BERNSTEIN
SOCIETE GENERALE GROUP

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Initiation


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Americas Energy & Transition

Fervo Energy Company

Rating

Outperform

Price Target

FRVO **47.00 USD**

Heat and Raise... initiating on Fervo Energy with an Outperform rating

We initiate coverage on Fervo Energy with an Outperform rating and a target price of $47/ share.

The opportunity in a sentence: EGS (Enhanced Geothermal Systems) leverages the trillions of dollars spent drilling & completing shale gas & oil wells and applies the technology to abundant geothermal resources which can cycle steam unexposed to the surface through a simple exchange system generating small-footprint, quick-to-market clean secure baseload electricity.

The opportunity in a checklist (Exhibit 4). EGS delivers electricity that is (1) "green" (low CO_2), (2) baseload, (3) domestically secure, (4) well located, (5) quicker to market and (6) cost competitive.

The opportunity in a visual nutshell (Exhibit 8 to Exhibit 10). A surface facility the size of a museum wing can extract geothermal energy from an area the size of Central Park and support 30 years of residential demand of half a million Americans.

The opportunity on a napkin (Exhibit 11). Current modular economics (50 MW) deploy ~ $200 mln of capex to deliver ~$40 mln of EBITDA generating ~$400 mln of NPV.

The complete story follows. **The demand for US power is rapidly inflecting.** After decades of flat US power demand growth, a number of long-term drivers (including AI data centers) are changing that. **Not all power is created equal.** Electrons are a commodity, but the delivery of electricity is not - clean baseload power will command a premium price. Geothermal power satisfies. **EGS leverages a previous revolution.** Enhanced Geothermal Systems (EGS) leverage trillions of dollars of R&D spend from the shale industry. **EGS leverages proven existing power generation technology** (ORCs).

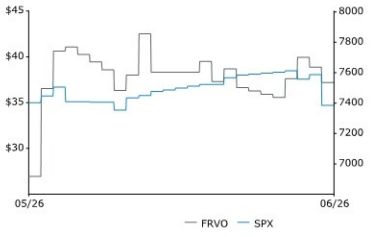
Fervo Energy has (1) a proven product, (2) locked-in contracts (PPAs of ~600 MW supporting ~$7 bln of revenue), (3) intellectual property, and (4) early mover advantage (5) Leases of ~600,000 acres with ~40GW of heat in place.

Close Date	5 Jun 2026
FRVO Close Price (USD)	37.22
Price Target (USD)	47.00
Upside/(Downside)	26%
52-Week Range	42.65/34.27
SPX	7,383.74
FYE	Dec
Div Yield	NA
Market Cap (USD) (M)	10,945
EV (USD) (M)	11,936

Performance	YTD	1M	6M	12M
Absolute (%)	NA	NA	NA	NA
SPX (%)	7.9	1.7	7.5	24.3
Relative (%)	NA	NA	NA	NA

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Reported EPS	F25A	F26E	F27E
FRVO (USD)	(0.25)	(0.10)	(0.16)

Valuation Metrics	F25A	F26E	F27E
Reported P/E (x)	(149.9)	(380.2)	(236.4)
EV/EBITDA (x)	(243.6)	(364.6)	144.1
Adjusted P/E (x)	(149.9)	(380.2)	(236.4)

Source: Bloomberg, Bernstein estimates and analysis.

Key opportunities. 2026 catalysts include (1) start of commercial operations at Cape Station I (4Q), (2) validation of 15 MW wells, and (3) PPA and permitting momentum. We forecast Fervo Energy capacity at 1.05 GW in 2030 and 5 GW in 2035. We forecast Fervo US geothermal power to outpace the growth of all US nuclear power in both 2030 and 2035. Learning curve effects and a conservative culture point towards Fervo exceeding targets. We also believe in the ability of EGS to scale faster than conventional geothermal.

Key risks. Poor project execution represents the primary risk given the early mover status of this technology. Execution risk is mitigated by modular design philosophy. Regulatory risks could slow future projects, which we believe is mitigated by bilateral support for EGS. Long-term well performance could disappoint requiring higher capital in the out years. Concerns around seismicity and water access have been raised but are manageable in our view.

Investment Implications

We are Outperform on Fervo with a price target of $47/share. Conventional geothermal has been slow to scale largely because of “exploration” risk - needing to find a naturally permeable spot. Enhanced Geothermal takes the exploration risk out since it’s a man-made fracked reservoir.

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DETAILS

In a few sentences, we summarize our view.

Ultimately, U.S. (and global) power demand is rapidly approaching an inflection.

In addition, investment in the U.S. grid has failed to prepare.

We now see wait times to add traditional power solutions taking years.

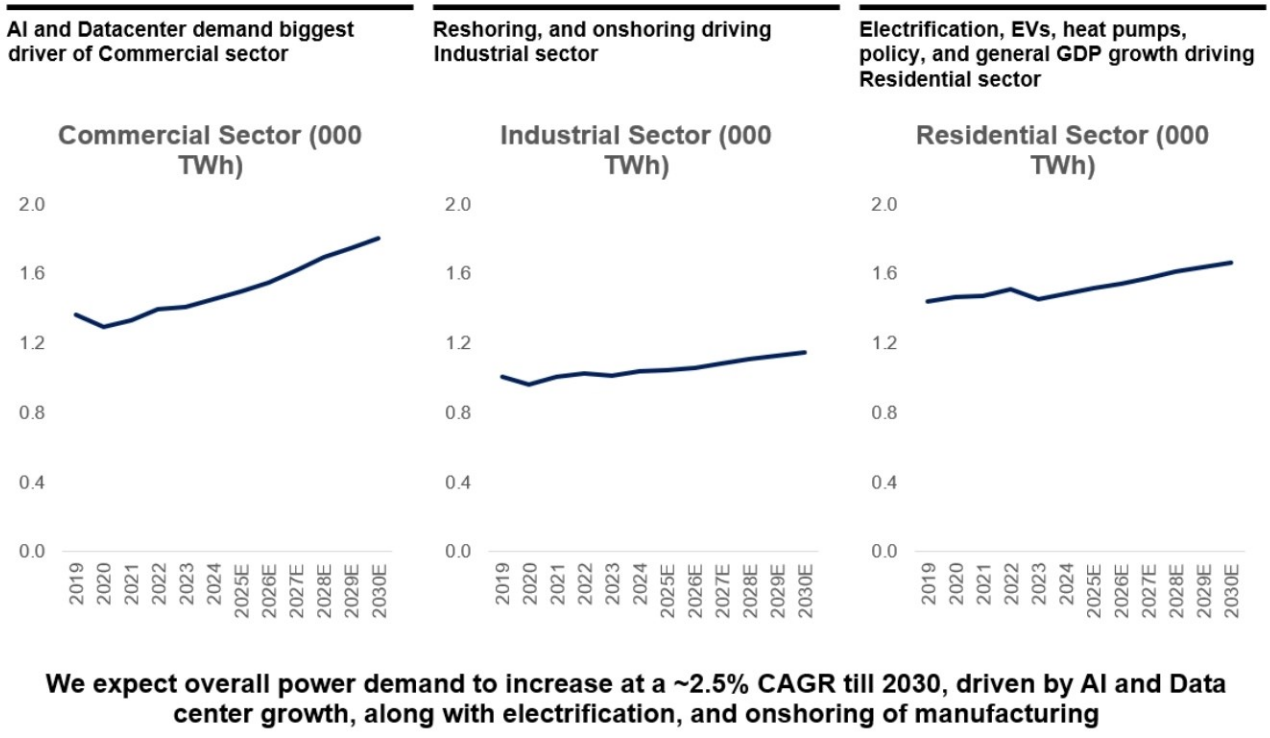
We argue that not all electrons are created equally and so “EGS” (Enhanced Geothermal Systems) offer an opportunity. EGS delivers “superior” electrons (validated by PPA prices achieved). EGS also leverages proprietary technology born from shale.

POWER DEMAND IS INFLECTING

We lay out the inflection of power demand as follows.

After 2 decades of no growth, power demand is increasing because of AI/ datacenters, manufacturing, and electrification…

EXHIBIT 1: **After 2 decades of no growth, power demand is increasing because of AI/ datacenters, manufacturing, and electrification…**

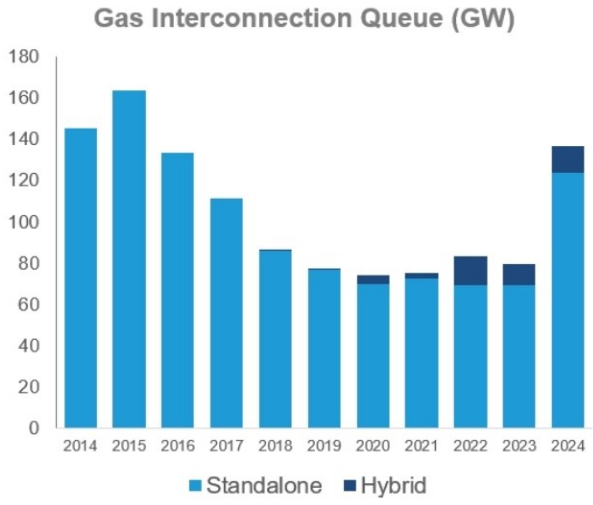


Source: EIA; Bernstein analysis

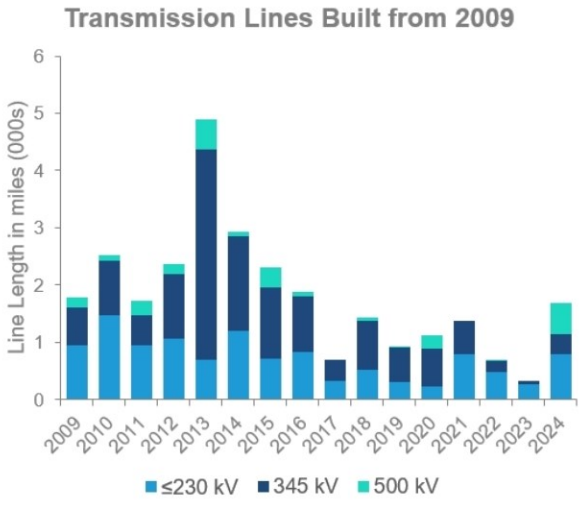
The grid isn't equipped to deal with this level of growth due to a lack of investment over the last decade.

EXHIBIT 2: **The grid isn't equipped to deal with this level of growth due to a lack of investment over the last decade**

Gas interconnection queues almost doubled in 2024 as AI and Datacenter demand requires reliable 24/7 power



Transmission and distribution lines built in the last decade is 50% less than miles built in the previous decade

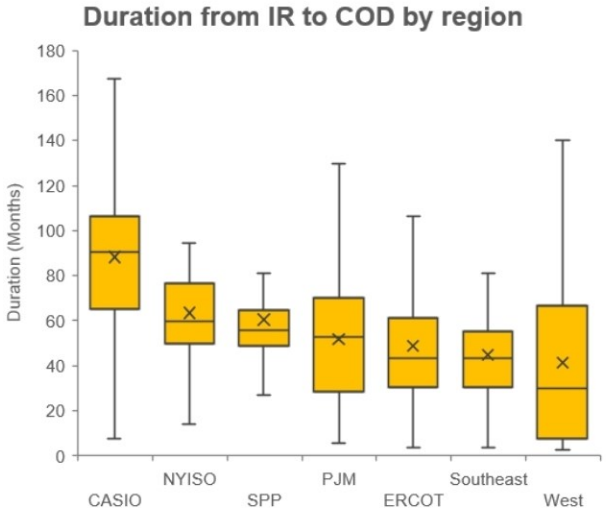


Source: Lawrence Berkeley National Labs, NERC; Bernstein analysis

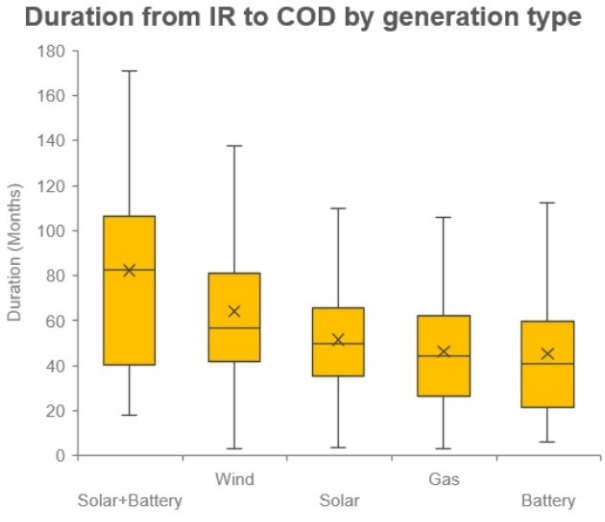
The queue is five years long, behind the meter solutions that are needed in the short term.

EXHIBIT 3: **The queue is five years long, behind the meter solutions are needed in the short term**

Interconnection queues are ~4+ years for all regions, CAISO is worst served region…



Generation solution needed – structural solution to waiting for grid power

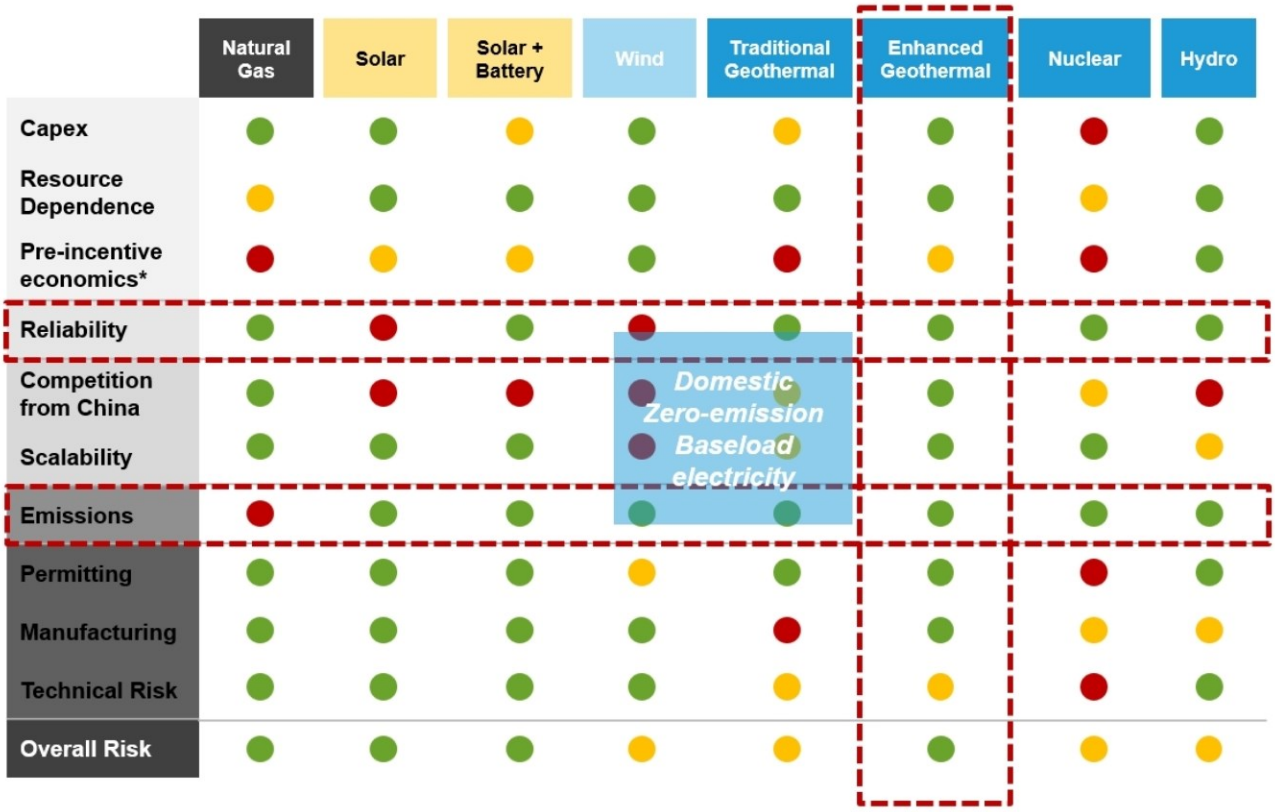


Source: LBNL (projects reaching COD 2018 – 2024), Bernstein analysis

The US needs a balance of all forms of energy to meet demand.

EGS (Enhanced Geothermal Systems) "win" across a number of dimensions. Specifically, on reliability ("baseload" 24/7 power) and also emissions (near zero emissions) but also potentially on time to market.

EXHIBIT 4: **EGS (Enhanced Geothermal Systems) "win" across a number of dimensions.**



Source: Bernstein analysis

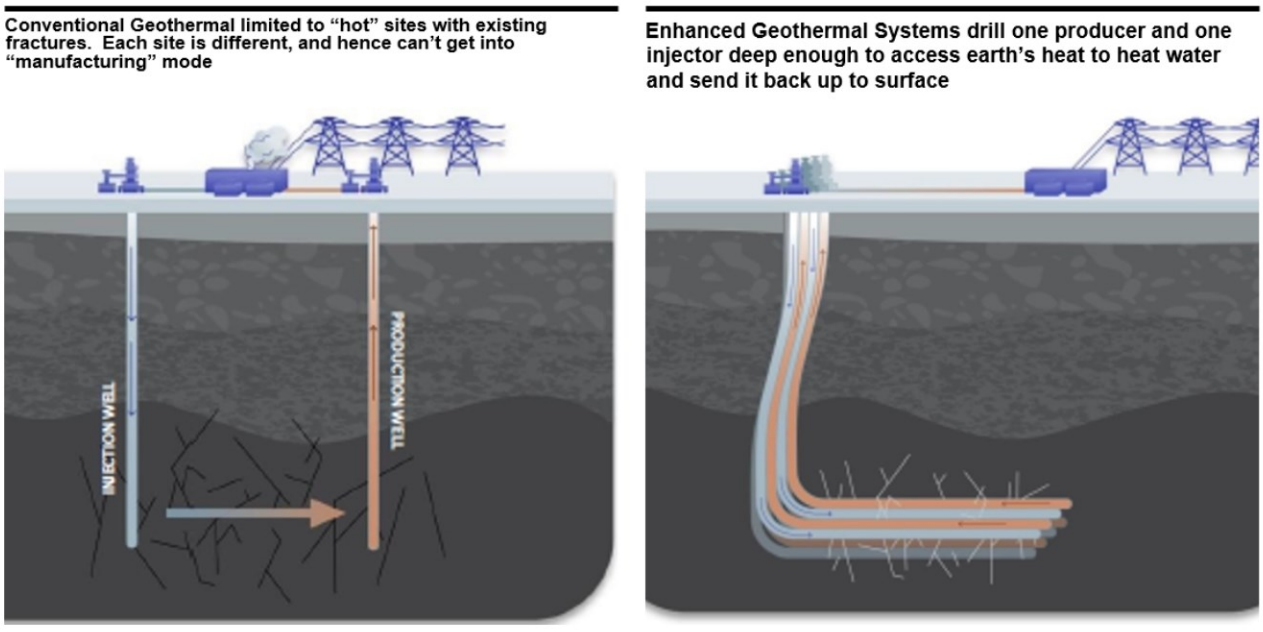
HOW EGS GEOTHERMAL WORKS

The process begins with drilling deep horizontal wells, leveraging advanced shale technology to access subsurface resources more effectively. Once the wells are in place, hydraulic fracturing is used to fracture the rock and create a large, connected network underground. This network enhances permeability and enables efficient heat exchange within the formation.

Next, hot water is circulated through this system in a continuous closed loop. The water is pumped down, heated by the earth, brought back to the surface, and then reinjected—without ever contacting the surface environment in an open system. Finally, the captured heat is converted into electricity using a Binary Organic Rankine Cycle, which spins a turbine to generate power. This entire system is designed with a modular approach, allowing it to be scaled and deployed efficiently across different sites.

Old geothermal is limited to hot, permeable reservoirs. This carries an "exploration" risk, and can't scale as quickly due to the constraints on locations. EGS uses de-risked shale technology to use earth's heat…

EXHIBIT 5: **Old geothermal is limited to hot, permeable aquifers. EGS uses derisked shale technology to use earth's heat…**

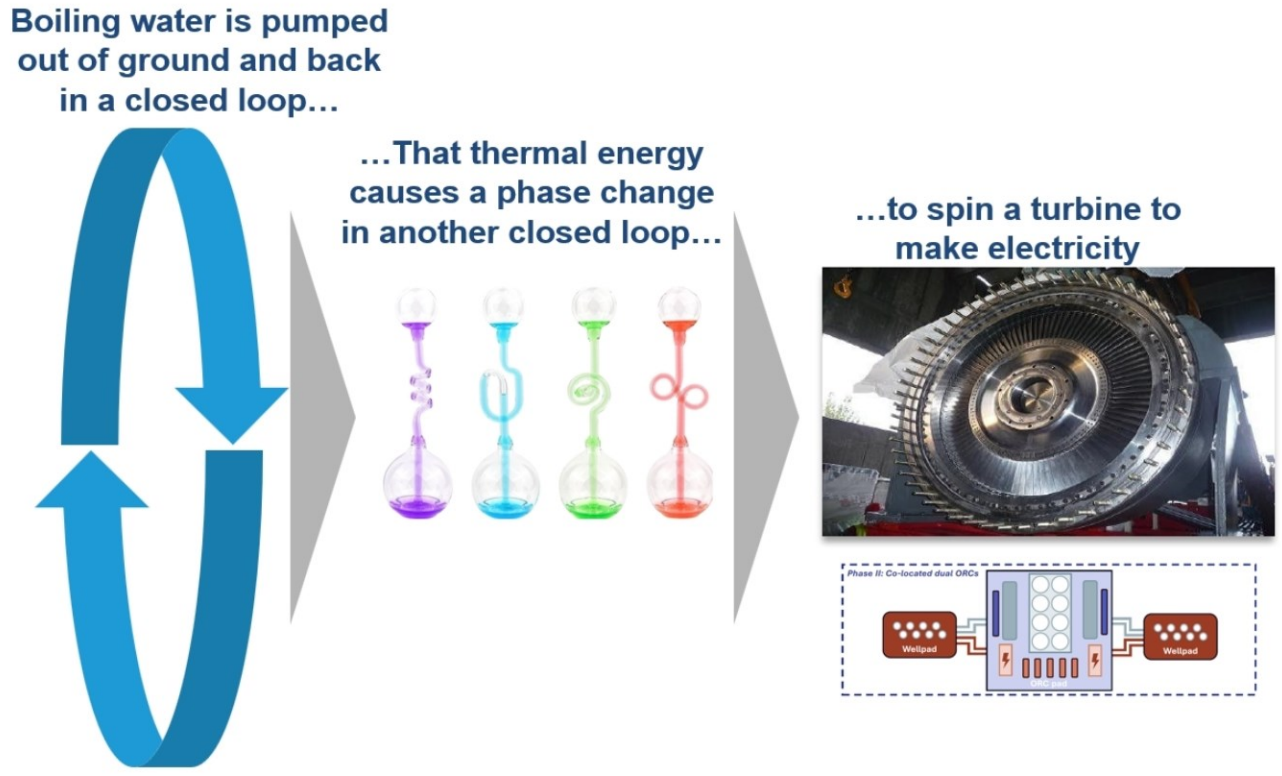


Source: Company reports

The core technology for generating electricity from geothermal energy is an Organic Rankine Cycle. Boiling water is pumped from the below-ground reservoir to the surface and then back down in a closed loop. At the surface, heat is exchanged from the geothermal brine's temperature to a second closed loop containing specialty organic liquids (think refrigerants or specialty hydrocarbons) with low vaporization temperatures. Vaporization in the second loop occurs which spins a turbine which then generates electricity.

A simple illustration of it is shown below.

EXHIBIT 6: **A simple illustration of organic rankine cycles**

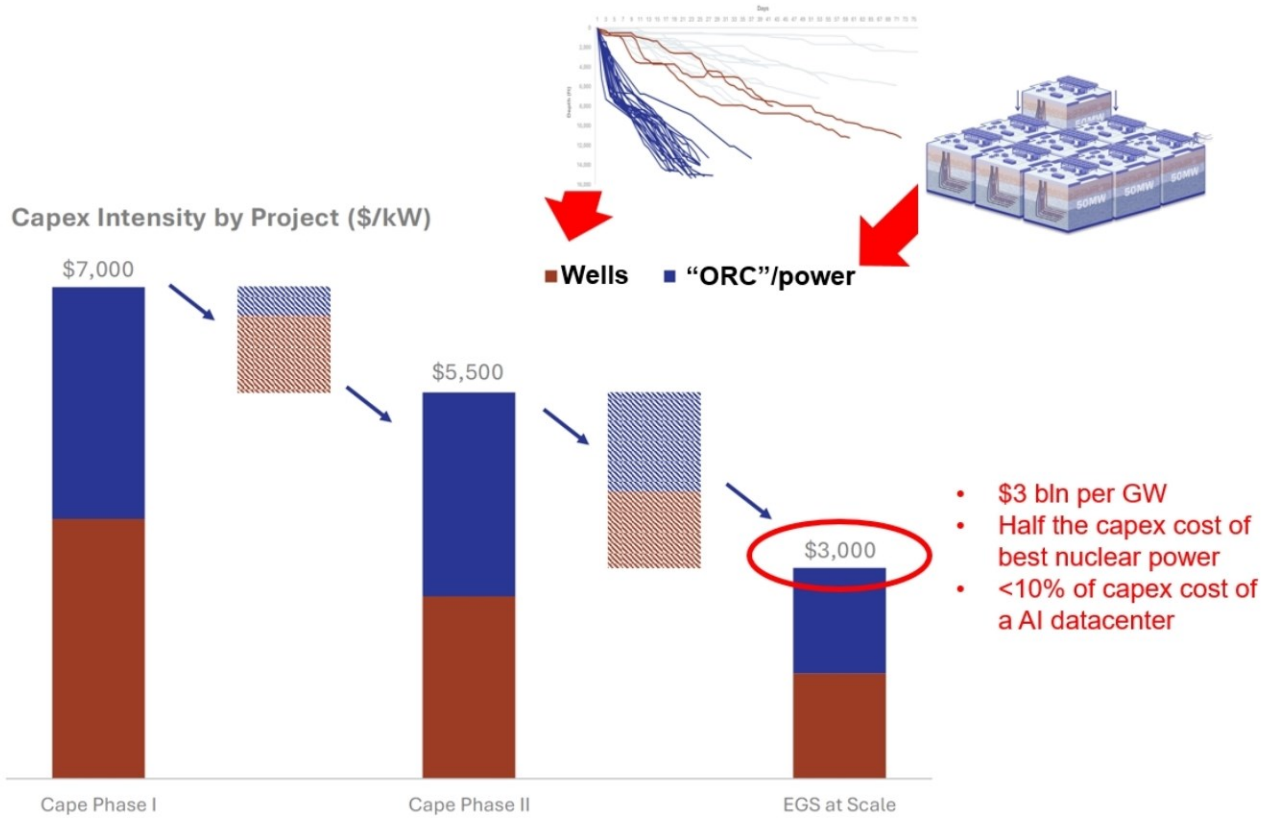


Source: Company reports; Bernstein analysis

The approach has two components: The drilling of horizontal wells and fracturing of the subsurface rock (granite) to help create the first loop and then the power plant using ORC technology.

We see learning curve effects that drive wells down akin to the unconventional shale revolution. We see a modular mindset driving power plant costs down. At scale, the implied capital approach half the cost of nuclear power (in perhaps half or less of the time) and is a fraction of the capex cost of a data center consuming the equivalent electricity.

EXHIBIT 7: **Learning curve drives wells down…modular mindset drives power down**



Source: Company reports; Bernstein analysis

THE OPPORTUNITY IN A VISUAL NUTSHELL

Central Park on the right (Exhibit 8) is roughly 2 ½ miles long and ½ mile wide. Its surface area could support an array of 20 horizontal EGS geothermal wells - 10 across covering the northern half of the park and 10 across covering the southern half of the park.

Those 20 horizontal wells could generate 300 MW of EGS geothermal electricity. At 83% uptime (capacity factor), **a Central Park footprint of subsurface EGS wells would satisfy the residential electricity demand of half a million Americans** (~4,500 kWh per capita).

Fervo Energy is currently commissioning a 100 MW site and constructing a 400 MW site in Utah.

EXHIBIT 8: **Same scale - Milford Utah and Central Park, New York**

Note much of the activity shown on the left is agricultural and not geothermal
Source: Public domain; Bernstein analysis

The geothermal wells are invisible (below the surface). They bring steam to the surface where a facility (an "ORC" - Organic Rankine Cycle) extracts the heat and turns it into electricity. The surface facility under construction (left side of Exhibit 9) is shown at scale below. The largest aspect is an elevated series of fans to manage the heat. **The surface footprint of EGS is the scale of the wing of a large art museum.**

EXHIBIT 9: **Same scale: The surface footprint of geothermal (series of fans) is equivalent to a wing of a large museum.**

Aerial image is dated and doesn't reflect current progress
Source: Public domain; Bernstein analysis

A final visual comparison. The surface footprint of EGS is significantly smaller than the George R. Brown Convention Center in Houston. Note the large fans on the eastern side of the convention center. They move sometimes hot humid Texas air out of the center and replace it with cool air. They are of the same magnitude as the EGS facility.

EGS surface facilities are ultimately compact, modular, industrial and proven.

EXHIBIT 10: **Same scale: Geothermal facility compared to George R. Brown Convention Center (Houston).**

Source: Public domain; Bernstein analysis

VALUATION

We frame valuation with some back of the envelope (but directionally correct and accurate) notional unit economics for a "geoblock" - a 50 MW module - operating at Phase III scale economics.

EXHIBIT 11: **Notional unit economics for 50 MW (Phase III)**

Category	*Value*	*Units*
Geoblock...	50	MW
x hours in a year	8,760	
x Net capacity factor	83%	
= Power delivered	363,540	MWh
x Price	$110	$/MWh
= Revenue	**$40**	**$mln**
- O&M	($9)	$mln
Royalties	*4.10%*	
- Royalties	($2)	$mln
= pre-PTC EBITDA	$30	$mln
+ PTC uplift	$10	$mln
= EBITDA	**$40**	**$mln**
EBITDA margin	*99.03%*	
NPV	**$458**	**$mln**
Capex	**$225**	**$ mln**
1 Geoblock...	50	MW
x unit capex	$4,500	$/kw

Source: Company reports; Bernstein estimates & analysis

We provide full models below.

EXHIBIT 12: **Income Statement - FRVO**

Income Statement	2024	2025	2026E	2027E	2028E	2029E	2030E
(In $MM, except per share amounts)							
Revenue	0	0	7	80	231	544	823
Less: Operating Expenses	1	(0)	-3	-27	-64	-136	-238
Less: Depreciation	(0)	(0)	-2	-24	-68	-146	-244
Gross Margin	**1**	**0**	**2**	**29**	**100**	**262**	**341**
Less: Lease Expense	-7	-10	-11	-11	-12	-12	-13
Less: G&A	-35	-39	-39	-44	-49	-56	-63
Less: Stock-Based Compensation	(1)	(3)	-10	-10	-10	-10	-10
Operating Income (Loss)	**-43**	**-51**	**-57**	**-35**	**29**	**184**	**255**
Less: Interest Expense	-1	-8	-49	-98	-200	-372	-592
Plus: Interest Income	2	4	10	60	44	22	2
Plus: Income from Tax Credits			65	24	71	167	254
Other non-operating income	0	-5					
Less: Income Tax Expense	0	0	-	-	-	-	-
Net Income (Loss)	**-42**	**-60**	**-31**	**-49**	**-56**	**1**	**-81**
Adjusted EBITDA Reconciliation							
Net Income (Loss)	**(42)**	**(60)**	-31	-49	-56	1	-81
Plus: Interest Expense	**1**	**8**	49	98	200	372	592
Plus: Income Tax Expense	**0**	**0**	0	0	0	0	0
Plus: Depreciation	**0**	**0**	2	24	68	146	244
Less: Income from Tax Credits	**-**	**-**	-65	-24	-71	-167	-254
EBITDA	**-41**	**-52**	**-45**	**49**	**140**	**352**	**501**
EBITDA Margin	*N/A*	*N/A*	*N/A*	*61%*	*61%*	*65%*	*61%*
Plus: Stock-Based Compensation	**1**	**3**	10	10	10	10	10
Plus: PTC Transfer Proceeds			2	24	71	167	254
Adjusted EBITDA	**-40**	**-49**	**-33**	**83**	**221**	**529**	**765**
Adjusted EBITDA Margin	*N/A*	*N/A*	*N/A*	*103%*	*96%*	*97%*	*93%*
Net Debt to EBITDA	0	6	52	-14	4	5	7
Common Shares Outstanding							
Basic Shares Pre-IPO	214	214	214	214	214	214	214
+Stock Options	29	29	29	29	29	29	29
Fully Diluted Shares Pre-IPO	**243**	**243**	**243**	**243**	**243**	**243**	**243**
IPO Primary Shares Offered			70	70	70	70	70
Basic Shares Post IPO	**214**	**214**	**284**	**284**	**284**	**284**	**284**
Fully Diluted Shares Post-IPO	**243**	**243**	**313**	**313**	**313**	**313**	**313**
Earnings							
Basic EPS	-0.20	-0.28	-0.11	-0.17	-0.20	0.00	-0.29
Diluted EPS	-0.17	-0.25	-0.10	-0.16	-0.18	0.00	-0.26

Source: Company reports, Bernstein analysis and estimates

EXHIBIT 13: **Balance Sheet - FRVO**

Balance Sheet Overview	2024	2025	2026E	2027E	2028E	2029E	2030E
Cash	57	462	2,004	1,452	737	79	(1,105)
Accounts Receivable	-	-	1	10	28	67	101
Inventory	-	-	3	6	11	14	12
Grants receiveables	4	11					
Prepaid and Other Current Assets	8	10	0	4	12	27	41
Total Current Assets	**69**	**482**	**2,008**	**1,471**	**788**	**188**	**-951**
PPE	259	790	1,825	3,717	7,328	11,898	15,570
Right-of-use Assets	26	59	59	60	60	61	62
Restricted Cash	136	6	6	6	6	6	6
Deposits	25	15	15	15	15	15	15
Other	10	14	14	14	14	14	14
Total Non-Current Assets	**456**	**883**	**1,919**	**3,812**	**7,423**	**11,994**	**15,666**
Total Assets	**525**	**1,365**	**3,927**	**5,283**	**8,211**	**12,182**	**14,716**
Accounts Payable	29	11	128	240	461	598	512
Construction Debt	23	119	556	1,891	3,311	5,664	6,676
Operating Lease Liability - Current	2	5	5	5	5	5	5
Other Current Liabilities	7	17	17	17	17	17	17
Total Current Liabilities	**61**	**152**	**707**	**2,153**	**3,794**	**6,284**	**7,210**
Term Loan			-	-	-	-	-
Long Term Debt	39	173	308	287	1,641	2,830	4,529
Operating Lease Liability - Non-Current	41	73	73	74	75	76	76
Other Non-Current Liabilities	0	11	11	11	11	11	11
Total Non-Current Liabilities	**80**	**257**	**393**	**373**	**1,727**	**2,917**	**4,617**
Total Liabilities	**141**	**409**	**1,099**	**2,526**	**5,521**	**9,202**	**11,827**
Common Stock	0	0	2,923	2,933	2,943	2,953	2,963
Preferred Stock	562	1,023	-	-	-	-	-
Additional paid-in capital	3						
Treasury Stock		(2)					
Accumulated Income / (Deficit)	(180)	(245)	(275)	(324)	(381)	(380)	(461)
NCI	-	180	180	149	128	407	387
Total Shareholder's Equity	**384**	**956**	**2,828**	**2,757**	**2,690**	**2,980**	**2,889**
Total Liabilities and Shareholder's Equity	**525**	**1,365**	**3,927**	**5,283**	**8,211**	**12,182**	**14,716**

Source: Company reports, Bernstein analysis and estimates

EXHIBIT 14: **Cash Flow Statement - FRVO**

Cash Flow Statement	2024	2025	2026E	2027E	2028E	2029E	2030E
Net Income (Loss)	(42)	(60)	(31)	(49)	(56)	1	(81)
Plus: Depreciation & Amortization	0	0	2	24	68	146	244
Plus: Stock-based Compensation	1	3	10	10	10	10	10
Other	5	11					
Plus / (Less): Changes in Net Working Capital							
Accounts Receivable			(1)	(9)	(19)	(39)	(34)
Inventory			(3)	(3)	(5)	(3)	2
Prepaid and Other Current Assets	7	2	9	(4)	(8)	(16)	(14)
Accounts Payable	4	(3)	117	111	222	137	(86)
Right-of-Use Assets			(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Operating Lease Liability			1	1	1	1	1
Other	(16)	17					
Cash Flow from Operations	**(42)**	**(31)**	**105**	**81**	**212**	**236**	**41**
Capital Expenditures	(179)	(466)	(1,037)	(1,908)	(3,653)	(4,658)	(3,815)
Maintenance CapEx			(1)	(8)	(25)	(59)	(100)
Cash Flow from Investing	**(179)**	**(466)**	**(1,038)**	**(1,916)**	**(3,679)**	**(4,716)**	**(3,915)**
Proceeds from Construction Financing			937	1,335	2,841	3,704	3,052
Repayment of Construction Financing			(525)	-	(1,421)	(1,350)	(2,040)
Proceeds from Term Debt	37	132	310	-	1,421	1,350	2,040
Repayment of Term Debt			(2)	(21)	(68)	(160)	(341)
Issuance of subsidiary stock	-	167					
Issuance of warrants	-	7					
Issuance of SAFE	1	-					
Draw on Term Loan ($40mm available)			-		-	-	-
Minority Equity Distributions			-	(31)	(21)	(21)	(20)
Issuance (repayment) of Preferred Stock	367	461	(1,023)	-	-	-	-
Stock Repurchases	-	(2)					
Issuance of Common Shares	0	0	1,023	-	-	-	-
Project Preferred Equity			-	-	-	300	-
IPO Proceeds			1,890	-	-	-	-
Cash Flow from Financing	**404**	**766**	**2,610**	**1,283**	**2,752**	**3,823**	**2,690**
Net Change in Cash	**183**	**269**	**1,677**	**(552)**	**(715)**	**(657)**	**(1,184)**

Source: Company reports, Bernstein analysis and estimates

SANITIZING CAPITAL FORECASTS

The key inputs into Fervo future economics will be a combination of revenue (secured via PPAs) and capex. We sense check capex here.

We begin with the known dimensions of Fervo projects.

EXHIBIT 15: **Project level details**

Phase	Power (MW)	Geoblocks	Delivered Power per producer (MW)	Vertical Depth (ft)	Lateral Length (ft)	Wells	Producing Wells	Wells/ Geoblock	Start Year
Project Red	3		3	8000	3000				2002
Cape Phase 1	100	3	10	9000	5000	24	12	8	2026
Cape Phase 2	400	8	15	9000	7500	64	32	8	2028
Illustrative Model	50	1	12.5	9000	6250	8	4	8	
Cape Phase 3	400	8	*15*	9000	***7500***	64	32	8	
EGS at Scale	50	1	25	9000	15000	4	2	4	

blue = Fervo guide
gray = Bernstein estimates
black = calculation

Source: Company reports; Bernstein analysis & estimates

Fervo also discloses capital numbers per kw. Blue shows guides while black are calculations from disclosed values. Fervo guides to a goal of $3,000/kW of EGS at scale and our estimates arrive quite close.

EXHIBIT 16: **Unit capex numbers**

		Installed Capex							
Phase	**Installed Capex ($/kw)**	Power Co	Power Facilities	Power Delivery	Steam Co	D&C	Drilling	Complet-ions	Wellpad Facilities
Project Red						16,167			
Cape Phase 1	7000	**3,300**			**3,700**	3,080	1430	1650	620
Cape Phase 2	5500	2900	2800	100	2600	2,200	1100	1100	400
Illustrative Model									
Cape Phase 3	4500	**2,290**	2,211	79	**2,210**	1,870	935	935	***340***
EGS at Scale	***3,146***	**1,582**	1,527	55	**1,564**	1,292	544	748	***272***
		3000 EGS at scale guide							

blue = Fervo guide
gray = Bernstein estimates
black = calculation

Source: Company reports; Bernstein analysis & estimates

Since we know the project size in kW (MW) as well as the number of wells and their lengths, we can also back in to well costs. Phase 1 wells likely cost ~$13 mln to drill & complete (roughly split evenly). Phase 2 wells are more expensive but with 50% longer laterals. Phase 3 wells could come in closer to $12 mln a well assuming only a 15% drop in per foot costs due to learning

curve effects.

Finally, EGS at scale wells could come in closer to $16 mln a well assuming a further 20% drop in per foot costs.

Phase 2 wells represent the 91st to 155th wells drilled (Project Red = 2, then Phase 1, then Phase 2). A 15% drop in costs on a doubling of units is quite reasonable learning curve effect. The 20% drop to approach EGS at scale implies a bit more than a doubling of units and might arrive perhaps around wells 350 to 400. We note that EGS at scale wells are large wells and thus fewer need to be drilled. The unit of doubling applicable may be stage counts or some other manufacturing measure.

Finally, we note that $16 mln a well is roughly twice the cost of the same geometry in the Permian Basin. So Fervo can hit their goal of unit capex roughly half of nuclear power while being twice as expensive as a Permian well.

EXHIBIT 17: **Well level results**

Phase	Well Cost ($mln)	Drilling Cost ($mln)	Completion Cost ($mln)	Drilling Cost ($/ft)	Completion Cost ($/ft)
Project Red	24.3	13.8	10.5	1,250	3,500
Cape Phase 1	12.8	6.0	6.9	426	1,375
Cape Phase 2	13.8	6.9	6.9	417	917
Illustrative Model					
Cape Phase 3	11.7	5.8	5.8	***354***	***779***
EGS at Scale	16.2	6.8	9.4	***283***	***623***

blue = Fervo guide
gray = Bernstein estimates
black = calculation

Source: Company reports; Bernstein analysis & estimates

LEADERSHIP TEAM

Fervo's leadership team is a seasoned, well diversified team led by Tim Latimer - CEO and Co-Founder. Jack Norbeck the CTO, is the other Co-founder. Jack has a geothermal background, while Tim arrives from the unconventional oil & gas drilling & completion industry.

EXHIBIT 18: **Seasoned leadership team**

Tim Latimer
CEO & Co-Founder

Activate BHP BCG Stanford University

Jack Norbeck, PhD
CTO & Co-Founder

Stanford University USGS MINES

David Ulrey
CFO

NOV Simmons Energy A Division of Piper Sandler

Harvard Business School West Point

Dawn Owens
SVP, Head of Development & Commercial Markets

nrg Ava Community Energy GenOn University of San Francisco

Christian Gradl
SVP, Geoblock Factory

HESS Texas McCombs MINES

Sarah Jewett
SVP, Strategy

slb SCF Partners Harvard Business School

Source: Fervo website

GEOTHERMAL POWER IS IN DEMAND

Electrons are a commodity, but the delivery of electricity is not - clean baseload power will command a premium price. Geothermal power satisfies.

We highlight that hyperscalers have ambitious net-zero emissions targets.

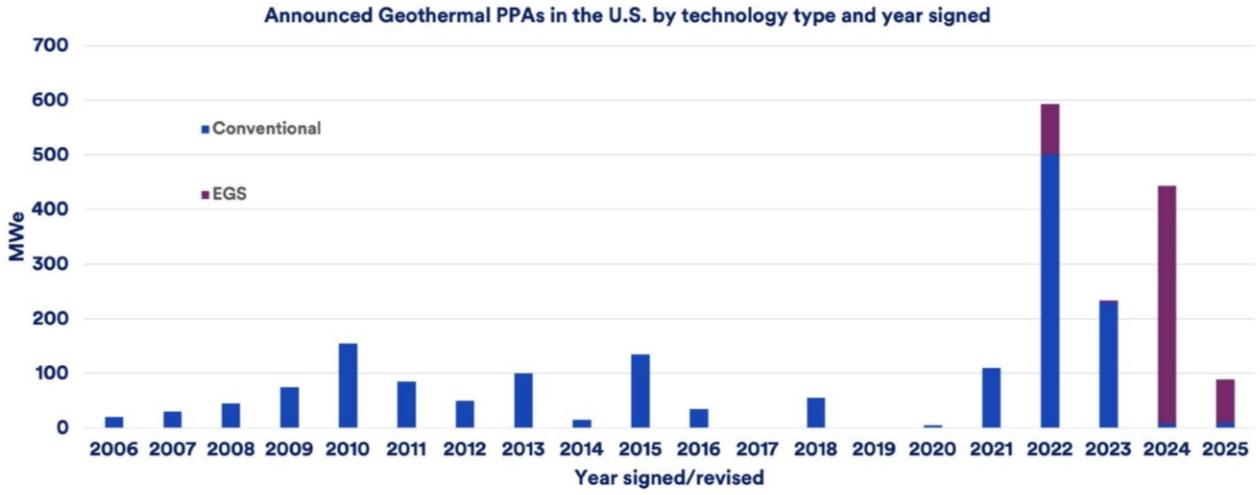
EXHIBIT 19: **Hyperscalers have strong net zero emissions targets**

Company	Estimated data centre capacity (MW)	Net zero emissions target year	Corporate clean, green or renewable electricity target*	Current share	Hourly matching target*
Meta	9 780	2030	100% renewable since 2020	100%	
Google	8 960	2030	100% renewable since 2017	100%	100% by 2030
Amazon	7 660	2040	100% renewable since 2023	100%	
Microsoft	6 970	2030	100% renewable by 2025	100%	100% by 2030
Digital Realty	2 740			66%	
Equinix	1 850	2030	100% renewable by 2030	96%	
Tencent	1 760	2030	100% green by 2030	12%	
Alibaba Cloud	1 660	2030	100% clean by 2030**	56%***	
Aligned	1 290	2040	100% renewable since 2020	100%	
Huawei	1 260	2040		> 50%	
Apple	1 240	2020	100% renewable since 2018	100%	
Vantage	1 180	2030		58%	
CyrusOne	1 120	2030	100% carbon-free energy by 2030	62%	
NTT Data	1 110	2035	100% renewable by 2030**	49%	
QTS Data Centers	1 060			65%****	
Baidu	980	2030		5%	
GDS	980	2030	100% renewable by 2030	36%	
Chindata	900	2060	100% renewable by 2040**	7%	
Switch	660	2021	100% renewable since 2016	100%	
Princeton Digital	620	2030	100% green by 2030	14%	

Source: IEA; Bernstein analysis

We see momentum in PPAs for geothermal power.

EXHIBIT 20: **Geothermal PPAs (especially EGS) seeing a renaissance (data through 2Q25)**



Source: Clean Air Task Force; Bernstein analysis

EXHIBIT 21: **Non-EGS solutions are potentially (1) slower, (2) variable, or (3) emitting**

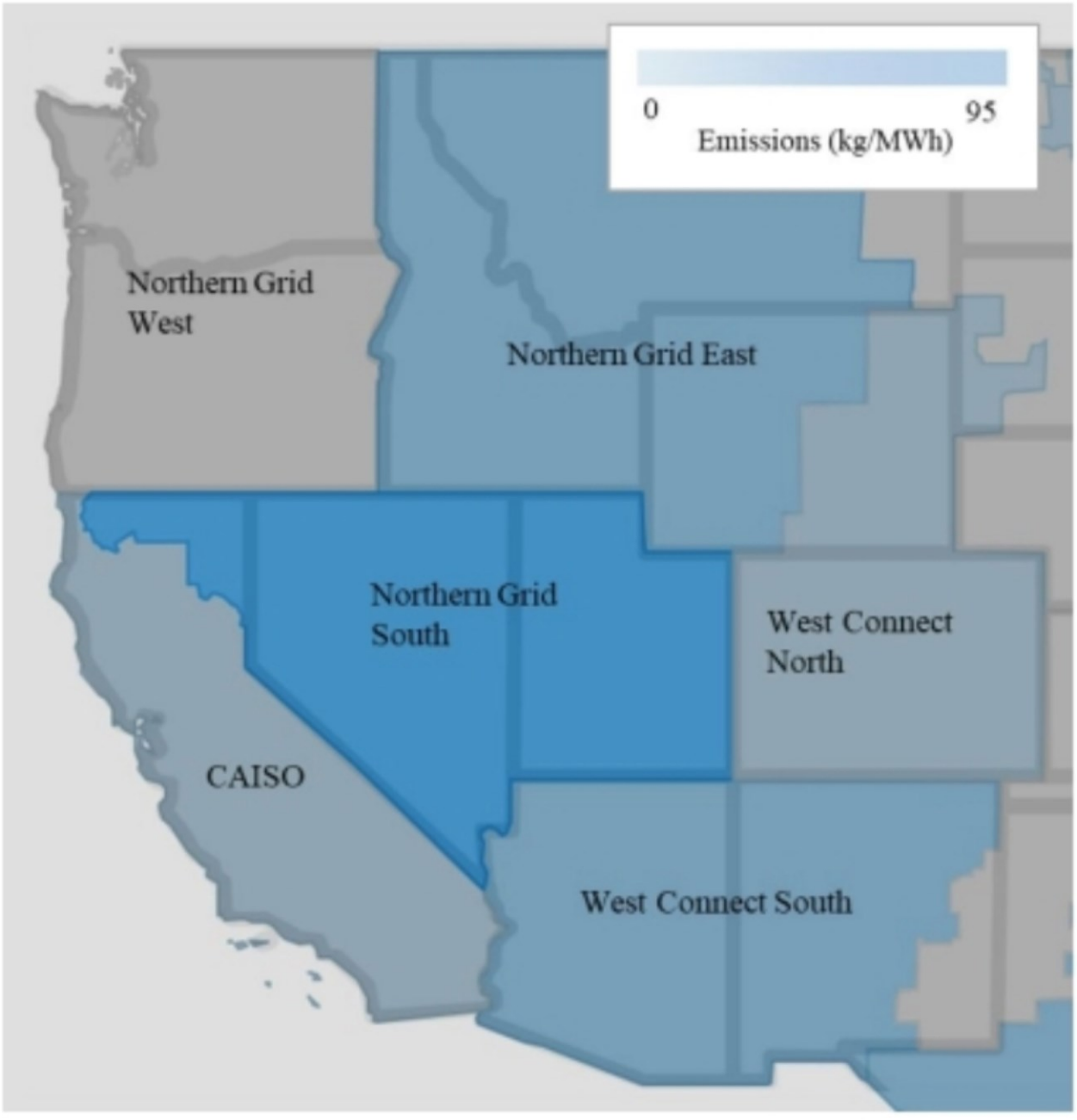
Electricity source	Construction period	Variable or dispatchable	Global average CO_2 intensity ($g\ CO_2/kWh$)	Global average LCOE (USD/MWh)
Utility solar PV	1-4 years	Variable	0	60
Wind onshore	2-5 years	Variable	0	50
Wind offshore	3-7 years	Variable	0	110
Hydropower plant	5-15 years	Variable (run-of-river) Dispatchable (reservoir)	0	80
Conventional geothermal	3-8 years	Dispatchable	0	80
Nuclear (new)	5-15 years	Dispatchable	0	90
Nuclear (restart)	2-5 years	Dispatchable	0	60
Coal	3-6 years	Dispatchable	960	80
Gas CCGT	2-4 years	Dispatchable	390	80
Gas GT	1-3 years	Dispatchable	620	220
Grid connection	3-7+ years	Dispatchable	United States: 350	-

Source: IEA; Bernstein analysis

FERVO EGS IS WELL LOCATED

Fervo's resource is focused on the Western US and adjacent to the regions shown below.

EXHIBIT 22: **Fervo is positioned to serve a number of grids**



Source: Company reports

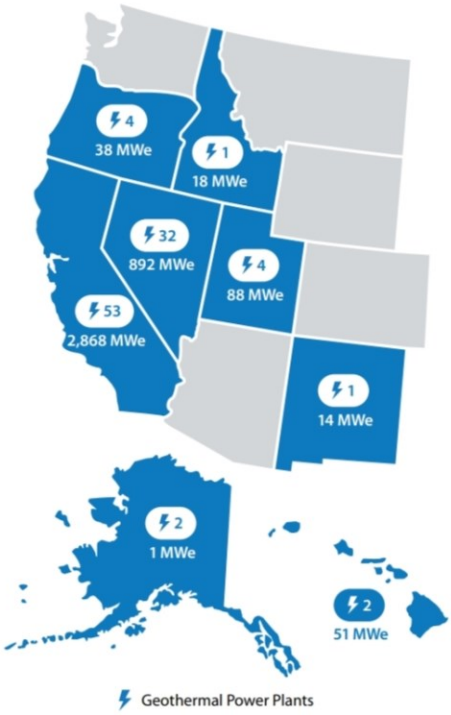
US GEOTHERMAL IS SMALL VERSUS OTHER POWER TYPES BUT ESTABLISHED AND EGS IS THE GROWTH ENGINE

CURRENT STATE OF US GEOTHERMAL

For complete details, we refer interested readers to the 2025 U.S. geothermal market report prepared by NREL (part of the U.S. government's Department of Energy) - 2025 U.S. Geothermal Market Report.

For context recall that our forecast for Fervo expects ~1,000 MWe (~1 GWe) of EGS by 2030. The western US already approaches several GWe equivalent.

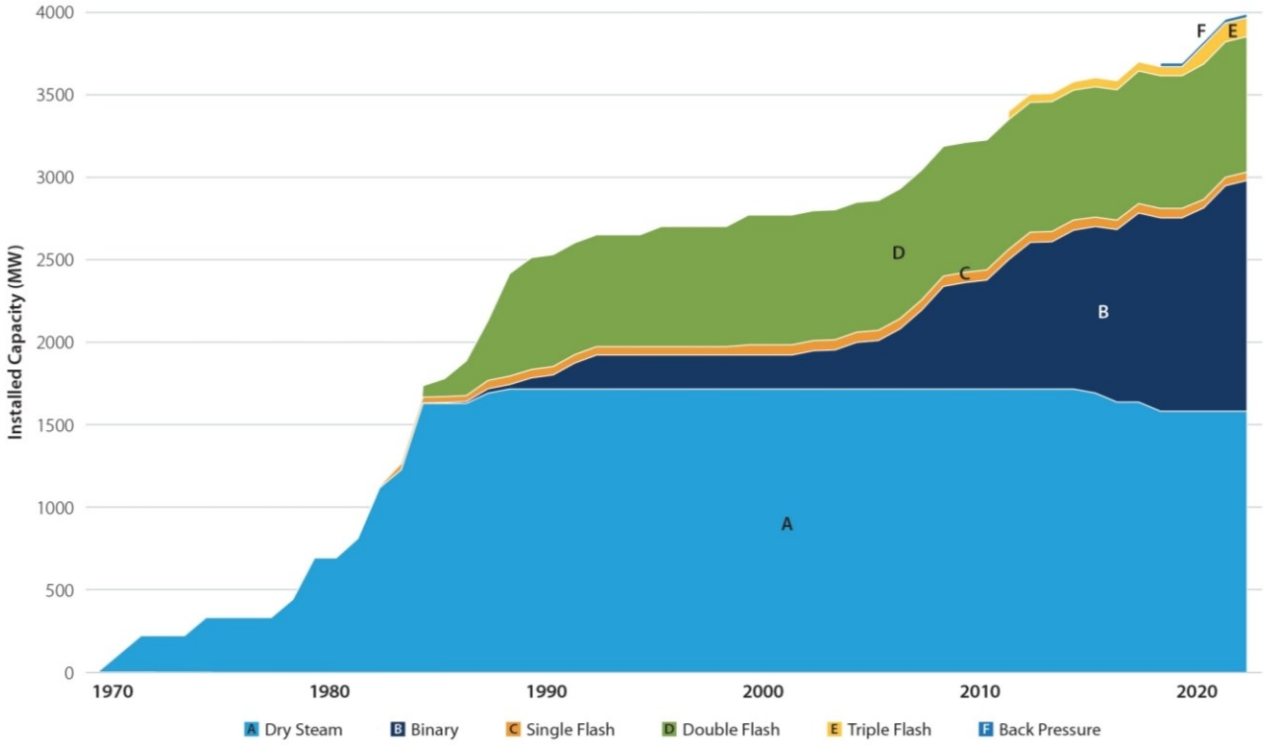
EXHIBIT 23: **US Geothermal by # of plants and capacity**



Source: NREL (Department of Energy)

The US approaches 4 GW of geothermal. It had <1 GW prior to the mid 1980s. The fastest growing wedge of geothermal is from binary systems (i.e., binary organic Rankine cycle systems). Recall that Fervo plans to adopt that technology (in a modular way) at the surface but will be 'feeding' it via EGS.

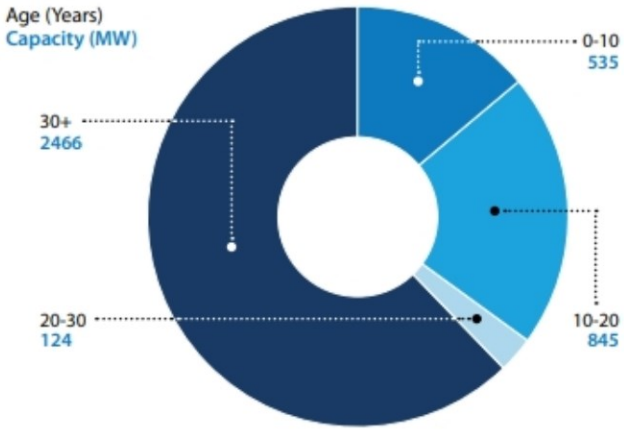
EXHIBIT 24: **Geothermal capacity over time**



Source: NREL

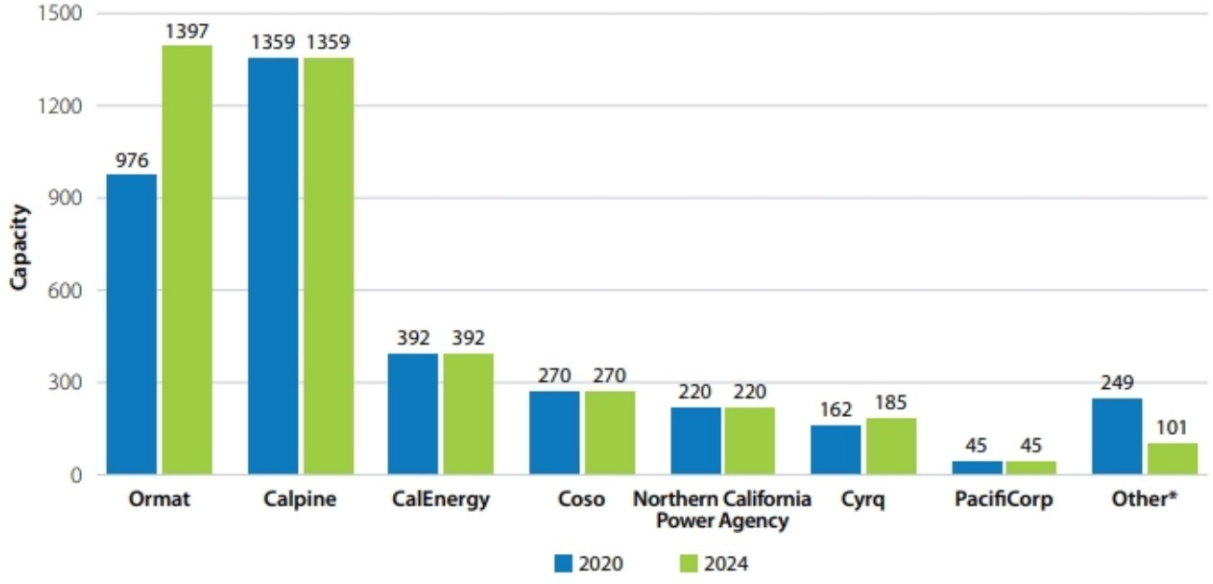
The average age of geothermal is old - the majority of capacity is >30 years old. This age points to the relative stability/durability of these assets.

EXHIBIT 25: **US Geothermal capacity is old...**



Source: NREL

EXHIBIT 26: **Distribution of geothermal by operator**

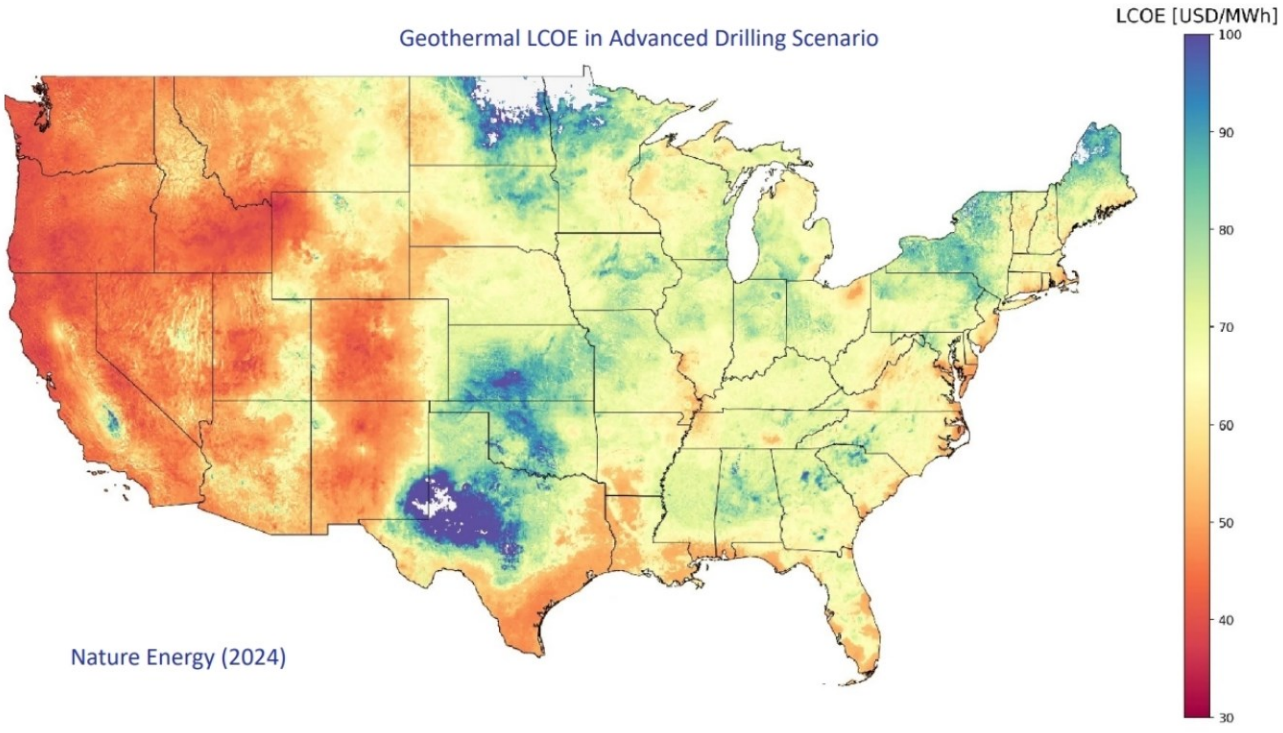


Source: NREL

THE US (ESPECIALLY THE WEST) IS WELL SUITED FOR EGS

Key Takeaway - do not confuse EGS with traditional geothermal. They are fundamentally different technologies. It would be like comparing shale drilling with offshore wells - you would draw wrong conclusions. It's even wrong to compare offshore wind with onshore wind and those two approaches are radically more similar than EGS and geothermal.

EXHIBIT 27: **The west is well suited**



Source: Company reports

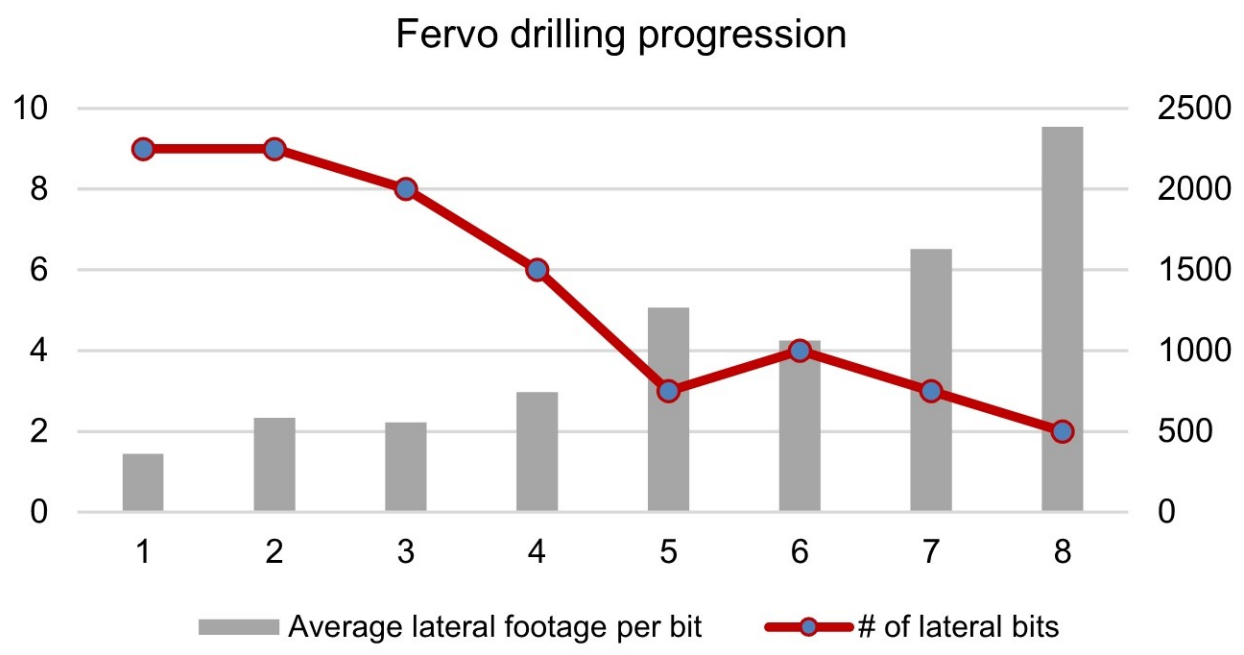
DRILLING EGS WELLS HAS BEEN DEMONSTRATED

A few years ago it could be argued that drilling EGS wells at commercial costs would be impossible. That can no longer be said. Of course, EGS leverages a previous revolution of extended laterals drilling horizontally in tight sedimentary layers (shale, sandstone and carbonates). That is clearly economical. EGS is applied to igneous formations (predominantly granite in this case) at comparable depths but much higher temperatures.

Higher temperatures impact drilling operations as do harder lithologies (unconfined compressive strengths of perhaps 30-50 KSI or double that of oil & gas directed drilling). But "twice as hard" isn't "ten times as hard" nor "too hard".

EGS drilling has a well-established learning curve. Enhanced Geothermal Systems (EGS) leverage trillions of dollars of R&D spend from the shale industry.

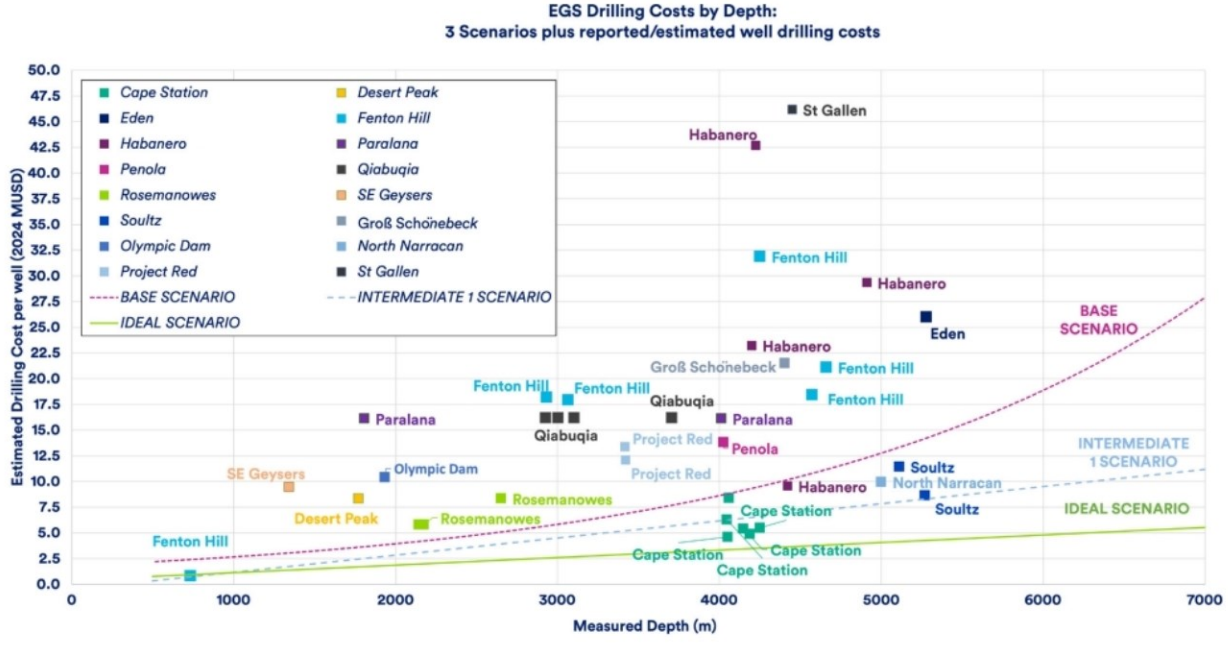
EXHIBIT 28: **Near 5x increase in length per bit on early wells**



Source: El-Sadi et al., 2024; Bernstein analysis

Third party estimates of Fervo (Cape Station) drilling costs place it along an ideal scenario (note that low values are low cost = good) and far below historic precedents.

EXHIBIT 29: **Drilling costs validated by third party estimates**



Source: Clean Air Task Force

COMPLETING EGS WELLS HAS BEEN DEMONSTRATED

It might seem difficult to believe that pumping a slurry of water and sand into solid granite can achieve a fracture network. But recall that ancient cultures in Egypt and India have been using physical means (wooden wedges, shims, etc.) to take advantage of granite's natural properties.

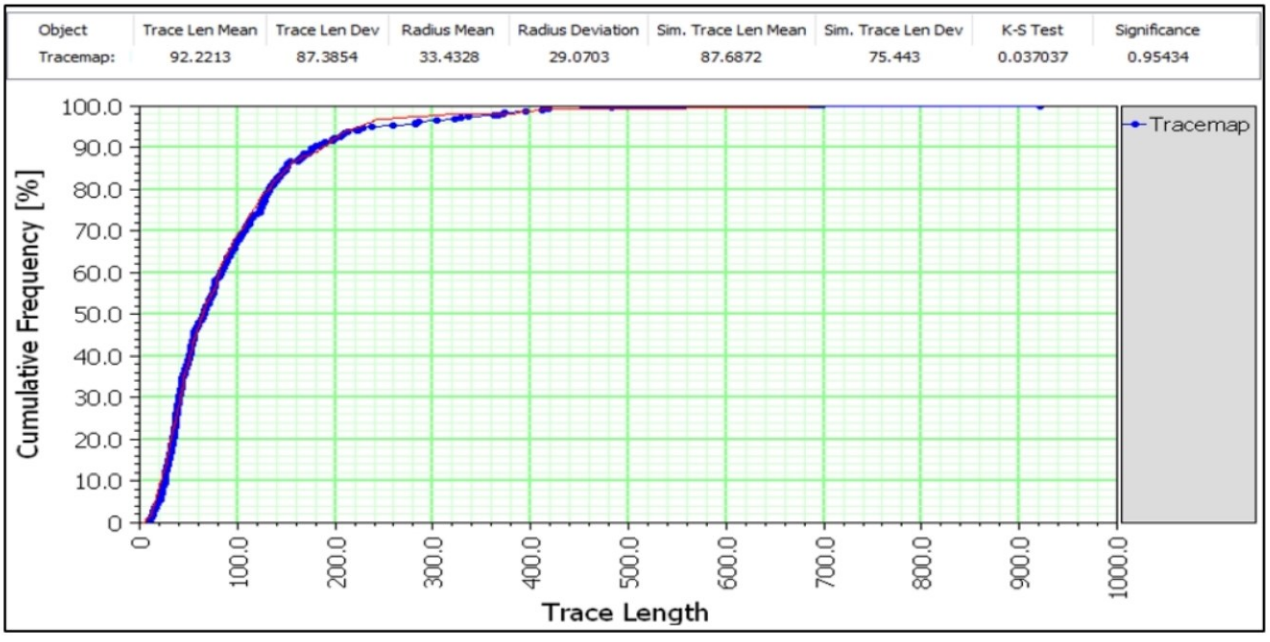
Granites (including those at Fervo's site) are naturally fractured.

EXHIBIT 30: **The granite that Fervo fractures at depth also appears nearby at the surface...and is naturally fractured**

Source: Forbes, B., Moore, J.N., Finnila, A., Podgorney, R., Nadimi, S., and McLennan, J.D., 2019

Those fractures occur at near all scales - from 10s of meters to a median of perhaps 60 meters with 90% of fractures less than 200 m.

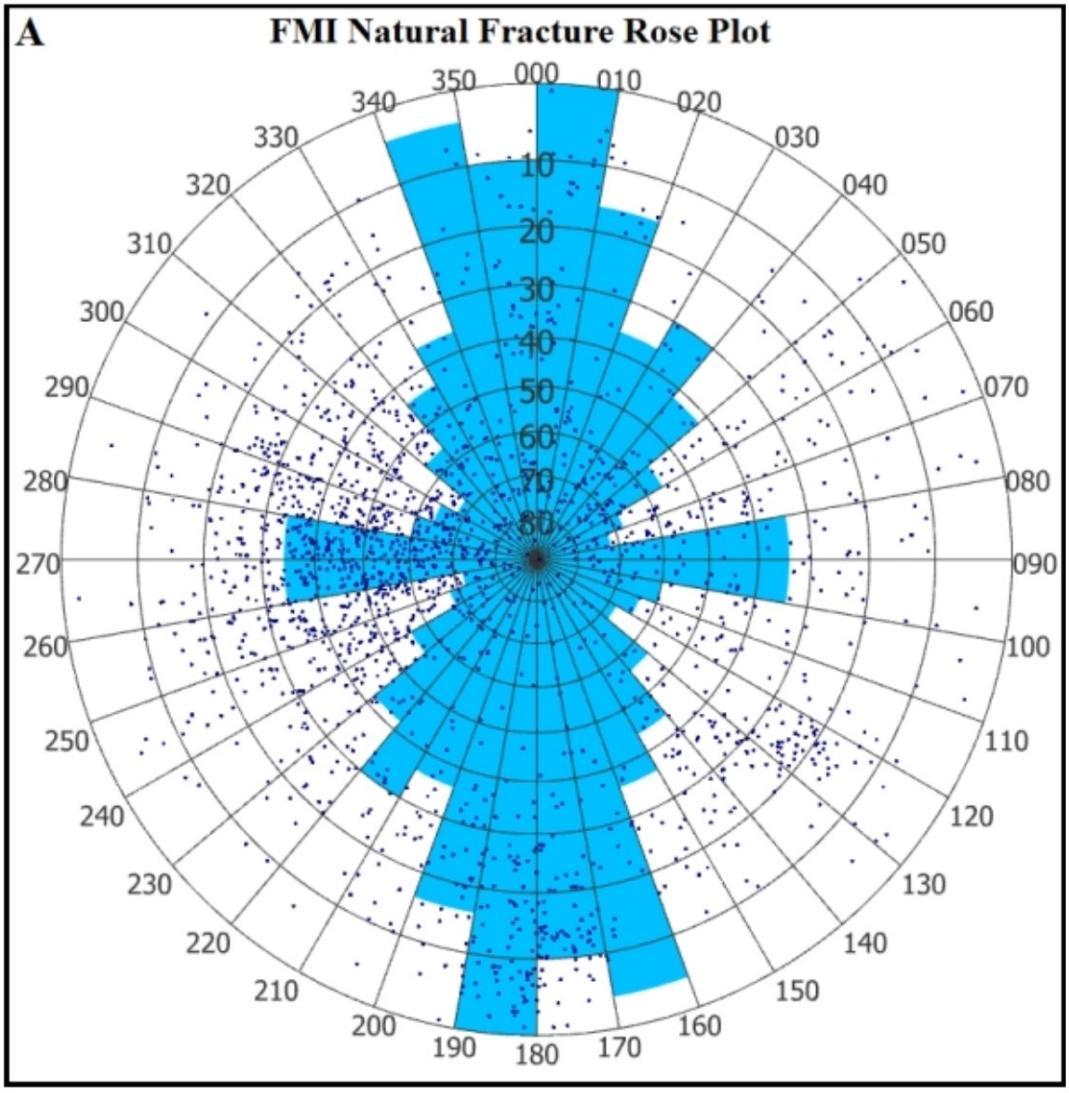
EXHIBIT 31: **The granite is naturally fractured with fracture lengths on average less than 100 meters…an order of magnitude smaller than the spacing between wells**



Source: Forbes, B., Moore, J.N., Finnila, A., Podgorney, R., Nadimi, S., and McLennan, J.D., 2019

In the subsurface those fractures occur along all dimensions but cluster into N/S E/W modes.

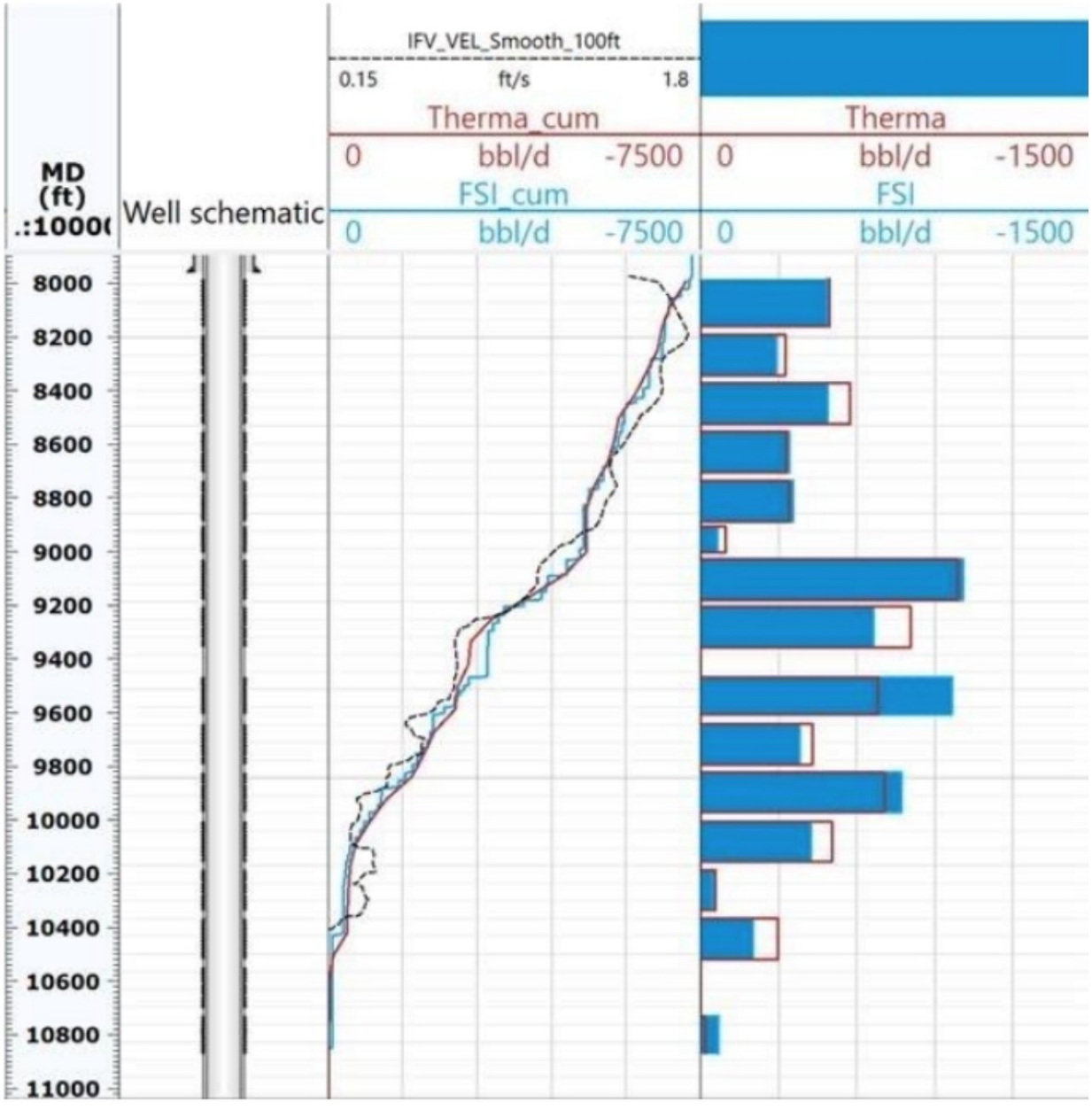
EXHIBIT 32: **The fractures measured in the wells drilled by Fervo have a regular set of orientations both north south and east west**



Source: Forbes, B., Moore, J.N., Finnila, A., Podgorney, R., Nadimi, S., and McLennan, J.D., 2019

Those fractures are sufficient to allow flow.

EXHIBIT 33: **Contribution of flow roughly linear across fracture system**

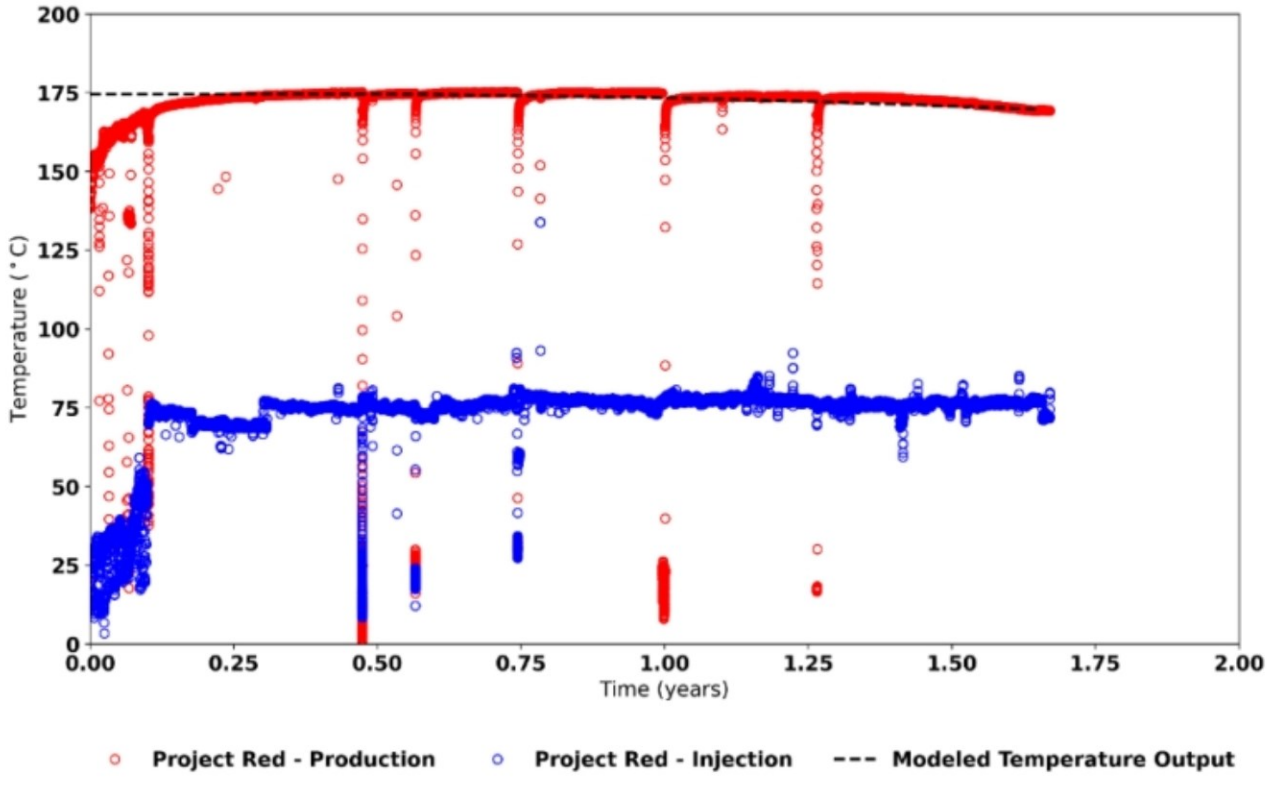


Source: Titov (Fervo) et al., 2025

FLOWING EGS WELLS IS DEMONSTRATED

The Project Red site of Fervo demonstrates that EGS wells can flow for >1.5 years and maintain a temperature gradient (from which electricity can be extracted).

EXHIBIT 34: **EGS wells can flow for >1.5 years with strong temperature gradient and predictable declines**



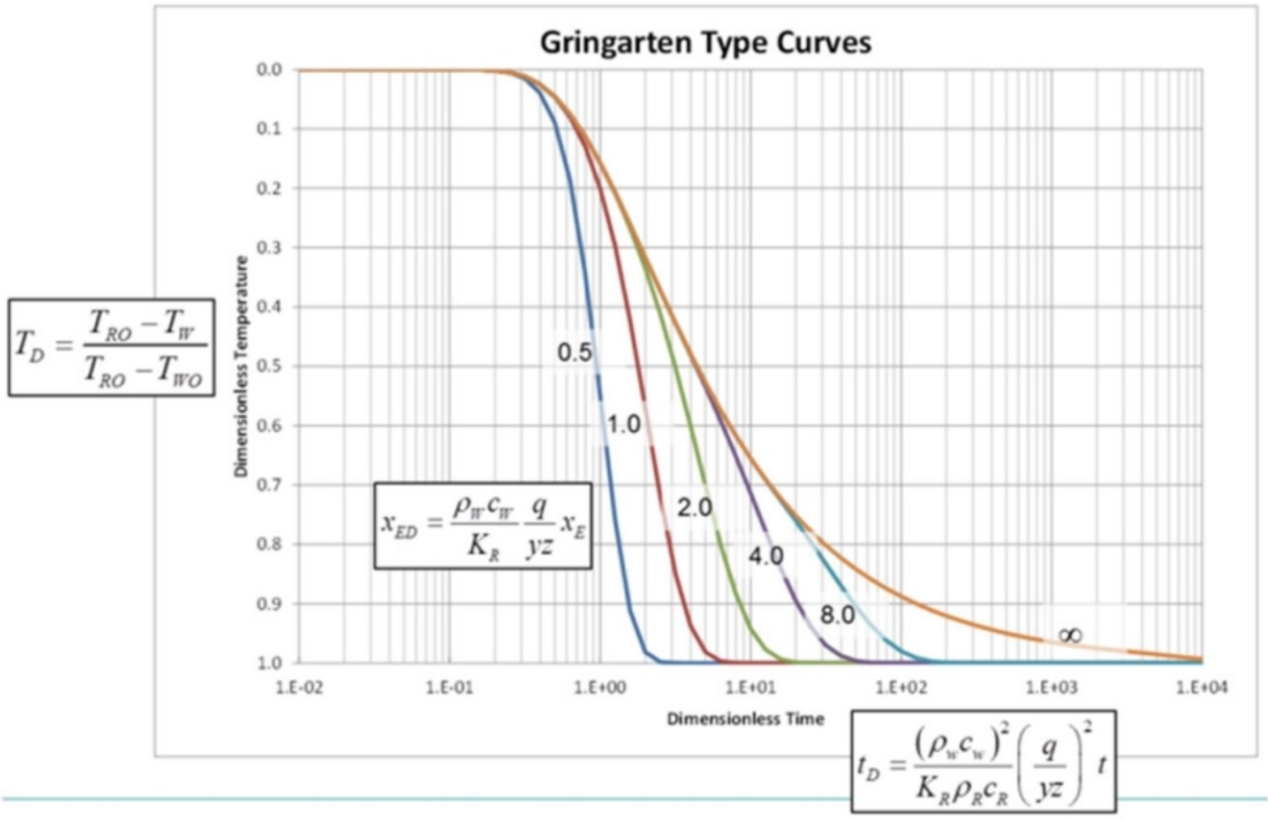
Source: Company reports

The oil & gas industry understands how shale wells declines (following, say, Arps-Fetkovich equations) and fits early production data to the theoretical curve to extract, for example, ultimate recoveries.

The equivalent equation/type curve for EGS is a Gringarten type curve.

The key point is that (1) it is understood how wells decline, (2) well decline doesn't follow anything like a shale well - rather temperatures of the production well stay roughly flat for years and then fall quickly, (3) the Project Red well follows the modeled temperature output.

EXHIBIT 35: **EGS wells follow Gringarten decline curves**



Source: NREL

EXTRACTING ELECTRICITY FROM GEOTHERMAL WELLS (THE ORC SYSTEM) IS ESTABLISHED

We show above that the US is already extracting electricity from 1.5+ GW of ORC-based projects.

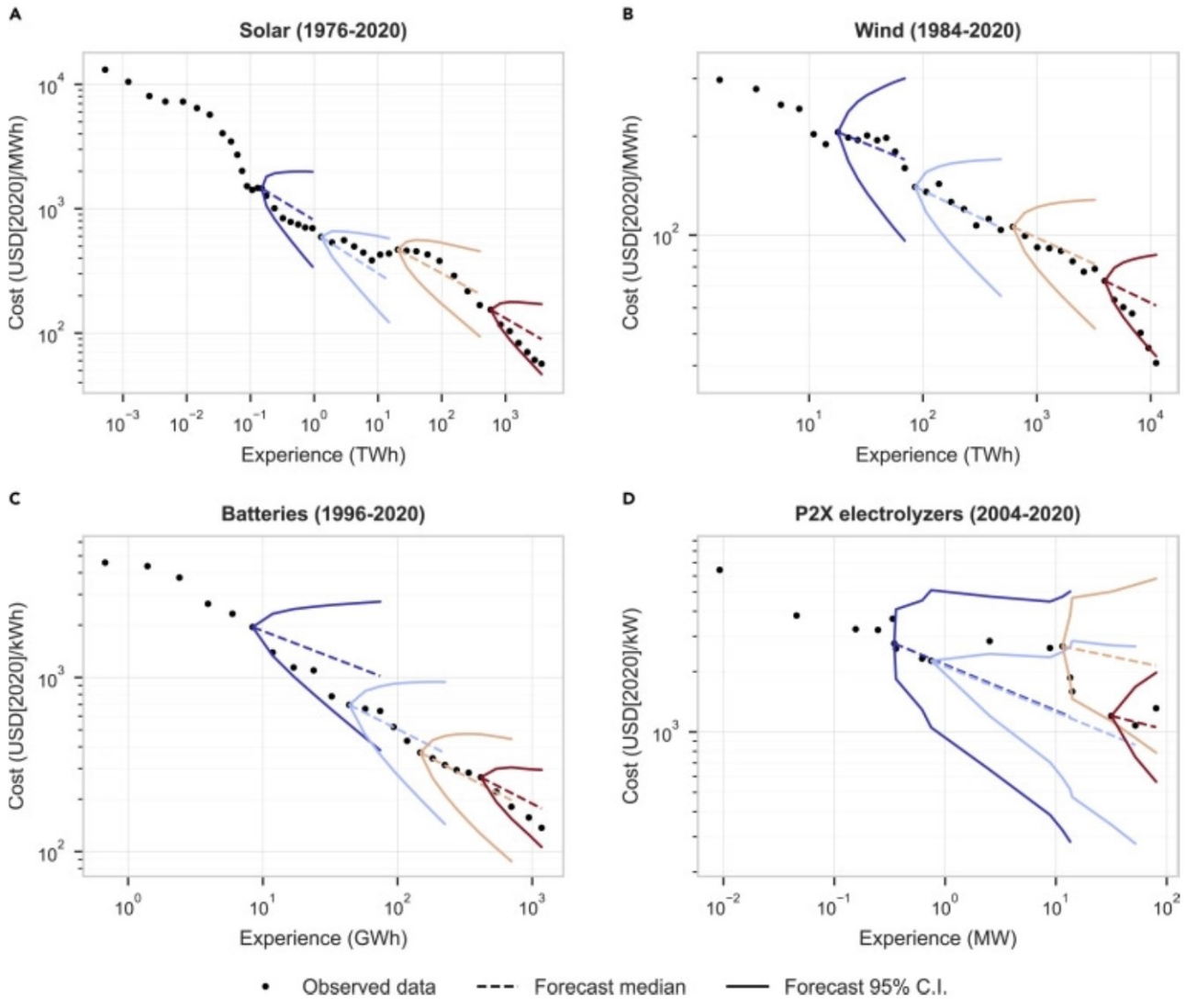
Globally the number is much larger: ORC World Map

Furthermore, efficiencies of these systems are well established in comparable environments to Utah (hot dry summer days) and even more hostile environments (equatorial projects with high annual temperatures and humidity).

LEARNING CURVES FOR MODULAR INDUSTRIES ARE DEMONSTRATED

We could talk at length about learning curves driving down Fervo's costs but instead we introduce (1) Performance Curve Database to demonstrate learning curves across all industries and (2) Renewable energy learning curves specifically (Empirically grounded technology forecasts and the energy transition: Joule)

EXHIBIT 36: **Learning curves in renewable energy are apparent**



Source: Way et al., 2022

RISKS

WATER ACCESS

Water access, especially in arid climates, has been mentioned as a concern for EGS. We would argue that EGS does not need to (nor plan to) access potable water and compete with agriculture. Because EGS is closed loop, the use of brines is acceptable. Those brines would circulate and never touch surface conditions. If water loss (water exiting the subsurface system into an adjacent fracture or pore system) were to occur, brine wells could be drilled for trivial capital to 'top up' the system. While water loss was observed at the trial Project Red well pair, it is significantly lower at the commercial wine-rack style well distribution of Cape Phase I and beyond.

SEISMICITY

Seismicity can occur in the oil patch from two issues. One is the injection of water related to fraccing and the other is water disposal.

We've written on the topic before (Bernstein E&Ps: Oklahoma Fracquakes - A Tale Full of Sound and Fury Signifying Nothing).

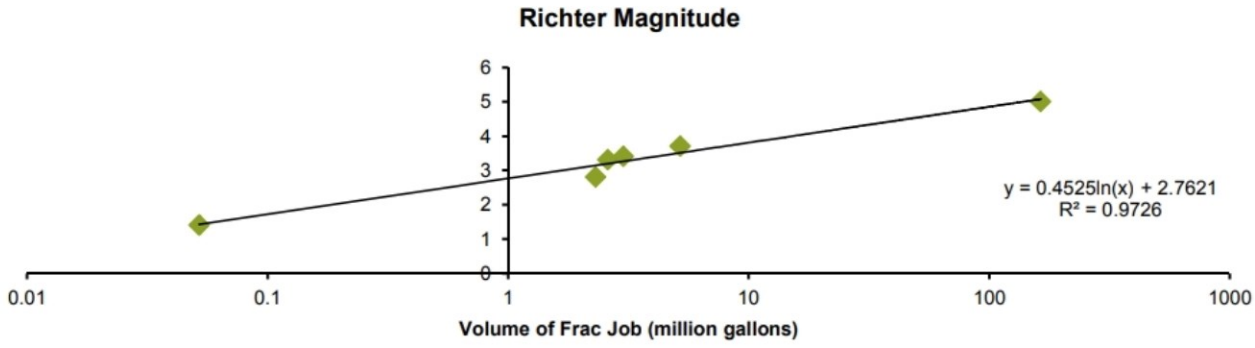
Frac jobs are insufficient to cause large earthquakes and are being monitored by Fervo in any case.

Water disposal has been responsible for the larger oil field earthquakes and is not undertaken here.

In general, the EGS system keeps a positive and uniform pressure across the system and lacks the sudden changes likely to induce seismicity.

Water storage for intermittent power solutions could be an issue, but is not currently in plan.

EXHIBIT 37: **The size of frac jobs are too small to create significant earthquakes**



Source: USGS; Bernstein analysis

THERMAL DEPLETION

If wells decline faster than forecast then thermal depletion could occur. We argue above that early wells follow the expected type curve. If wells decline faster than forecast, it could be (1) lack of diverse set of induced fractures causing the cycled water to extract heat from only limited areas, or (2) proppant crushing, which is being studied (publications.mygeoenergynow.org/grc/1035199.pdf).

In the case of Fervo, item (1) is partly de-risked via evidence from monitoring (well flow tests and microseismic) and field observations (natural fractures). item (2) is mitigated through proppant selection.

COMPETITORS

We note other private companies have raised capital for new geothermal.

EXHIBIT 38: **Private capital in new geothermal**

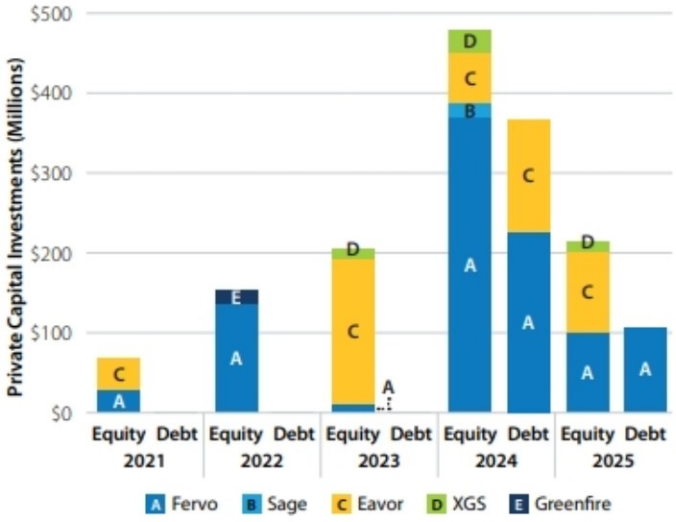


Figure ES-5. Private capital investments in next-generation geothermal developers between 2021 and June 2025. *Sources: Fervo Energy (2024a, 2024b, 2024c, 2025), Business Wire (2024a; 2024b; 2025a), Eavor Technologies (2024a; 2024b), and Pitchbook (2025).*

Source: NREL

We note that a range of technologies could apply.

EXHIBIT 39: **A range of technologies could apply**

Figure II.2: Blurred Lines Between Geothermal Project Categories
EGS (enhanced geothermal system), CRF (crystalline rock with dominant artificial fractures), CRN (crystalline rock with dominant natural fractures or faults). Adapted from (Bloomberg NEF, 2023 and this research).

Source: Clean Air Task Force

Ultimately we believe that Fervo Energy is years ahead of competitors and has the inertia to remain so. Further we don't believe the demand for the type of power EGS delivers is lacking demand - it's a massive market.

We also don't believe that E&P companies would ever choose to compete in the space as the returns, while attractive, are PPA-focused and closer to the utility business model. We can imagine that European Integrated Oil Companies would be intrigued by the opportunity but argue they would perhaps be slower followers at best.

LEGAL CHALLENGES

We note that some attention had been made in the past to a previous civil action between Fervo and Ormat (another geothermal company): Bloomberg Law and 1498384389387066966-07320221

We note that claims in the case were dismissed with prejudice to being re-filed.

EXHIBIT 40: **Fervo's argument for dismissal with prejudice honored**

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United States District Court
Southern District of Texas
ENTERED
February 18, 2025
Nathan Ochsner, Clerk

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

FERVO ENERGY COMPANY, Plaintiff,	§ § §	
VS.	§	CIVIL ACTION NO. 4:24-CV-00006
ORMAT TECHNOLOGIES, INC., Defendant.	§ § §	

ORDER OF DISMISSAL

On February 17, 2025, Plaintiff Fervo Energy Company ("Fervo") and Defendant Ormat Technologies, Inc. ("Ormat") filed a Joint Stipulation of Dismissal with Prejudice (Dkt. 40) pursuant to Rule 41(a)(1)(A)(ii) of the Federal Rules of Civil Procedure.

Accordingly, it is hereby **ORDERED** that all claims asserted against any party in the above-captioned lawsuit are hereby **DISMISSED WITH PREJUDICE** to their being re-filed.

Each party shall bear its own attorneys' fees and costs.

THIS IS A FINAL JUDGMENT.

SIGNED at Houston, Texas on February 18, 2025.

George C. Hanks Jr.
GEORGE C. HANKS, JR.
UNITED STATES DISTRICT JUDGE

Source: US District Court; Bernstein analysis

FUTURE OPPORTUNITIES

Finally, we close with future extensions on EGS that could provide additional value. We include no value of course in our models for these potential extensions, but they include combining EGS with storage (and thus potentially adding a dynamic element to power delivered that may match local demand conditions better).

EGS could support DAC (Direct Air Capture) as laid out here: https://netl.doe.gov/sites/default/files/netl-file/24CM/24CM_CDR_8_Dhillon.pdf

EGS could be combined with mineral extraction (likely lithium) from the circulated brines.

EGS could support green hydrogen as laid out here: www.un.org/esa/sustdev/sdissues/energy/op/hydrogen_seminar/presentations/20_flovenz_isor.pdf

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 41: **Income Statement - FRVO**

Income Statement	2024	2025	2026E	2027E	2028E	2029E	2030E
(In $MM, except per share amounts)							
Revenue	0	0	7	80	231	544	823
Less: Operating Expenses	1	(0)	-3	-27	-64	-136	-238
Less: Depreciation	(0)	(0)	-2	-24	-68	-146	-244
Gross Margin	**1**	**0**	**2**	**29**	**100**	**262**	**341**
Less: Lease Expense	-7	-10	-11	-11	-12	-12	-13
Less: G&A	-35	-39	-39	-44	-49	-56	-63
Less: Stock-Based Compensation	(1)	(3)	-10	-10	-10	-10	-10
Operating Income (Loss)	**-43**	**-51**	**-57**	**-35**	**29**	**184**	**255**
Less: Interest Expense	-1	-8	-49	-98	-200	-372	-592
Plus: Interest Income	2	4	10	60	44	22	2
Plus: Income from Tax Credits			65	24	71	167	254
Other non-operating income	0	-5					
Less: Income Tax Expense	0	0	-	-	-	-	-
Net Income (Loss)	**-42**	**-60**	**-31**	**-49**	**-56**	**1**	**-81**
Adjusted EBITDA Reconciliation							
Net Income (Loss)	**(42)**	**(60)**	-31	-49	-56	1	-81
Plus: Interest Expense	**1**	**8**	49	98	200	372	592
Plus: Income Tax Expense	**0**	**0**	0	0	0	0	0
Plus: Depreciation	**0**	**0**	2	24	68	146	244
Less: Income from Tax Credits	**-**	**-**	-65	-24	-71	-167	-254
EBITDA	**-41**	**-52**	**-45**	**49**	**140**	**352**	**501**
EBITDA Margin	*N/A*	*N/A*	*N/A*	*61%*	*61%*	*65%*	*61%*
Plus: Stock-Based Compensation	**1**	**3**	10	10	10	10	10
Plus: PTC Transfer Proceeds			2	24	71	167	254
Adjusted EBITDA	**-40**	**-49**	**-33**	**83**	**221**	**529**	**765**
Adjusted EBITDA Margin	*N/A*	*N/A*	*N/A*	*103%*	*96%*	*97%*	*93%*
Net Debt to EBITDA	0	6	52	-14	4	5	7
Common Shares Outstanding							
Basic Shares Pre-IPO	214	214	214	214	214	214	214
+Stock Options	29	29	29	29	29	29	29
Fully Diluted Shares Pre-IPO	**243**	**243**	**243**	**243**	**243**	**243**	**243**
IPO Primary Shares Offered			70	70	70	70	70
Basic Shares Post IPO	**214**	**214**	**284**	**284**	**284**	**284**	**284**
Fully Diluted Shares Post-IPO	**243**	**243**	**313**	**313**	**313**	**313**	**313**
Earnings							
Basic EPS	-0.20	-0.28	-0.11	-0.17	-0.20	0.00	-0.29
Diluted EPS	-0.17	-0.25	-0.10	-0.16	-0.18	0.00	-0.26

Source: Company reports, Bernstein analysis and estimates

EXHIBIT 42: **Balance Sheet - FRVO**

Balance Sheet Overview	2024	2025	2026E	2027E	2028E	2029E	2030E
Cash	57	462	2,004	1,452	737	79	(1,105)
Accounts Receivable	-	-	1	10	28	67	101
Inventory	-	-	3	6	11	14	12
Grants receiveables	4	11					
Prepaid and Other Current Assets	8	10	0	4	12	27	41
Total Current Assets	**69**	**482**	**2,008**	**1,471**	**788**	**188**	**-951**
PPE	259	790	1,825	3,717	7,328	11,898	15,570
Right-of-use Assets	26	59	59	60	60	61	62
Restricted Cash	136	6	6	6	6	6	6
Deposits	25	15	15	15	15	15	15
Other	10	14	14	14	14	14	14
Total Non-Current Assets	**456**	**883**	**1,919**	**3,812**	**7,423**	**11,994**	**15,666**
Total Assets	**525**	**1,365**	**3,927**	**5,283**	**8,211**	**12,182**	**14,716**
Accounts Payable	29	11	128	240	461	598	512
Construction Debt	23	119	556	1,891	3,311	5,664	6,676
Operating Lease Liability - Current	2	5	5	5	5	5	5
Other Current Liabilities	7	17	17	17	17	17	17
Total Current Liabilities	**61**	**152**	**707**	**2,153**	**3,794**	**6,284**	**7,210**
Term Loan			-	-	-	-	-
Long Term Debt	39	173	308	287	1,641	2,830	4,529
Operating Lease Liability - Non-Current	41	73	73	74	75	76	76
Other Non-Current Liabilities	0	11	11	11	11	11	11
Total Non-Current Liabilities	**80**	**257**	**393**	**373**	**1,727**	**2,917**	**4,617**
Total Liabilities	**141**	**409**	**1,099**	**2,526**	**5,521**	**9,202**	**11,827**
Common Stock	0	0	2,923	2,933	2,943	2,953	2,963
Preferred Stock	562	1,023	-	-	-	-	-
Additional paid-in capital	3						
Treasury Stock		(2)					
Accumulated Income / (Deficit)	(180)	(245)	(275)	(324)	(381)	(380)	(461)
NCI	-	180	180	149	128	407	387
Total Shareholder's Equity	**384**	**956**	**2,828**	**2,757**	**2,690**	**2,980**	**2,889**
Total Liabilities and Shareholder's Equity	**525**	**1,365**	**3,927**	**5,283**	**8,211**	**12,182**	**14,716**

Source: Company reports, Bernstein analysis and estimates

EXHIBIT 43: **Cash Flow Statement - FRVO**

Cash Flow Statement	2024	2025	2026E	2027E	2028E	2029E	2030E
Net Income (Loss)	(42)	(60)	(31)	(49)	(56)	1	(81)
Plus: Depreciation & Amortization	0	0	2	24	68	146	244
Plus: Stock-based Compensation	1	3	10	10	10	10	10
Other	5	11					
Plus / (Less): Changes in Net Working Capital							
Accounts Receivable			(1)	(9)	(19)	(39)	(34)
Inventory			(3)	(3)	(5)	(3)	2
Prepaid and Other Current Assets	7	2	9	(4)	(8)	(16)	(14)
Accounts Payable	4	(3)	117	111	222	137	(86)
Right-of-Use Assets			(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Operating Lease Liability			1	1	1	1	1
Other	(16)	17					
Cash Flow from Operations	**(42)**	**(31)**	**105**	**81**	**212**	**236**	**41**
Capital Expenditures	(179)	(466)	(1,037)	(1,908)	(3,653)	(4,658)	(3,815)
Maintenance CapEx			(1)	(8)	(25)	(59)	(100)
Cash Flow from Investing	**(179)**	**(466)**	**(1,038)**	**(1,916)**	**(3,679)**	**(4,716)**	**(3,915)**
Proceeds from Construction Financing			937	1,335	2,841	3,704	3,052
Repayment of Construction Financing			(525)	-	(1,421)	(1,350)	(2,040)
Proceeds from Term Debt	37	132	310	-	1,421	1,350	2,040
Repayment of Term Debt			(2)	(21)	(68)	(160)	(341)
Issuance of subsidiary stock	-	167					
Issuance of warrants	-	7					
Issuance of SAFE	1	-					
Draw on Term Loan ($40mm available)			-		-	-	-
Minority Equity Distributions			-	(31)	(21)	(21)	(20)
Issuance (repayment) of Preferred Stock	367	461	(1,023)	-	-	-	-
Stock Repurchases	-	(2)					
Issuance of Common Shares	0	0	1,023	-	-	-	-
Project Preferred Equity			-	-	-	300	-
IPO Proceeds			1,890	-	-	-	-
Cash Flow from Financing	**404**	**766**	**2,610**	**1,283**	**2,752**	**3,823**	**2,690**
Net Change in Cash	**183**	**269**	**1,677**	**(552)**	**(715)**	**(657)**	**(1,184)**

Source: Company reports, Bernstein analysis and estimates

BERNSTEIN TICKER TABLE

			5 Jun 2026		TTM		Reported EPS			Reported P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
FRVO (Fervo)	O	USD	37.22	47.00	NA	USD	(0.25)	(0.10)	(0.16)	(149.9)	(380.2)	(236.4)
SPX			7,383.74									

COVERAGE INITIATION

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

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VALUATION METHODOLOGY

Fervo Energy Company

Methodology: EV to EBITDA. We use 2035 Adjusted EBITDA and an EV/EBITDA multiple of 10.5x and discount it back to 2027 for a price target of $47.

RISKS

Fervo Energy Company

Downside risks to our price target include:

Lack of power demand growth, or weaker than anticipated power prices for future PPAs

Competing technologies → Fuel cells, Solar plus battery storage

Permitting challenges and changes to overall government support

Unexpected operational challenges as phase I project ramps

Capital project over runs on future phases

Inability to drive down future project costs

Heat transfer/ faster than expected cooling

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

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Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	36.3%	17.8%
Underperform	SELL	12.6%	14.9%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.
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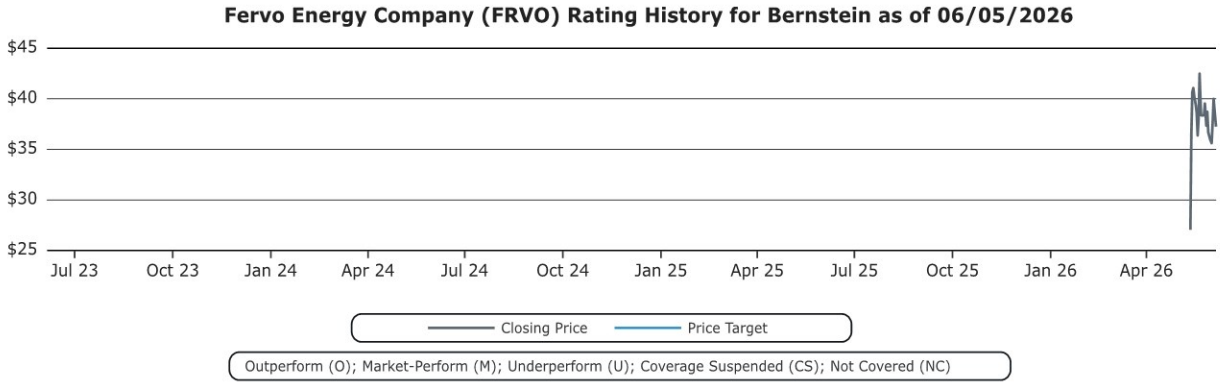

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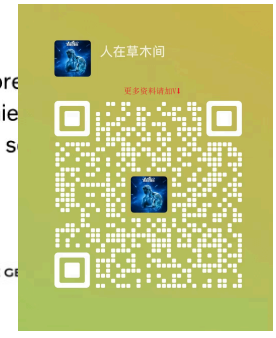

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