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MIDCAP

EQUITY RESEARCH

ARVERNE GROUP ACT

FEEDBACK CONFERENCE

BUY

TP 9.5€

Up/Downside: 136%

Towards a regulatory breakthrough for geothermal energy

The subsoil — and more specifically, geothermal energy — is emerging as a key pillar of the energy transition, supported by growing backing from governments in France and across Europe. Arverne Group is thus well-positioned to benefit from new, incentive-based regulatory developments currently being implemented.

An ambitious French and European plan for geothermal energy

This June, the French government is set to unveil a program aimed at boosting geothermal development:

- In April at the National Assembly, and then in May at the Senate, the Prime Minister reaffirmed the central role of geothermal energy in France's energy sovereignty strategy.
- An interministerial task force has been launched to propose concrete measures to accelerate the sector's development.

This plan would establish geothermal energy as a central pillar of France's energy strategy.
By the end of 2025 or early 2026, the European Commission is expected to present measures aimed at streamlining authorization procedures and intermediate steps for grid infrastructure, renewable energy, and storage projects. The investment strategy for "clean energy" is expected to be ready in Q3 2025 and will include a specific focus on renewable heat.

In this favorable context, Arverne Group, as an integrated player, is ideally positioned to benefit from this momentum. The Group plans to begin drilling geothermal wells in H2 2025, with initial revenues expected in 2026. The ability to rapidly execute strategy is becoming a key differentiating factor.

A geothermal operator contract well underway

We also understand that the signing of the first geothermal operator-mode contract is well on track, which would represent a significant milestone. These long-term contracts offer greater visibility and a major value-creation lever.

Confirmation of ambitions

Finally, management has reiterated all of its operational targets, reinforcing our investment thesis. We maintain our BUY rating, with an unchanged target price.

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	4.4	6.3	16.5

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 €)	139.8
Next event	Rés S1-25=24.9.25

Source: FactSet

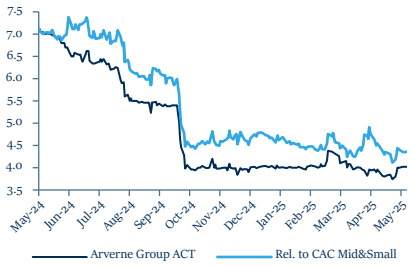
Ownership (%)	
ex-associés d'Arverne+Fondateurs	64.1
ADEME Investissement	9.3
Renault	8.3
Free float	18.4

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	3.1	0.0
Rel CAC Mid&Small	-0.1	-3.1	-6.6



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.

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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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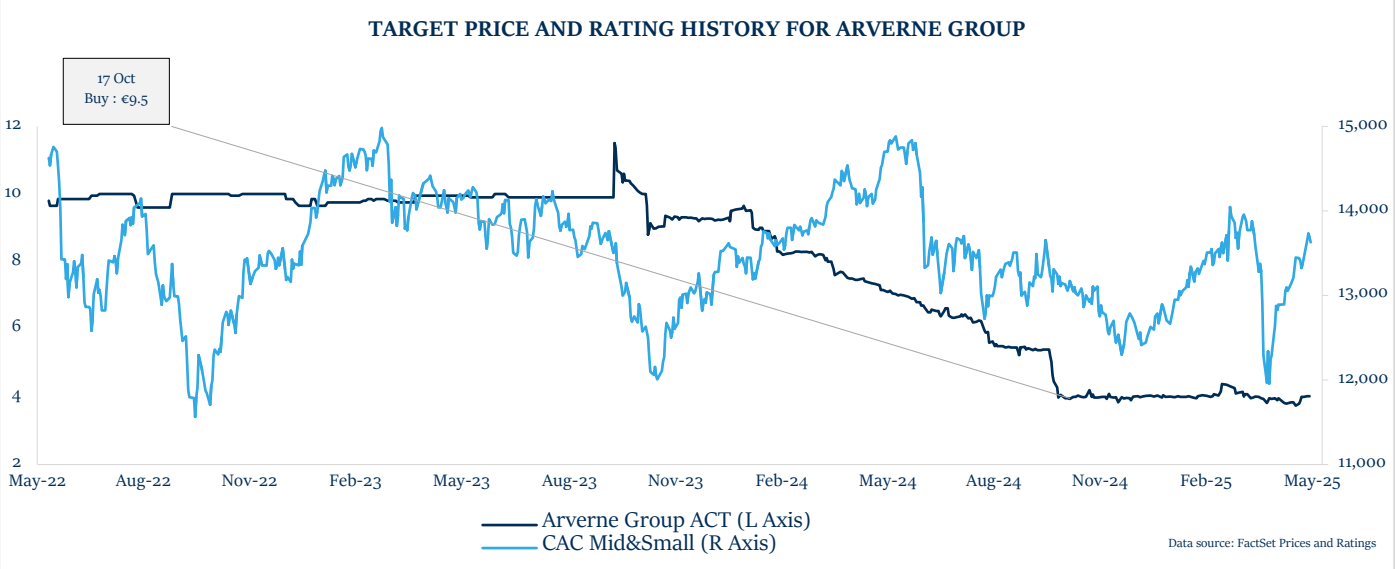
History of investment rating and target price – Arverne Group ACT



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
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	14%	65%
Sell	3%	20%
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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