield (%)	-1.3%	-14.9%	-7.4%	-56.7%	-92.8%
ROE (%)		-64.7%	-6.4%	-23.6%	-33.5%
ROIC (%)		na	-50.3%	-18.9%	-13.1%
EV/Sales	25.98	8.53	9.78	10.53	19.78
EV/EBITDA adj.	na	na	na	na	na
EV/EBIT adj.	na	na	na	na	na
EV/NOPAT	na	na	na	na	na
EV/IC	na	5.5	3.0	1.4	1.4
ROIC/WACC		na	na	na	na
EV/IC over ROIC/WACC		na	na	na	na

Income statement

FY to 31/12 (EUR)	12/22	12/23	12/24	12/25E	12/26E
Sales	10.4	10.1	14.1	20.0	16.8
<i>Sales % Change</i>		-3.0%	40.2%	41.4%	-15.8%
Gross profit	9.4	9.1	12.7	18.0	15.1
<i>Gross profit margin (%)</i>	90.0%	90.0%	90.0%	90.0%	90.0%
EBITDA reported	-2.0	-16.0	-18.4	-20.7	-26.1
EBITDA adjusted	-2.0	-16.0	-18.4	-20.7	-26.1
EBITDA margin (%)	-19.4%	na	na	na	na
<i>EBITDA adjusted % Change</i>		-chg	-chg	-chg	-chg
Depreciation and amortisation	-2.0	-1.9	-2.4	-3.4	-6.7
Goodwill impairment	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	0.0	-47.5	0.0	0.0	0.0
EBIT reported	-4.0	-65.4	-20.8	-24.1	-32.7
EBIT adjusted	-4.0	-65.4	-20.8	-24.1	-32.7
EBIT margin (%)	-38.3%	na	na	na	na
<i>EBIT adjusted % Change</i>		-chg	+chg	-chg	-chg
Net financial items	-0.1	4.1	11.2	-5.7	-5.7
Associates	0.0	0.0	0.0	0.0	0.0
Others	0.9	2.4	-1.8	-6.0	0.0
Earnings before tax	-3.2	-58.9	-11.3	-35.9	-38.5
Tax	0.0	1.0	0.2	0.0	0.0
<i>Tax rate (%)</i>	25%	25%	25%	25%	25%
Net profit from continuing op.	-3.2	-57.9	-11.1	-35.9	-38.5
Net profit from disc. activities	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	-3.2	-57.9	-11.1	-35.9	-38.5
Minorities	0.2	1.8	0.0	0.0	0.0
Net profit reported	-3.0	-56.1	-11.1	-35.9	-38.5
Adjustments	0.0	0.0	0.0	0.0	0.0
Net profit adjusted	-3.0	-56.1	-11.1	-35.9	-38.5
Net profit margin (%)	-28.5%	na	-78.6%	na	na
<i>Net profit adjusted % Change</i>		-chg	+chg	-chg	-chg
EPS reported (EUR)	-0.11	-2.20	-0.38	-1.03	-1.11
EPS adjusted (EUR)	-0.11	-2.20	-0.38	-1.03	-1.11
EPS adj. and fully diluted (EUR)	-0.11	-2.34	-0.32	-1.03	-1.11
<i>EPS adj. and fully diluted % Change</i>		-chg	+chg	-chg	-chg
DPS (EUR)	0.00	0.00	0.00	0.00	0.00
<i>DPS % Change</i>					
<i>Payout ratio (%)</i>	0%	0%	0%	0%	0%
DPS, preference shares (EUR)	0.00	0.00	0.00	0.00	0.00
Consensus Sales (EURm)				20.8	30.0
Consensus EBITDA (EURm)				-18.4	-12.8
Consensus EBIT (EURm)				-27.4	-29.0
Consensus EPS (EUR)				-0.54	-0.66

Cash flow statement

Market data as of: 02 June 2025

FY to 31/12 (EUR)	12/22	12/23	12/24	12/25E	12/26E
Net profit before minorities	-3.2	-57.9	-11.1	-35.9	-38.5
Depreciation and amortisation	2.0	-4.2	2.8	3.4	6.7
Goodwill impairment	0.0	0.0	0.0	0.0	0.0
Change in working capital	-0.5	-4.5	4.6	-30.8	0.3
Others	-0.7	47.2	-3.2	5.7	5.7
Levered post tax CF before capex	-2.4	-19.4	-7.0	-57.6	-25.7
% Change		-chg	+chg	-chg	+chg
Capex	-1.2	-15.6	-9.5	-50.0	-150.2
Capex / Sales (%)	11.2%	154.5%	67.2%	250.0%	892.3%
Free cash flow	-3.6	-35.0	-16.5	-107.6	-176.0
% Change		-chg	+chg	-chg	-chg
Acquisitions	0.0	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	0.0	0.0
Share buy back	0.0	0.0	0.0	0.0	0.0
Capital increases	4.4	114.8	0.7	0.0	0.0
Others	-0.9	54.3	-113.4	-64.9	8.4
Change in net financial debt	0.1	-134.0	129.1	172.5	167.5
Change in cash and cash equiv.		140.1	-19.4	-104.4	-122.5
Attributable FCF	-3.6	-35.0	-16.5	-107.6	-176.0
Attributable FCF / Net profit(%)	119.7%	62.4%	148.0%	300.0%	457.6%
Cash flow per share (EUR)	-0.09	-0.76	-0.24	-1.66	-0.74
% Change		-chg	+chg	-chg	+chg
Attributable FCF per share (EUR)	-0.13	-1.37	-0.56	-3.09	-5.06
% Change		-chg	+chg	-chg	-chg

Balance sheet

FY to 31/12 (EUR)	12/22	12/23	12/24	12/25E	12/26E
Cash and cash equivalents	3.2	143.2	123.8	19.4	-103.1
Inventories	0.0	0.4	0.0	0.8	0.7
Accounts receivable	0.2	2.7	0.0	5.2	4.4
Other current assets	8.8	14.2	24.8	54.4	39.4
Current assets	12.1	160.5	148.7	79.8	-58.6
Tangible assets	6.7	19.4	52.3	89.5	188.6
Goodwill	0.0	1.0	2.0	3.0	4.0
Other Intangible assets	4.5	39.2	53.1	53.1	53.1
Financial assets	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	3.4	3.1	3.1	3.1
Non-current assets	11.2	63.1	110.5	148.7	248.8
Short term debt	2.9	1.6	6.4	6.4	6.4
Accounts payable	0.9	3.7	28.8	4.0	3.4
Other short term liabilities	22.0	18.4	4.0	3.7	3.5
Current liabilities	25.8	23.7	39.2	14.1	13.3
Long term debt	2.2	9.6	31.8	31.8	31.8
Pension provisions	0.0	1.2	2.1	2.1	2.1
IFRS16 Debt	0.0	0.3	0.0	0.0	0.0
Other long term provisions	0.0	1.0	2.0	3.0	4.0
Other long term liabilities	0.1	9.3	12.1	43.3	43.3
Non-current liabilities	2.3	21.4	48.0	80.2	81.2
Shareholders' equity	-4.9	178.4	169.9	134.0	95.6
Minority interests	0.0	0.0	0.0	0.0	0.0
Total equity	-4.9	178.4	169.9	134.0	95.6
Balance sheet total	23.2	223.6	257.1	228.4	190.1
% Change		862.5%	15.0%	-11.2%	-16.8%
Book value per share (EUR)	-0.18	7.01	5.78	3.85	2.75
% Change		+chg	-17.5%	-33.4%	-28.7%
Net financial debt	2.0	-132.1	-85.6	18.8	141.3
IFRS16 Debt	0.0	0.3	0.0	0.0	0.0
Pension provisions	0.0	1.2	2.1	2.1	2.1
Others	0.0	0.0	0.0	0.0	0.0
Net debt	2.0	-130.5	-83.5	20.9	143.4
Net fi. debt (+IFRS16) / EBITDA (x)	-1.0	8.2	4.7	-0.9	-5.4
Trade working capital	-0.7	-0.7	-28.8	2.0	1.7
Net working capital	-14.0	-4.8	-8.0	52.7	37.6
NWC/Sales	-134.3%	-47.6%	-56.4%	263.3%	223.3%
Inventories/sales	0.0%	4.1%	0.0%	4.0%	4.0%
Invested capital	-7.3	15.6	46.3	145.2	230.2
Net fin. debt / FCF (x)	-0.6	3.8	5.2	-0.2	-0.8
Gearing (%)	na	-74.0%	-50.4%	14.0%	147.8%
Goodwill / Equity (%)	0.0%	0.6%	1.2%	2.2%	4.2%

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Unless otherwise stated, all prices are aligned with the "Market Data date" on the front page of this report.

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Company Name	ISIN	Disclosure
Arverne	FR001400JWR8	KEPLER CHEUVREUX and the issuer have agreed that KEPLER CHEUVREUX will produce and disseminate investment research on the said issuer as a service to the issuer

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Name of the Research Analyst(s): Auguste Deryckx

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Research ratings

Kepler Cheuvreux rating split as of 03 June 2025

Rating Breakdown	A	B
Buy	56%	65%
Hold	32%	25%
Reduce	9%	3%
Not Rated/Under Review/Accept Offer	3%	7%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

12 months rating history

The below table shows the history of recommendations and target prices changes issued by KEPLER CHEUVREUX research department (Equity and Credit) over a 12 months period.

Company Name	Date	Business Line	Rating	Target Price	Closing Price
Arverne (EUR)	23/07/2024 05:10	Equity Research	Buy	8.10	6.32
	09/10/2024 07:43	Equity Research	Buy	5.20	3.98
	23/04/2025 04:28	Equity Research	Buy	5.00	3.82

Credit research does not issue target prices. Left intentionally blank.

Please refer to the following link <https://research.keplercheuvreux.com/disclosure/stock/> for a full list of investment recommendations issued over the last 12 months by the author(s) and contributor(s) of this report on any financial instruments.

Equity research

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Buy: The minimum expected upside is 10% over next 12 months (the minimum required upside could be higher in light of the company's risk profile).

Hold: The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

Reduce: There is an expected downside.

Accept offer: In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offer price is considered to be fairly valuing the shares.

Reject offer: In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offered price is considered to be undervaluing the shares.

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Europe

 **Amsterdam**
Kepler Cheuvreux Benelux
Johannes Vermeerstraat 9
1071 DK Amsterdam
+31 20 563 2365

 **London**
Kepler Cheuvreux UK
5th Floor
95 Gresham Street
London EC2V 7NA
+44 20 7621 5100

 **Paris**
Kepler Cheuvreux France
112 Avenue Kleber
75016 Paris
+33 1 53 65 35 00

 **Brussels**
Kepler Cheuvreux Belgium
Rogier Tower
Place Rogier 11
1210 Brussels
+32 11 491460

 **Madrid**
Kepler Cheuvreux Espana
Paseo de la Castellana, 52
28046 Madrid
+34 914 36 5100


 **Stockholm**
Kepler Cheuvreux Sweden
Malmskillnadsgatan 23
11157 Stockholm
+46 8 723 51 00

 **Frankfurt**
Kepler Cheuvreux Germany
Taunusanlage 19
60325 Frankfurt
+49 69 756 960

 **Milan**
Kepler Cheuvreux Italia
Via C. Cornaggia 10
20123 Milan
+39 02 8550 7201

 **Vienna**
Kepler Cheuvreux Austria
Schottenring 16/2
1010 Vienna
+43 1 537 124 147

 **Geneva**
Kepler Cheuvreux SA
Avenue Perdtemps 23,
1260 Nyon
Switzerland
+41 22361 5151

 **Oslo**
Kepler Cheuvreux Norway
Munkedamsveien 59B
0270 Oslo
+47 23 13 9080

 **Zurich**
Kepler Cheuvreux Switzerland
Stadelhoferstrasse 22
8001 Zurich
+41 43 333 66 66

North America

 **New York**
Kepler Capital Markets, Inc.
Tower 49
12 East 49th Street, Floor 36
10017 New York, NY USA
+1 212 710 7600

United Arab Emirates

 **Dubai (DIFC)**
Office 104, Level 1, Tower 1,
Al Fattan Currency House,
Plot No. GB02, Al Fattan Area,
Emirate of Dubai
Dubai International Financial
Centre,
Dubai, UAE