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Document produced on
12 October 2025 at 7:41pm CET
Document published on
12 October 2025 at 7:41pm CET

MIDCAP

EQUITY RESEARCH

ARVERNE GROUP ACT

NEWS
Press release

BUY

TP 9.5€
Up/Downside: 86%

Undervaluation of the stock highlighted

Hydro exchanges its stake in Lithium de France for a direct shareholding in Arverne. The valuation of Arverne used for this capital restructuring, based on the IPO price of €10.0 and significantly disconnected from the current share price, supports our target price of €9.5 and our Buy recommendation.

Skillfully orchestrated capital restructuring

Hydro exchanged its 11.8% stake in Lithium de France for a 5.3% shareholding in Arverne. Hydro has committed to holding its shares until a future significant capital increase by Arverne. This transaction increases Arverne's stake in Lithium de France to 73.5% (up from 61.7%), with the remaining shares mainly held by Equinor (24.4%), a long-standing financial and technological partner (involved in adapting DLE to Alsatian brine). Arverne's shareholder base is strengthened alongside the ADEME, Bpifrance, and Renault, which together hold 21% of the capital. This move, likely preparing the ground for Hydro's eventual exit, may also set the stage for future fundraising (2026?) to support the ramp-up of capital-intensive projects (starting in 2027) that offer strong operational leverage, whether in geothermal energy or lithium geothermal, two sectors at the hearth of energy sovereignty.

Capital arbitrage in the context of commercial success

This transaction allows Arverne to strengthen its control over Lithium de France, while Hydro diversifies its exposure to both geothermal energy and lithium geothermal. The deal is further validated by Arverne's recent success (a €150M/30-year agreement for geothermal heat supply), marking a significant commercial milestone that provides long-term revenue visibility and the potential for a positive knock-on effect on other similar projects.

Transaction highlighting Arverne's modest valuation

The valuation of Lithium de France (€189M) results from a negotiated transaction in the absence of relevant market comparables. A cross-checked DCF analysis confirms the consistency of this valuation, with a range of €171–230M, aligning closely with our own estimate of approximately €200M. The most recent fundraising (€44M in Series B, 2023) valued the subsidiary's shares at €35.84, compared to €47.02 in this current transaction. For Arverne, the valuation of €348M was based on the IPO price of €10 per share (Sept 2023), representing a near 50% discount to the current share price of €5.10, largely due to the collapse in lithium prices. However, we believe Arverne's equity story extends beyond just the price of lithium. Indeed, its P/E ratios are strong, geothermal energy benefits from a favorable regulatory framework, and near-term growth drivers include a diversifying order book. The long-term lithium geothermal supply agreement with Renault (25kt over 5 years) and technological progress in DLE offer promising indicators for future prospects.

Research partially paid by the Issuer

Key data	
Price (€)	5.1
Industry	Utilities
Ticker	ARVEN-FR
Shares Out (m)	42.076
Market Cap (m €)	214.6
Next event	RA 25= mars 2026

Source: FactSet

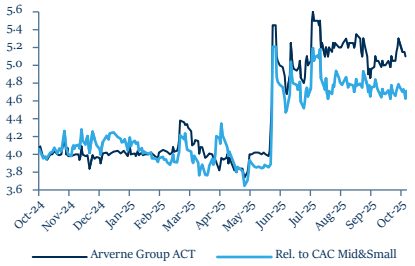
Ownership (%)	
ex-associés d'Arverne+Fondateurs	55.9
ADEME Investissement	9.3
Renault7.8%+Hydro5.3%+BPI4.1%	17.2
Free float	17.6

Source: TPICAP Midcap estimates

EPS (€)	12/25e	12/26e	12/27e
Estimates	-0.87	-0.62	-1.19
Change vs previous estimates (%)	na	na	na

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	0.0	1.0	26.9
Rel CAC Mid&Small	1.7	-1.6	13.9



Source: FactSet

TP ICAP Midcap Estimates	12/24	12/25e	12/26e	12/27e
Sales (m €)	14.1	20.8	33.2	74.6
Current Op Inc (m €)	-20.8	-32.4	-22.0	-32.3
Current op. Margin (%)	na	na	na	na
EPS (€)	-0.29	-0.87	-0.62	-1.19
DPS (€)	0.00	0.00	0.00	0.00
Yield (%)	0.0	0.0	0.0	0.0
FCF (m €)	-35.7	-72.5	-134.1	-351.3

Valuation Ratio	12/25e	12/26e	12/27e
EV/Sales	10.0	9.7	8.5

Source: TPICAP Midcap

Consensus FactSet - Analysts:na	12/25e	12/26e	12/27e
Sales	22.2	34.6	76.7
EBIT	-28.4	-30.2	-35.3
Net income	-26.3	-28.3	-33.0

Analyst
Veneta Nikolova
veneta.nikolova@tpicap.com
+33173030972

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FINANCIAL DATA

Income Statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
Sales	10.7	10.1	14.1	20.8	33.2	74.6
Changes (%)	-15.0	-5.8	40.2	47.0	59.6	124.8
Gross profit	10.9	13.6	19.7	17.1	41.2	63.4
% of Sales	102.2	134.8	139.1	82.0	124.2	85.0
EBITDA	**-0.7**	**-11.9**	**-17.7**	**-26.8**	**-13.3**	**3.5**
% of Sales	-6.5	-118.2	-125.3	-128.9	-40.1	4.7
Current operating profit	**-2.7**	**-15.1**	**-20.8**	**-32.4**	**-22.0**	**-32.3**
% of Sales	-24.9	-149.8	-146.8	-155.5	-66.2	-43.3
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-2.7	-15.1	-20.8	-32.4	-22.0	-32.3
Net financial result	-0.1	4.1	11.2	0.5	-2.2	-11.4
Income Tax	-0.0	1.0	0.2	0.0	0.0	5.5
Tax rate (%)	-1.0	0.0	25.0	25.0	na	na
Net profit, group share	**-1.6**	**-53.3**	**-10.0**	**-30.2**	**-21.7**	**-41.5**

Financial Statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Tangible and intangible assets	11.2	58.2	104.9	141.1	232.2	510.7
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Working capital	-2.4	0.2	-8.1	-5.8	-4.2	-5.7
Other Assets	0.0	3.4	3.1	3.1	3.1	3.1
Assets	8.8	61.9	100.0	138.4	231.2	508.2
Shareholders equity group	-5.6	164.1	155.9	125.6	103.9	62.4
Minorities	0.7	14.3	14.0	12.5	12.0	18.4
LT & ST provisions and others	0.0	2.2	2.1	2.1	2.1	2.1
Net debt	13.6	-124.2	-77.4	-7.1	107.8	420.0
Other liabilities	0.0	5.9	6.2	6.2	6.2	6.2
Liabilities	8.8	61.9	100.0	138.4	231.2	508.2
Net debt excl. IFRS 16	13.6	-124.8	-106.3	-36.1	78.9	391.0
Gearing net	-2.8	-0.7	-0.5	-0.1	0.9	5.2
Leverage	-19.5	10.4	4.4	0.3	-8.1	119.9

Cash flow statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
CF after elimination of net borrowing costs and taxes	-0.4	-10.3	-10.4	-24.7	-10.9	0.2
ΔWCR	-3.7	2.6	-8.3	2.2	1.7	-1.5
Operating cash flow	-4.0	-7.7	-18.7	-22.5	-9.2	-1.3
Net capex	-5.0	-18.2	-17.1	-50.0	-124.9	-350.0
FCF	-9.0	-25.9	-35.7	-72.5	-134.1	-351.3
Acquisitions/Disposals of subsidiaries	0.0	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	-1.2	-7.4	0.6	-20.0	-70.0	-350.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	-0.1	-0.2	0.0	0.0	0.0	0.0
Equity Transaction	0.0	98.2	0.7	0.0	0.0	0.0
Others	2.8	0.7	4.0	5.0	6.0	7.0
Change in net cash over the year	-7.3	68.3	-30.4	-87.5	-198.1	-694.3

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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

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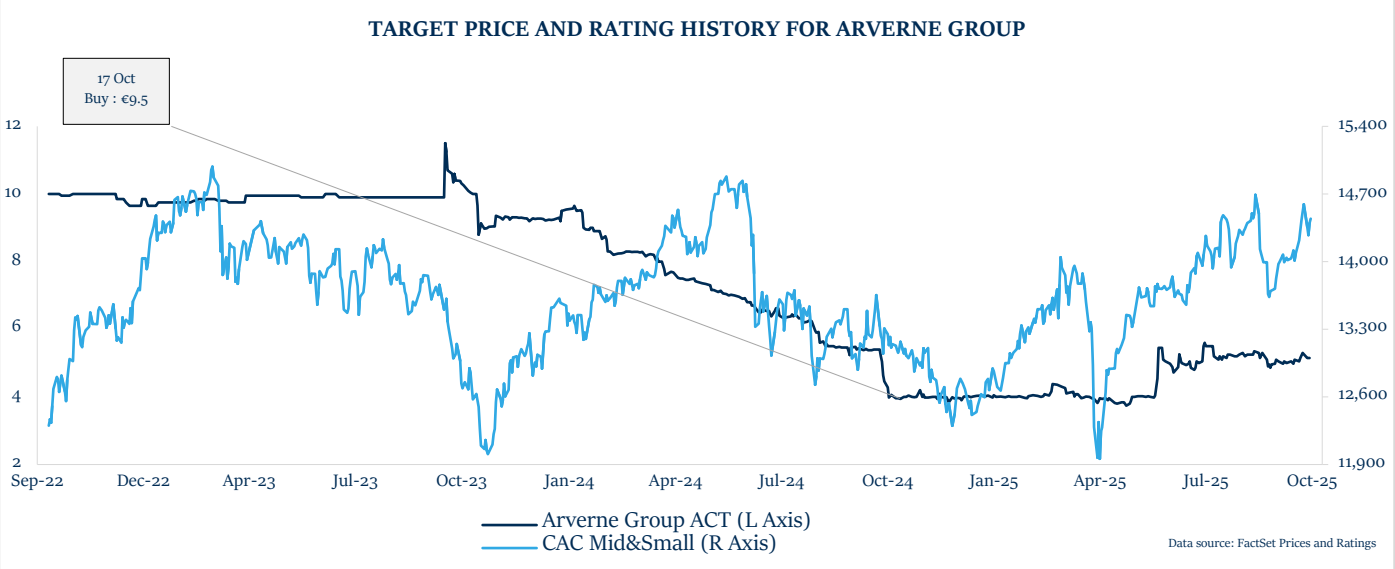
History of investment rating and target price – Arverne Group ACT



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
25 Sep 25 - 07:05:27	Veneta Nikolova	€ 9.50	€ 9.50	€ 4.98	Achat	Buy
06 Jun 25 - 08:17:08	Veneta Nikolova	€ 9.50	€ 9.50	€ 5.05	Achat	Buy
18 May 25 - 23:09:02	Veneta Nikolova	€ 9.50	€ 9.50	€ 4.02	Achat	Buy
21 Apr 25 - 21:34:59	Veneta Nikolova	€ 9.50	€ 9.50	€ 3.96	Achat	Buy
27 Mar 25 - 05:19:12	Veneta Nikolova	€ 9.50	€ 9.50	€ 3.98	Achat	Buy
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	77%	69%
Hold	18%	61%
Sell	3%	25%
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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