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EQUITY RESEARCH

ARVERNE GROUP ACT

RESEARCH STUDY

BUY

TP 9.5€

Up/Downside: 80%

Dual Flow Model at the Core of Value Creation

Arverne stands out as one of the few European players to have structured an integrated geothermal platform spanning both renewable heat and critical metals. The convergence of energy sovereignty, economic competitiveness and a supportive regulatory framework creates the conditions for accelerated deployment. The Dual Flow plan enters its execution phase as early as 2026, with a target of €400m in long-term geothermal contracts. By 2031-33, Arverne is targeting 4 TWh per year of geothermal heat and 27 kt per year of lithium LCE, underpinned by multi-decade contracts, high margins and enhanced cash-flow visibility.

Heat: a Market Now Moving Toward Planning

Heat accounts for nearly half of France's final energy consumption and remains heavily dependent on imported gas. In a context of constrained energy sovereignty and increasingly stressed power grids, geothermal energy is emerging as a structural solution: local, dispatchable and non-intermittent. The PPE3 framework is gradually transforming an opportunistic market into a planned one, with defined volume targets and recurring financing mechanisms. This shift favors operators capable of industrial-scale execution—a positioning Arverne has methodically built.

The Dual Flow Model: Two Revenue Streams, One Infrastructure

The model is based on the combined extraction of heat and lithium from the same geothermal well. A single infrastructure generates two revenue streams over an approximately 30-year lifespan. Heat provides stable, contractual cash flows, while geothermal lithium concentrates the bulk of the long-term economic upside, expected to represent around three-quarters of revenues at maturity. This combination improves capital efficiency, enhances profitability and reduces overall risk through revenue diversification.

2026: Transition to Industrial Proof

The year 2026 marks a key operational inflection point. Arverne expects to convert its pipeline with the signing of approximately €400m in long-term contracts. The memorandum of understanding with Primeo Énergie and R-CUE in Alsace formalizes the distribution of heat from the Lithium de France project to district heating networks and industrial clients. At the same time, results from the first geothermal well in Alsace exceeded initial assumptions in terms of flow rate, temperature and lithium concentration, confirming both resource quality and operational execution. The project moves from advanced modeling to industrial-scale demonstration.

A Hybrid Profile with Re-rating Potential

We maintain our BUY recommendation with a target price of €9.50. The Dual Flow model positions Arverne as a hybrid asset at the intersection of infrastructure and growth, combining long-term visibility with strategic optionality. Current valuation largely reflects the contribution of geothermal heat, effectively treating geothermal lithium as a free option. We believe this asymmetry should not persist beyond the publication of the DFS expected in Q4-26—a key de-risking milestone and a potential catalyst for re-rating as the economic value of the model becomes increasingly tangible.

Research partially paid by the Issuer

Key data	
Price (€)	5.3
Industry	Utilities
Ticker	ARVEN-FR
Shares Out (m)	42.076
Market Cap (m €)	222.2
Next event	RS1-26 = sept 2026

Source: FactSet

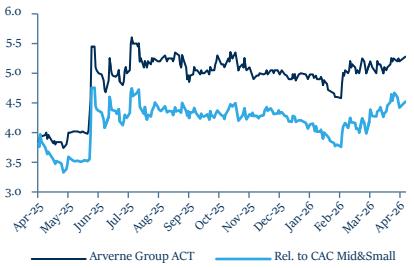
Ownership (%)	
ex-associés d'Arverne+Fondateurs	55.9
ADEME Investissement	9.3
Renault7.8%+Hydro5.3%+BPI4.1%	17.2
Free float	17.6

Source: TPICAP Midcap estimates

EPS (€)	12/25e	12/26e	12/27e
Estimates	-0.59	-0.65	-0.40
Change vs previous estimates (%)	na	na	na

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	1.5	3.5	7.8
Rel CAC Mid&Small	2.2	4.9	11.2



Source: FactSet

TP ICAP Midcap Estimates	12/24	12/25e	12/26e	12/27e
Sales (m €)	14.1	18.0	18.0	35.0
Current Op Inc (m €)	-20.8	-25.7	-25.8	-15.1
Current op. Margin (%)	na	na	na	na
EPS (€)	-0.29	-0.59	-0.65	-0.40
DPS (€)	0.00	0.00	0.00	0.00
Yield (%)	0.0	0.0	0.0	0.0
FCF (m €)	-35.3	-56.3	-71.3	-150.2

Valuation Ratio	12/25e	12/26e	12/27e
EV/Sales	10.5	13.2	10.0

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

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Description

Founded in 2018 and listed on Euronext since September 2023 following a reverse merger with the SPAC Transition, Arverne has equipped itself with the resources required to pursue its ambition of becoming a leading player in subsurface-based energy transition, leveraging the substantial potential of geothermal energy and lithium extraction from geothermal brines.

Geothermal energy, which harnesses heat from the Earth's subsurface, offers the advantage of being a natural, renewable and low-carbon energy source, with very limited CO_2 emissions and a small land footprint. It is also non-intermittent, local and sovereign, relying on resources located close to demand centres while creating local employment and contributing to France's energy independence.

Building on expertise in drilling inherited from the oil and gas industry, the Group has developed geothermal well-drilling capabilities. In France, these activities are expected to support the operation of geothermal power plants by 2027 and the extraction of geothermal lithium from 2028, notably for use in electric vehicle battery manufacturing.

Key upcoming catalysts that could impact share price performance

- *Signing of additional Heat & Cooling contracts*
- *Evolution of lithium prices, with a direct impact on project profitability and valuation*
- *New commercial or technological partnerships*
- *Granting of additional PERs (Permis Exclusifs de Recherche), expanding potential extraction areas and supporting future development prospects*
- *Q3 2026: Connection of the DLE demonstrator to the geothermal doublet*
- *Q4 2026: Results of the Definitive Feasibility Study (DFS) and first reserve certification report, representing a major catalyst for Arverne by validating CAPEX assumptions as well as the key industrial and financial parameters of the project. While extraction technology is an important component, it represents only part of the overall equation; confirmation of these critical elements should significantly strengthen investor confidence and support valuation*
- *Evolution of electric vehicle demand outlook, one of the primary end-markets for battery-grade lithium, enhancing long-term revenue visibility for the Group*

SWOT Analysis

Strengths

- Strong shareholder base providing financial flexibility for the project. Local anchoring and support from local officials and authorities. Well-diversified portfolio of permits.
- Tier-one partnerships providing technical credibility and financial strength, notably with Renault acting as a long-term offtaker for geothermal lithium, enhancing the commercial visibility and bankability of the projects.
- Business models underpinned by long-term contracts, with 30-year heat supply agreements and an economic life of approximately 30 years for Lithium de France projects, offering high cash-flow visibility and supporting long-term value creation.
- Presence across the entire value chain of geothermal heat and lithium, including drilling.

Weaknesses

- Capital-intensive activities, the impact of which on Arverne's financial structure is mitigated by a SPV-based development model, involving partners while retaining a majority stake, and by an infrastructure-style financing scheme predominantly supported by debt.
- Validation of the technical and economic performance of the direct lithium extraction method to be carried out on a large scale under real conditions.

Opportunities

- Potential partnerships with several automobile manufacturers for new projects.
- According to various analyses, the global lithium market could show a deficit of about 1 Mt (~ 25%) by 2030, while global demand is expected to quadruple by 2030 to reach 4 Mt.
- Favorable trends: economic sovereignty, reindustrialization, decarbonization.

Threats

- Increasing volatility of lithium prices with the entry of new capacities into the market.
- The Capex and Opex associated with geothermal lithium production may turn out to be higher than initial forecasts, leading to increased financing needs. The results of the definitive feasibility study (DFS) will determine the final costs.
- Risk of induced seismicity and other geomechanical disturbances, inherent to deep geothermal projects; however, it should be noted that no induced seismicity was observed during the commissioning of the first well, providing an initial and reassuring operational track record.
- Delays in executing the 2031 roadmap, postponing the realization of positive FCF.

A Rare Convergence of Three Powerful Structural Themes

The convergence of three key drivers—sovereignty, cost competitiveness and regulation—is creating a structural tailwind for the geothermal sector. Within this landscape, Arverne stands out as the only player exclusively focused on geothermal, operating a fully integrated model that controls its wells, drilling equipment and technical expertise, and now acting as operator of one of only two geothermal lithium projects in Europe.

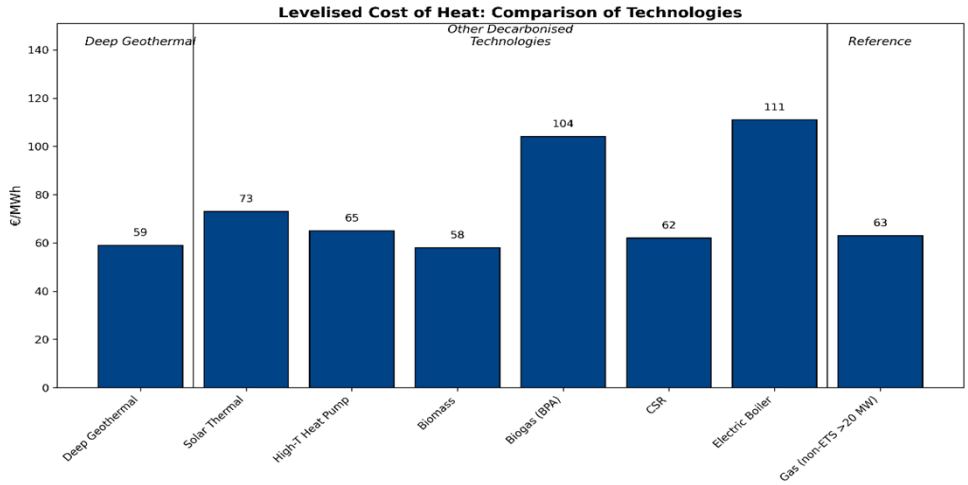
Energy Sovereignty as an Industrial Constraint

France still imports around 60% of its gas supply, of which 18% originated from Russia in 2024. Russian imports are set to be phased out by 2027. Heat accounts for approximately 45%[1] of France's final energy consumption. Decarbonising heat without relying excessively on electricity—amid already saturated grids and transmission and distribution constraints—has therefore become a strategic imperative. Geothermal energy meets all the key requirements: it is local, continuous, dispatchable and independent of imported raw materials. It is the only decarbonised energy source whose availability does not rely on any external supply chain.

A Highly Leveraged Business Model

With a LCOH[2] of €59/MWh (compared with gas, whose annualised price volatility exceeds 160% on the TTF[3]), geothermal energy is emerging as a powerful competitiveness lever for industrial users, while also providing operators with recurring, indexed cash flows. This positioning explains the growing interest from leading industrial players such as Safran, which has selected geothermal energy as a solution to both decarbonise and secure its thermal energy needs. For industrial players exposed to long production cycles and tight cost constraints, the ability to stabilise energy budgets over 10–15-year horizons while meeting decarbonisation requirements represents a material operational and financial advantage. In this context, geothermal energy stands out as one of the very few solutions capable of simultaneously delivering long-term visibility, economic competitiveness and regulatory alignment.

Fig.: Levelised cost of heat for collective and industrial uses (€/MWh, subsidies included; investment in 2025; discount rate of 10%)



Sources: ADEMEmanufacturers' websites, Arverne

[1] *Source: EuropeanNetwork of Transmission SystemOperators for Gas (ENTSOG), GasInfrastructure Europe (GIE) & BloombergviaBruegel*

[2] **LCOH** stands for Levelized Cost of Heat. LCOH measures the total discounted cost of heat production over the lifetime of a project, including CAPEX, OPEX, maintenance costs and the cost of capital, expressed per unit of thermal energy delivered.

[3] **TTF** (Title Transfer Facility) is the main European gas trading hub, located in the Netherlands. TTF serves as the reference market for gas prices in Europe. Its high price volatility directly influences the cost of heat produced from natural gas. The TTF is where the European gas price is formed, in a role comparable to Brent for oil. TTF = European gas benchmark → indicator of volatility → reference point for assessing the relative price stability of geothermal energy.

Regulation as a Game Changer

The regulatory framework presented at the CMD sends a strong signal to the geothermal sector. The PPE3 (January 2026) fundamentally changes the scale of the market: geothermal energy moves from a niche segment to a clearly identified pillar of France's heat strategy. For Arverne, this represents a compelling alignment, positioning the group as the operator of choice for the implementation of these objectives.

Fig. : Regulatory tailwinds

Lever	Description	Impact for Arverne
PPE3 (January 2026)	Targeting a 5× increase in geothermal production to 16 TWh by 2030 and 28 TWh by 2035 (vs. current levels). District heating networks to double: from 72 TWh delivered in 2023 to 147 TWh by 2035.	Expansion of the addressable market. Arverne becomes a natural supplier for deep geothermal and can address >50% of PPE3 heat demand in the Paris Basin and Upper Rhine Graben.
Mission Command (2025)	– Higher eligibility thresholds for surface geothermal – Eligibility for Energy Savings Certificates (CEE) – Shorter construction timelines – Accelerated permitting procedures	– Reduced permitting and construction delays – Lower WACC through improved visibility – Additional financing via CEE ⟶ Enhanced LCOH competitiveness
Heat Fund 2026	Maintained at €800m. Continued subsidies for heat projects.	– CAPEX coverage of up to ~30% per project – Direct improvement in IRR for Arverne Chaleur & Froid
European Geothermal Plan (Q2 2026)	Target of 250 GW installed capacity by 2040, i.e. ~6× current levels.	– Credible European policy framework – Facilitates access to project debt (e.g. EIB, Macquarie) – Strengthens long-term visibility for the sector
RESourceEU Action Plan (Q4 2025)	€3bn to secure critical raw materials. Lithium de France classified as a strategic asset (Q2-26).	– Access to EU funding windows for lithium – Administrative acceleration – Clear signal to banks regarding the project's strategic nature
C3IV granted	Green industrial tax credit: €150m allocated to Lithium de France.	– Direct reduction in CAPEX – Lower equity requirement – Improved bankability and profitability of the Alsace project

Source : Company, TP ICAP

Regulation as a Structural Game Changer

This new regulatory framework shifts French geothermal energy from an opportunistic market to a planned one. For the first time, the State is setting explicit volume targets, guaranteeing recurring funding, streamlining permitting procedures and aligning national policy with a coherent European trajectory. Together, these elements create a predictable operating environment, defined by quantified objectives, incentive-based taxation, shortened timelines and a stabilised regulatory backbone.

This national momentum is part of a broader European trend. Germany, for example, has committed to increasing geothermal heat production to around 10 TWh per year by 2030, with at least one hundred new projects and a stated ambition to increase the volumes injected into district heating networks by a factor of ten.

In Germany, the development of integrated geothermal projects benefits from a particularly supportive regulatory and political framework, enabling players such as Vulcan Energy to secure large-scale financing at an early de-risking stage. At the end of 2025, Vulcan secured a total financing package of approximately €2.2bn for the first phase of its Lionheart project in the Upper Rhine Valley, combining bank debt (€879m), public financing (including a €250m commitment from the European Investment Bank) and national subsidies estimated at close to €200m. This structure, complemented by equity contributions, illustrates the ability of geothermal-lithium projects to mobilise significant capital once regulatory, industrial and commercial visibility is deemed sufficient. The Vulcan case therefore serves as a benchmark for the European sector, demonstrating the bankability of an integrated geothermal-lithium model once key technical and regulatory milestones have been cleared.

For a vertically integrated operator such as Arverne—controlling its drilling rigs, geoscience capabilities, surface engineering, operations and SPVs—this environment is not merely supportive; it becomes a structural lever. Regulation mechanically expands addressable demand, improves cash-flow visibility and facilitates project bankability.

To support the PPE3 targets through 2035, Arverne plans to acquire two additional deep-geothermal drilling rigs by 2031 (c. €50m investment), increasing its deep-drilling fleet from three to five rigs. In surface operations, the workshop base is set to expand from six to thirty units (5×), while operational teams are expected to double in size. These expansions are planned on an incremental basis, in line with the ramp-up in signed contracts.

Geothermal Energy: Why Has No Player Ever Reached Industrial Scale?

One of the most striking observations made during the CMD came from Gregory Van den Perre, Director of Heat & Cooling: geothermal energy currently represents only a marginal share of heat production in France—around 1% of the energy mix. This is paradoxical for a country endowed with some of Europe's best sedimentary basins (Paris Basin, Upper Rhine Graben, Aquitaine Basin) and a long-standing scientific ecosystem (IFP, BRGM).

This historical under-development appears even more striking when viewed against the new trajectory set by the PPE3, under which renewable heat is expected to become a large-scale industrial market. France is targeting between 328 and 421 TWh of renewable heat by 2035, up from just 151 TWh in 2022—more than a doubling.

The sector has never scaled up, not due to a lack of resources or technology, but because no player had geothermal energy itself as a core strategic priority. Arverne Chaleur & Froid fills this gap with a business model designed to deploy standardised projects at speed. Arverne is a vertically integrated geothermal pure player in France, mastering geoscience, drilling, civil engineering and operations, and remaining independent from gas and biomass cycles. Founded in 2023 (with 20 employees at inception and already close to 100 projects in the pipeline), geothermal energy is the group's core business.

By contrast, multi-energy operators (Dalkia/EDF, Engie, Veolia, Coriance) approach geothermal opportunistically, depending on gas prices, subsidy regimes or portfolio priorities. When gas prices are low, they revert to gas; when biomass is subsidised, they switch to biomass. As a result, geothermal energy has never benefited from a dedicated, repeatable industrial model capable of scaling.

Fig. : Arverne's Positioning in the Geothermal Sector

Criteria	Arverne	Specialised Operators	Large Operators
Activities	Specialist in geothermal solutions	**Multi-energy**	Multi-energy
Core expertise	Integrated expertise: subsurface exploration, drilling, production and distribution	**Reliance on numerous subcontractors and outsourced project management**	Reliance on numerous subcontractors and outsourced project management
Pricing	Integrated model enabling margin optimisation while offering competitive pricing	**Pricing includes margins across the entire subcontracting chain**	Pricing includes margins across the entire subcontracting chain
Responsiveness	High	**Medium**	Limited
Financial guarantees	Project-by-project financing structures with the implementation of strategic partnerships	**Ability to carry large investments and provide significant financial guarantees to public authorities**	Ability to carry large investments and provide significant financial guarantees to public authorities

Source : Company, TP ICAP

A Robust and Expanding Geothermal Portfolio

Arverne's portfolio (100 projects representing a total potential of 5 TWh) paves the way for more than €200m in recurring revenues by 2035. The portfolio is distributed as follows: 62 projects at the prospect stage; 24 projects under negotiation; and 17 projects that have reached a more advanced contractual stage. This volume reflects the growing interest from local authorities in both decarbonising heat and stabilising long-term energy costs.

Contract durations (approximately 30 years) secure revenue streams but naturally imply long negotiation cycles. The development plan therefore envisages a gradual ramp-up: around 30 projects in production by 2031–2033, followed by stabilisation at approximately 50 projects by 2035. The commercial team, currently numbering around ten people, is expected to be strengthened progressively in line with this ramp-up.

Île-de-France represents the primary expansion area, but regulatory momentum (PPE3, CEE, Heat Fund) is rapidly expanding the size of the addressable market. In this new environment, Arverne stands out as the operator best positioned to absorb this cycle. Its pure-player structure, full vertical integration and growing pipeline mechanically align the group with a now-planned demand environment. As the sector becomes more structured, geothermal energy is evolving into a planned market, comparable to electricity networks or heat concession models—improving project bankability and reducing the cost of capital.

Fig. : Addressable Market Opportunity for Arverne

Indicator	Key figure	Equity Research analysis
Current portfolio	~100 projects	Represents ~5 TWh/year of potential capacity; critical mass achieved to enable scaling
Associated potential	5 TWh/year ≈ €680m/year	Based on ~€6.5/MWh; recurring, indexed revenues secured under 20–30-year contracts
2031–2033 target	30 projects in operation → ~2 TWh/year	≈ €130m of recurring revenues; infrastructure-like profile (long-term contracted)
2035 target	50 projects → ~3.5 TWh/year	≈ €228m/year; coherent ramp-up aligned with PPE3 targets and internal capacity constraints
Île-de-France	~50 plants already in operation	Europe's leading geothermal basin; ~50% of Arverne's pipeline; optimal geological conditions

Source : Company, TP ICAP

Commercial Momentum: H2 2025 Slowdown, Acceleration Expected in 2026

Contract signings slowed in the second half of 2025 due to increased caution among contracting authorities ahead of the municipal elections (March 2026). This is a well-identified, cyclical factor, and management expects a strong rebound from Q2 2026 onwards. Arverne has used this period to strengthen its commercial organisation, with new hires in Nouvelle-Aquitaine and Occitanie, and to structure new partnerships.

Fig. : Economics of a typical project (deep geothermal in Île-de-France), as estimated by Arverne's management

Parameter	Value	Commentary
Annual production	75–80 GWh/year	**Renewable heat over ~30 years**
Average heat selling price	€65/MWh	**LdF heat: ~€30/MWh (networks / industrial clients)**
Total revenues (contract life)	€140m	**Over 25–30 years**
CAPEX per project	€25m	**Then ~€150k/year maintenance**
Financing structure	60–70% debt + ~30% subsidies	**Heat Fund + local authorities**
Project-level EBITDA margin	40–45%	**Excluding drilling integration upside**
Arverne consolidated EBITDA margin (Heat & Cooling)	~50%	**Internal capture of drilling margins**
Post-tax IRR (project level)	8–10%	**Discount rate: 10%**

Source : Company, TP ICAP

Client References and CMD Highlights

- Clichy-sous-Bois / Livry-Gargan (signed): First public-service concession contract awarded as part of a consortium with Dalkia and Île-de-France Énergies & Territoires. 115 GWh/year over a 30-year term; €90m investment carried by the partners (supported by ADEME and the Île-de-France Region); 26 km of district heating network; c. 20,000 tonnes of CO_2 avoided per year; ~50% reduction in household heating bills. This project ranks among the Top 5 geothermal district heating networks in Île-de-France.
- Even more significant for the investment case is the pre-contract signed at the end of 2025 (client name undisclosed): 94 GWh/year supplying 12,000 dwellings; €26m CAPEX; €150m gross contract value over 30 years; c. 20,000 tonnes of CO_2 avoided per year. This is the first project in which Arverne holds a majority stake in a dedicated SPV, with a model that is scalable and replicable. Heat production is expected to start in 2027–2028.
- CMD commercial update: the CMD also introduced a new commercial development, namely the memorandum of understanding signed with Primeo Énergie France and its subsidiary R-CUE (district heating networks) for the exclusive distribution of heat in Alsace.
  This agreement monetises heat co-produced by Lithium de France (plants supplying existing networks and industrial customers)—a thermal by-product that had previously been included in models without an identified off-taker. By connecting LdF's thermal output to R-CUE's existing networks, Arverne captures value from part of the geothermal heat produced by Lithium de France, which reaches approximately 2.2 TWh/year at plateau. After accounting for internal uses and commercial constraints, only a portion of these volumes is sold to networks and industrial customers, at an average price of around €30/MWh. This represents additional revenues of approximately €30–35m per year at plateau, which had no identified contractual counterpart prior to this CMD.
- **Institutional Partnerships**

  ✓CA Pyrénées Gascogne Énergies Nouvelles (CAPGEN): geothermal project financing, with Arverne responsible for design, construction and operations.

  ✓Nouvelle-Aquitaine Region via the Terra Énergies fund and Banque des Territoires: target of 45% renewable energy by 2030; advanced discussions underway with around ten local authorities and secondary schools.

Fig. : Commercial roadmap

Horizon	Key steps	Key indicators
2026	*Commercial Acceleration*	100 projects in the pipeline Target of €400m in long-term contracts signed Pre-contract announced in September 2025 representing €150m of cumulative activity over 30 years
2027	*Operational Start-Up*	First heat and cooling production First recurring cash flows from the Heat & Cooling segment
2031-2033	*Ramp-Up Phase*	30 projects in operation, representing 2.2 TWh/year of geothermal heat
2035	*Maturity Phase*	50 projects in operation, delivering 3.5 TWh/year, representing >50% of PPE3 deep-geothermal targets Ramp-up fully aligned with internal drilling-rig capacity

Source : Société, TP ICAP

A Clear and Credible Execution Roadmap

The roadmap highlights a gradual and credible execution trajectory, from the build-up of a critical project pipeline through to the generation of recurring cash flows. The year 2026 marks the entry point into the value-materialisation phase, with a target of €400m in long-term contracts signed, followed by the first projects coming on stream from 2027 onwards.

The ramp-up over 2031–2033 (30 projects delivering c. 2.2 TWh/year) and the subsequent expansion to 50 projects and 3.5 TWh/year by 2035 are fully consistent with PPE3 objectives and Arverne's internal industrial capacity. As execution progresses, cash-flow visibility increases and the risk profile normalises, reinforcing the credibility of geothermal heat as an industrial-scale, infrastructure-like business model.

Dual Flow Model: Dual Monetisation of the Subsurface

In Alsace, Arverne exploits this dual resource from a single geothermal well, based on an architecture management refers to as the Dual Flow model. Heat is monetised locally through district heating networks and industrial customers, while lithium is extracted using a Direct Lithium Extraction (DLE) process and subsequently converted into lithium carbonate for the battery market.

This level of integration has two major implications. First, it enables the sharing of heavy infrastructure—drilling, wells and surface facilities—thereby optimising CAPEX. Second, it generates two independent revenue streams from a single asset over an approximately 30-year horizon. Lithium is not treated as a marginal by-product; it is fully embedded in the project design from the outset.

Arverne's vertical integration materially reduces the main risk factor in geothermal projects: interfaces between multiple counterparties. The co-location of teams allows well design to be adjusted during drilling, improving both execution speed and quality. This model is reflected in margins: consolidated EBITDA margins in the Heat & Cooling segment exceed project-level margins thanks to the internal capture of critical activities.

The group benefits from a rare operational advantage, with three proprietary drilling rigs, involvement in 41% of France's deep geothermal wells since 2010, and exclusive permits covering the most prospective areas. The CMD highlighted that the decision to acquire a drilling company as early as 2018 was a foundational step, as it provided Arverne with operational independence that competitors cannot replicate in the short term. The technological barrier is high, and the capital required to replicate this model is substantial.

Fig. : Fleet Positioning and Expansion Plan

Unit	Type	Key specifications	Primary use
B18	Compact deep-geothermal rig – hydro-electric	**Designed for dense urban environments**	Safran Villaroche, sensitive drilling operations
B04	Compact deep-geothermal rig – hydro-electric	**Adapted to the Upper Rhine Graben (Alsace geology)**	LdF LS1 / LS2 wells, Alsace operations
HH102	Geothermal platform – hydraulic	**Rapid deployment, up to 1,800 m**	Fast deep-geothermal operations
6 workshops	Surface geothermal	**Up to 200 m, nationwide coverage**	Buildings, industrial and tertiary projects

Source: Company, TP ICAP

The expansion plan: the acquisition of two additional deep-geothermal drilling rigs by 2031 (c. €50m investment), increasing the deep-drilling fleet from three to five rigs, alongside a five-fold expansion of the surface equipment fleet.
These expansions are planned on an incremental basis and remain conditional on the pace of contract signings in the Heat & Cooling segment, ensuring capital discipline and alignment with commercial traction.

Competitive Analysis — Drilling & Works
Arverne faces no direct competitors of comparable scale in deep geothermal drilling in France. The only credible competitor is SMP (Société de Mécanique du Puits), a specialised player but one that lacks both Arverne's commercial ambition and its level of vertical integration.
In surface geothermal, DrillHeat operates in a more fragmented competitive environment (engineering consultancies and small drilling companies). However, it is gradually gaining market share in higher value-added projects, notably with large retail groups and premium tertiary buildings.

Source : Company, TP ICAP

The Dual Flow model, which combines geothermal heat and geothermal lithium within a single infrastructure, enhances profitability and optimises CAPEX, thereby creating a solid economic foundation for the project's subsequent phases. In Alsace, geothermal brines simultaneously contain heat sold to local authorities and lithium sold to industrial customers. One well, one infrastructure, and two revenue streams generated over a 30-year horizon.

Operational Advantage	Economic Control
Zero dependence on critical third parties: Three proprietary deep-geothermal drilling	Drilling as the key LCOH lever: Drilling is the primary driver of the Levelised Cost of Heat (LCOH). Internal control structurally compresses the unit cost of heat produced.
Minimal interfaces: Each external interface	Full margin capture: Each segment (drilling, engineering, operations) generates margins that remain within the group, with no value leakage to third parties.
41% of deep geothermal wells drilled in France since 2010: An undisputed leadership	—

Barriers to Entry
Geoscience + directional drilling + energy engineering + lithium extraction: Replicating this combination would require at least 5–10 years and hundreds of millions of euros.
• Proprietary fleet (B18, B04, HH102) combined with a JV partnership with Herrenknecht Vertical: Assets that are difficult to mobilise rapidly, even for a well-funded player.
• Largest holder of Exclusive Exploration Permits in France, with more than 400 km^2 mapped in Alsace: Rights that are not replicable in the short term.
• As stated unambiguously by Pierre Brossollet at the CMD: "To be agile, to be fast, to be cheaper, you need to get closer to others." The decision to acquire a drilling company in 2018 was therefore foundational.

The Lithium de France Project: A Dual Industrial Architecture

A Macro Backdrop That Re-values Europe's Subsurface

Europe remains structurally dependent on lithium imports, with less than 1% of its supply sourced domestically, despite global demand set to increase sharply driven by the combined effects of vehicle electrification and the growth of stationary energy storage. The projections presented at the CMD confirm this trend: global lithium demand is expected to quadruple by 2040, with Europe emerging as a key growth market as registrations of electrified vehicles continue to rise at a sustained pace.

In this context, public policy has evolved rapidly. The Critical Raw Materials Act, European support schemes for gigafactories, and the PPE3 have redefined lithium as a strategic raw material. For governments, the challenge is no longer solely environmental, but also industrial and geopolitical: securing supply, reducing dependence on Asian value chains and stabilising long-term costs.

Lithium: Global Demand to Increase Fourfold by 2040

According to Benchmark Minerals (Q4-25), global lithium demand is expected to increase by a factor of four by 2040, driven by electric vehicles and energy-storage batteries. As of December 2025, 67% of new vehicle registrations in the EU were electrified. Europe currently produces only around 1% of its lithium, leaving it almost entirely dependent on imports. Lithium de France therefore represents a credible French industrial response to this strategic challenge.

Results Exceeding the Upper-End Assumptions of the PFS

Drilling of the first geothermal well of the Lithium de France project (Schwabwiller, Alsace) began in late November 2025 and was completed within three months, in February 2026. Five years of preparatory work—including 3D seismic surveys, environmental permitting and licensing—enabled the project to reach an unprecedented level of operational excellence for drilling under these conditions in Alsace.

Fig. : PFS' results

Parameter	PFS (Sept. 2024)	LS1 actual (March 2026)	Variance
Temperature	130 °C	**145 °C**	+12% ▲
Stabilised flow rate	250 m^3/h	**275 m^3/h**	+10% ▲
Productivity	Not specified	**10 L/s/bar**	Validated
Lithium concentration	175 ppm	**180 ppm***	+3% ▲
Induced seismicity	—	**None detected**	Excellent control

Source : Company, TP ICAP

Pre-Industrial Phase Progress — 2025–2026 Milestones

- LS1 well drilling: Completed within three months with results exceeding the upper-end assumptions (see table above). Drilling of the second well (LS2) is scheduled for Q2 2026.
- DLE demonstrator: Assembled and installed on site in late 2025, and operational from Q1 2026. The objective is to validate the A-DLE technology on real brines from the Alsace reservoir—an essential step ahead of FID.
- DFS (Definitive Feasibility Study): Sedgman (a global leader in mineral processing solutions) has been selected for the Front-End Engineering Design (FEED). The DFS will run through summer 2026, with results expected in Q4 2026.
- BFS (Bankability Feasibility Study): Conducted under a co-mandate with Macquarie Capital and Crédit Agricole Corporate & Investment Bank, two leading financiers across the battery value chain.

- C3IV secured: Green industrial tax credit of up to €150m, under the 2024 Finance Act, applicable to productive investments (plants, equipment), resulting in a direct reduction of net CAPEX.
- Lithium de France Series B2 (€40m): Successfully completed with Equinor Ventures (24.4% stake in LdF). Equinor's geological expertise and experience in complex projects represent key execution strengths for the project.

Fig. : Comprehensive Overview of the Lithium de France Project

Parameter	Value
Location	France – Alsace (Schwabwiller)
Project start	2020
First production	2028
Peak production	2031–2033
Project life	30 years
Lithium product	LCE – Lithium Carbonate Equivalent
Technology	A-DLE (Advanced Direct Lithium Extraction)
Current phase	DFS (Definitive Feasibility Study) underway – Sedgman mandated for FEED
Lithium concentration	180 mg/L (under certification)
Production capacity	27,000 tonnes per year of LCE
Extraction efficiency (PFS)	0.91
Depletion rate	3.5% per year after a 4-year production plateau at 100%
Renault lithium offtake	25,000 tonnes over 5 years (offtake signed at IPO 2023)
Average lithium price (model)	€20,500 per tonne of LCE
Target heat capacity	2.2 TWh/year
Average LdF heat price	€30/MWh (networks / industrial customers)
Average annual revenue (plateau)	€450m per year
Target EBITDA margin	0.75
Target CAPEX (PFS data)	€1.8bn – €1.9bn
OPEX per tonne (PFS)	< €4,500 per tonne
Post-tax IRR (unlevered)	0.152
Post-tax IRR (levered)	0.247
Cumulative revenues over 30 years	> €10bn
Employment	200+ direct jobs; ~700 indirect jobs in Alsace

Source : Company, TP ICAP

The A-DLE Process — A Technological and Environmental Advantage

- The DLE (Direct Lithium Extraction) demonstrator was assembled and installed on site in late 2025 and is scheduled to be operational in Q1 2026. Its purpose is to validate the A-DLE technology on real brines from the Alsace reservoir—an essential step ahead of the Final Investment Decision (FID).
- Compared with conventional lithium production routes—whether brine evaporation or hard-rock mining—DLE offers a first-class environmental advantage:
- Land footprint: Facilities are largely underground, with minimal surface installations—an important criterion for local acceptance.

- Water usage: Water consumption is 2–3× lower than conventional lithium production, with 91% of process water recycled internally.
- CO_2 emissions: Approximately 70% lower than conventional lithium currently available on the market—an increasingly decisive CSRD argument for battery manufacturers subject to European regulation.
- Employment: More than 200 direct and 700 indirect jobs in Alsace, providing strong territorial anchoring and supporting social acceptability and institutional backing.

Fig. : Target Production Plan

Phase	Period	Lithium production	Heat production	Key milestone
Ramp-up	2028–2031	**Ramp-up to ~27 kt/year**	Ramp-up to ~2.2 TWh	**First commercial production i 2028**
Plateau	2031–2033	**27,000 t/year**	2.2 TWh/year	**Revenue ~€450m/year; EBITDA margin ~75%**
Depletion	2033–2055+	**Decline of ~3.5% per year**	Proportional decline	**Total project life >30 years**

Source : Company, TP ICAP

Global Landscape and Positioning of Lithium de France

Direct Lithium Extraction (DLE) is entering a phase of natural selection, in which only projects capable of simultaneously clearing technological, industrial and financial milestones are progressing toward industrialisation. At a global level, only a limited number of players have moved beyond the pilot stage. In Europe, Vulcan Energy currently represents the most advanced project, with demonstrated battery-grade lithium production at a demonstration plant and a structured financing package of over €2bn for its first industrial phase. In China, Sunresin benefits from an operational lead stemming from more than a decade of commercial DLE operations on salt lakes, while in North America CTR and Standard Lithium have reached the DFS or pre-FID stage, albeit with still-extended timelines.

In France, Arverne (Lithium de France) and Eramet are progressing at different speeds. Arverne has validated performance from its first geothermal well in Alsace that exceeds PFS assumptions (flow rate, temperature and lithium concentration), significantly reducing upstream risk. The DLE demonstrator, scheduled to be deployed over a 12–18-month period, aims to test the critical parameters of the process under real operating conditions (recovery rates, selectivity, purity and environmental performance) using brines from the Upper Rhine Basin. Eramet, for its part, relies on an adsorbent already proven at industrial scale in Argentina, but with a more conservative timeline for local geothermal application and an FID pushed back to end-2027.

Delays observed across the majority of DLE projects highlight a common factor: financing remains the primary bottleneck. Required CAPEX typically ranges between €1.5bn and €2.5bn, making investment decisions highly sensitive to the lithium price cycle. The sharp price correction in 2023–2024 led to widespread postponements, but the rebound observed since late 2025, combined with clearer regulatory frameworks, has reopened a more favourable window. The Vulcan case illustrates that when regulatory and industrial visibility is sufficient, large-scale financing structures combining bank debt, public institutions and subsidies can be successfully secured.

In this context, integrated geothermal-lithium models appear structurally advantaged. The co-monetisation of heat and lithium enables infrastructure sharing, improves capital allocation and smooths the overall risk profile. Arverne stands out with a fully integrated Dual Flow model, combining long-term contracted heat revenues—already supported by an advanced commercial pipeline—with a high-upside lithium option at maturity. The memorandum of understanding signed with Primeo Énergie and R-CUE in Alsace illustrates this logic of immediate heat monetisation, independent of the lithium development timeline.

The global landscape suggests that value creation in DLE now depends less on technological promise than on execution capability and access to financing. As projects advance toward DFS and project debt, valuation dispersion between players is likely to narrow. Within this dynamic, Arverne positions itself among the next generation of credible European projects, with a risk profile that is now more clearly defined than that of most initiatives still at the pilot stage.

Fig. : Summary comparison of DLE projects – financeable peers

Player / Project	Region	Key stage (2026)	Target capacity	Key milestones	Financing & support
Arverne / Lithium de France	France (Alsace)	Demonstration → DFS	27 kt/year LCE	Well validated (flow rate, temperature, Li); DLE demonstrator in 2026; DFS Q4-26	C3IV ≤ €150m; Equinor (~€40m); Bpifrance; project debt post-DFS
Vulcan Energy	Germany (Upper Rhine)	Advanced pre-industrial	24 kt/year LiOH	Battery-grade LiOH demonstration (2024); Phase 1 under construction	~€2.2bn package (debt, EIB, subsidies); OEM offtake agreements
CTR (Controlled Thermal Resources)	United States (California)	Pre-FID	25 kt/year LCE	DFS published; Phase 1 under construction	Investments from GM & Stellantis; DOE loans
Eramet (AGeLi)	France (Alsace)	Continuous pilot	20–24 kt/year LCE	Proven process (Argentina); geothermal pilot.	CRMA project; FID expected end-2027

Source : Company, TP ICAP

The table below highlights the narrowing competitive landscape, now centred on a limited number of projects capable of simultaneously clearing the three critical hurdles of "validated resource + demonstrated process + financeable structure." Vulcan remains the European benchmark, being at a more advanced stage and already financed at scale. Arverne, for its part, stands out as one of the very few European projects combining a validated geothermal resource, a DLE demonstrator, identified public support and an industrial partner already on board—positioning it credibly within the next wave of financeable projects. As projects progress toward DFS and subsequently project debt, valuation dispersion across players is expected to narrow, to the benefit of those offering a credible execution path and a now more clearly defined risk profile.

Several DLE initiatives exist outside the scope of the projects included in the comparative table. Sunresin (China) is a key player as an adsorption-technology provider, with more than ten years of commercial operations on salt lakes, but without direct exposure to project risk or integrated mining value creation. In Europe, projects such as ThermIon (Fraunhofer ISE) remain at an upstream R&D stage, with limited funding and no clearly identified industrial pathway in the near term. Other demonstrators, including EnBW / LevertonHELM in Germany or E3 Lithium in Canada, have validated certain technical milestones but do not yet offer a financing and FID timeline comparable to the integrated projects presented. These initiatives illustrate the sector's technological dynamism but do not yet represent economically relevant benchmarks for valuation or bankability analysis.

Rio Tinto (Rincón project, Argentina) represents a distinct case. The group is developing a very large-scale DLE project (CAPEX > US$2bn) based on non-geothermal brines, without energy co-valorisation. While this project demonstrates DLE's ability to be industrialised within a conventional mining framework, it is not a direct comparable to integrated geothermal-lithium models, where heat plays a structuring role in project economics and risk mitigation.

What About Financing?

Arverne's financing plan can be analysed across two distinct levels. On the one hand, the group's holding-level operational funding needs, intended to support the ramp-up of activities, remain under control at this stage thanks to solid institutional backing. On the other hand, the financing of the Lithium de France project, structured at subsidiary level under a non-recourse project-finance framework, with estimated CAPEX of €1.8–1.9bn. These two components follow different rationales, timelines and funding sources. While the former relies on conventional corporate-finance instruments, the latter is conditional on clearly identified technical milestones—foremost among them the DFS expected in Q4 2026—and is now progressing along a well-defined and structured bankability pathway.

The minimum €33m ORANE (redeemable bonds exchangeable into new or existing shares), largely subscribed by Bpifrance with participation from Eiffel Essentiel, ADEME Investissement and Crédit Mutuel Equity, represents the first secured step of this financing pillar. Management's reference to a potential complementary capital increase under review indicates that the group-level financing plan for 2026–2027 is not yet fully completed—this represents a real but manageable risk given the strength of institutional support.

At the Lithium de France project level, the €1.8–1.9bn financing plan is structured in successive layers. The C3IV green industrial tax credit, secured for up to €150m, provides a direct reduction in net CAPEX and represents a rare competitive advantage within the European mining landscape. The Bankability Feasibility Study, co-mandated with Macquarie Capital and Crédit Agricole Corporate & Investment Bank, will underpin the structuring of project bank debt, itself contingent on the publication of the DFS expected in Q4 2026. Within this framework, the role of strategic partner refers to Equinor, an already-committed co-shareholder in the project—most notably through the co-financing of the €40m Series B2—and expected to play a structuring role during the industrialisation phase and in securing long-term financing.

Fig. : Level 2 — Financing of the Lithium de France Project (€1.8–1.9bn)

Funding source	Estimated amount	Status	Commentary
C3IV (Green industrial tax credit)	Up to €150m	**Secured**	2024 Finance Act – eligible expenses for Lithium de France
Arverne Group equity + LdF	Majority contribution	**Committed**	Series B €240m (Equinor, Sept. 2025)
Industrial strategic partner	Significant	**Under discussion**	Partner not yet named – expected ahead of FID
Project bank debt (non-recourse)	60–70% of net CAPEX	**BFS in progress**	Macquarie + CA CIB mandated
EU subsidies (RESourceEU, CRMA)	Potential	**LdF registration Q2 2026**	€3bn RESourceEU envelope for critical raw materials
Total gross CAPEX	€1.8–1.9bn	**DFS Q4 2026**	PFS + 15% contingency

Source : Société, TP ICAP

The critical path for Lithium de France financing is sequential: DFS (Q4 2026) → first reserves certification report (Q4 2026) → identification of a strategic partner → completion of the bank-financing study → FID (Q3 2027). Each step is conditional on the previous one. The DFS is the pivotal milestone: without technical and economic validation, project debt cannot be committed.

In FY2025, the decrease in cash from €123.8m to €78m (–€45.8m) reflects the 2025 investment plan (€38.6m). The €31.8m of capitalised development expenditure (LS1 drilling) should not be viewed as sunk cost, but rather as a balance-sheet asset that ultimately represents a fraction of the €10bn of projected revenues over 30 years.

Residual Financial Risks and Sensitivities

- Dilution risk: A capital increase at the current share price (€5.10) would be dilutive. Management is aware of this risk and is prioritising the ORANE as a first step. Conversion of the ORANE into equity will be conditional on share-price appreciation.

- Lithium price risk (impact on LdF IRR): The base-case assumption (€20,500/t LCE) is conservative versus 2022–2023 prices but slightly above current spot levels. Sensitivity analysis shows that at €15,000/t, the unlevered IRR falls to 12%. At €12,000/t, the project remains profitable, but the levered IRR declines materially.

- LdF CAPEX risk: The plan includes a 15% contingency (PFS data). The DFS (Sedgman) will refine these estimates. A 20% CAPEX overrun would remain absorbable; beyond that level, the financing structure would need to be revisited.

- Liquidity risk (Group, 2026–2027): Absent a capital increase, the €78m cash balance, given the current cash-burn profile (€14m/year operating + accelerated Heat & Cooling investments), could become stretched in 2027. The ORANE and the commercial rebound in Heat & Cooling must therefore be carefully synchronised.

Valuation: SOP via DCF Leading to a €9.50 Target Price

We value Arverne using a sum-of-the-parts approach, reflecting the coexistence of two distinct value drivers with different risk profiles and cash-flow generation characteristics.

The Heat & Cooling segment is valued at €3.50 per share, based on a DCF incorporating exclusively visible and contracted projects, with no upside assumed from future concessions. Our assumptions reflect a gradual ramp-up of networks, structurally high long-term margins consistent with a geothermal model characterised by low variable costs, and a limited maintenance capex profile. Cash flows are discounted at a WACC of 12.4%, reflecting assets still in a development phase and a residual execution risk, despite strong long-term contractual visibility.

The valuation of Lithium de France, estimated at €6.0 per share, is based on a DCF approach with an explicit cash-flow projection over a 30-year period, corresponding to the economic life of the geothermal assets and associated concessions. Unlike a standard DCF including a terminal value, our model assumes no terminal value beyond this horizon. This methodology provides a conservative reflection of value creation across the full life cycle of the projects, while limiting sensitivity to perpetual growth assumptions in an emerging sector.

The use of a 30-year discounting horizon, combined with a demanding WACC of 15.9%, results in a deliberately prudent estimate of Lithium de France's value. This component is intentionally penalised by a high cost of capital, reflecting both the emerging nature of the sector and the associated execution risk. This conservative approach is nevertheless supported by recent industrial transaction benchmarks, notably the transaction completed with Hydro, which validates a strategic, long-term view of these assets.

The sum of these two components results in an equity value of €9.50 per share, from which we derive our target price. We believe the market currently undervalues both the defensive nature of the heat and cooling activities and the strategic optionality associated with the development of geothermal lithium in Europe.

Sector Read-Across: A Recent Transaction Anchoring the Valuation Floor

Arverne's current configuration offers an unusually favourable asymmetric risk profile, in which downside risk appears partially protected by recent industrial benchmarks and by the strategic nature of the underlying assets.

Vulcan Energy as an Implicit Strategic Valuation Benchmark

The financing secured by Vulcan Energy in late 2025—unmatched in Europe within the lithium sector—provides a relevant benchmark for analysing Arverne and Lithium de France, as it reflects how industrial and institutional investors assess the strategic value of European geothermal-lithium projects, independently of short-term lithium price volatility.

Vulcan Energy finalised a financing package of approximately €2.2bn, combining institutional debt (including the EIB), European subsidies (notably linked to battery value-chain development) and private capital, enabling the launch of construction of Phase 1 of its Lionheart project in Germany. This financing was secured in a market environment characterised by more selective access to capital for mining and energy-transition projects and a sharp correction in lithium prices—suggesting that, for strategic European projects, capital-allocation decisions are driven primarily by security of supply, industrial integration and ESG alignment, rather than short-term spot price dynamics.

Implications of Vulcan's Financing for Arverne

- **Validation of geothermal lithium as a strategic asset in Europe**
  Explicit support from European public institutions and industrial investors confirms that projects combining low-carbon lithium and energy sovereignty benefit from strategic status, structurally lowering their long-term cost of capital.
- **Partial decoupling between strategic valuation and lithium spot prices**
  Vulcan's financing suggests that for European projects integrated into the battery value chain, investment decisions are driven more by supply-security considerations, ESG compliance and policy alignment than by short-term spot price levels.
- **Acceptance of long-term risk-return profiles by sophisticated investors**
  The size and structure of the financing indicate a high tolerance for development risk when assets are deemed critical at a European level.

The Hydro Capital Allocation: A Revealing Indicator of Intrinsic Value

The entry of **Hydro Energy Invest AS** into Arverne's share capital in October 2025 represents, in our view, a particularly informative transaction for assessing the group's intrinsic value. By choosing to invest directly at the holding-company level, Hydro—a leading integrated industrial player in aluminium and energy—made a strategic allocation decision favouring broader exposure to geothermal lithium, while implicitly validating the quality and coherence of Arverne's entire asset base.

The transaction involved the exchange of Hydro's minority stake in Lithium de France for a direct stake in Arverne, based on an **implicit valuation of €10 per share**, in line with the IPO price and materially above current market levels. Crucially, this valuation was established in a negotiated industrial context rather than on the secondary market, reflecting a **long-term assessment of asset value**, independent of cyclical lithium price volatility.

We therefore view this transaction as a **robust external valuation anchor** for Arverne, consistent with dynamics observed among certain strategic European peers such as Vulcan Energy, albeit at a different scale.

Fig. : Valuation Using a DCF Approach for Heat & Cooling and Lithium de France

in EURm / Chaleur & Froid	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-33	Dec-34	Dec-35	Dec-36	Dec-37	Dec-38	Dec-39	Dec-40	Dec-41	Dec-42
Sales	**2.4**	**17.5**	**41.3**	**64.5**	**93.5**	**110.7**	**125.1**	**137.6**	**124.2**	**130.4**	**136.9**	**140.6**	**144.2**	**147.8**	**151.2**	**154.6**
% chg			*137%*	*55.9%*	*45.1%*	*18.3%*	*13.1%*	*10.0%*	*9.1%*	*8.1%*	*7.2%*	*6.3%*	*5.3%*	*4.4%*	*3.4%*	*2.5%*
Operating profit before subsidiaries	**-1.8**	**4.5**	**15.4**	**26.5**	**42.3**	**51.6**	**55.8**	**60.0**	**65.6**	**71.5**	**70.0**	**72.4**	**74.7**	**77.0**	**79.3**	**81.5**
EBIT margin		***25.9%***	***37.3%***	***41.1%***	***45.2%***	***46.7%***	***44.6%***	***43.6%***	***52.8%***	***54.9%***	***51.1%***	***51.5%***	***51.8%***	***52.1%***	***52.4%***	***52.7%***
EBITDA Margin	***-17.2%***	***50.0%***	***57.6%***	***61.4%***	***63.6%***	***64.3%***	***64.6%***	***65.8%***	***67.4%***	***68.8%***	***70.0%***	***70.0%***	***70.0%***	***70.0%***	***70.0%***	***70.0%***
Theoretical tax (taxe rate 25%)		1.1	3.9	6.6	10.6	12.9	13.9	15.0	16.4	17.9	17.5	18.1	18.7	19.3	19.8	20.4
NOPAT	**-1.8**	**4.5**	**15.4**	**26.5**	**31.7**	**38.7**	**41.8**	**45.0**	**49.2**	**53.7**	**52.5**	**54.3**	**56.1**	**57.8**	**59.5**	**61.1**
Depreciation	**2.0**	**6.0**	**11.0**	**17.0**	**22.0**	**25.0**	**25.2**	**25.4**	**25.5**	**25.7**	**25.9**	**26.1**	**26.2**	**26.4**	**26.6**	**26.8**
as a % of sales	*82%*	*34.4%*	*26.6%*	*26.4%*	*23.5%*	*22.6%*	*20.1%*	*18.4%*	*20.5%*	*19.7%*	*18.9%*	*18.5%*	*18.2%*	*17.9%*	*17.6%*	*17.3%*
Annual depreciation of subsidies	***0.6***	***1.8***	***3.3***	***5.1***	***6.6***	***7.5***	***7.5***	***7.5***	***7.5***	***7.5***	***7.5***	***7.5***	***7.5***	***7.5***	***7.5***	***7.5***
gross annuel Capex	40	80	100	120	100	60	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
subsidies	12	24	30	36	30	18										
Capex net of subsidies	***28.0***	***56.0***	***70.0***	***84.0***	***70.0***	***42.0***	***3.5***	***3.5***	***3.5***	***3.5***	***3.5***	***3.5***	***3.5***	***3.5***	***3.5***	***3.5***
as a % of sales			*169%*	*130%*	*75%*	*38%*	*3%*	*3%*	*3%*	*3%*	*3%*	*2%*	*2%*	*2%*	*2%*	*2%*
WCR	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
as a % of sales	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Change in WCR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Free cash flows	**-27.2**	**-43.7**	**-40.3**	**-35.4**	**-9.7**	**29.2**	**71.0**	**74.4**	**78.8**	**83.4**	**82.4**	**84.3**	**86.3**	**88.2**	**90.0**	**91.9**
Discounted free cash flows	**-22**	**-32**	**-26**	**-21**	**-5**	**13**	**29**	**27**	**26**	**24**	**21**	**19**	**18**	**16**	**15**	**13**

Sum of discounted FCF	101.5
Terminal value	147.3
Enterprise value	**249**
Net debt	100.0
Equity value	**148.8**
Diluted nbr of shares (m)	42.1
Valuation per share (EUR)	**3.5**

Risk-free interest rate	3.8%
Equity risk premium	7.5%
Beta	1.35
Return expected on equity	13.9%
Specific equity risk	2.5%
Interest rate on debt	5%
Tax rate	25%
Sales growth rate to perpetuity	2.5%
WACC	12.4%

Lithium de France

in EURm / Lithium de France	Dec-26	Dec-27	Dec-28	Dec-29	Dec-30	Dec-31	Dec-32	Dec-33	Dec-34	Dec-35	Dec-36	Dec-37
Sales			**2.2**	**37.9**	**223.9**	**337.4**	**623.6**	**674.6**	**723.6**	**769.6**	**811.5**	**848.3**
% chg					*491.1%*	*50.7%*	*84.8%*	*8.2%*	*7.3%*	*6.4%*	*5.4%*	*4.5%*
Operating profit			**-45.9**	**-70.6**	**38.1**	**113.0**	**333.8**	**381.2**	**432.7**	**466.7**	**497.6**	**524.9**
EBIT Margin					17.0%	33.5%	53.5%	56.5%	59.8%	60.6%	61.3%	61.9%
EBITDA			**-15.5**	**-17.6**	**110.4**	**200.8**	**424.8**	**474.4**	**523.3**	**556.6**	**586.9**	**613.6**
EBITDA Margin				**-46.4%**	**49.3%**	**59.5%**	**68.1%**	**70.3%**	**72.3%**	**72.3%**	**72.3%**	**72.3%**
Theoretical tax (taxe rate 25%)					9.5	28.3	83.5	95.3	108.2	116.7	124.4	131.2
NOPAT			**-45.9**	**-70.6**	**28.6**	**84.8**	**250.4**	**285.9**	**324.5**	**350.0**	**373.2**	**393.7**
Depreciation			**30.4**	**53.0**	**72.3**	**87.8**	**91.0**	**93.2**	**90.6**	**89.9**	**89.3**	**88.7**
as a % of sales				*139.9%*	*32.3%*	*26.0%*	*14.6%*	*13.8%*	*12.5%*	*11.7%*	*11.0%*	*10.5%*
Capex nets	**52.0**	**100.0**	**265.5**	**311.0**	**291.5**	**139.8**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**	**40.0**
as a % of sales					*130.2%*	*41.4%*	*6.4%*	*5.9%*	*5.5%*	*5.2%*	*4.9%*	*4.7%*
WCR			**0.1**	**1.9**	**11.2**	**16.9**	**28.7**	**31.0**	**33.3**	**35.4**	**37.3**	**39.0**
as a % of sales			*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Change in WCR			**0.1**	**1.8**	**9.3**	**5.7**	**11.8**	**2.3**	**2.3**	**2.1**	**1.9**	**1.7**
Free cash flows	**-52.0**	**-100.0**	**-281.1**	**-330.4**	**-199.9**	**27.1**	**289.6**	**336.7**	**372.9**	**397.8**	**420.6**	**440.7**
Discounted free cash flows	**-47.1**	**-78.2**	**-189.7**	**-192.3**	**-100.4**	**11.7**	**108.3**	**108.6**	**103.8**	**95.5**	**87.2**	**78.8**
Sum of discounted FCF (30 Y)		**586.4**										
Enterprise value		**586.4**										
Net debt		**243.0**										
Equity value		**343.3**										
Diluted nbr of shares (m)		**42.1**										
Valuation per share (EUR)		**8.2**										
o/w Equinor (24.4%)		**91.0**										
Valuation per share (EUR)		**2.2**										
Equity value		**252.3**										
Valuation per share (EUR)		**6.0**										

Risk-free interest rate	3.8%
Equity risk premium	7.5%
Beta	1.9
Return expected on equity	18%
Specific equity risk	5.0%
Interest rate on debt	5%
Tax rate	25%
Sales growth rate to perpetuity	2.5%
WACC	15.9%

Estimations: TP ICAP

TP ICAP estimates

APPENDIX 1: Shareholding Structure

Fig. : Shareholding of Arverne Group

Shareholder	% of share capital	Type	Commentary
Arosco (Founder P. Brossollet)	20.0%	**Founder**	Long-term alignment – strong commit
Founders SPAC Transition	21.4%	**Management**	Historical management team
Former Arverne Group SAS shareholders	14.5%	**Management**	Operational expertise
ADEME Investissement SAS	9.3%	**Public – Renewables**	Institutional credibility + ORANE co-sub
Renault SAS	7.8%	**Industrial client**	Offtake + €25.8m at IPO – strategic alig
Hydro Energy Invest AS	5.3%	**Nordic industrial**	Share exchange (Oct. 2025) at €10.00 per share
Bpifrance	4.1%	**Public – Development**	Entered in 2025; lead subscriber of ORAN
Free float	17.6%	**Market**	Euronext Paris

Source : Company, TP ICAP

Fig. : Shareholding of Lithium de France

Shareholder	% LdF	Transaction	Commentary
Arverne Group	73.8%	**Hydro share exchange (Oct. 2025)**	Stake increased from 68.3% to 73.8
Equinor Ventures	24.4%	**Series B €8m (2022) + Series B2 €40m (Sept. 2025)**	Norwegian lead investor; geological exper experience in complex projects
LdF Management	0.018	**Share allocation**	Management alignment

Source : Company, TP ICAP

Hydro transaction: On 6 October 2025, Arverne Group issued 2,232,288 new shares to Hydro Energy Invest AS for a total consideration of €22.3m, implying an Arverne share price of €10. The transaction resulted in Hydro acquiring a 5.31% stake in Arverne's share capital, in exchange for an increased interest in Lithium de France. A leading industrial player (Hydro, the Norwegian aluminium and energy group) therefore accepted a valuation of €10 per Arverne share just five months ago. At the current share price of €5.10, the stock thus trades at a material discount relative to the most recent transaction carried out between sophisticated industrial counterparties.

FINANCIAL DATA

Income Statement	12/22	12/23	12/24	12/25e	12/26e	12/27e
Sales	10.7	10.1	14.1	18.0	18.0	35.0
Changes (%)	-15.0	-5.8	40.2	27.2	0.0	94.4
Gross profit	10.9	13.6	19.7	26.7	27.5	42.8
% of Sales	102.2	134.8	139.1	148.4	152.9	122.3
EBITDA	**-0.7**	**-11.9**	**-17.7**	**-20.0**	**-20.8**	**-9.5**
% of Sales	-6.5	-118.2	-125.3	-110.9	-115.6	-27.2
Current operating profit	**-2.7**	**-15.1**	**-20.8**	**-25.7**	**-25.8**	**-15.1**
% of Sales	-24.9	-149.8	-146.8	-142.6	-143.4	-43.2
Non-recurring items	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-2.7	-15.1	-20.8	-25.7	-25.8	-15.1
Net financial result	-0.1	4.1	4.2	1.7	0.6	-0.6
Income Tax	-0.0	1.0	0.2	1.5	1.6	1.0
Tax rate (%)	-1.0	0.0	25.0	25.0	na	na
Net profit, group share	**-1.6**	**-53.3**	**-10.0**	**-20.7**	**-22.7**	**-13.9**

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	104.5	135.5	159.1	272.9
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.0	0.0	0.0	0.9	0.9	0.9
Working capital	-2.4	0.2	-7.7	-7.7	-8.5	-25.3
Other Assets	0.0	3.4	3.1	2.6	2.6	2.6
Assets	8.8	61.9	100.0	131.3	154.2	251.2
Shareholders equity group	-5.6	164.1	155.9	140.6	117.9	104.0
Minorities	0.7	14.3	14.0	18.1	15.3	15.3
LT & ST provisions and others	0.0	2.2	2.1	1.8	1.8	1.8
Net debt	13.6	-124.2	-77.4	-32.6	16.0	126.9
Other liabilities	0.0	5.9	6.2	4.2	4.2	4.2
Liabilities	8.8	61.9	100.0	131.3	154.2	251.2
Net debt excl. IFRS 16	13.6	-124.8	-106.3	-61.9	-13.4	97.5
Gearing net	-2.8	-0.7	-0.5	-0.2	0.1	1.1
Leverage	-19.5	10.4	4.4	1.6	-0.8	-13.3

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	-15.7	-18.5	-8.5
ΔWCR	-3.7	2.6	-7.9	-0.1	-0.8	-16.8
Operating cash flow	-4.0	-7.7	-18.3	-15.8	-19.3	-25.2
Net capex	-5.0	-18.2	-17.1	-40.6	-52.0	-125.0
FCF	-9.0	-25.9	-35.3	-56.3	-71.3	-150.2
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	1.4	-35.0	-75.0
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	9.9	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	-30.0	-40.0	-100.3	-218.2

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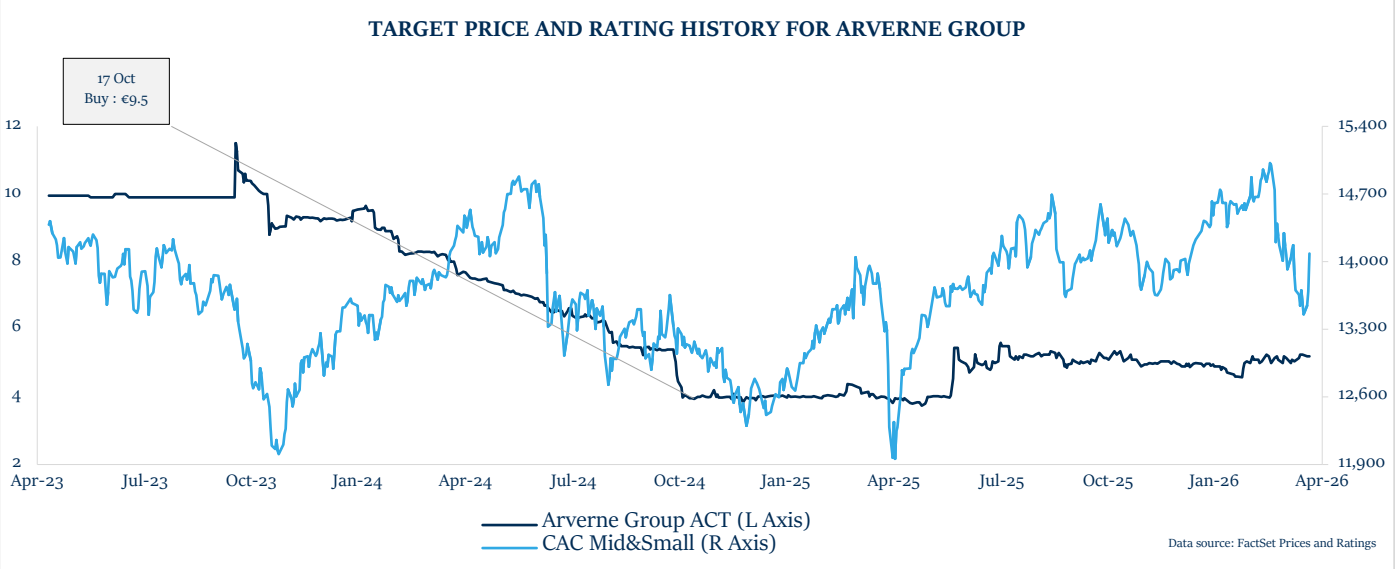
G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Arverne Group ACT

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 Mar 26 - 06:48:01	Veneta Nikolova	€ 9.50	€ 9.50	€ 5.20	Buy	Buy
20 Feb 26 - 07:12:59	Veneta Nikolova	€ 9.50	€ 9.50	€ 5.05	Buy	Buy
25 Nov 25 - 06:44:07	Veneta Nikolova	€ 9.50	€ 9.50	€ 5.05	Buy	Buy
12 Oct 25 - 19:33:19	Veneta Nikolova	€ 9.50	€ 9.50	€ 5.10	Buy	Buy
25 Sep 25 - 07:05:27	Veneta Nikolova	€ 9.50	€ 9.50	€ 4.98	Buy	Buy
06 Jun 25 - 08:17:08	Veneta Nikolova	€ 9.50	€ 9.50	€ 5.05	Buy	Buy
18 May 25 - 23:09:02	Veneta Nikolova	€ 9.50	€ 9.50	€ 4.02	Buy	Buy
21 Apr 25 - 21:34:59	Veneta Nikolova	€ 9.50	€ 9.50	€ 3.96	Buy	Buy

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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	70%	73%
Hold	22%	58%
Sell	3%	40%
Under review	4%	86%

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