Arverne Buy

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France | Utilities

MCap: EUR172.5m

Target Price:	EUR6.00
Current Price:	EUR4.96
Up/downside:	21.0%
Market data:	05 February 2026

Bloomberg: ARVEN FP	Reuters: ARVEN_p.PA
Free float	18%
Avg. daily volume (EURm)	0.0
YTD abs performance	1.2%
52-week high/low (EUR)	5.60/3.74

Field trip feedback – French lithium is coming

Key points:

- We have organised a field trip to Arverne's geothermal lithium and heat extraction project in Alsace. Currently in its drilling phase, the group is also installing the DLE system pilot and should soon confirm the quality of the resources.
- Thanks to its local footprint and economic competitiveness (cash cost <EUR4.5/kg), Arverne's project is fully aligned with the need to strengthen European sovereignty.
- With key upcoming milestone to validate project KPIs approaching, momentum on Arverne stock is set to improve.

Overview of the project

- Innovative dual-use model: The project is based on deep geothermal energy to simultaneously produce renewable heat (for industrial clients and local district heating networks) and extract lithium contained in underground brines.
- Technology and environmental performance: The group relies on Direct Lithium Extraction (DLE), a significantly faster technology than traditional evaporation ponds, also allowing for better environmental compliance - more details below.
- Industrial ambition: Currently in the drilling phase, the project targets annual production of 27 kt of lithium by 2031, equivalent to supplying around 500,000 electric vehicles. An offtake agreement has already been signed with Renault Group. The first production of lithium is expected for 2028.
- Favourable momentum: Against a backdrop of sharply rising lithium prices since late 2025, the project benefits from increased visibility. In addition, both geothermal energy and lithium extraction directly address Europe's growing energy and industrial sovereignty challenges.
- Permits securing resource access: Arverne controls a large set of exclusive geothermal and lithium exploration permits in Alsace, covering a significant share of France's most prospective lithium-bearing brines. These permits represent a major barrier to entry and years of regulatory lead time versus potential competitors.

Calendar of the project

- 2026 – before summer: completion of the first geothermal doublet drilling: validation of flow rate, temperature and lithium grades – confirming the technical assumptions for both heat and lithium extraction.
- 2026: commissioning of the DLE demonstrator: installation and operation of the on-site DLE pilot to validate recovery rates, operating costs and long-term process stability under real conditions.
- 2026: Finalisation of technical design, capex/opex, and economics through FEED led by Sedgman.
- 2028: First commercial lithium production.
- From 2028: ramp-up industrial DLE units and purification facilities (to produce battery grade lithium carbonate). The target is a production of 27ktpa of lithium.

Why Direct Lithium Extraction (DLE) is strategic

- Although Arverne's main competitive advantage lies in its knowledge of the subsoil and its ability to conduct large drilling operations, the choice of DLE is also strategic.
- Materially lower water footprint: DLE reinjects brine after lithium removal, avoiding the massive evaporation losses of ponds and sharply reducing water depletion.
- Higher recovery rates: in a DLE process typical lithium recovery exceeds 70% (Arverne's target is 91%) versus ~40–50% for evaporation ponds, directly improving yield per tonne of brine and lowering long-term cost per tonne.
- With a production cost of less than EUR4.5/kg, the Arverne project is very well positioned on the cost curve—for reference, the French project of Imerys (The Emili project, based on hard rock) is at c. EUR7/kg.

Chart 1: site map

Source: Arverne

Chart 2: The drilling rig

Source: Arverne

Appendix 1: Research framework

Last model update: 15 January 2026

Investment case

- Arverne is an industrial player specialised in the valorisation of subsoil resources. The group is focused on three units: 1) geothermal heat and cooling, 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 (2027)
- Production of the first lithium tonnes (2028)
- 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 (1.0x).

Risk to our rating

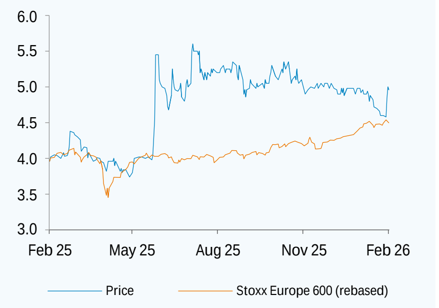
- Our valuation is highly dependent on the company's ability to scale up successfully.
- The group's growth will be capital-intensive. The group expects to obtain subsidies for 35% of this envelope. Lower-than-expected subsidies should therefore generate the need for dilutive financing.
- Potential delay in the democratisation of geothermal energy

Appendix 2: Company description

Arverne is a French industrial group driving the energy transition through the sustainable valorisation of subsoil resources. Leveraging its deep expertise in drilling and subsurface engineering, the company develops innovative geothermal and lithium projects to provide renewable heat and low-carbon materials essential for the decarbonisation effort.

Mgmt	Pierre Brossollet, CEO & Chairman | Thierry Trouyet, Deputy CEO | Emeline Othax, CFO
Ownership	Free float: 18.40% | Arosco (P. Brossolet): 20.03% | Eiffel Essentiel (F. Dumonteil) : 9.85% | ADEME: 9.27%

Appendix 3: share price perf.



Appendix 4: SWOT analysis

Strengths

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

Weaknesses

- The group has no track record.
- Tensions regarding financing.
- Small cap with limited free float

Opportunities

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

Threats

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

Appendix 5: Key financials

Last model update: 15 January 2026

Market data date: 05 February 2026

FY to 31/12 (EUR)	na	na	na	na	12/22	12/23	12/24	12/25E	12/26E	12/27E
Income Statement (EURm)										
Sales	na	na	na	na	10.4	10.1	14.1	20.0	16.8	72.4
% Change	na	na	na	na	na	-3.0%	40.2%	41.4%	-15.8%	330.0%
EBITDA adjusted	na	na	na	na	-2.0	-16.0	-18.4	-20.7	-26.1	0.4
EBITDA adj. margin (%)	na	na	na	na	-19.4%	na	na	na	na	0.5%
EBIT adjusted	na	na	na	na	-4.0	-65.4	-20.8	-24.1	-32.7	-16.2
EBIT adj. margin (%)	na	na	na	na	-38.3%	na	na	na	na	-22.4%
Net financial items & associates	na	na	na	na	-0.1	4.1	11.2	-5.7	-5.7	-5.7
Others	na	na	na	na	0.9	2.4	-1.8	-6.0	0.0	0.0
Tax	na	na	na	na	0.0	1.0	0.2	0.0	0.0	0.0
Net profit from continuing operations	na	na	na	na	-3.2	-57.9	-11.1	-35.9	-38.5	-22.0
Net profit from discontinuing activities	na	na	na	na	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	na	na	na	na	-3.2	-57.9	-11.1	-35.9	-38.5	-22.0
Net profit reported	na	na	na	na	-3.0	-56.1	-11.1	-35.9	-38.5	-22.0
Net profit adjusted	na	na	na	na	-3.0	-56.1	-11.1	-35.9	-38.5	-22.0
Cash Flow Statement (EURm)										
Levered post tax CF before capex	na	na	na	na	-2.4	-19.4	-7.0	-57.6	-25.7	-6.6
Capex	na	na	na	na	-1.2	-15.6	-9.5	-50.0	-150.2	-455.7
Free cash flow	na	na	na	na	-3.6	-35.0	-16.5	-107.6	-176.0	-462.3
Acquisitions & divestments	na	na	na	na	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	na	na	na	na	0.0	0.0	0.0	0.0	0.0	0.0
Others	na	na	na	na	3.5	169.1	-112.7	-58.9	-141.6	293.8
Change in net financial debt	na	na	na	na	0.1	-134.0	129.1	166.5	317.5	168.5
Balance Sheet (EURm)										
Intangible assets	na	na	na	na	4.5	40.2	55.1	56.1	57.1	58.1
Tangible assets	na	na	na	na	6.7	19.4	52.3	89.5	188.6	507.5
Financial & other non-current assets	na	na	na	na	0.0	3.4	3.1	3.1	3.1	3.1
Total shareholders' equity	na	na	na	na	-4.9	178.4	169.9	134.0	95.6	73.6
Pension provisions	na	na	na	na	0.0	1.2	2.1	2.1	2.1	2.1
Liabilities and provisions	na	na	na	na	28.1	43.9	85.1	92.2	92.4	216.5
Net debt	na	na	na	na	2.0	-130.5	-83.5	20.9	143.4	341.4
Net financial debt	na	na	na	na	2.0	-132.1	-85.6	18.8	141.3	339.3
IFRS 16 debt	na	na	na	na	0.0	0.3	0.0	0.0	0.0	0.0
Net working capital	na	na	na	na	-14.0	-4.8	-8.0	52.7	37.6	-105.2
Invested capital	na	na	na	na	-7.3	15.6	46.3	145.2	230.2	407.3
Per share data (EUR)										
EPS adjusted	na	na	na	na	-0.11	-2.20	-0.38	-1.03	-1.11	-0.63
EPS adj and fully diluted	na	na	na	na	-0.11	-2.34	-0.32	-1.03	-1.11	-0.63
% Change	na	na	na	na	na	-chg	+chg	-chg	-chg	+chg
EPS reported	na	na	na	na	-0.11	-2.20	-0.38	-1.03	-1.11	-0.63
Cash flow per share	na	na	na	na	-0.09	-0.76	-0.24	-1.66	-0.74	-0.19
Book value per share	na	na	na	na	-0.18	7.44	4.88	3.85	2.75	2.12
Dividend per share	na	na	na	na	0.00	0.00	0.00	0.00	0.00	0.00
Number of shares, YE (m)	na	na	na	na	26.96	23.98	34.79	34.79	34.79	34.79
Ratios										
ROE (%)	na	na	na	na	na	-64.7%	-6.4%	-23.6%	-33.5%	-25.9%
ROIC (%)	na	na	na	na	na	na	-50.3%	-18.9%	-13.1%	-3.8%
ND(F+IFRS16) / EBITDA (x)	na	na	na	na	-1.0	8.2	4.7	-0.9	-5.4	880.9
Gearing (%)	na	na	na	na	na	-74.0%	-50.4%	14.0%	147.8%	460.9%
Valuation										
P/E adjusted	na	na	na	na	na	na	na	na	na	na
P/E adjusted and fully diluted	na	na	na	na	na	na	na	na	na	na
P/BV	na	na	na	na	na	1.3	1.3	1.3	1.8	2.3
P/CF	na	na	na	na	na	na	na	na	na	na
Dividend yield (%)	na	na	na	na	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield preference shares (%)	na	na	na	na	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	na	na	na	na	-1.3%	-14.9%	-7.4%	-62.3%	-102.0%	-267.9%
EV/Sales	na	na	na	na	26.0	8.5	9.8	9.7	18.8	7.1
EV/EBITDA adj.	na	na	na	na	na	na	na	na	na	na
EV/EBIT adj.	na	na	na	na	na	na	na	na	na	na

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Total	100%	100%

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	03/06/2025 04:12	Equity Research	Buy	6.00	5.45

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