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MIDCAP

EQUITY RESEARCH

ARVERNE GROUP ACT

RESULTS REVIEW
Company call

BUY

TP 9.5€
Up/Downside: 139%

Encouraging progress towards 2027

We reiterate our BUY rating following the release of better-than-expected 2024 results and a strong net cash position. Lithium de France is expected to start drilling in H2 2025, with industrial phases for the first heat and geothermal lithium production scheduled for 2026 and 2027, respectively.

Stronger-than-expected results and net cash position

Arverne reported 2024 results exceeding expectations. Revenue—driven by deep drilling—grew 40% to €14.1M (vs. TPICAP €12.4M), mainly supported by geothermal installations at ADP and the historical contract with Storengy. Gross activity volume (including surface drilling) came in at the upper end of guidance, reaching €17.3M. Net income stood at -€11.1M (vs. TPICAP -€16M), benefiting from the positive impact of the revaluation of Lithium de France's Ratchet B warrants (+€4.2M reduction in liabilities) and the revaluation of Geoven's debt. The balance sheet remains solid, with €85.6M in net cash, ensuring the continuation of the €50M investment plan for 2025. The sharp rise in financial debt (€38.2M vs. €11.8M) reflects the leasing of a drilling rig.

Accelerated drilling for internal needs (Lithium de France & 2Gré)

Subject to regulatory approvals, Arverne plans to initiate drilling in H2 2025 and significantly scale up operations from 2026 onwards. The group currently has four drilling rigs, with two to be allocated for internal needs (Lithium de France and 2Gré) from 2026. This shift will lead to a faster-than-expected dilution of drilling-related revenue in consolidated revenue, reducing sales to third-party clients. Consequently, we are lowering our 2026 consolidated revenue estimate, though EBITDA remains unchanged, as the reduction is offset by an equivalent increase in capitalized production. We understand that two rigs will be used for internal projects, while the other two will serve external clients (Storengy, Safran).

Mid-term outlook remains on track

For 2025, the company anticipates a 45% to 75% increase in gross activity volume to €25-30M, in line with our €20.8M revenue forecast. Growth will be primarily driven by the geothermal doublet operations for Safran with Dalkia.
Lithium de France will enter its pre-industrial phase in early 2025, launching a 12-to-18-month feasibility study before commencing initial drilling in H2 2025. The industrial phase for the first geothermal heat production remains on track for 2027, while the first geothermal lithium production is expected in 2028. This phase requires a gross investment of €370M (including subsidies), subject to reassessment upon completion of the pre-industrial phase.

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e
Sales (m €)	10.1	14.1	20.8	15.2
Current Op Inc (m €)	-13.8	-20.8	-32.2	-26.9
Current op. Margin (%)	na	na	na	na
EPS (€)	-1.50	-0.29	-0.72	-0.10
DPS (€)	0.00	0.00	0.00	0.00
Yield (%)	0.0	0.0	0.0	0.0
FCF (m €)	-28.4	-39.8	-96.5	-120.0

Valuation Ratio	12/24e	12/25e	12/26e
EV/Sales	3.7	7.2	17.3

Source: TPICAP Midcap

Research partially paid by the Issuer

Key data	
Price (€)	4.0
Industry	Utilities
Ticker	ARVEN-FR
Shares Out (m)	34.787
Market Cap (m €)	138.5
Next event	Rés S1-25=24.9.25

Source: FactSet

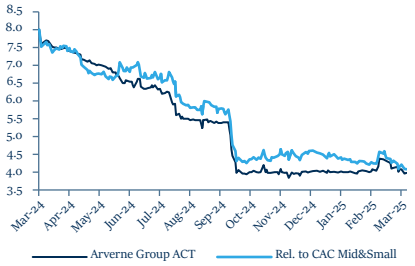
Ownership (%)	
ex-associés d'Arverne+Fondateurs	64.1
ADEME Investissement	9.3
Renault	8.3
Free float	18.4

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	-0.29	-0.72	-0.10
Change vs previous estimates (%)	na	na	na

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	0.0	-4.3	-1.0
Rel CAC Mid&Small	0.1	-6.4	-8.9



Source: FactSet

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FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	12.6	10.7	10.1	14.1	20.8	15.2
Changes (%)	180.5	-15.0	-5.8	40.2	47.0	-26.8
Gross profit	11.5	9.9	9.5	12.0	17.1	12.9
% of Sales	91.5	92.8	94.3	84.8	82.0	85.0
EBITDA	**-2.2**	**-1.7**	**-16.0**	**-25.3**	**-26.7**	**-31.3**
% of Sales	-17.4	-15.9	-158.7	-178.6	-128.1	-205.2
Current operating profit	**-2.4**	**-2.7**	**-13.8**	**-20.8**	**-32.2**	**-26.9**
% of Sales	-19.1	-24.9	-137.0	-146.8	-154.8	-176.8
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-2.4	-2.7	-13.8	-20.8	-32.2	-26.9
Net financial result	-0.0	-0.1	4.1	11.2	0.5	-4.2
Income Tax	-0.0	-0.0	1.0	0.2	4.0	3.9
Tax rate (%)	-1.6	-1.0	0.0	25.0	0.0	0.0
Net profit, group share	**-2.4**	**-1.6**	**-52.0**	**-10.0**	**-24.9**	**-3.6**

Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	8.8	11.2	58.6	104.0	162.9	254.0
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.3	0.0	0.0	3.1	3.1	3.1
Working capital	1.3	-2.4	0.2	-6.4	-4.5	-5.0
Other Assets	0.0	0.0	2.7	0.0	0.0	0.0
Assets	10.3	8.8	61.6	100.8	161.6	252.2
Shareholders equity group	3.1	-5.6	164.1	155.9	131.0	127.4
Minorities	0.1	0.7	14.3	14.0	11.3	-9.2
LT & ST provisions and others	0.2	0.0	2.2	3.0	3.0	3.0
Net debt	6.8	13.6	-124.5	-85.6	11.0	125.7
Other liabilities	2.0	11.7	13.4	15.2	6.9	6.9
Liabilities	10.3	8.8	61.6	92.6	161.6	252.2
Net debt excl. IFRS 16	6.7	13.6	-125.1	-85.6	11.0	125.7
Gearing net	2.1	-2.8	-0.7	-0.5	0.1	1.1
Leverage	-3.1	-8.0	7.8	3.4	-0.4	-4.0

Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	-0.9	-0.4	-9.1	-10.4	-23.3	5.4
ΔWCR	-1.4	-3.7	2.6	-6.6	1.9	-0.5
Operating cash flow	-2.3	-4.0	-6.4	-17.0	-21.5	4.9
Net capex	1.7	5.1	22.0	22.8	75.0	124.9
FCF	-4.0	-9.2	-28.4	-39.8	-96.5	-120.0
Acquisitions/Disposals of subsidiaries	0.6	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	-0.3	-1.2	-7.4	0.6	-40.0	-70.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	-0.0	-0.1	-0.2	0.0	0.0	0.0
Equity Transaction	0.6	0.0	98.2	0.7	0.0	0.0
Others	1.0	2.8	0.7	4.0	5.0	6.0
Change in net cash over the year	-3.8	-9.6	59.9	-38.4	-136.5	-190.0

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Methodology

This Report may mention evaluation methods defined as follows:
1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests between TP ICAP Midcap and the Issuer

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Arverne Group ACT

J. Sponsored research or other issuer-related revenues represent more than 5% of the external provider's revenues: Arverne Group ACT

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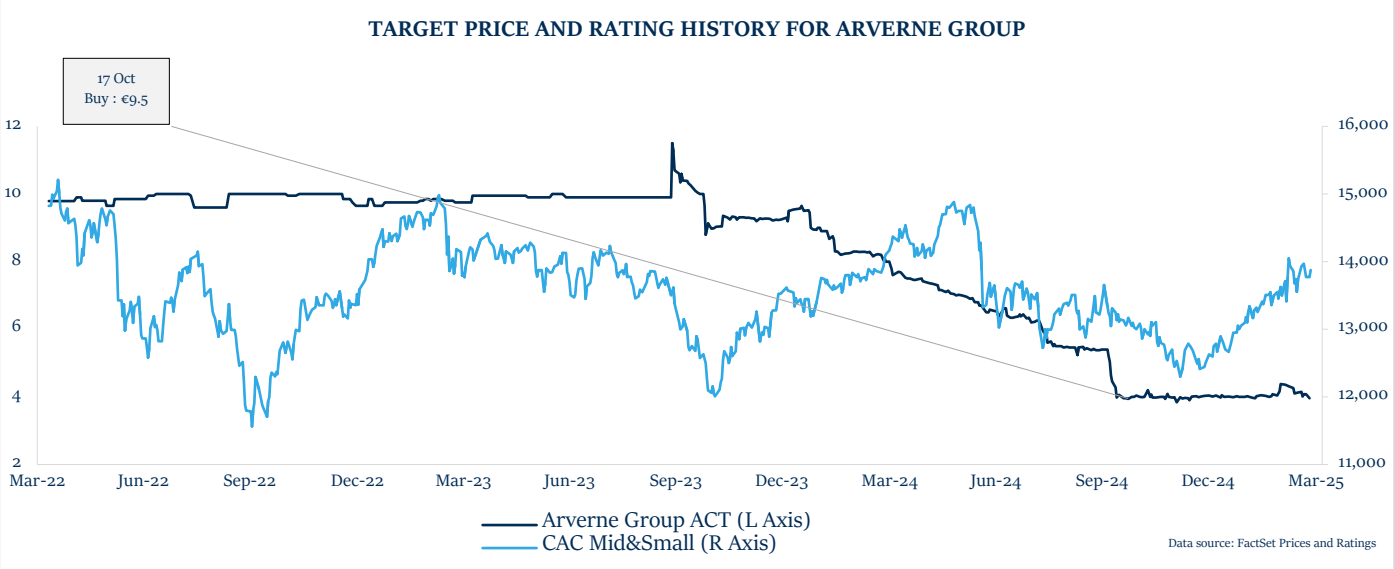
History of investment rating and target price – Arverne Group ACT



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
26 Feb 25 - 08:28:21	Veneta Nikolova	€ 9.50	€ 9.50	€ 4.08	Achat	Buy
28 Jan 25 - 07:55:14	Veneta Nikolova	€ 9.50	€ 9.50	€ 4.00	Achat	Buy
17 Oct 24 - 09:37:42	Veneta Nikolova	NA	€ 9.50	€ 3.96	NA	Buy

Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	79%	60%
Hold	15%	69%
Sell	4%	17%
Under review	2%	100%

Midcap employs a rating system based on the following:
Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.
Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.
Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at https://researchtpicap.midcapp.com/en/disclaimer.

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