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MIDCAP

EQUITY RESEARCH

ARVERNE GROUP ACT

NEWS
Press release

BUY

TP 9.5€
Up/Downside: 88%

Arverne launches shallow geothermal energy with Leclerc

Arverne is continuing its diversification strategy by launching, in partnership with Leclerc, its first shallow geothermal project on a commercial site. This pilot operation marks a turning point toward a scalable, low-capex model, with Arverne acting as a service provider rather than an operator. BUY rating and TP reiterated.

A modest project, but a positive signal

The project with Leclerc is the first of its kind, involving 53 vertical boreholes of 150 meters each, drilled in the parking lot of a supermarket. Three drilling rigs are mobilized for a project we estimate to be worth several hundred thousand euros over a three-month period. Beyond the financials, it is the operational demonstration that matters. DrillHeat—France's market leader with 6 drilling units, 50%-owned by Arverne and accounted for using the equity method—completed 27 projects in 2024 for €6 million in revenue.

Leclerc, with its dense network of sites across France, represents an ideal target for scaling the model. If the pilot proves successful, this first contract could serve as a showcase and lead to multisite framework agreements. In a context of increasing regulatory pressure (tertiary decree, ESG requirements), shallow geothermal energy provides a local, decarbonized, non-intermittent solution, aligned with energy sovereignty imperatives.

Multiple catalysts supporting positive momentum

The delivery of the Leclerc pilot site in H2 2025 will serve as a much-anticipated proof of concept for shallow geothermal energy, validating its profitability, technical replicability, and compatibility with the land constraints of large commercial spaces.

Meanwhile, a drilling permit expected in Alsace would allow the launch of the Lithium de France (LDF) geothermal demonstrator, the first real-world validation step for DLE (Direct Lithium Extraction) technology, following promising lab results with Equinor. This is a key milestone in the path toward industrialization targeted for 2027.

Discussions are also ongoing with Hydro (Norsk Hydro) for a potential increase in its stake in LDF, which is currently owned by Arverne (63%), Equinor (25%), and Hydro (12%, acquired for €44M in March 2023).

Additionally, the signing of the first geothermal contract under operator mode appears to be progressing well. Such a long-term contract would provide greater visibility on revenue streams.

Finally, 2 major regulatory initiatives—the upcoming geothermal plan in France and the European strategy for renewable heat—could strengthen the incentive framework, supporting the execution of Arverne's project pipeline.

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	-0.83	-0.75
DPS (€)	0.00	0.00	0.00	0.00
Yield (%)	0.0	0.0	0.0	0.0
FCF (m €)	-24.6	-34.0	-71.5	-138.7

Valuation Ratio	12/24e	12/25e	12/26e
EV/Sales	6.9	8.0	18.8

Source: TPICAP Midcap

Research partially paid by the Issuer

Key data	
Price (€)	5.1
Industry	Utilities
Ticker	ARVEN-FR
Shares Out (m)	34.787
Market Cap (m €)	175.7
Next event	Rés S1-25=24.9.25

Source: FactSet

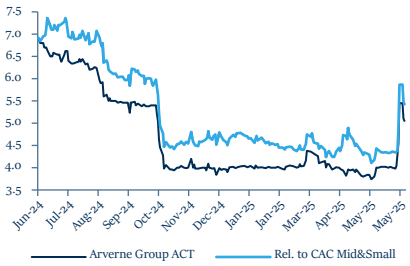
Ownership (%)	
ex-associés d'Arverne+Fondateurs	64.1
ADEME Investissement	9.3
Renault	8.3
Free float	18.4

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	-0.29	-0.83	-0.75
Change vs previous estimates (%)	na	na	na

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	0.0	32.9	25.6
Rel CAC Mid&Small	0.0	30.0	16.5



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	0.0	0.0
Tax rate (%)	-1.6	-1.0	0.0	25.0	25.0	na
Net profit, group share	**-2.4**	**-1.6**	**-52.0**	**-10.0**	**-28.9**	**-26.2**

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	105.3	142.0	231.4
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.3	0.0	0.0	0.0	0.0	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	99.0	137.5	229.6
Shareholders equity group	3.1	-5.6	164.1	155.9	127.0	100.8
Minorities	0.1	0.7	14.3	14.0	11.3	9.5
LT & ST provisions and others	0.2	0.0	2.2	1.2	3.0	3.0
Net debt	6.8	13.6	-124.5	-77.4	-9.1	111.0
Other liabilities	0.1	0.0	6.1	6.9	6.9	6.9
Liabilities	10.3	8.8	61.6	99.0	137.5	229.6
Net debt excl. IFRS 16	6.7	13.6	-125.1	-77.4	-9.1	111.0
Gearing net	2.1	-2.8	-0.7	-0.5	-0.1	1.0
Leverage	-3.1	-8.0	7.8	3.1	0.3	-3.6

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	-13.3
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	-13.8
Net capex	-1.6	-5.0	-18.2	-17.1	-50.0	-124.9
FCF	-3.9	-9.0	-24.6	-34.0	-71.5	-138.7
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	-20.0	-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	-2.1	-7.3	69.6	-28.7	-86.5	-202.7

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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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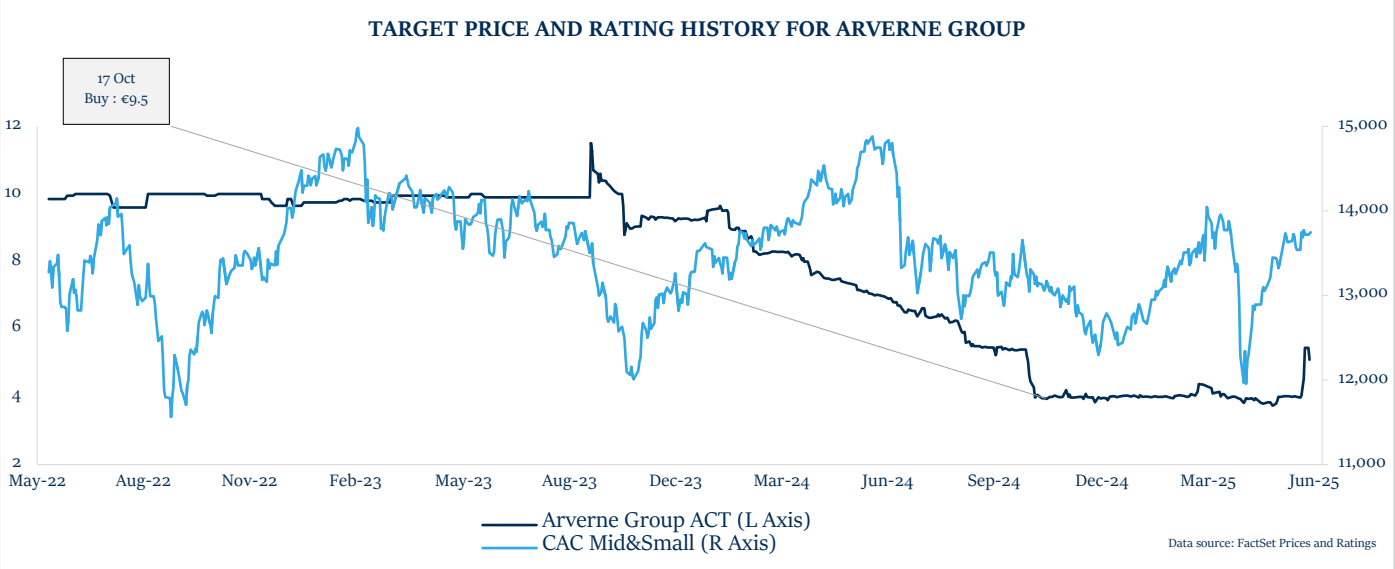
History of investment rating and target price – Arverne Group ACT



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
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	81%	65%
Hold	15%	63%
Sell	2%	25%
Under review	2%	67%

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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