LM PAY

Initiation of coverage

Beauty and health without waiting

Financial services

27 October 2025

LM PAY is a fintech providing consumer finance and 'care now, pay later' solutions via its B2B partnerships with beauty and medical facilities, allowing clients to pre-finance treatments. The company also provides general purpose loans to customers who have an established credit history with LM PAY. The business has rapidly expanded its service partner network in recent years to c 13,000 beauty and medical facilities and adds around 50–150 new facilities each month, while its annual loan volume surpassed PLN100m in 2024 (c €24m). LM PAY's multiple growth projects and a new financing arrangement, further supported by the strong consumer loan market in Poland, should help drive continued strong, double-digit growth in loan volumes and revenue. Coupled with a broadly stable cost base, this should allow LM PAY to realise significant economies of scale.

Year end	Revenue (PLNm)	PBT (PLNm)	EPS (PLN)	DPS (PLN)	P/E (x)	Yield (%)
12/23	17.5	(2.9)	(3.87)	0.00	N/A	N/A
12/24	22.8	(0.6)	0.11	0.00	N/A	N/A
12/25e	32.7	(0.1)	(0.11)	0.00	N/A	N/A
12/26e	38.4	5.4	8.47	0.00	20.0	N/A

Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

LM PAY has a strong position in a niche market

The broader consumer loan market in Poland is fragmented, with a high level of competition between banks, credit unions and online lenders. LM PAY differs from traditional consumer loan businesses in that it operates in a specialised, niche market with limited direct competition. The company's first-mover advantage lies in its direct relationships with owners of beauty and medical facilities, often strengthened over many years, coupled with the strong MediRaty brand, built since 2010. LM PAY's tech system integrates directly with medical clinics and beauty salons, creating a high entry barrier through its smooth lending process. LM PAY's business scalability comes from process automation supported by its in-house IT team. The company benefits from high demand for consumer loans and an inefficient public healthcare system in Poland.

Several ambitious growth projects in progress

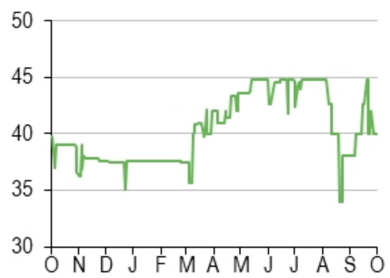
In June 2025, LM PAY launched CUK Flex Pay, a product for financing car insurance premiums, in partnership with one of Poland's largest insurance multi-agencies with more than 3,000 agents, and the company is targeting partnerships with other insurance brokers and companies. LM PAY is also exploring alternative payment methods and recently launched a virtual card in partnership with Visa. While the company sees significant room to grow in Poland for at least the next three to four years, it is making organic forays into other countries in the region, starting with expansion into Romania.

Valuation: Growth projects not fully factored in

Our discounted cash flow (DCF) valuation, based on a 16.6% cost of equity, implies a fair value of €54 per share, which is 35% above the current share price. Our valuation already reflects a premium for low stock liquidity.

Price	**€40.00**
Market cap	**€25m**
	PLN4.23/€
Shares in issue	0.6m
Code	Y00
Primary exchange	DUS
Secondary exchange	FSE

Share price performance



%	1m	3m	12m
Abs	(65.0)	(63.8)	(63.7)
52-week high/low		€116.4	€37.6

Business description

LM PAY is a Polish fintech specialising in consumer financing for beauty and healthcare services via B2B partnerships. The company has recently expanded into car insurance financing and launched a card in partnership with Visa.

Analyst

Milosz Papst +44 (0)20 3077 5700

financials@edisongroup.com

Edison profile page

LM PAY is a research client of Edison Investment Research Limited

Investment summary

Company description: A niche lender with ambitious growth plans

LM PAY offers consumer lending and deferred payments via its business-to-business (B2B) partnerships with around 13,000 beauty salons and clinics in Poland offering aesthetics, dentistry, veterinary, rehabilitation, plastic surgery, optics and other medical treatments. Furthermore, in June 2025, the company launched CUK Flex Pay (its car insurance financing product) in partnership with CUK Ubezpieczenia (CUK), one of Poland's largest insurance multi-agencies with more than 3,000 agents. It also recently introduced MediPay Mobile by Visa, a virtual card that allows users to conveniently finance medical and aesthetic treatments across a wide, predetermined list of facilities. In addition, the company is looking to expand in the region, and plans to enter the Romanian market soon.

Financials: On the verge of realising economies of scale

LM PAY's growth projects, coupled with a new financing arrangement, should help it sustain strong, double-digit growth in loan volumes and revenue (we assume 43% revenue growth in FY25e, followed by a 23% CAGR in FY25–29e). We understand that, following the one-off IT implementation costs associated with MediPay Mobile by Visa and the CUK partnership, LM PAY's cost base should going forward remain fairly stable and allow the company to realise economies of scale and drive profitability. Furthermore, LM PAY's new financing agreement finalised in September 2025 should reduce the cost of funding its securitisation activities. We forecast an operating profit of PLN9.4m in FY25 (in line with management guidance of PLN7–12m) and a marginal net loss of PLN0.1m, followed by significant further growth in earnings. LM PAY's business model is characterised by a low cost of risk, with the share of days past due of 90 (DPD90+) loans at c 2–3%. The company's cost of risk is likely to rise moderately in the coming years due to the growth in financing of car insurance premiums (where management expects a 4–5pp cost of risk), as well as the roll-out of MediPay Mobile by Visa and the expansion into Romania. We forecast write-offs of c 3.0–3.5% of LM PAY's loan book in the coming years.

Valuation: Our base scenario implies 35% upside potential

We value LM PAY based on a DCF model using a cost of equity of 16.6%, derived from a capital asset pricing model (CAPM) and after applying an illiquidity premium. We blend this with our cost of debt assumptions to arrive at a weighted average cost of capital (WACC) of 11.5%. We use a conservative terminal growth rate of 2.5%. Consequently, we arrive at a fair value per share of €54, which is 35% above the current share price.

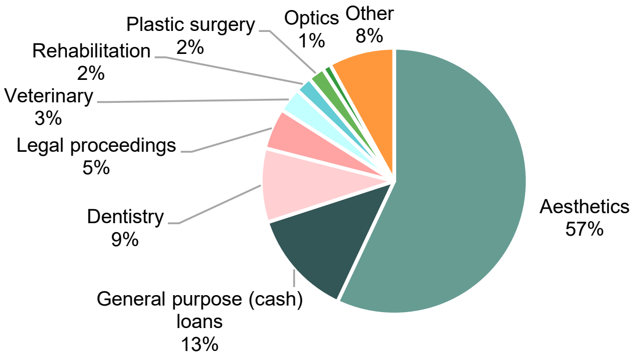
Sensitivities: Growth projects, balance sheet, regulations and rate cuts

Our forecasts are dependent on LM PAY's ability to drive significant growth from the car insurance financing business, as well as through MediPay Mobile by Visa and the Romanian expansion. Furthermore, there is limited information available in the public domain about the terms and maturities of LM PAY's outstanding loans and borrowings (other than the securitisation arrangement). There is both downside and upside risk from the timeline and extent of the loan repayment by MFG (LM PAY's controlling shareholder), which is dependent on MFG's ability to find buyers for its stake in LM PAY, as well as on the level of proceeds from MFG's loan book, for which there is no publicly available information. Other major sensitivities include regulations (a new version of the Polish Consumer Credit Act), different rate-cut scenarios in Poland versus our assumptions and the potential entrance of new competitors.

Company profile: A tech-driven lender operating in a niche market

LM PAY is a fintech providing consumer finance and care now, pay later (ie deferred payment) solutions via its B2B partnerships with beauty and medical facilities, allowing clients (more than 90% of whom are female) to pre-finance treatments (including hospitalisation if needed). It provides beauty and medical clinics with immediate (and often greater) revenue, and their diversified base of serviced patients (38,500 in FY24) with a fast loan approval process. The company was launched under the brand ratalnie.com in 2010 in response to the unmet need for a tailored financing solution for dental implantology clients (dentistry currently represents c 9% of total loan volume). LM PAY broadened its offering to aesthetics and plastic surgery services in 2012, with aesthetics representing more than half of LM PAY's business (see Exhibit 2). The company also provides general purpose (cash) loans to customers with an established credit history with LM PAY. These now account for 13% of the business. The company has rapidly expanded its service partner network to c 13,000 beauty and medical facilities and adds around 50–150 new facilities each month, while its annual loan volume surpassed PLN100m in 2024. The company has been listed on the Düsseldorf and Frankfurt stock exchanges since November 2023.

Exhibit 2: LM PAY's loan volume in H125 by market segment



Source: Company data

The broader consumer loan market in Poland is fragmented, with a high level of competition between banks, credit unions and online lenders. LM PAY differs from traditional consumer loan businesses in that it operates in a specialised, niche market with limited direct competition. The company's first-mover advantage lies in its direct relationships with owners of beauty and medical facilities, often strengthened over many years, coupled with the strong MediRaty brand, built since 2010. Another high entry barrier for potential competitors is the integration of medical clinics and beauty salons with LM PAY's tech system ('embedded finance'), facilitating a smooth lending process. LM PAY's business scalability comes from process automation supported by its in-house IT team. LM PAY does not charge partner facilities fees for system implementation, training and e-tools etc.

The sales process is driven by staff of the partner facilities, which in the case of beauty salons (especially smaller businesses) is often the owner, and in the case of medical clinics is usually the support personnel (eg receptionists) rather than medical practitioners (who are usually not interested in discussing finance options with patients). LM PAY's management highlighted that financing with a ticket size greater than LM PAY's upper loan size limit (PLN30k) is provided by a partner bank, which pays a fee to LM PAY. According to management, this bank decided to pursue this route because this niche market is too small for the bank to devote significant resources to compete with LM PAY. Another competitor is Comfino, which entered the medical financing business in 2021 via the partnership of ComperiaRaty (a buy now, pay later (BNPL) provider) and kliniki.pl (an online platform connecting patients with clinics). Management believes Comfino has had limited success so far, and we note that Comfino's landing page on the kliniki.pl website currently lists only 80 medical facilities that it has partnered with.

Three main products: MediRaty, MediPay and cash loans

LM PAY's core products are MediPay (around 70% of its current loan volume), MediRaty (c 17%) and the above-mentioned general purpose consumer loans (see Exhibit 3).

MediRaty is LM PAY's earlier, less automated, higher-ticket product, introduced in 2013. It is focused on financing dental procedures, with a maximum loan size of PLN20k (online agreement) or PLN30k (offline, ie signed in the presence of a courier). The creditworthiness evaluation and loan decision for MediRaty clients is carried out by LM PAY's call centre, usually within six minutes. Clients can choose a repayment schedule of instalments over six (smaller tickets), 12, 24 or 36 months (the weighted average loan maturity is 25 months at present).

MediPay (introduced in 2019) is a lower-volume product (the average loan size is PLN1.9k) for beauty and medical treatments covered by LM PAY's offering. It offers the client a free care now, pay later financing option for 30 days (for amounts up to PLN5k) or repayment in instalments over three to 24 months (for amounts up to PLN9.3k), with an average tenor of 11 months at present (though more than half of the lending volume is attributable to tenures of up to eight months). Around 25% of the 30-day deferrals convert into repayments in instalments. The creditworthiness evaluation and loan decision for MediPay is completed automatically within a minute at the healthcare facility. This product supports the diversification of LM PAY's customer base and lending book, as well as higher capital efficiency. The quick loan decision process is an advantage for both the patient and the treatment provider compared to obtaining a consumer loan from a bank, which, while cheaper, requires at least 15 minutes for a loan decision to be issued (unless a client uses a credit card). Management highlighted that its MediRaty and MediPay clients undergo a standard verification and credit assessment process, while its general purpose loans are pre-approved and offered only to select clients.

Exhibit 3: Overview of LM PAY's main products

LM PAY: Simplifying Access to Care and insurance through Embedded Finance. Product description.

	MediPay	MediRaty	Cash loans known clients
number of loans per month	3836	194	212
average loan amount (in PLN)	PLN 1,930	PLN 6,100	PLN 6,550
focus on	all medical treatments	treatments in dental services	multi-purpose
creditworthiness/loan decision carried out	at a healthcare facility	by own Call Centre	by own Call Centre
payment direct to healthcare provider	✓	✓	-
repayment in instalments	✓	✓	✓
max loan	PLN 9,300	PLN 20,000 (online agreement) / PLN 30,000 (offline agreement)	PLN 50,000
share of business (in % of sales)	70% of sales	17% of sales	13% of sales

30 days up to PLN 5,000

Care Now, Pay Later ("CNPL"): (free) financing option providing payment for healthcare expenses and fast loan approval – convenience for patients and providers

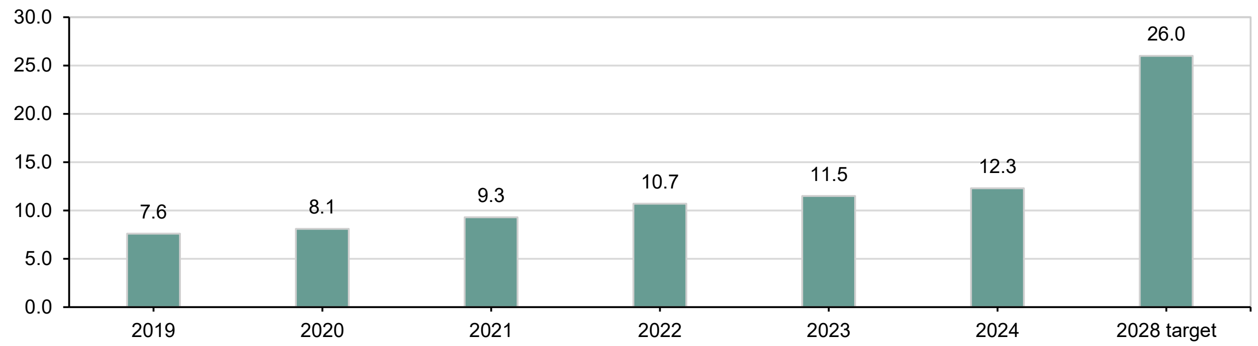
LM pay

Source: LM PAY

Expanding into car insurance financing, lifestyle card and Romania

The company aims to grow its network of beauty and medical partners in Poland from the current c 13,000 to around 26,000 by 2028 (see Exhibit 4). In 2023 (when it had 11,500 partners), management estimated the overall potential to expand its network by 40,000–50,000 medical units in Poland, which suggests ample room for further growth in the coming years. The company aims to attract 10,000 customers per month compared to the current c 5,000.

Exhibit 4: Growth in LM PAY's affiliated partner network (000s)



Source: Company data

Partnership with a large Polish insurance multi-agency

In June 2025, LM PAY launched **CUK Flex Pay** in partnership with CUK, one of Poland's largest insurance multi-agencies with more than 3,000 agents. The product allows for convenient and safe financing of third-party liability and comprehensive (AC) insurance premiums by either postponing payment for 30 days or paying the premium in four quarterly instalments, or in 11 or 12 monthly instalments. LM PAY has completed the integration with CUK's IT system, for which it used the same tech stack that underpins its embedded finance setup used for existing loan products. The company is targeting partnership with other insurance companies and brokers, seeking to make further forays into the car insurance market, which had a total gross written premium (AC and third-party liability) of c PLN31.3bn in 2024 (up 10.6% y-o-y), according to the Polish Chamber of Insurance. We understand that the financing of car insurance premiums is LM PAY's high-priority growth project given the well-documented, limited annualised cost of risk of c 4–5pp, according to management. We consider this a prudent approach, as we believe that a combination of efficient embedded finance and emphasis on niche markets with good credit quality underpins the attractiveness of LM PAY's investment story. That said, we note that LM PAY will have to pay a much higher fee to CUK's agents compared to the current cost it incurs for the loyalty programme to the staff of beauty and medical facilities. This is why, beyond partnerships with insurance brokers, LM PAY will also allow customers to obtain financing in instalments without the involvement of the insurance broker via its Secure Pay app.

Launching a 'care' card in partnership with Visa

The company is also exploring alternative payment methods and has recently launched a virtual card in partnership with Visa (**MediPay Mobile by Visa**). The card provides a convenient way to finance medical and aesthetic treatments across a wide, pre-determined list of facilities. Management highlighted that LM PAY's card is similar to CareCredit's health and wellness card in the US and is positioned as a lifestyle card (rather than a credit card). Importantly, the card should allow LM PAY to expand its reach without having to onboard each new medical and beauty facility before customers start financing their services via LM PAY. Once fully rolled out, it will open the company to a broader range of partners, given that there are c 90,000 beauty and medical facilities with point-of-sale terminals in Poland, according to management. Transactional activity at a given facility represents a good starting point for LM PAY to initiate a conversation with the facility's owner on implementing the company's embedded finance system.

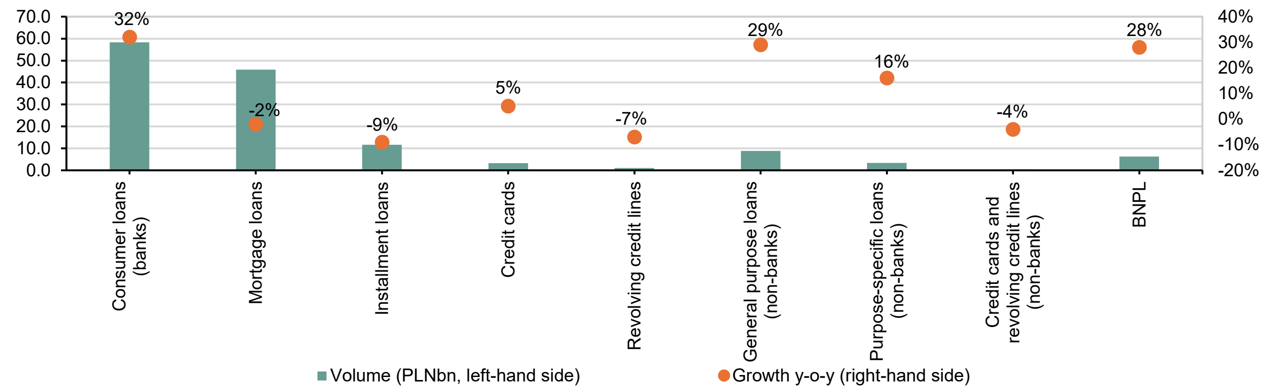
Geographic expansion starting with Romania

Although management believes the company has significant room to grow in Poland for at least the next three to four years, it is making organic forays into other countries in the region. It soon plans to enter Romania, a market it considers similar to Poland, characterised by strong growth of credit markets and good private credit scores. LM PAY's CEO believes the Romanian population has similar needs in terms of financing treatments to Poland 10 years ago. Fitch Ratings recently indicated that the Romanian non-bank lending market is one of the Central and Eastern Europe markets that recovered more quickly after the COVID-19 pandemic due to a more favourable regulatory framework, an easing operating environment and funding from international investors. In its World Economic Outlook report published in October 2025, the International Monetary Fund forecast somewhat slower GDP growth in Romania compared to Poland, at 1.0% and 1.4% in 2025 and 2026, respectively, with a subsequent pick-up to 3.3% by 2030. LM PAY registered its Romanian branch in November 2024 and submitted a licence application to the National Bank of Romania for entry into the general register of non-bank financial institutions, which is pending approval. We understand the deadline for the licence approval has passed, but management highlighted that delays in regulatory approvals are common in Romania, and that the company met all requirements to receive the licence.

Polish consumer loan market driven by solid wage growth and employment

New general-purpose and purpose-specific consumer loans provided by non-bank lenders in Poland increased year-on-year by 29.1% to PLN8.9bn and 16.5% to PLN3.4bn in H125, respectively, according to the Polish Credit Information Bureau (BIK). The strong growth in the Polish consumer loan market is also evidenced by the 31.9% y-o-y rise in new consumer lending of banks to PLN58.3bn in H125. BNPL loans (both from banks and non-bank lenders) grew at a broadly similar rate of 27.5% y-o-y to PLN6.3bn in H125.

Exhibit 5: New loan financings in Poland by segment in H125



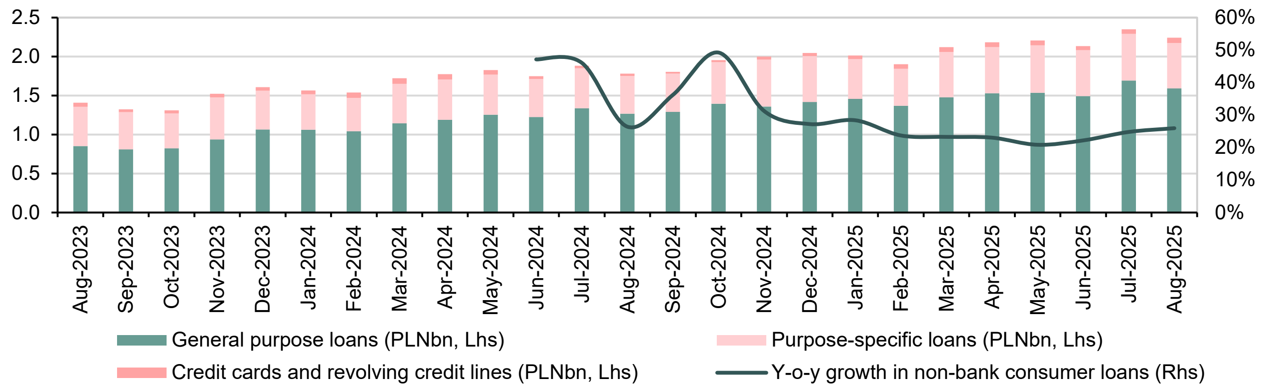
Source: Polish Credit Information Bureau

Non-bank consumer loan companies dominate the lower end of the volume spectrum, accounting for more than 90% and 73.9% of all purpose-specific loans up to PLN2k and up to PLN5k in 2024, respectively, while representing 67.9% of general-purpose consumer loans up to PLN5k and 84.6% of those up to PLN1k. It is also worth noting that 55% of all new non-bank general-purpose loans in H125 were short-term loans up to 30 days.

The BIK expects a stable H225 environment in terms of non-bank general purpose loans (with a slight upward trend), coupled with continued growth in purpose-specific loans. Major macroeconomic factors underpinning the buoyant market conditions are:

- accelerating disinflation;
- additional rate cuts from the local central bank;
- continued robust GDP growth (3.2% in 2025, according to the World Bank's Global Economic Prospects report published in June 2025);
- further wage growth (9.0% and 5.0% nominal and real wage growth in June 2025, respectively);
- low unemployment of c 5% at present; and
- stabilising property prices in H225.

Exhibit 6: Volume of non-bank consumer loans in Poland



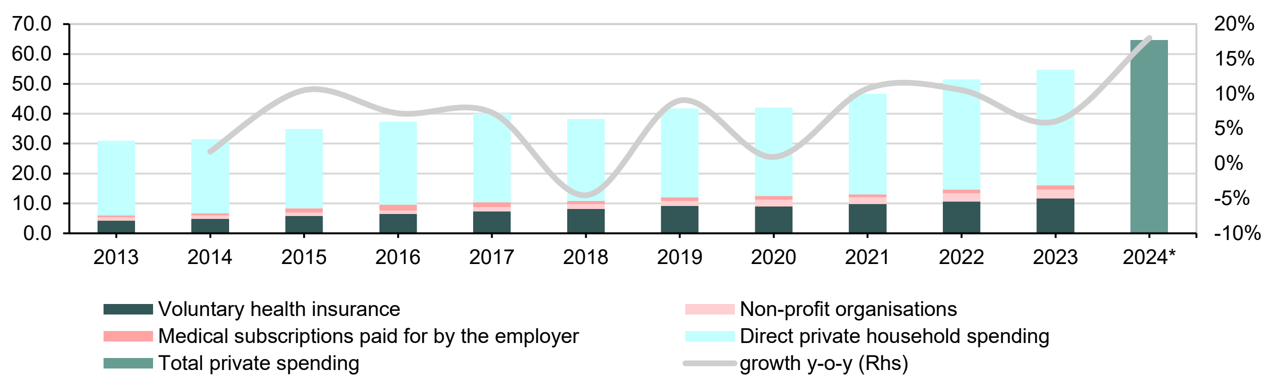
Source: Polish Credit Information Bureau

High demand for private healthcare and beauty treatments

Robust private consumption growth in Poland (3.1% in 2024 followed by 2.5% y-o-y in Q125) is coupled with an inefficient universal public healthcare system, resulting in a high share of private healthcare spending, at 22.2% in 2024 (according to Statistics Poland) compared to an EU average of 18.7% in 2022 (latest available Eurostat data). In 2024, 64.1% of Poles used private medical services at least once, according to a study conducted by the Association of Financial Companies in Poland and the Institute for Economic Development of the Warsaw School of Economics. 74.1% of respondents cited lack of availability in the public health sector as the reason for using private services, while 65.2% pointed to long queues in the public sector. The average waiting time for specialist doctors and scheduled procedures financed by public insurance in Poland is 4.2 months, according to LM PAY. 39% of the respondents also indicated higher service quality as the reason for using private healthcare services.

Of those who used private medical services in 2024, 81.9% covered this using their own funds, while funding via credit was still relatively limited with only 1.4% taking out loans to cover the cost. That said, this can still add up to a sizeable market, given that private health spending in Poland reached PLN64.5bn in 2024 (according to Statistics Poland based on a preliminary estimate) and grew at a 10-year CAGR of 7.4% (see Exhibit 7).

Exhibit 7: Private healthcare spending in Poland (PLNbn)

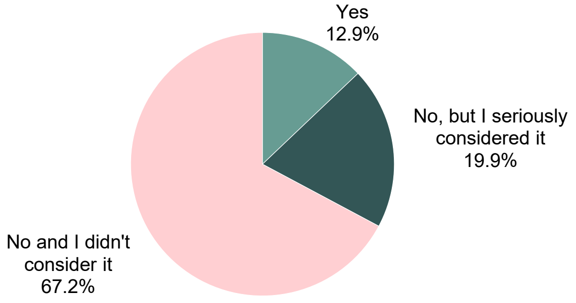


Source: Statistics Poland. Note: *Breakdown by funding source not yet available for 2024.

Around 71.3% of the total healthcare spend in 2023 (latest available data, both public and private) was attributable to hospital and outpatient care, long-term healthcare, as well as rehabilitation. For illustrative purposes, if we simplistically took this percentage and applied it to private health spending, and then assumed that c 1.5% was financed by credit, we would arrive at c PLN690m per year, which we estimate represents roughly 30 times LM PAY's 2024 medical loan volume. Other funding sources declared in the survey included private medical subscriptions provided by employers (17.5%) and private health insurance (8%). Interestingly, out of those who did not use private medical services in 2024, 30.6% indicated lack of money as the reason.

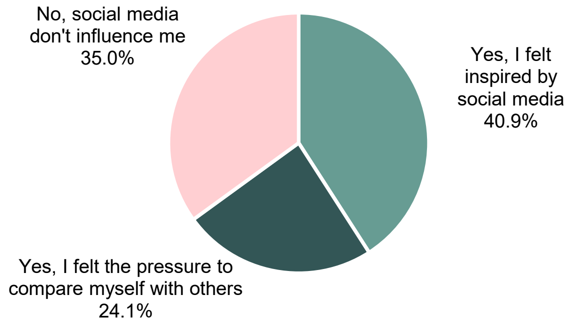
Beauty treatments and aesthetic medicine is gaining importance within Polish society, as illustrated by a recent study conducted by SW Research, which indicated that 32.8% of Poles had considered an aesthetic medical procedure in the last five years, including 12.9% who eventually underwent such a procedure (see Exhibit 8). 65% of respondents said that social media influenced their decision (see Exhibit 9), and close to 40% indicated medical reasons for undergoing a procedure (ie defects or changes post injuries). Important drivers of LM PAY's lending product in the beauty industry include the recurring nature of beauty procedures (c 33% of all 22.9k LM PAY's customers in H125 were returning clients) and upsell opportunities pursued by beauty salons via the provision of more comprehensive procedures bundled into packages of multiple treatments.

Exhibit 8: Did you undergo an aesthetic medicine procedure in the last five years?



Source: 'Polska za filtrem 2025' report

Exhibit 9: Did social media influence your decision to improve your appearance / your desire to enhance your appearance through aesthetic medicine treatments?



Source: 'Polska za filtrem 2025' report

Overall, management has identified four significant demand drivers in the Polish beauty and healthcare industry:

- The introduction of new and more expensive treatments within dental implantology and aesthetic dentistry, regenerative medicine, anti-ageing, procedures involving injectables and fillers, as well as weight loss.
- A greater emphasis on aesthetic procedures driven by the need for higher self-esteem and well-being connected with one's appearance and, in turn, a higher social status.
- The growing popularity of recurring procedures, such as minimally invasive procedures (hyaluronic acid fillers, Botox treatments); hair removal; teeth whitening, scaling, sandblasting and fluoridation; and physiotherapy.
- Veterinary treatments, driven by increasing demand for and 'humanisation' of pets.

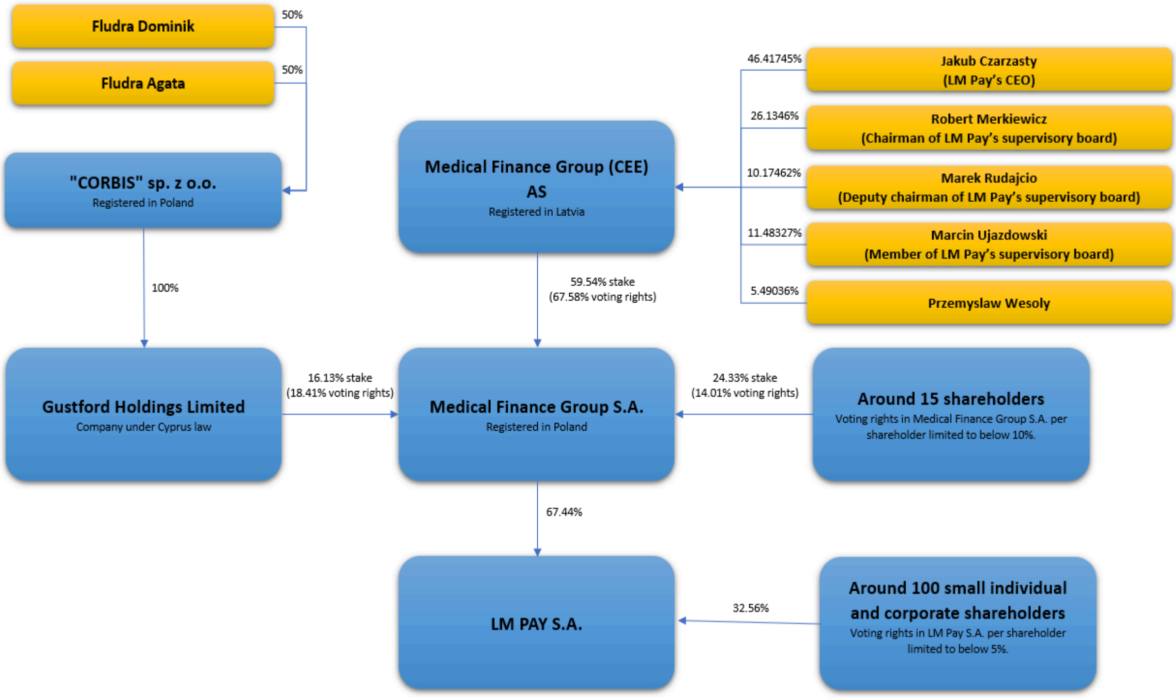
Management and organisational structure

Jakub Czarzasty is the company's founder and CEO since inception in 2010. He has also been CEO of MFG (LM PAY's majority shareholder with a 67.58% stake, see Exhibit 10) since 2012 (except from January 2017 to August 2019 when he was vice president). He holds a master's degree in law from the European School of Law and Administration in Warsaw and is an MBA graduate from the Polish Academy of Sciences and the Vienna Institute for International Economics.

Sławomir Bielec has been CFO of LM PAY and MFG since 2019. His prior experience includes projects in equity valuation of corporates and portfolios of investment funds, due diligence, as well as financial projections for internal corporate purposes. He holds a master's degree in management from the University of Katowice. He also completed postgraduate studies at the Faculty of Applied Mathematics of the AGH University of Science and Technology in Krakow.

Olga Gójska joined the company in 2014 as a client adviser and in 2025 became LM PAY's board member responsible for sales, marketing, HR and back office. She holds a degree in administration and management from Vizja University (formerly Academy of Economics and Humanities).

Exhibit 10: LM PAY's organisational structure



Source: Company data

Financials

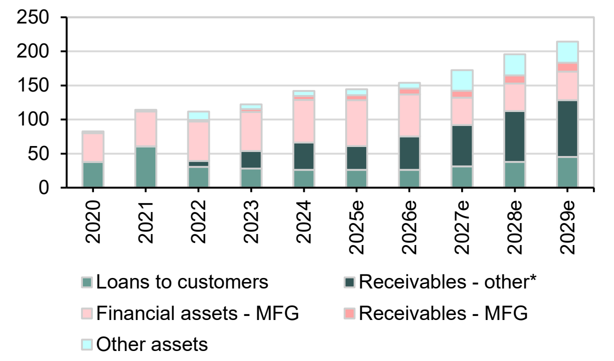
New financing and potential repayment of MFG loan will support growth

LM PAY's total new loan financings grew by 29.4% and 20.7% in 2024 and 2023, respectively (see Exhibit 13). This was supported by debt financing under a note issuance facility and a securitisation agreement with Fortress Investment Group secured in 2022, a PLN25m equity raise in 2022 and the growing number of loans with shorter maturities (MediPay and general-purpose loans), allowing for greater capital efficiency. In September 2025, LM PAY secured a new financing agreement with AION Bank, an entity from the UniCredit Group, which replaced its previous arrangement with Fortress, providing LM PAY with better financing terms.

Further growth potential comes from unlocking the substantial part of LM PAY's balance sheet that is tied up in a loan to MFG. MFG's B2B business of financing the purchase of medical equipment faced elevated risk of defaults and delayed payments a few years ago, which led MFG in 2019 to move its better performing consumer loans business to a new entity (LM PAY) in exchange for this loan. The outstanding loan amount as of end-June 2025 was PLN41.0m (ie 26% of LM PAY's total assets). Interest on this loan is being accrued (with an outstanding balance of PLN23.8m at end-June 2025). MFG intends to at least partially repay the loan from a combination of a partial sale of its stake in LM PAY to outside investors and repayments from MFG's loan book. We believe that part of the loan may also be repaid by transferring to LM PAY the rights to the MediRaty brand, which currently sits with MFG. The repayment of the MFG loan would also de-risk LM PAY's equity story, given the lack of public information about MFG's financial performance and the current quality of its loan book (we suspect that at least some part of MFG's loan portfolio may be subject to legal proceedings).

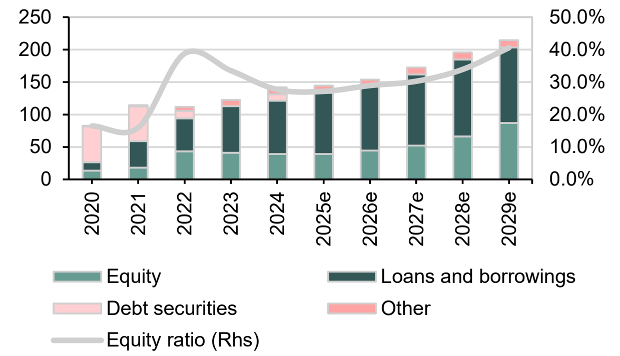
While we acknowledge the extent of loan repayment is largely dependent on MFG's ability to find buyers for the equity stake, we note that the requirement to partly sell down MFG's stake (and use the proceeds to partly repay MFG's loan from LM PAY) is included as a special clause in LM PAY's new financing agreement with AION Bank. MFG's shareholder meeting recently decided that MFG will sell 108k shares in LM PAY (representing a c 17% stake). Recycling the proceeds from the loan repayment into LM PAY's lending business should drive a further increase in profitability. The company holds no goodwill on its balance sheet at present and, apart from the above-mentioned shareholder loan, has limited fixed assets as the business does not require major capital expenditure, while R&D expenses are normally fully expensed.

Exhibit 11: LM PAY's historical and forecast asset breakdown (PLNm)



Source: Company data, Edison Investment Research; Note: *Unfunded part of securitised loans.

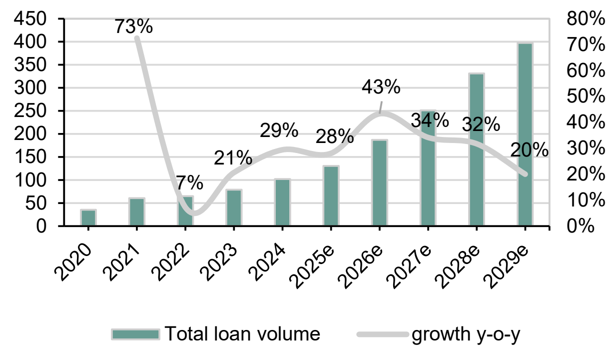
Exhibit 12: LM PAY's historical and forecast equity and liabilities (PLNm)



Source: Company data, Edison Investment Research

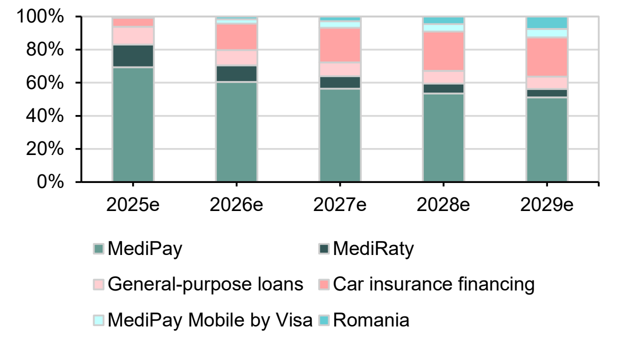
We forecast LM PAY's new financing volume in FY25e at c PLN130m (at the lower end of the PLN130–170m range guided by management) and continued double-digit growth in subsequent years (Exhibit 13). We expect MediPay to grow at c 25% per year in FY25–28e and c 15% in FY29e. We further assume a significant positive contribution from car insurance financing, with additional growth from MediPay Mobile by Visa and the expansion into Romania (see Exhibit 14). We assume that car insurance financings will represent c 15–20% of LM PAY's loan book by end-2026.

Exhibit 13: LM PAY's volume of new loan financing (PLNm)



Source: Company data, Edison Investment Research

Exhibit 14: Expected new loan financing by product



Source: Edison Investment Research

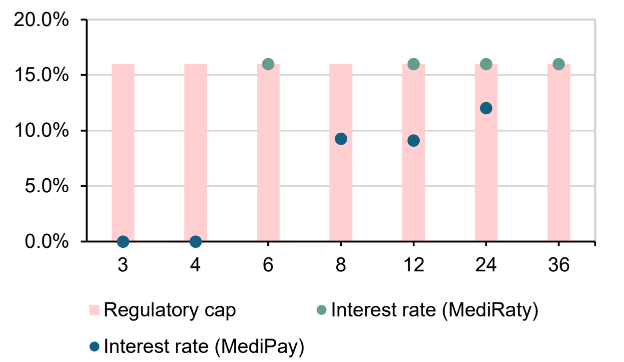
Strong double-digit top-line growth ahead

LM PAY generates most of its revenue from preparatory fees (62% of revenue to non-related parties in FY24), which are sometimes called origination fees and are charged upfront by the consumer loan company to cover the costs of arranging and processing the loan. In the case of LM PAY's loans, these fees are recognised upfront in revenue but are included in the regular instalment paid by the client (ie collected gradually over the maturity of the loan). LM PAY's interest income accounted for around 32% of FY24 revenue, with the balance coming from financial intermediation services (6%, related to financing legal proceedings) and other minor income (1%). Importantly, LM PAY does not charge its affiliated partners any fees, even for its care now, pay later (ie 30-day deferral) product.

Preparatory fees represented an even greater part (c 80%) of the company's revenues in the previous low-interest rate environment. This is because interest on consumer loans in Poland is subject to a lending cap calculated as twice the reference rate set by the National Bank of Poland plus 3.5% (currently at 4.50%, implying a lending cap of 16.0%). MediRaty loans currently (as of 24 October) bear a fixed interest rate in line with the cap, while the rate for MediPay loans varies between 0% (for maturities of three and four months) and 12.02% (for 24 months). The Polish central bank has cut its refinancing rate four times this year, in May, July, September and October, by 125bp in total (after maintaining it at the same level since October 2023).

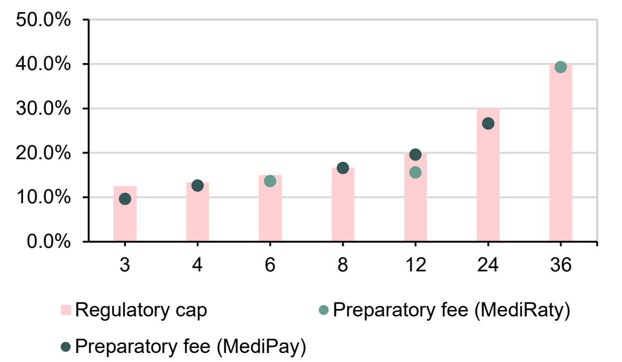
The non-interest cost of a consumer loan is Poland is also subject to a regulatory cap, which for loans with maturities of over 30 days consists of a 10% base rate plus 10% per year of maturity (but not more than 45% overall). The current fees for MediRaty loans range from 13.7% (six months) to 39.3% (36 months), while for MediPay they range from 9.7% (three months) to 26.6% (24 months). Continued rate cuts would result in a lower interest rate on MediRaty loans, but the company still has slight headroom to raise its preparatory fees to offset this (see Exhibit 16), and its interest rate on the MediPay loans is well below the current lending cap (see Exhibit 15).

Exhibit 15: Interest rate on MediPay and MediRaty loans compared to the current regulatory cap



Source: Company data, Edison Investment Research. Note: X axis indicates loan maturities.

Exhibit 16: Preparatory fees on MediPay and MediRaty compared to the current regulatory cap

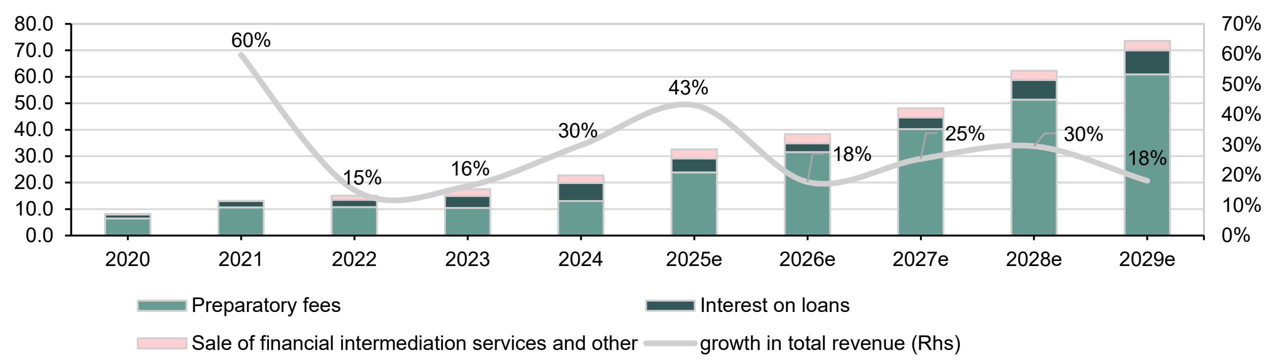


Source: Company data, Edison Investment Research. Note: X axis indicates loan maturities.

In H125, LM PAY reported revenue of c PLN15.4m (up 37.5% y-o-y, accompanied by a 12% y-o-y increase in serviced clients) and an operating profit of c PLN4.0m (up 28.8% y-o-y). We forecast LM PAY's revenue in FY25e at PLN32.7m, closer to the lower end of management guidance of PLN32–42m and translating into a 43.5% y-o-y increase. We assume an FY25–FY29e revenue CAGR of c 23% (including 18% in FY26e, reflecting, among others, the impact of rate cuts; see Exhibit 17).

LM PAY's operating expenses consist primarily of outside services (including fees paid to the staff of partner facilities and remuneration of contractors) and personnel expenses (salaries, social security and other benefits). The company has more than 60 employees and contractors and has remained largely unaffected by the rise in the minimum wage in Poland in recent years, as it pays a higher level of remuneration to its staff. Still, it raised employee salaries by an average 15% in June 2024 (though below the percentage increase of the minimum wage in Poland). We understand that, following the one-off IT implementation costs associated with MediPay Mobile by Visa and the CUK partnership, among others, incurred in Q225 and Q325, LM PAY's cost base should remain fairly stable and allow the company to realise economies of scale and drive profitability.

Exhibit 17: LM Pay's historical and forecast revenue (PLNm)



Source: Company data, Edison Investment Research

Benefiting from low default rates across its loan book

LM PAY's business model is characterised by a low cost of risk, with a share of DPD90+ loans of 3% in 2024 compared to 16.4% currently for general purpose loans provided by 'generalist' non-bank consumer finance businesses, according to BIK data. This is below the share of DPD90+ purpose-specific loans across the Polish market of 4.6% in 2024. We note that the credit quality of general-purpose consumer loans in Poland has improved from 25.0% in 2023 despite the continued high-interest rate environment and consumer price inflation remaining above the central bank's target. Management highlighted that LM PAY's default rate may decline further to c 2.2% in 2025.

The company's proprietary scoring model relies on a continuous update of its database that contains a blend of internal data (historical loan book performance) and external data (eg from the Polish National Debt Register and BIK). We believe that the company's 15-year credit history of clients seeking financing of medical and beauty treatment included in its database is an important differentiator in terms of managing credit risk. Moreover, we understand that the strong customer willingness to repay the loans results from the clients' direct interaction with the staff of the medical or beauty facility (rather than LM PAY), and they do not want to jeopardise that relationship. The company reduced its cost of risk from its previous 8pp target following the onboarding of a new risk manager in 2023, who reviewed the company's partner network and discontinued partnerships with clinics that provided customers characterised by a higher default rate to LM PAY. Importantly, as the know-your-customer (KYC) verification is done by the staff at the beauty or medical facility and the loan disbursement is made directly to the facility, LM PAY is largely free from borrower fraud (which tends to be a significant issue for more traditional consumer lending companies). We note that LM PAY's low default rate is also supported by the low ticket size of the MediPay product.

The launch of the Visa card is likely to push up LM PAY's credit losses, as management believes the default rate is closer to 6% for similar products (but we note that it expects a much lower approval rate at 20%). Moreover, expansion into Romania may slightly increase LM PAY's credit losses, as management estimates the cost of risk to be higher by 2–3pp in this country. We assume loan write-offs of PLN2.3m and PLN3.3m in FY25 and FY26, respectively, compared to PLN1.2m in FY24. We expect write-offs at c 3.0–3.5% of LM PAY's loan book in the coming years.

We therefore forecast LM PAY's operating income at PLN9.5m in FY25e (in line with management guidance of PLN7–12m), followed by PLN15.3m in FY26 and PLN21.7m in FY27 (see Exhibit 20). We expect LM PAY to be around the break-even point in FY25 with a small PLN0.1m net loss, followed by a net profit of PLN5.4m and PLN7.8m in FY26e and FY27e, respectively. The company does not plan to pay a dividend in the next two years, instead prioritising further growth.

Sensitivities

Below we discuss the key sensitivities to our base investment case for LM PAY:

- **Financing beyond AION Bank:** there is limited information available in the public domain with respect to the terms and maturities of LM PAY's outstanding loans and borrowings beyond the financing provided by AION Bank. Therefore, we have limited visibility in terms of LM PAY's need to roll over or optimise the cost of this debt.
- **MFG loan repayment:** our forecasts rely on the assumption that MFG will partially repay its loan from LM PAY in the next few years, providing LM PAY with additional capital that can be deployed to accelerate the growth in its loan book. This is, however, dependent on MFG's ability to find new investors for part of its stake in LM PAY, as well as on cash flows from its own loan book.
- **Regulations:** LM PAY's lending business is regulated by the Polish Consumer Credit Act, a revised version of which is currently in the legislative process. Any unfavourable changes to the current law could have an impact on LM PAY's operations.
- **Monetary policy:** central bank rate cuts beyond what we currently assume in our forecasts (to 3.50% by FY28e) could weigh on LM PAY's margins, given the limited headroom to increase preparatory fees.
- **Execution risk associated with new projects:** we assume that LM PAY's car insurance product will take off in FY25 and meaningfully contribute to loan volumes in the coming years. We also expect an incremental contribution from MediPay Mobile by Visa and the expansion in Romania. LM PAY's growth may be constrained if it fails to expand into these market segments.

- **Competitive threat:** while LM PAY faces limited direct competition and benefits from relatively high barriers to entry at present, there is a risk that a competitor could successfully make forays into LM PAY's territory and take some of its market share.

Valuation

We value LM PAY based on a DCF model. We use a cost of equity of 16.6%, which is derived from a CAPM based on a risk-free rate of 5.4% (in line with the current yield on Polish 10-year government bonds), an equity risk premium of 5.5% (based on Aswath Damodaran's updated data as of July 2025) and a beta of 1.37, in line with the average five-year beta for LM PAY's peers presented in Exhibit 19, as provided by LSEG Data & Analytics. We further add a 3.7pp illiquidity premium based on the current bid-ask spread (0.25pp per every 1pp spread as implied by research from Yakov Amihud and Haim Mendelson). We use a pre-tax cost of debt of 12.0%. As a result, we arrive at a WACC of 11.5%. We use a conservative terminal growth rate of 2.5%. We assume no major investments that are not fully accounted for in LM PAY's P&L, assuming only maintenance capital expenditure in line with LM PAY's D&A. Consequently, we arrive at a fair value per share of €54.0, which represents 35% upside potential to the current share price.

Exhibit 18: LM PAY's discounted cash flow valuation

PLNm, unless otherwise stated	H225e	FY26e	FY27e	FY28e	FY29e
EBIT	5.5	15.3	21.7	32.1	40.7
tax rate	*19%*	*19%*	*19%*	*19%*	*19%*
NOPLAT*	4.5	12.4	17.6	26.0	33.0
D&A	0.2	0.5	0.6	0.6	0.7
Capex	(0.2)	(0.5)	(0.6)	(0.6)	(0.7)
Change in NWC	(4.0)	(5.2)	(5.4)	(6.2)	(4.9)
FCFF**	**0.4**	**7.2**	**12.2**	**19.8**	**28.1**
discount factor	0.95	0.85	0.76	0.68	0.61
Discounted FCFF	**0.4**	**6.1**	**9.3**	**13.6**	**17.2**
Cost of equity	**16.6%**				
Cost of debt (post tax)	**9.7%**				
Equity (%)	25.2%				
Debt (%)	74.8%				
WACC	**11.5%**				
Terminal growth rate	2.5%				
Sum of discounted FCFF	46.6				
Terminal value	196.9				
Total EV	243.5				
Net debt	107.8				
Equity	135.7				
Shares outstanding ('000s)	620.8				
Fair value per share (current, PLN)	229.6				
EUR/PLN	4.23				
Fair value per share (current, €)	54.0				
Current share price (€)	40.0				
Upside/downside (%)	35%				

Source: Company data, Edison Investment Research. Note: *Net operating profit less adjusted tax. **Free cash flow to firm.

Given that LM PAY is yet to generate significant net profit as it enters its scaling phase and optimises its refinancing, we believe that a comparison of its current market multiples with those of listed peers is not fully appropriate. That said, we present a global set of listed lending and BNPL businesses in Exhibit 19 as a broad reference point for the multiples at which LM PAY could trade once it reaches a sustainable profitability level. The current peer median FY25e P/E multiple is around 9.3x and the FY25e P/BV multiple is 1.8x. We note that most of these peers are much larger than LM PAY in terms of market capitalisation. LM PAY's FY26e P/E multiple of 20.8x compares with our expected FY26–FY29e EPS CAGR of 58% and translates into an undemanding price/earnings-to-growth (PEG) ratio of 0.36x.

Exhibit 19: Market multiples of listed lending and BNPL businesses versus LM Pay as of 24 October 2025

Company name	Market cap (€m)	P/E (x)			P/BV (x)		
		FY24	FY25e	FY26e	FY24	FY25e	FY26e
LM Pay	**25**	**NM**	**NM**	**20.8**	**2.7**	**2.8**	**2.4**
Affirm Holdings*	20,915	N/A	89.7	47.4	6.3	6.3	4.5
Enova International	2,403	9.2	9.2	7.9	2.2	2.2	1.8
International Personal Finance	526	8.2	8.2	7.2	1.0	N/A	N/A
Oportun Financial Corporation	208	4.3	4.3	3.6	0.7	0.7	0.6
OneMain Financial Holdings	5,794	8.9	8.9	7.1	1.9	1.9	1.8
GoEasy	1,593	9.3	9.3	7.3	2.0	2.0	1.7
Latitude Financial Group	662	12.0	12.0	8.7	1.0	1.0	0.9
MoneyMe*	47	2.8	N/A	N/A	1.1	1.1	1.4
Eleving Group	197	16.9	7.0	5.6	2.1	1.8	1.5
EzCorp*	925	13.2	13.2	12.6	1.2	N/A	N/A
World Acceptance Corp*	843	13.7	13.7	11.0	1.7	1.7	1.5
Atlanticus Holdings	726	9.7	9.7	7.2	1.8	1.8	1.5
Median (excluding LM Pay)	**785**	**9.3**	**9.3**	**7.3**	**1.8**	**1.8**	**1.5**

Source: LSEG Data & Analytics, Edison Investment Research

Exhibit 20: Financial summary

Year end 31 December, PLNm, unless otherwise stated	FY20	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e	FY28e	FY29e
Income statement										
Net sales and equalised revenues	**8.2**	**13.1**	**15.1**	**17.5**	**22.8**	**32.7**	**38.4**	**48.2**	**62.3**	**73.7**
Total operating expenses	(1.1)	(2.2)	(9.4)	(16.8)	(14.5)	(19.9)	(19.4)	(21.7)	(24.1)	(25.9)
Profit (loss) on sales	**7.1**	**10.9**	**5.6**	**0.8**	**8.3**	**12.7**	**19.1**	**26.4**	**38.2**	**47.8**
Other operating income	0.0	1.1	1.6	0.9	0.5	0.0	0.0	0.0	0.0	0.0
Other operating expenses	(0.9)	(1.7)	(3.5)	(1.4)	(1.8)	(3.3)	(3.8)	(4.8)	(6.1)	(7.1)
EBITDA	**6.2**	**10.2**	**3.8**	**0.4**	**7.3**	**9.9**	**15.8**	**22.3**	**32.8**	**41.4**
Operating income	6.2	10.2	3.7	0.2	7.0	9.5	15.3	21.7	32.1	40.7
Financial income	2.7	2.9	5.7	5.3	4.9	4.9	3.6	2.2	0.9	0.9
Financial costs	(5.4)	(7.4)	(9.2)	(8.4)	(12.4)	(14.5)	(13.4)	(14.3)	(15.5)	(16.0)
Profit before tax	**3.4**	**5.7**	**0.2**	**(2.9)**	**(0.6)**	**(0.1)**	**5.4**	**9.6**	**17.5**	**25.7**
Income tax	(0.7)	(1.1)	(0.1)	0.5	0.6	0.0	(0.0)	(1.8)	(3.3)	(4.9)
Net profit	**2.7**	**4.6**	**0.1**	**(2.4)**	**0.1**	**(0.1)**	**5.4**	**7.8**	**14.2**	**20.8**
Earnings per share (EPS, PLN)	**N/A**	**N/A**	**0.17**	**(3.87)**	**0.11**	**(0.11)**	**8.47**	**12.26**	**22.35**	**32.79**
Balance sheet										
Long-term financial assets – affiliated companies	39.7	45.4	46.5	40.7	40.9	40.9	31.8	7.6	7.6	7.6
Medical loans	18.3	18.3	18.3	5.4	3.1	3.1	3.1	3.8	4.5	5.4
Intangible assets	0.0	0.0	0.5	0.6	0.6	0.6	0.6	15.6	15.6	15.6
Other non-current assets	0.5	0.7	9.8	5.8	5.0	5.0	3.8	3.8	3.8	3.8
Total non-current assets	**58.5**	**64.4**	**75.1**	**52.4**	**49.7**	**49.7**	**39.3**	**30.8**	**31.5**	**32.4**
Short-term financial assets – affiliated companies	2.6	5.5	11.2	16.5	21.4	26.3	29.8	32.1	33.0	33.9
Medical loans	19.4	42.1	12.4	22.5	23.0	23.0	23.0	27.6	33.2	39.8
Receivables from related parties	0.1	0.1	2.3	4.3	5.9	7.4	8.9	10.4	11.9	13.4
Receivables from other parties	0.0	0.4	8.6	25.8	40.2	35.0	49.1	60.8	74.7	83.4
Cash and other current assets	2.0	1.7	2.2	0.7	1.9	3.2	3.8	11.0	11.6	11.8
Total current assets	**24.1**	**49.9**	**36.7**	**69.8**	**92.3**	**94.9**	**114.6**	**141.9**	**164.4**	**182.3**
Total equity	**13.6**	**18.3**	**43.4**	**41.0**	**39.3**	**39.3**	**44.6**	**52.4**	**66.6**	**87.4**
Provisions for liabilities	0.9	1.2	2.5	3.4	4.7	4.7	4.7	4.7	4.7	4.7
Long-term loans and borrowings	11.0	19.5	45.7	66.9	59.5	59.5	59.5	59.5	59.5	59.5
Debt securities	45.9	0.9	11.4	0.0	0.8	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.0	1.1	0.9	0.9	0.9	0.9	0.9	0.9
Total long-term liabilities	**57.0**	**20.3**	**57.0**	**68.0**	**61.1**	**60.3**	**60.3**	**60.3**	**60.3**	**60.3**
Short-term loans and borrowings	1.7	21.1	5.0	5.1	22.4	35.0	39.0	50.0	59.0	57.0
Debt securities	9.3	52.6	0.2	0.0	9.2	0.0	0.0	0.0	0.0	0.0
Other short-term liabilities and accruals	0.1	0.8	3.7	4.8	5.2	5.2	5.3	5.3	5.3	5.3
Total short-term liabilities and accruals	**11.1**	**74.5**	**8.9**	**9.9**	**36.8**	**40.2**	**44.3**	**55.3**	**64.3**	**62.3**
Ratios										
ROE	33.9%	29.1%	0.3%	-5.7%	0.2%	-0.2%	12.8%	16.0%	23.8%	27.0%
EBIT margin	75.2%	78.2%	24.5%	1.1%	30.8%	29.0%	39.7%	45.0%	51.5%	55.3%
Equity ratio	16.5%	16.0%	38.8%	33.5%	27.7%	27.2%	29.0%	30.3%	34.0%	40.7%

Source: Company data, Edison Investment Research

Contact details

ul. Lechicka 23A
02-156 Warsaw
Poland

Revenue by geography

N/A

Management team

Jakub Czarzasty (founder and CEO)

Jakub Czarzasty is the company's founder and has been CEO since inception in 2010. He has also been CEO of MFG (LM PAY's majority shareholder with a 67.58% stake) since 2012 (except from January 2017 to August 2019 when he was vice president). He holds a master's degree in law from the European School of Law and Administration in Warsaw and is an MBA graduate from the Polish Academy of Sciences and the Vienna Institute for International Economics.

Sławomir Bielec (CFO)

Sławomir Bielec has been CFO of LM PAY and MFG since 2019. His prior experience includes projects in the equity valuation of corporates and portfolios of investment funds, due diligence, as well as financial projections for internal corporate purposes. He holds a master's degree in management from the University of Katowice. He also completed postgraduate studies at the Faculty of Applied Mathematics of the AGH University of Science and Technology in Krakow.

Olga Gójska (board member/director of sales and client service)

Olga Gójska joined the company in 2014 as a client adviser and in 2025 became LM PAY's board member responsible for sales, marketing, HR and back office. She holds a degree in administration and management from Vizja University (formerly Academy of Economics and Humanities).

Principal shareholders	%
Medical Finance Group	67.4
Others	32.6

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London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom