AlsterResearch

LM Pay S.A.

Poland | Financial Services | MCap EUR 33.8m

24 November 2023

INITIATION

Care now, pay later – Initiate with BUY

BUY (na)

Target price	**EUR 71.00 (na)**
Current price	EUR 54.50
Up/downside	30.3%

ResearchHub

SCAN ME

What's it all about?

We initiate coverage of LM Pay S.A. with a BUY recommendation and a PT of EUR 71.00 offering an upside potential of 30.3%. LM Pay is the first and sole Polish independent and non-bank financial institution specializing in care now and pay later offerings (CNPL). With its 12 years of experience, the Fin-Tech company is in a leading position in its attractive niche market for medical consumer loans. In 2023, LM Pay's primary focus is to expand its core business by expanding its network of affiliated medical facilities and increasing the total value of medical loans. With attractive growth drivers, investors obtain the chance to participate in a successful Fin-Tech growth story.

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Poland | Financial Services | MCap EUR 33.8m | EV EUR 49.5m

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Care now, pay later – Initiate with BUY

Leading in its niche market. LM Pay is the first and sole Polish independent and non-bank financial institution specializing in care now and pay later offerings (CNPL). With its 12 years of experience, the company is in a leading position in its attractive niche market for medical consumer loans. In 2023, LM Pay's primary focus is to expand its core business by expanding its network of affiliated medical facilities and increasing the total value of medical loans. Currently, more than 30% of clients are classified as recurring clients: the reasons for this are the types of treatment, e.g., Botox, which has a 3 - 6 months effect until both is required, a new treatment as well as new financing.

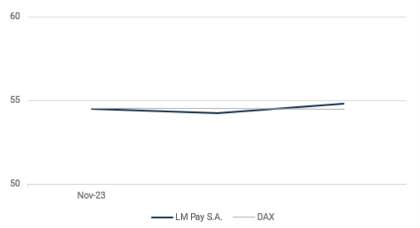
Disruptive Fin-Tech player. While LM Pay runs a multichannel sales approach, based on the pillars online and offline, we believe the online scoring and application solution to be the main growth driver in the future. The company has in-house developed proprietary technological solution with AI driven data analytics. Focused on consumer loans for medical treatments, LM Pay gained a significant advantage in its data knowledge compared to 'out off the shelf' offerings from competitors. This fast and intelligent credit assessment enables a comprehensive risk profile of customers and leads to a relatively low default rate, in direct comparison with microlenders. In 2022, out of 33,500 loans granted, just in 7,200 cases (21%), an avg. write-off (full or partial) per case of only PLN 247 was booked. The average loan volume is PLN 1,932.

Strong growth ahead. LM Pay identified the possible to expand the company's distribution network in Poland by another 40,000-50,000 medical units. This represents a massive increase compared to the current number of 12,000 units, as the real sales force is the medical staff, who receive an appropriate commission for brokered loan contracts. Together with a broader network, improved online operations and new products, a strong revenue growth and an improved profitability is expected.

Conclusion. With over 12 years of experience, the company has past the loss-making years ago. Even during the pandemic years, the company has seen profitable years. With an existing infrastructure, sufficient employees and market-ready products, the fixed cost base is expected to remain stable. In other words, LM Pay is ready to scale revenues with improved profits. Based on our assumption, we initiate coverage with a BUY recommendation and a PT of EUR 71.00 offering an upside potential of 30.3%.

LM Pay S.A.	2020	2021	2022	2023E	2024E	2025E
Sales	8.2	13.1	15.1	18.1	38.9	48.0
Growth yoy	na	59.7%	15.1%	20.5%	114.3%	23.5%
EBITDA	6.2	10.2	3.7	5.7	15.8	22.1
EBIT	6.2	10.2	3.6	5.6	15.7	22.1
Net profit	2.7	4.6	0.1	0.9	3.9	7.4
Net debt (net cash)	71.0	93.8	65.8	43.0	59.7	61.3
Net debt/EBITDA	11.5x	9.2x	17.8x	7.6x	3.8x	2.8x
EPS reported	4.38	7.46	0.16	1.40	6.26	11.87
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit margin	90.3%	87.2%	55.6%	49.9%	52.2%	56.3%
EBITDA margin	75.2%	78.2%	24.5%	31.2%	40.5%	46.0%
EBIT margin	75.2%	78.2%	24.2%	31.1%	40.5%	45.9%
ROCE	7.2%	9.0%	3.3%	5.9%	14.7%	18.2%
EV/Sales	26.8x	18.6x	14.4x	10.7x	5.5x	4.5x
EV/EBITDA	35.7x	23.7x	58.5x	34.2x	13.6x	9.8x
EV/EBIT	35.7x	23.7x	59.5x	34.4x	13.6x	9.9x
PER	16.2x	9.5x	448.5x	50.5x	11.3x	6.0x

Source: Company data, AlsterResearch



Source: Company data, AlsterResearch; Listing since Nov. 21, 2023.

High/low 52 weeks	54.50 / 53.96
Price/Book Ratio	0.8x

Ticker / Symbols

ISIN	PLLMPAY00016
WKN	A3EWU0
Bloomberg	Y00:GR

Changes in estimates

		Sales	EBIT	EPS
2023E	old	18.1	5.6	1.40
	Δ	0.0%	0.0%	0.0%
2024E	old	38.9	15.7	6.26
	Δ	0.0%	0.0%	0.0%
2025E	old	48.0	22.1	11.87
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs)	0.62
Book value per share: (in PLN)	69.85
Ø trading volume: (12 months)	

Major shareholders

Medical Finance Group S.A.	67.2%
Management	4.6%
Free Float	28.2%

Company description

LM Pay specializes in providing consumer loans designed to pre-finance medical and dental procedures, including hospitalization expenses. These loans cover a wide range of medical treatments. In addition, the company's business model includes financing for veterinary services.

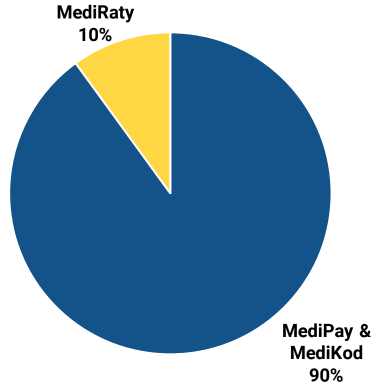
Investment case in six charts

Products & Services & Brands

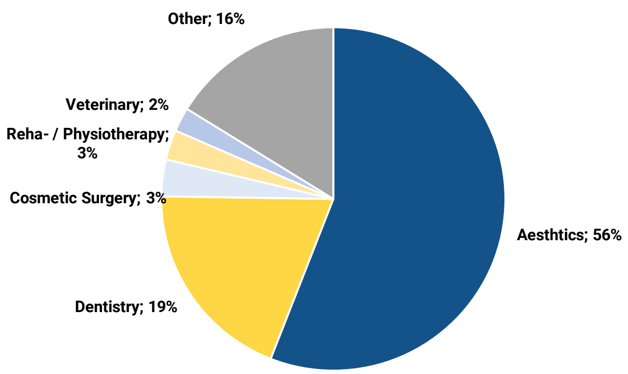
LMpay

MediRaty MediPay MediKod

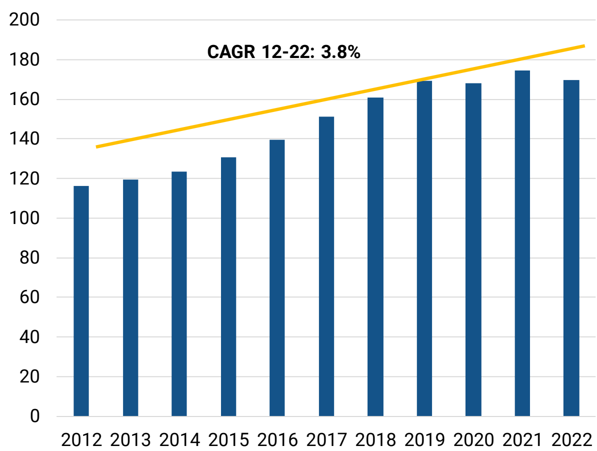
Sales by product line split in %



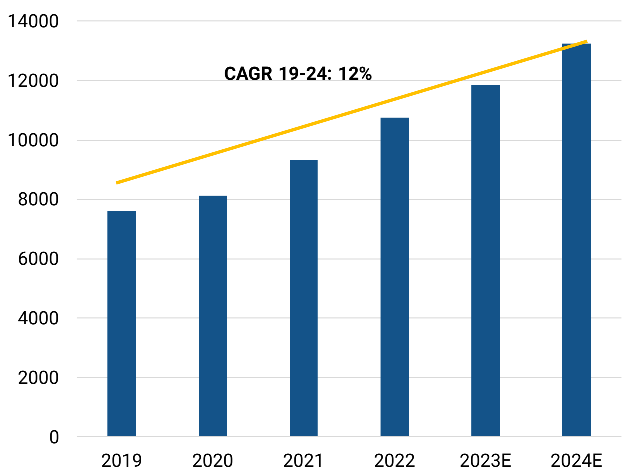
Breakdown by financed treatment in %



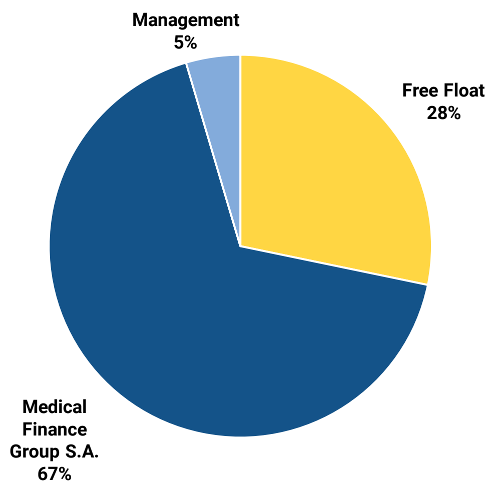
Market volume consumer loans in Poland (in PLN bn)



LM Pay's connected clinics and hospitals (in TTL)



Major Shareholders



Source: Company data, AlsterResearch

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Company background

Products & services

LM Pay Spółka Akcyjna (abbreviated name: LM Pay S.A.; LM Pay) specializes in providing consumer loans designed to (pre-) finance medical and dental procedures, including hospitalization expenses. These loans cover a wide range of medical treatments, such as

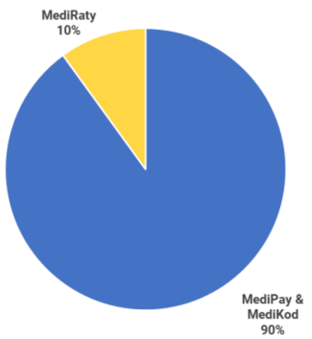
- rehabilitation,
- ophthalmology,
- laryngology,
- bariatrics,
- gynecology,
- urology,
- diagnostics (including genetics),
- dental care,
- ophthalmological and optical services,
- plastic surgery,
- aesthetic medicine,
- orthopedics,
- and more.

In 2021, LM Pay acquired its business from its parent company - Medical Finance Group S.A. (MFG), which is still the largest shareholder with 67.2%. This transaction and the subsequent transition of personnel, clients, rights, etc. was carried out in 2021 and 2022. In addition, this transition included third party services and the cost of operating the call center and IT infrastructure, which all together only show the full impact in FY2023. Furthermore, MFG became the largest debtor of LM Pay through this transaction.

The company's business model includes also the financing for veterinary services. Until today, LM Pay is only doing its business in Poland and is headquartered in Warsaw. At present, LM Pay has a workforce of 52 individuals: 23 are engaged through civil or cooperation agreements and are therefore on LM Pay's pay-role, while 26 professionals operating as independent businesses under B2B contracts (freelancer). The company was established in 2010 and is headquartered in Warsaw, Poland.

In 2022, LM Pay granted 33,538 loans for the total amount of PLN 64,807,089. This represents an increase in loans of 35.6% yoy in comparison with the year 2021 that ended with 24,738 loans for the total amount of PLN 62,259,167.00, while the total volume increased in line with the market and grew by c. 4.1% yoy. Taking these figures into account, in 2022, the average volume per loan stood at PLN 1,932, which is decline from PLN 2,516 – due to the increased prominence of the Medi Pay product, which account for 70% of loans granted. Together with MediKod, this product category represents 90% of the loans.

LM Pay offers loans unter two product lines and three brands: MediKod, MediPay, MediRaty



Source: Company data; AlsterResearch

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LM Pay's product portfolio

MediPay / MediKod	MediRaty
MediPay, which includes MediKod, presents an automated and streamlined credit history assessment process, available at clinics following the completion of procedures. It offers a deferred payment option at no extra cost and an installment plan. This service is primarily tailored for financing aesthetic medical procedures. Currently, MediPay accounts for more than 80% of all loans granted by LM Pay.	MediRaty, involves a conventional creditworthiness and credit history evaluation conducted through a documented phone call with a company representative. It is designed for financing more costly dental and medical procedures.
Monthly number: 3,200	Monthly number: 300
Average volume: PLN 1,900	Average volume: PLN 5,000
Max. volume: PLN 5,000/ dental PLN 10,000	Max. volume: online PLN 20,000: offline PLN 30,000
Distribution: clinic stuff	Distribution: clinic staff
Creditworthiness: without a need to prove income, credited with the bank account.	Creditworthiness: Specific requirements needed: • Age between 18 and 75. • Possession of Polish citizenship. • Documented income credited to a bank account
Repayment period: 1, 3, 4, 8 or 12 instalments; avg. 7 months	Repayment period: up to 36 months/ instalments

Source: Company data; AlsterResearch

MediPay – 90% of business
The primary focus of the company lies in providing loans through its MediPay product line, which accounts for over 90% of all loans offered by LM Pay. Each month, the company issues around 3,500 loans, with the majority, approximately 3,200 loans, falling under the MediPay brand. These loans typically have an average value exceeding PLN 1,900, and the average loan duration spans 7 months. In total, the issuer disburses loans with a cumulative value of nearly PLN 7,000,000 on a monthly basis.

MediPay loans are accessible to consumers at healthcare facilities, where a member of the facility's staff is responsible for determining repayment options and confirming the customer's identity. The standard maximum amount for a MediPay loan is PLN 5,000 (or PLN 10,000 for dental services, which carry a lower risk of delayed repayment), and it can be repaid within 30 days without incurring additional charges. These loans necessitate contract acceptance via SMS and are processed when customers make in-person payments at the healthcare provider's facility, offering an alternative to using a card at a payment terminal.

MediKod, as a sub-brand, is driven by the objective of expanding market presence and enhancing accessibility for customers via a digital approach. It offers customers the convenience of paying for services after they have been rendered, within a set limit (maximum of PLN 5,000). The application process is a streamlined online self-verification process. MediKod is an extension of the MediPay loan category, where customers, do not have to repeatedly verify their creditworthiness in-person at the branch for each transaction.

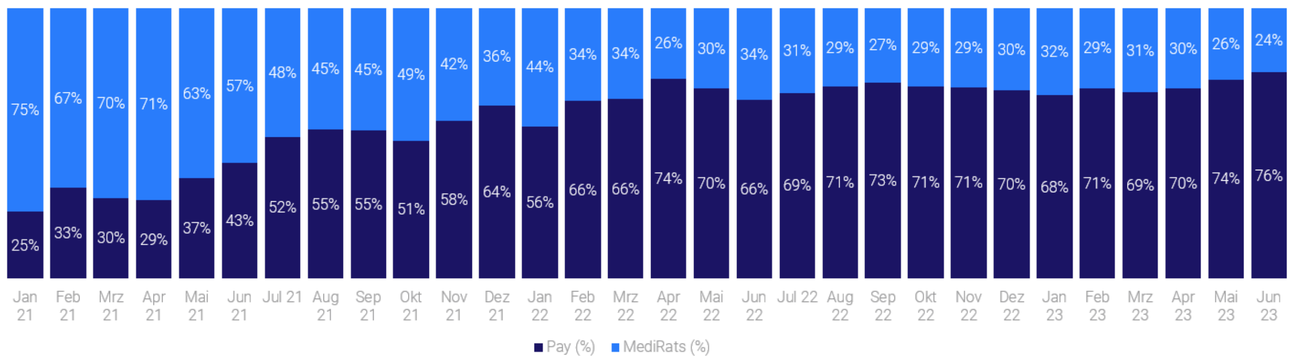
MediRaty – 10% of business
Over half of the loans offered by LM Pay's MediRaty brand are associated with dental services, particularly in the context of aesthetic prosthetics. Additionally,

medical procedures, such as surgery, plastic surgery, and aesthetic medicine, are in focus of this funding service.

MediRaty loan funds are directly transferred to the bank account of the medical service provider conducting the financed procedure. The cost of financing, encompassing interest and fees, is distributed by the borrower in equal monthly rates (what gives the product its name). MediRaty loans are exclusively designed for consumers. These loans adhere to the regulations outlined in the Polish Consumer Credit Act, with a focus on formal requirements, e.g., the client's right to withdraw from the agreement, implications of early or on-time repayment, loan costs, and more.

To obtain a MediRaty loan, consumers can undergo a creditworthiness verification process via telephone. There are two options available: the first involves the physical (wet-ink) execution of the agreement in the presence of a courier (for amounts up to PLN 30,000), while the second offers the alternative of concluding the agreement through online communication (for amounts up to PLN 20,000).

MediKod and MediPay gained dominant share in the number of all loans granted



Source: Company data; AlsterResearch

Management

Mr. Jakub Czarzasty, CEO
Mr. Czarzasty, holds a law degree from the European School of Law and Administration in Warsaw, where he earned his master's degree in 2008. Furthermore, he is a graduate of the Executive MBA program in managerial studies at the Institute of Economic Sciences of the Polish Academy of Sciences and the Vienna Institute for International Economic.

Currently, Mr. Czarzasty serves as the President of the Management Board and a shareholder of Medical Finance Group (CEE) AS, main shareholder of LM Pay. He is also the President of the Management Board of JJCC sp. z o.o., based in Warsaw. Since 2010, he is active as CEO at LM Pay S.A..

Mr. Sławomir Bielec, CFO
Mr. Bielec holds a master's degree in management, which he achieved from the University of Economics in Katowice in 2006. Additionally, he completed postgraduate studies at the Faculty of Applied Mathematics at AGH University in Cracow in 2009. With nearly 15 years of experience, his expertise spans a broad spectrum of finance, investment risk management and financial accounting. Furthermore, Mr. Bielec serves as an advisor to the management boards of companies, offering guidance in areas such as financial modelling, the development of optimal capital structures, and the implementation and execution of value-based management (VBM) processes.

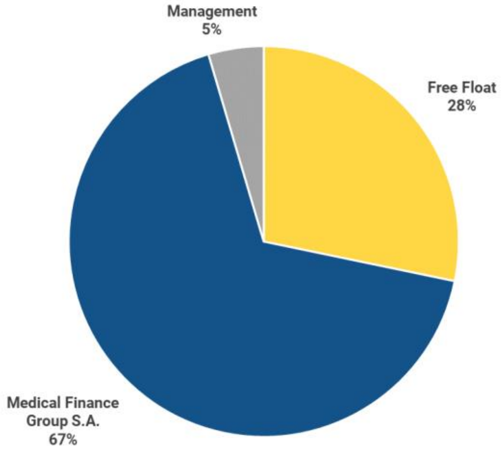
	
Mr. Jakub Czarzasty CEO and founder since 2010	Mr. Sławomir Bielec CFO since 2019

Source: Company data; AlsterResearch

Shareholders

Prior to the listing in November 2023, the shareholder structure is as follows.

Shareholder structure

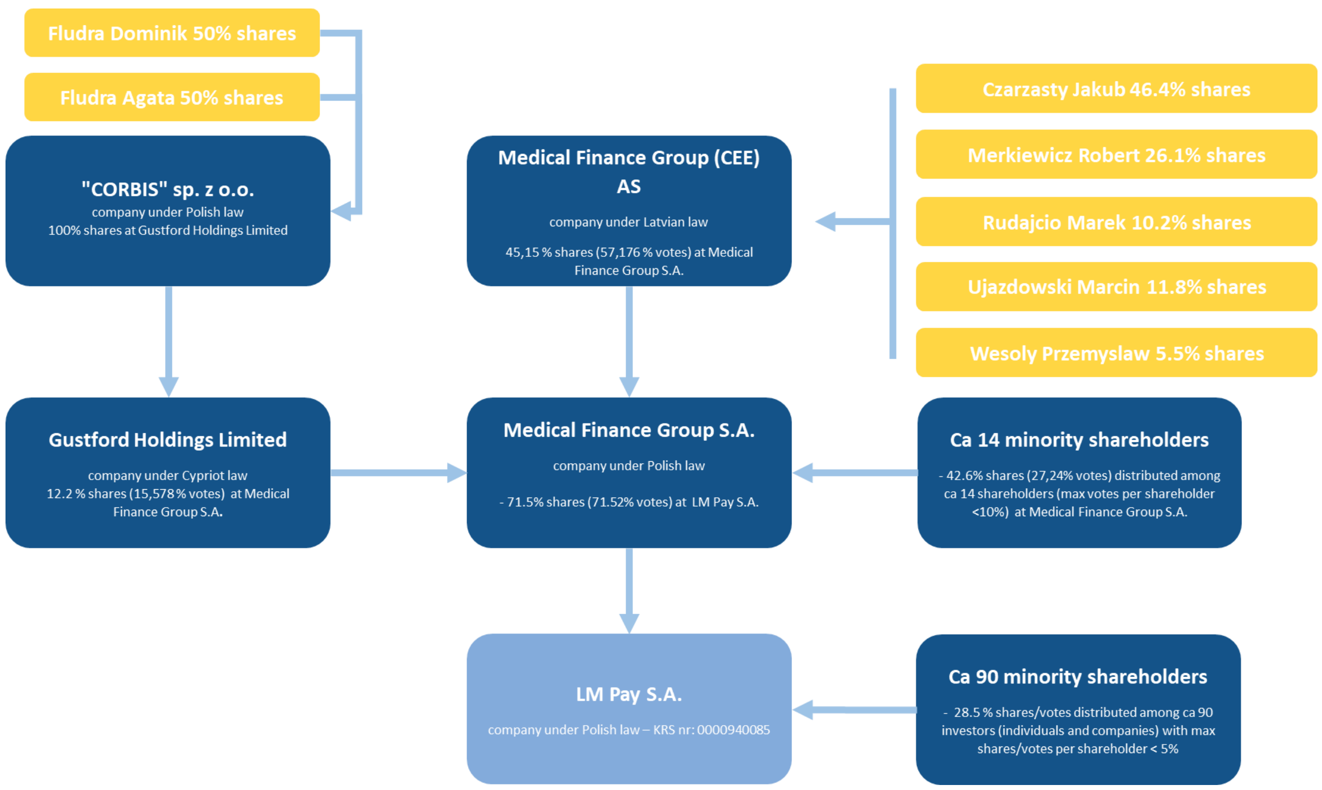


Source: Company data; AlsterResearch

Group structure

Speaking about the shareholder structure, the group structure is as follows. The main shareholder of LM Pay is Medical Finance Group S.A. (MFG) with its registered office in Warsaw, Poland. MFG's original business, which is involved in financing the acquisition of medical equipment (B2B financing), faced elevated risks of defaults and delayed repayments. Therefore, as of March 6, 2023, LM Pay acquired MFG's consumer finance portfolio, while MFG retained ownership of the B2B portfolio and its associated debt. As LM Pay acquired only the assets of MFG's B2C business and not its debts, a loan of PLN 60m was granted by LM Pay to MFG as compensation. In 2023 this loan was reduced to PLN 40m. MFG is held by wide range of investors, which also includes LM Pay's CEO and other managers.

Pre-Listing / Current company and group structure



Source: Company data; AlsterResearch

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Quality

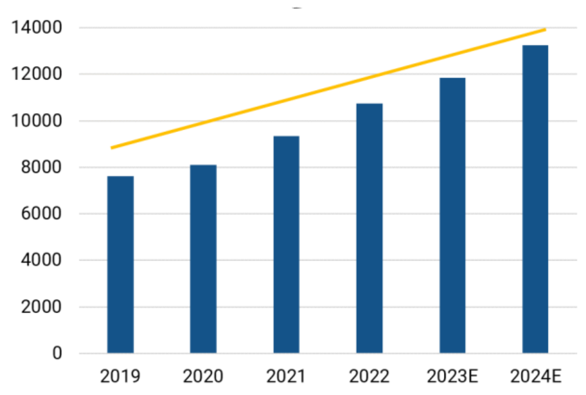
Customers

Fragmented customer base

LM Pay markets consumer loans to private individuals. Therefore, the customer base is very fragmented and there is no customer in the underlying business model that represents a particular risk.

LM Pay reaches its customers direct via the clinics and practices, where the staff offers the loans to the customers and prepares the cooperation with LM Pay. Currently, LM Pay works with c. 12,000 clinics, and this number is expected to be increased significantly in the mid-term.

LM Pay with 11,000 points of sale – in total number of clinics, including 6,000 with MediPay / MediKod



Source: Company data; AlsterResearch

Lower customer risks due to financing of medical treatments

Small loans are used by consumers in Poland for a variety of purposes, including consumer spending, car purchases, repairs, education and much more. However, the repayment behavior of customers in different sectors varies considerably. For example, the default rate on loans for medical treatment (e.g., dental services) is particularly lower than the overall average. This is because customers…

1) trust their doctor and do not want to disrupt this relationship, and

2) rely on the same doctor in the event of problems and recourse claims.

3) Most of the medical and aesthetic treatments have a recurring character (e.g., Botox treatments), which is a clear reason to stay credit worthy.

4) Clients do not want their names to be discredited to people they know personally. Reputation is too important for the relationship of customer and provider.

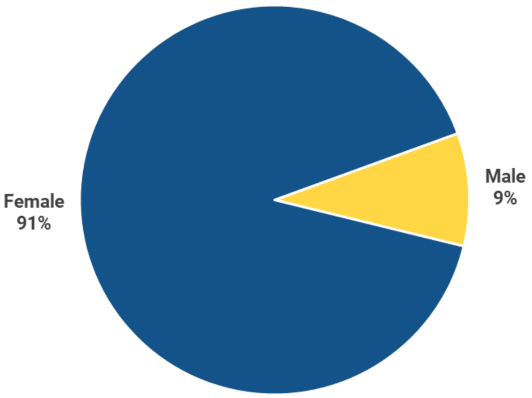
The average LM Pay customer

The average LM Pay customer is female (90% of customers), over 30 years old, employed and has a net income of PLN 5,000 in 2023 (2022: PLN 4,300). This corresponds to the average income in Poland, which is currently around PLN 5,300.

According to statista, childless single people in Poland earned an average gross income of about PLN 69,414 in 2022. Of the gross annual income, about PLN 3,420 had to be paid in taxes and about PLN 12,374 in social security contributions, leaving a net annual income of about PLN 53,624 or about PLN 4,468 per month.

In October, the average loan size was PLN 1,936, which is almost the same height as the 2023 average.

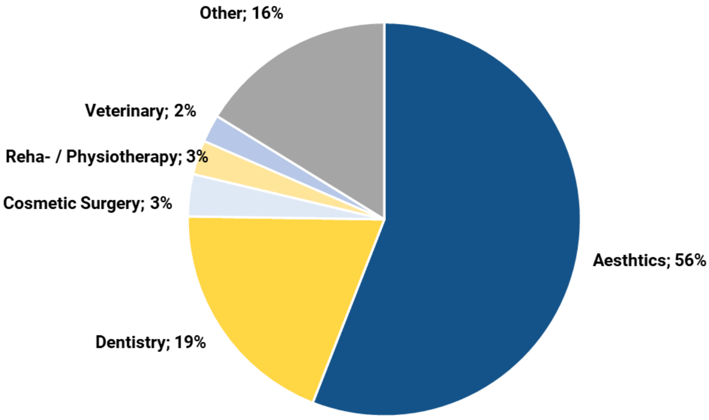
Customer split by gender in 2022 representing 32,000 persons



Source: Company data; AlsterResearch

Currently, more than 30% of clients are classified as recurring clients. One of the reasons for this is the type of treatment, e.g., Botox, skin, etc. These treatments have 3 - 6 months effect until a new treatment is needed, and therefore a new financing is required.

Breakdown by financed treatment in %



Source: Company data; AlsterResearch

Competition

Overall, the market environment is shaped by two factors: Increasing requirements due to regulation and competition, consists out of any company providing loans. Therefore, the market as well as the competitive environment can be described fragmented.

Overall environment: Increasing regulation

As it is the case throughout the European Union, the market is becoming increasingly regulated. The credit market is regulated by the Polish Financial Supervision Authority to protect consumer interests and ensure transparency of credit offers. Here, too, Fin-Techs have prevailed, as they can adapt the KYC process (Know You Customer / identification process) in an adaptive and agile way through fast and transparent processes.

Overall, a highly fragmented and competitive market

The market for small loans in Poland has been and remains competitive, with a variety of banks, credit unions and online lenders offering different products and terms. Online lenders in particular have become increasingly important in recent years, often offering quick access to small loans via the internet. This has led to some change in the market and disruptive tendencies, from which smaller and IT-savvy companies like LM Pay have benefited.

In general, the competitive landscape encompasses all companies offering loans, making both the market and the competitive arena appear fragmented. LM Pay's primary competitors are larger entities, including established ones like traditional loan companies, banks, and financial institutions, as well as newcomers in the market, particularly Fin-Techs and digital lending platforms.

But LM Pay's direct and main competition are primarily banks (e.g., Santander Consumer Bank S.A. which offers similar loan products), that provide loans and cash loans. But most of the competing entities do not offer dedicated products focused on medical procedures. Hence, this is LM Pay's USP, as the company is meeting patients' needs through a focused standard credit and loan product.

Furthermore, there is just one single competitor, Bacca sp. z o.o., which also is distributing its products direct in medical institutes and hospitals, like LM Pay does. But generally, Bacca, operating under the brand Tuba Pay, has a deep focus on payment solutions and other banking services, while loans play a minor role.

Competitive quality

To summarize, why we believe, that LM Pay brings several characteristics to not only be competitive but also to gain market share is (i) availability at medical facilities, (ii) relatively simple procedures, translating into a short time needed to issue a financing decision, (iii) price.

LM Pay's clear strengths is to maintain a competitive position in a niche market. This is just possible by providing lending services and products that meet specific needs and expectations of individuals who pay for procedures and treatment at commercial medical and veterinary facilities.

Barriers to entry

We believe the barriers to entry are manageable because credit products are not patent-protected or rocket science, however, the barriers are still high. After all, it takes more than a decade of know-how to copy what new competitors are unlikely to do. But what really matters is the steadily growing presence in clinics, physicians and among medical service and product providers (e.g., Polish optical chains comparable to Mister Spex or Fielmann). This structural barrier of c. 12,000 points of sale is very difficult and very expensive to overcome. Therefore, competition is more likely to decline than to expand.

Suppliers

Liquidity is the key for growth

LM Pay requires continuous access to liquidity to provide uninterrupted loan services to clients. As of August 2022, the company has entered a financial arrangement with Fortress Investment Group (UK) Ltd. that enables securitization of client receivables and facilitates the steady growth of the business. For the time being, this financing agreement will be automatically canceled, and LM Pay will owe the outstanding amount after 4 years and 6 months (or 54 months), beginning from August 31, 2022. Thus, the Fortress Investment Group (UK) Ltd. is LM Pay's strategic partner and primary provider of liquidity. The agreement with Fortress provides flexible financing to LM Pay of up to PLN 135,000,000, with the option to increase it to PLN 350,000,000. The financing interest rate varies and equals the sum of 1-month Warsaw Interbank Offer Rate (WIBOR, currently 5.80% as of 01.11.2023 (gpwbenchmark.pl/en-home) plus a margin (eAR + 8 to 10%).

Strong and efficient in-house developed scoring software

LM Pay's software verifies each customer's status in various Polish debtor databases, including the Polish National Debt Register (KRD - Krajowy Rejestr Długów), the Polish Credit Information Bureau (BIK - Biuro Informacji Kredytowej), and the Polish Economic Information Bureau (BIG - Biuro Informacji Gospodarczej). Additionally, the software grants quick access to all necessary information about the customer - from obtaining their consent to process personal data, scoring assessment, offer parameters, parameters of the granted loan, loan repayment, to executing soft collection and enforcement actions.

Ultimately, this improves the ability to monitor each customer and loan effectively. Therefore, a key-component at LM Pay is the IT infrastructure as well as the own-developed proprietary software. The software development is steered from Poland, while programmers and coders are located in different locations (also freelancers) to benefit from a lower cost base.

Diversified sales force in place

LM Pay collaborates with approximately 12,000 hospitals, clinics, and health centers that provide commercial services. The company also works with physicians who run their own practices throughout Poland. LM Pay does not exempt any service categories, specializations, or treatment techniques, nor any facility types. The sole criterion for evaluating institutions that provide financed services is the professionalism with which they deliver these services. LM Pay's advantage lies in its extensive presence across numerous medical facilities and the convenient accessibility of its services.

This widespread presence and the close contact with local medical staff are the real sales force and sales power. As the staff receive a reasonable commission (1-1.5% of loan volume; equal to >10% of a daily salary: avg- loan of PLN 1,930 x 1,5% = PLN29; avg monthly net salary PLN 5,300), they have a strong incentive to market the financing service.

Theme

Cooperation with VISA – New product expected by the end of 2023.

LM Pay has opened an attractive market opportunity by developing a new credit card product in partnership with VISA. This product assists customers in applying for credit in advance of a treatment and booking the loan on a credit card for use in pre-determined terminals and pre-determined purposes, such as medical applications. This feature eliminates the possibility of misusing or committing fraud. The major benefit is that both the client and the doctor have financial security prior to the treatment. Although the product launch was postponed for approximately 90 days, it is now anticipated to be launched by November or at the most by December. Thus, it is assumed that the new offering will raise the top and bottom line from 2024 onwards.

Liquidity secure via rolling factoring with Fortress

As part of the of the financing structure, LM Pay initiated a cyclical sale of its debt portfolio (comparable to factoring) to a special purpose vehicle (SPV). This portfolio sold to the SPV consists of receivables arising from loans granted by LM Pay to its consumers. In return, LM Pay receives an amount exceeding 80% of the capital of the receivables portfolio to be acquired. LM Pay's partner for this financing method is Fortress Investment Group (UK) Ltd. (more info see page before Suppliers)

Asset light business model

LM Pay's financial report for FY 2022 indicates that their only fixed tangible assets consist of vehicles. Since LM Pay's fixed assets are primarily funded through leasing, they are not reflected on the balance sheet. Additionally, Polish GAAPs do not adopt the same accounting standard as IFRS 16, so these fixed assets are not accounted for in their financial reports. However, the expenses for utilizing these assets are accounted for in the third-party services listed in the profit and loss statement, thus cost are completely reflected. Since the management currently has no intentions for significant investments, this business model can be easily characterized as asset-light.

Low write-off per case confirms quality of business model

Key and critical factor of LM Pay's operations is the scoring and monitoring of borrower's risk. With 5,000 new customers per month and much higher rate of new loan applications, the company learnt in the past 12 years how to identify and handle risk on a large scale. Even if the write-off of loan receivables amounted in FY 2022 to PLN 1,782,908 (+4.7% yoy), the enormous number of served customers must be taken into account. Out of 33,538 loans granted in 2022, just in 7,199 cases (21.5%), a full or partial write-off had to be booked. This is translated into an average write-off per case of approximately PLN 247.00. In 2022, LM Pay granted 33,538 loans for the total amount of PLN 64,807,089. This results in an average volume per loan of PLN 1,932.

SWOT analysis

Strengths

- Dynamic and experienced management team.
- Attractive revenue model with c 30% of recurring customers.
- Barriers to entry a rather high due to existing sales network.
- Strong financing agreement with Fortress (granting of flexible financing of up to PLN 135,000,000)
- Low fall out rates due to the personal relationship to medical staff (who are LM Pay's sales force).

Weaknesses

- Fast growth and developing new loan products involve an increased risk of less-qualitative customers, and higher risk.
- LM Pays assessment of the scoring process, may turn out to be wrong, which could lead to impairments.
- Growth could overload the small team of employees and the infrastructure, which risks service quality as well as profitability.
- LM Pay granted a c. PLN 40m loan to its largest shareholder MFG: an insolvency of MFG or default may cause a material risk.

Opportunities

- Expansion into further European markets, e.g., Bulgaria and Romania.
- Offering of new products (e.g., VISA cooperation).
- Reduced inflation could lead to higher consumer spendings.

Threats

- Highly competitive market environment.
- Economic downturns or uncertainties can affect consumer spending for 'not needed' treatments.
- Lowered payment morality of borrowers due to economic factors.
- Polish law allows for a wide range of possibilities for a consumer to declare bankruptcy.
- The basic interest rates in Poland increased from 1.75% on 1 January 2022 to 6.75% on 31 December 2022 and remains stable on this level.

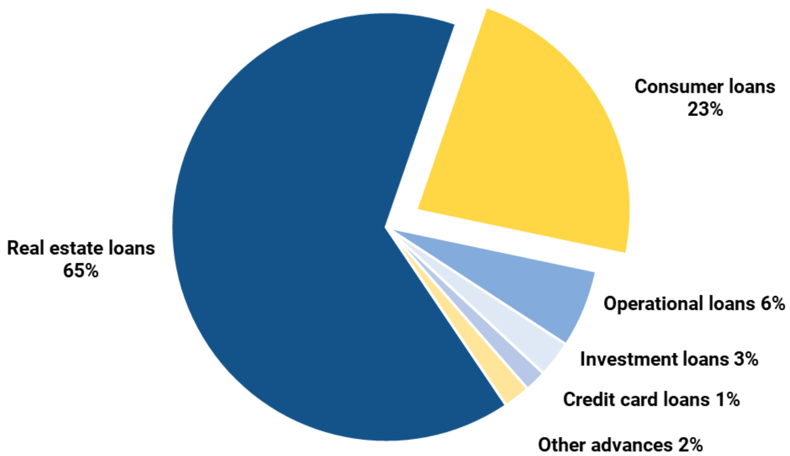
Growth

Trends in the operating business and market

For the time being, LM Pay focuses on penetrating the two main market sectors in which it operates: the financing of aesthetic medical procedures on the one hand and of dental services on the other. Therefore, both markets are analyzed as they are partly determined by different and changing consumer preferences, needs and financial situations. These markets in terms of financing aspects, however, are sub-segments of the Polish consumer loan market.

The overall picture of the Polish consumer credit market is presented as follows. In 2022, the consumer loan segment represented c. 23% of the total loan market volume of PLN 737bn in Poland. Only the real estate volume, representing 65% or PLN 477bn, is higher.

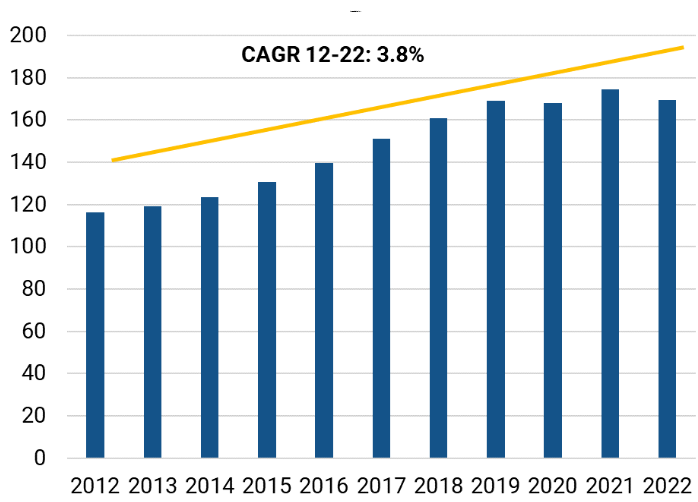
Consumer loans represent 23% of Polish loans to private households



Source: Statista; AlsterResearch

The consumer loan market grew with a CAGR 12-22 of almost 4% and reached a total volume of PLN 170bn.

Steady growth of gross value of consumer loans to households in Poland (in PLNbn)



Source: Statista; AlsterResearch

Unfortunately, the number and/or value of loans granted for the purpose of financing medical appointments and treatments, is not separated in market statics from other purposes of consumer loans being granted.

Aesthetic procedures account for 56% of LM Pay's business

According to LM Pay, the aesthetic medical services sector is estimated to be worth PLN 4-5 bn, financed by patients and with the help of companies like LM Pay.

The main growth driver in this field of operation is the increasing number of beauty treatments. More and more people aim for natural beauty without visible and significant changes to their look. Beauty treatments are sought for various reasons, and the specific motivations can vary from person to person. However, four main reasons for seeking beauty treatments are:

Enhancing Appearance: Many individuals opt for beauty treatments to improve or enhance their physical appearance. This may include procedures such as facials, makeup application, hair styling, and skincare routines to look and feel more attractive.

Boosting Confidence and Self-Esteem: Beauty treatments can have a positive impact on a person's self-esteem and confidence. Feeling good about one's appearance can provide a significant psychological boost, leading to increased self-assurance.

Addressing Skin or Hair Concerns: Beauty treatments are often used to address specific skin or hair concerns. For example, individuals may seek treatments to clear acne, reduce wrinkles, control hair frizz, or manage other issues related to their physical appearance.

Relaxation and Stress Relief: Many beauty treatments, such spa therapies, offer relaxation and stress relief benefits. These treatments provide a soothing and calming experience, helping individuals unwind and relieve tension.

Social media usage: The global trend of social media is leading to a higher demand for medical and beauty treatments, thus steadily increasing the size of the market.

This trend is driven by the higher beauty awareness of social media-aged customers (under 40), who are increasingly being educated by social media networks.

Dental medicine procedures with increasing importance at LM Pay

The dental services sector has a robust foundation and extensive history when compared to aesthetic treatments. LM Pay predicts the market will continue to expand in 2023, with a double-digit growth rate of 16.7% year on year, amounting to PLN 15bn for the third year in a row. Private practices have historically dominated the dental services market in Poland, with patients self-financing their treatments, which creates a firm basis for LM Pay to expand further. Over 40,000 dentists offer their services in almost 23,000 practices.

In line with aesthetic treatments, cosmetic dentistry experiences the same growth drivers. Patients' awareness of the appearance and aesthetics of teeth is increasing, as teeth represent beauty, health, and wealth. As a result, services such as teeth whitening, veneers or dental implants are becoming more popular in all customer groups.

However, a common reason for dental treatment (apart from dental beauty) is usually necessary treatment, e.g., because of pain. In any case, people are looking for services tailored to their individual needs and preferences (e.g., more expensive ceramic implants), which are usually associated with higher costs.

In addition, it is due to technology and innovation in many fields of dentistry and the related treatments, that the overall dental bill increases steadily. Especially, the treatment and restoration of teeth can be called expensive with constant improvement in pricing (due to newer materials like ceramic and advanced methods like 3D scanning and printing).

Veterinary services could boost the future

In addition, LM Pay aims to explore the veterinary services sector with specific products, which were started in 2021, providing attractive and resilient growth opportunities. There is a trend in the veterinary services market, similar to other markets, towards greater commitment by pet owners to the health and welfare of their pets. However, volumes remain low at present. In detail, for the full year 2022, sales to the VET segment amounted to PLN 1.1m in value and 744 loans were granted. By contrast, from January to September 2023, it was PLN 1.3m in value and 824 loans granted.

Therefore, stable and strong markets offer tailwind, and several growth factors serve LM Pay with significant potential for growth. Taking 2022 as a starting point and evaluating the different areas of activity in relation to their growth drivers, the following growth potential for LM Pay emerges.

Growth table (PLNm)	2020	2021	2022	2023E	2024E	2025E
Sales	8.2	13.1	15.1	18.1	38.9	48.0
Sales growth	na	59.7%	15.1%	20.5%	114.3%	23.5%
EBIT	6.2	10.2	3.6	5.6	15.7	22.1
EBIT margin	75.2%	78.2%	24.2%	31.1%	40.5%	45.9%
Net profit	2.7	4.6	0.1	0.9	3.9	7.4

Source: Company data; AlsterResearch

AlsterResearch

Planning assumptions

P&L assumptions

Guidance

In 2023, LM Pay's primary focus is to expand its core business by expanding its network of affiliated medical facilities and increasing the volume and total value of medical loans extended. However, the company has not provided any more details guidance so far.

The management of LM Pay believes that it is possible to expand the company's distribution network in Poland by another 40,000-50,000 medical units – for instance in the file of opticians. This represents a massive increase compared to the current number of 12,000 units. Together with a broader network and improved operations, this is expected to contribute to strong revenue growth and, more importantly, to profitable growth.

Business development in H1 2023

The first six months of 2023 prove that the business model of LM Pay is valid and profitable. The Note Issuance Facility Agreement with Fortress Investment Group allows LM Pay to finance its steady growth throughout 2023 and this also expected in the future. The amount of loans granted to consumers during the first 6 months of 2023 was PLN 63.9m and due to the 80% rate, the refinancing from Fortress amounted to PLN 51.5m.

In the first 6 months of 2023, LM Pay achieved revenues of PLN 7.4m, which consists of commissions (c. 80-85% of revenues) and interest income (15-20% of revenues). The net proceeds earned from preparatory fees and commissions in the first six months amount to PLN 6.2m, which is lower than the net proceeds of PLN 10.7m in 2022.

LM Pay's growth development for 2023 and beyond is closely related to the following identified growth drivers. Worth mentioning that LM Pay's workforce and infrastructure can achieve the estimated growth without a corresponding increase in operating costs.

Top-line growth drivers are:

1. The introduction of new and more advanced credit procedures based on the latest technological innovations and artificial intelligence (AI).

2. A broader usage of loans due to cash distribution to the customer's private account. Currently, the clinics receive the payouts, but this will change with a new feature. Since the money provided by LM Pay is available for any use - no longer related to medical treatment - a rapid expansion of the operational business is expected. This comes along with a lower risk, as only excellent risk checked clients receive a cash loan.

3. Reduced dependence on direct service from clinic staff through the introduction of a special MediPay Mobile (Visa) card with the possibility of payment at any clinic with a payment terminal.

4. Increased online distribution and sales through higher visibility of LM Pay's offerings on websites such as www.mediraty.pl. Recently, approximately 140,000 unique visitors per month stayed on the site for more than 4 minutes.

5. Expansion into optical market with Medicover Optics and Links Optic, two important Polish optician chains. LM Pay closed contracts already and

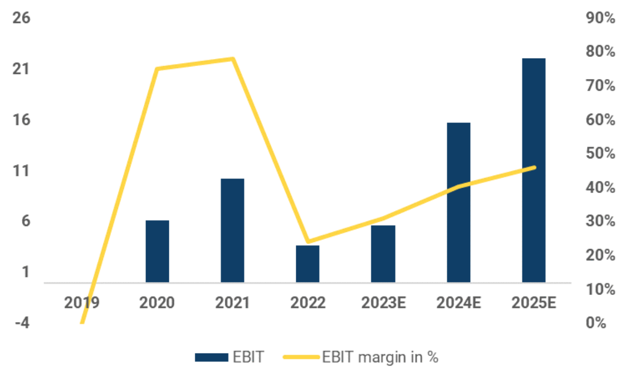
sales are expected to be driven in 2024, when all 140 clinics are part of the sales network.

6. International expansion, as LM Pay plans to introduce MediPay product in Q3 and/or Q4 2024 to Bulgaria and Romania.

Taking all factors and assumptions into account, the following revenue plan emerges. We expect LM Pay to grow disproportionately. With over 12 years of experience, the company is long past the loss-making years. Even during the Corona years, the company was profitable. With an existing infrastructure, sufficient employees and market-ready products, the fixed cost base should be stable. In other words, LM Pay is ready to scale revenues to achieve higher profits.

Sales in PLNm / sales growth in %

EBIT in PLNm / EBIT margin in %



Source: Company; AlsterResearch

Balance sheet assumptions

As mentioned above, LM Pay's business model is capital light. Investments in new markets or product categories mostly require capital expenditures that flow directly through the P&L, e.g., development and IT costs. In addition, it only operates office facilities which are rented.

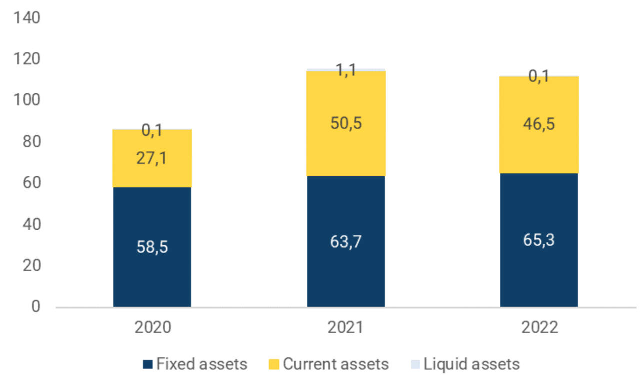
Against this backdrop, it is not surprising that LM Pay has very few fixed assets on its balance sheet (at YE 22: PLN 0.5m / 0.4% of total assets), but 58% of the total balance sheet or PLN 64.8m were represented by the loan granted to MFG. MFG, which is also the largest shareholder of LM Pay, remains the largest debtor of the company and accounts for nearly all of its long-term financial assets. Back in 2019, MFG received a loan and aims to repay it fully in 5 years, but there's no fixed repayment schedule. The loan accrues 12% interest per year. History: As LM Pay acquired only the assets of MFG's B2C business and not its debts, a loan of PLN 60m was granted by LM Pay to MFG as a compensation.

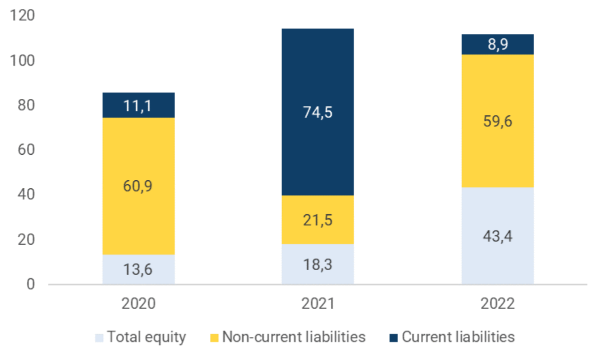
Current assets, on the other hand, accounted for 42% of the total balance sheet value and consisted mainly of receivables, which is the volume of loans granted to customers. At the end of 2022, LM Pay had total assets and liabilities of PLN 111.8m, but this is clearly expected to change until year end of 2023, as MFG repaid some PLN 34.3m of its loan. The inflow was used by LM Pay to reduce own debt by c PLN 20m and to improve the loan to customer portfolio.

Remember, the increase in the total loan volume granted to customers does not necessarily translate into 1:1 increase of LM Pay's asset value/balance sheet, due to the securitization arrangement entered into by the company with the SPV-entities managed by Fortress. This agreement has been entered into in 2022 and the value of receivables assigned in 2022 was PLN 39.6m while the financial arrangement provided for immediate payment of the amount of PLN 31.4m that were used to grant further loans.

AlsterResearch

Balance sheet - Assets in PLNm | **Balance sheet - Liabilities in PLNm**





Source: Company; AlsterResearch

Valuation

DCF Model

The DCF model results in a **fair value of EUR 70.83 per share**:

Top-line growth: We expect LM Pay S.A. to grow revenues at a CAGR of 21.5% between 2023E and 2030E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 5.9% in 2023E to 16.8% in 2030E.

WACC. Starting point is a historical equity beta of 1.50. Unlevering and correcting for mean reversion yields an asset beta of 1.13. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 10.5%. With pre-tax cost of borrowing at 15.0%, a tax rate of 25.0% and target debt/equity of 0.3 this results in a long-term WACC of 10.7%.

DCF (PLNm) (except per share data and beta)	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal value
NOPAT	4.5	12.6	17.6	22.5	27.4	28.8	29.5	30.2	
Depreciation & amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in working capital	-3.6	-24.1	-10.6	-9.8	-9.2	-3.7	-4.5	-4.6	
Chg. in long-term provisions	0.5	3.5	1.5	1.4	1.3	0.5	0.3	0.3	
Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Cash flow	1.5	-8.0	8.6	14.2	19.6	25.6	25.3	26.0	303.4
Present value	1.5	-7.1	6.8	10.1	12.4	14.4	12.6	11.4	147.1
WACC	11.0%	11.2%	11.4%	11.6%	11.8%	12.0%	12.2%	12.4%	10.7%

DCF per share derived from	
Total present value	209.0
Mid-year adj. total present value	220.8
Net debt / cash at start of year	65.8
Financial assets	39.8
Provisions and off b/s debt	2.5
Equity value	192.3
No. of shares outstanding	0.6
Discounted cash flow / share (in EUR)	**70.83**
upside/(downside)	**30.0%**
Share price (in EUR)	**54.45**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2023E-2030E)	21.5%
Terminal value growth (2030E - infinity)	2.0%
Terminal year ROCE	16.8%
Terminal year WACC	10.7%

Terminal WACC derived from	
Cost of borrowing (before taxes)	15.0%
Long-term tax rate	25.0%
Equity beta	1.50
Unlevered beta (industry or company)	1.13
Target debt / equity	0.3
Relevered beta	1.42
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	10.5%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth 1.0%	1.5%	2.0%	2.5%	3.0%
2.0%	49.2	51.0	53.1	55.3	57.8
1.0%	56.1	58.4	61.0	63.9	67.1
0.0%	64.4	67.5	70.8	74.6	78.9
-1.0%	74.8	78.8	83.3	88.4	94.2
-2.0%	87.9	93.3	99.4	106.6	115.0

Share of present value	
2023E-2026E	5.4%
2027E-2030E	24.2%
terminal value	70.4%

Source: AlsterResearch

AlsterResearch

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 26.38 per share based on 2023E and EUR 152.30 per share on 2027E estimates.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield (in PLNm)	2023E	2024E	2025E	2026E	2027E
EBITDA	**5.7**	**15.8**	**22.1**	**28.2**	**34.3**
- Maintenance capex	0.0	0.0	0.0	0.0	0.0
- Minorities	0.0	0.0	0.0	0.0	0.0
- tax expenses	0.2	1.0	1.8	2.8	3.8
= Adjusted FCF	**5.4**	**14.8**	**20.2**	**25.4**	**30.5**
Actual Market Cap (in PLN)	**147.9**	**147.9**	**147.9**	**147.9**	**147.9**
+ Net debt (cash)	43.0	59.7	61.3	58.4	51.2
+ Pension provisions	3.0	6.5	8.1	9.5	10.8
+ Off B/S financing	0.0	0.0	0.0	0.0	0.0
- Financial assets	39.8	39.8	39.8	39.8	39.8
- Acc. dividend payments	0.0	0.0	0.0	0.0	0.0
EV Reconciliations	6.2	26.4	29.6	28.1	22.1
= Actual EV' (in PLN)	**154.0**	**174.2**	**177.4**	**175.9**	**170.0**
Adjusted FCF yield	**3.5%**	**8.5%**	**11.4%**	**14.4%**	**17.9%**
base hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
Fair EV (in EUR)	**77.8**	**211.2**	**289.0**	**362.3**	**435.7**
- EV Reconciliations	6.2	26.4	29.6	28.1	22.1
Fair Market Cap (in EURm)	**71.6**	**184.8**	**259.5**	**334.3**	**413.6**
No. of shares (million)	0.6	0.6	0.6	0.6	0.6
Fair value per share (in EUR)	**26.38**	**68.06**	**95.55**	**123.09**	**152.30**
Premium (-) / discount (+)	**-51.6%**	**24.9%**	**75.3%**	**125.9%**	**179.5%**

Sensitivity analysis FV						
	5.0%	165.5	433.8	604.2	771.9	947.0
	6.0%	136.3	354.4	495.6	635.7	783.2
Adjusted hurdle rate	**7.0%**	**115.4**	**297.7**	**418.0**	**538.4**	**666.2**
	8.0%	99.7	255.2	359.8	465.5	578.5
	9.0%	87.5	222.1	314.5	408.7	510.3

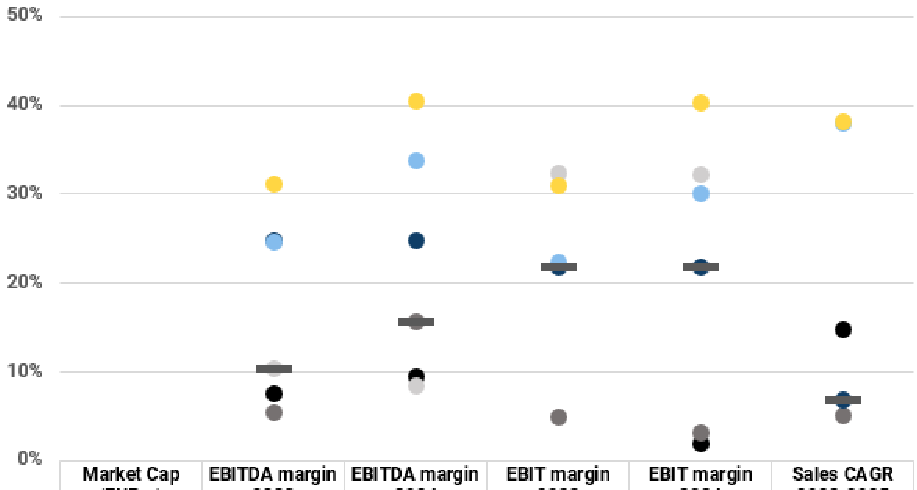
Source: Company data; AlsterResearch

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Peer group analysis

A peer group or comparable company (“comps”) analysis is a methodology that calculates a company's relative value — how much it should be worth based on how it compares to other similar companies. Given that **LM Pay S.A.** differs quite significantly in terms of size, focus, financial health, and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of LM Pay S.A. consists of the stocks displayed in the chart below. As of 24 November 2023 the median market cap of the peer group was EUR 8,955.4m, compared to EUR 33.8m for LM Pay S.A.. In the period under review, the peer group was less profitable than LM Pay S.A.. The expectations for sales growth are lower for the peer group than for LM Pay S.A..

Peer Group – Key data

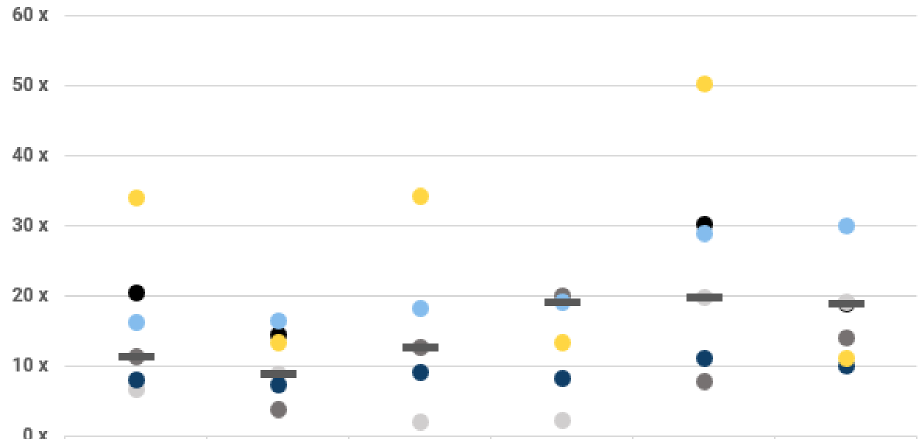


24-Nov-23	Market Cap (EURm)	EBITDA margin 2023	EBITDA margin 2024	EBIT margin 2023	EBIT margin 2024	Sales CAGR 2022-2025
● Block Inc	33.291	7,6%	9,6%	-0,4%	2,1%	14,9%
● Sezzle Inc	76	5,6%	15,8%	4,9%	3,2%	5,1%
● LendingClub Corp	565	10,5%	8,5%	32,5%	32,4%	-9,1%
● PayPal Holdings Inc	55.794	24,9%	25,0%	21,9%	21,9%	7,0%
● Wise PLC	8.955	24,7%	33,8%	22,3%	30,2%	38,1%
● LM Pay S.A.	34	31,2%	40,5%	31,1%	40,5%	38,3%
– Peer Group Median	8.955	10,5%	15,8%	21,9%	21,9%	7,0%

Source: Sentieo, AlsterResearch

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2023, EV/EBITDA 2024, EV/EBIT 2023, EV/EBIT 2024, P/E 2023 and P/E 2024. Applying these to LM Pay S.A. results in a range of fair values from EUR 6.42 to EUR 94.70.

Peer Group – Multiples and valuation



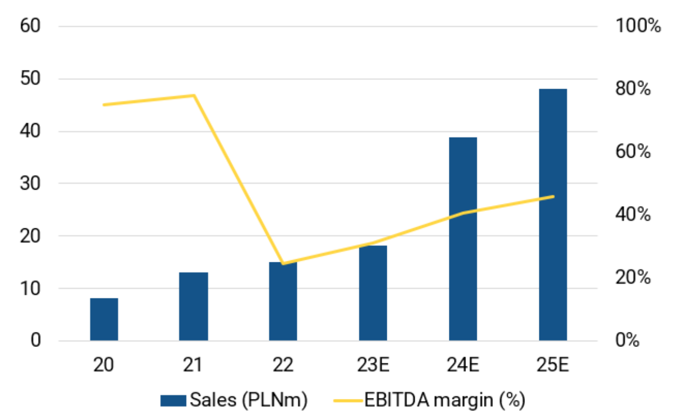
24-Nov-23	EV/EBITDA 2023	EV/EBITDA 2024	EV/EBIT 2023	EV/EBIT 2024	P/E 2023	P/E 2024
● Block Inc	20,5x	14,5x	9999,0x	67,5x	30,4x	19,2x
● Sezzle Inc	11,5x	4,0x	12,9x	20,2x	7,9x	14,3x
● LendingClub Corp	6,8x	9,2x	2,2x	2,4x	20,0x	19,3x
● PayPal Holdings Inc	8,1x	7,5x	9,2x	8,5x	11,4x	10,2x
● Wise PLC	16,4x	16,6x	18,4x	19,3x	29,2x	30,2x
● LM Pay S.A.	34,2x	13,6x	34,4x	13,6x	50,5x	11,3x
– Peer Group Median	11,5x	9,2x	12,9x	19,3x	20,0x	19,2x
Fair Value (EUR)	7,02	36,32	9,91	94,70	6,42	27,43

Source: Sentieo, AlsterResearch

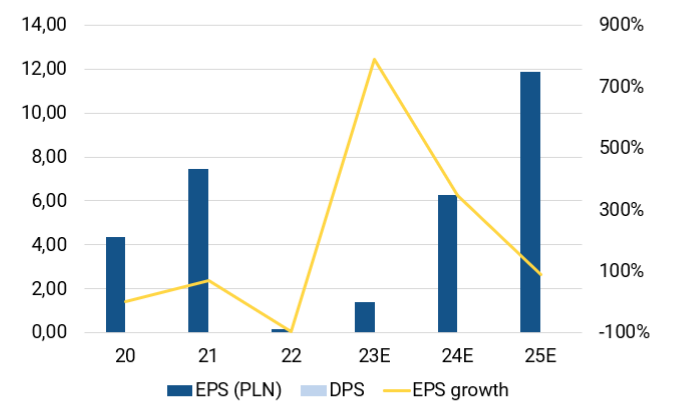
AlsterResearch

Financials in six charts

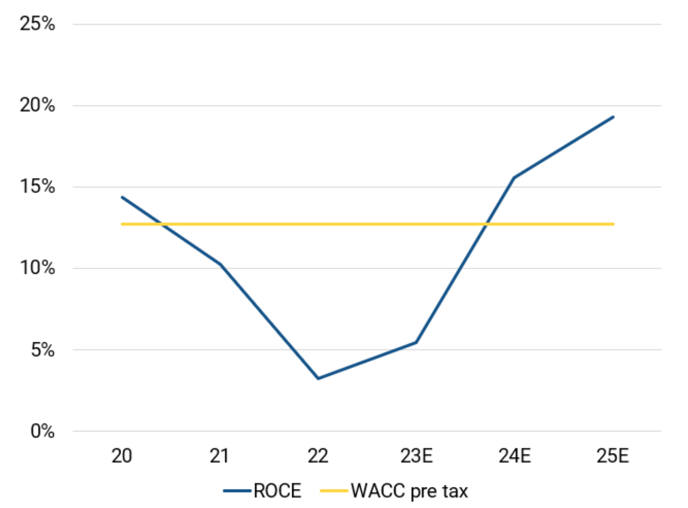
Sales vs. EBITDA margin development



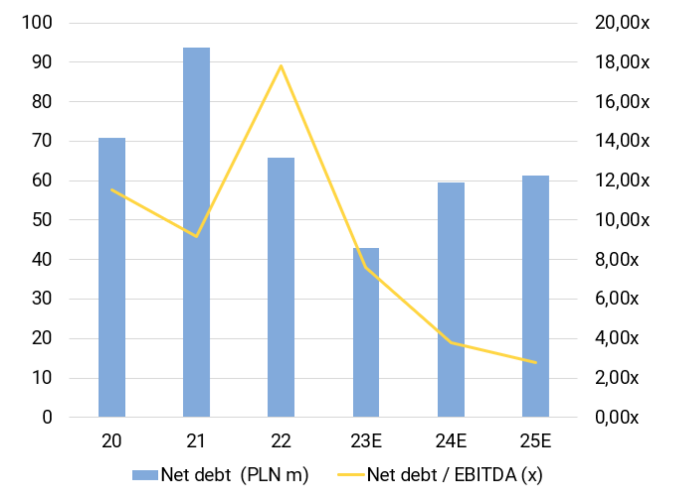
EPS and DPS in PLN & yoy EPS growth



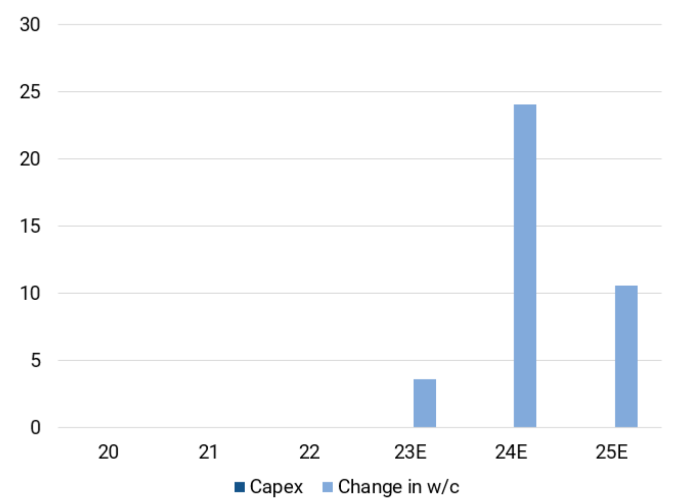
ROCE vs. WACC (pre tax)



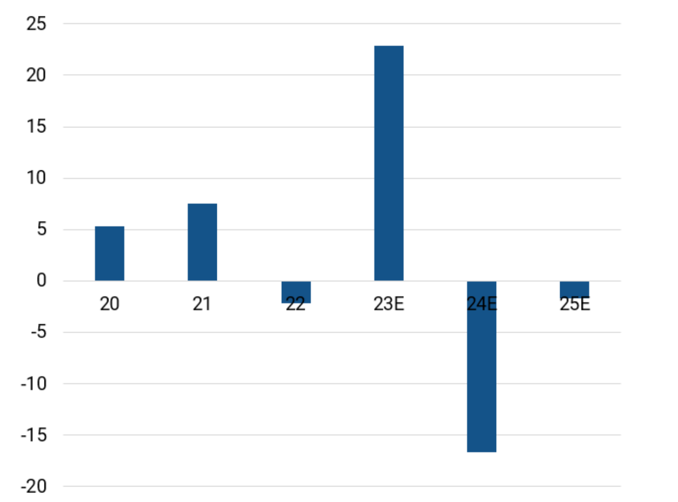
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in PLNm



Free Cash Flow in PLNm



Source: Company data; AlsterResearch

Financials

Profit and loss (PLNm)	2020	2021	2022	2023E	2024E	2025E
Net sales	**8.2**	**13.1**	**15.1**	**18.1**	**38.9**	**48.0**
Sales growth	na	59.7%	15.1%	20.5%	114.3%	23.5%
Change in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**8.2**	**13.1**	**15.1**	**18.1**	**38.9**	**48.0**
Material expenses	0.8	1.7	6.7	9.1	18.6	21.0
Gross profit	**7.4**	**11.4**	**8.4**	**9.1**	**20.3**	**27.0**
Other operating income	0.0	1.1	1.6	0.0	0.0	0.0
Personnel expenses	0.0	0.1	1.4	0.3	0.3	0.3
Other operating expenses	1.2	2.1	4.9	3.1	4.2	4.6
EBITDA	**6.2**	**10.2**	**3.7**	**5.7**	**15.8**	**22.1**
Depreciation	0.0	0.0	0.1	0.0	0.0	0.0
EBITA	6.2	10.2	3.6	5.7	15.8	22.1
Amortisation of goodwill and intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**6.2**	**10.2**	**3.6**	**5.6**	**15.7**	**22.1**
Financial result	-2.8	-4.5	-3.4	-4.6	-10.9	-12.8
Recurring pretax income from continuing operations	3.4	5.7	0.2	1.1	4.9	9.2
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	3.4	5.7	0.2	1.1	4.9	9.2
Taxes	0.7	1.1	0.1	0.2	1.0	1.8
Net income from continuing operations	2.7	4.6	0.1	0.9	3.9	7.4
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**2.7**	**4.6**	**0.1**	**0.9**	**3.9**	**7.4**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	2.7	4.6	0.1	0.9	3.9	7.4
Average number of shares	0.62	0.62	0.62	0.62	0.62	0.62
EPS reported	**4.38**	**7.46**	**0.16**	**1.40**	**6.26**	**11.87**

Profit and loss (common size)	2020	2021	2022	2023E	2024E	2025E
Net sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Change in finished goods and work-in-process	0%	0%	0%	0%	0%	0%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Material expenses	10%	13%	44%	50%	48%	44%
Gross profit	**90%**	**87%**	**56%**	**50%**	**52%**	**56%**
Other operating income	0%	8%	10%	0%	0%	0%
Personnel expenses	0%	1%	9%	2%	1%	1%
Other operating expenses	15%	16%	32%	17%	11%	10%
EBITDA	**75%**	**78%**	**25%**	**31%**	**41%**	**46%**
Depreciation	0%	0%	0%	0%	0%	0%
EBITA	75%	78%	24%	31%	41%	46%
Amortisation of goodwill and intangible assets	0%	0%	0%	0%	0%	0%
EBIT	**75%**	**78%**	**24%**	**31%**	**40%**	**46%**
Financial result	-34%	-35%	-23%	-25%	-28%	-27%
Recurring pretax income from continuing operations	41%	44%	1%	6%	12%	19%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	41%	44%	1%	6%	12%	19%
Taxes	8%	8%	1%	1%	2%	4%
Net income from continuing operations	33%	35%	1%	5%	10%	15%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	**33%**	**35%**	**1%**	**5%**	**10%**	**15%**
Minority interest	0%	0%	0%	0%	0%	0%
Net profit (reported)	**33%**	**35%**	**1%**	**5%**	**10%**	**15%**

Source: Company data; AlsterResearch

Balance sheet (PLNm)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (exl. Goodwill)	**0.0**	**0.0**	**0.5**	**0.5**	**0.5**	**0.4**
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	58.5	63.7	64.8	39.8	39.8	39.8
FIXED ASSETS	**58.5**	**63.7**	**65.3**	**40.3**	**40.3**	**40.3**
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.0	0.8	17.5	21.1	45.2	55.8
Other current assets	26.7	47.8	25.9	25.9	25.9	25.9
Liquid assets	0.1	1.1	0.1	4.8	-7.2	-3.6
Deferred taxes	0.3	0.4	3.0	3.0	3.0	3.0
Deferred charges and prepaid expenses	0.0	0.4	0.0	0.0	0.0	0.0
CURRENT ASSETS	**27.1**	**50.5**	**46.5**	**54.7**	**66.9**	**81.0**
TOTAL ASSETS	**85.7**	**114.2**	**111.8**	**95.0**	**107.1**	**121.3**
SHAREHOLDERS EQUITY	**13.6**	**18.3**	**43.4**	**44.2**	**48.1**	**55.5**
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	60.0	20.3	57.0	37.0	40.7	44.8
Provisions for pensions and similar obligations	0.9	1.2	2.5	3.0	6.5	8.1
Other provisions	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**60.9**	**21.5**	**59.6**	**40.1**	**47.3**	**52.9**
short-term liabilities to banks	11.1	74.5	8.9	10.7	11.7	12.9
Accounts payable	0.0	0.0	0.0	0.0	0.0	0.0
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.0	0.0	0.0	0.0	0.0	0.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	**11.1**	**74.5**	**8.9**	**10.7**	**11.7**	**12.9**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**85.7**	**114.2**	**111.8**	**95.0**	**107.1**	**121.3**

Balance sheet (common size)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (excl. Goodwill)	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Goodwill	0%	0%	0%	0%	0%	0%
Property, plant and equipment	0%	0%	0%	0%	0%	0%
Financial assets	68%	56%	58%	42%	37%	33%
FIXED ASSETS	**68%**	**56%**	**58%**	**42%**	**38%**	**33%**
Inventories	0%	0%	0%	0%	0%	0%
Accounts receivable	0%	1%	16%	22%	42%	46%
Other current assets	31%	42%	23%	27%	24%	21%
Liquid assets	0%	1%	0%	5%	-7%	-3%
Deferred taxes	0%	0%	3%	3%	3%	2%
Deferred charges and prepaid expenses	0%	0%	0%	0%	0%	0%
CURRENT ASSETS	**32%**	**44%**	**42%**	**58%**	**62%**	**67%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**16%**	**16%**	**39%**	**47%**	**45%**	**46%**
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	70%	18%	51%	39%	38%	37%
Provisions for pensions and similar obligations	1%	1%	2%	3%	6%	7%
Other provisions	0%	0%	0%	0%	0%	0%
Non-current liabilities	**71%**	**19%**	**53%**	**42%**	**44%**	**44%**
short-term liabilities to banks	13%	65%	8%	11%	11%	11%
Accounts payable	0%	0%	0%	0%	0%	0%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	0%	0%	0%	0%	0%	0%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	**13%**	**65%**	**8%**	**11%**	**11%**	**11%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

Cash flow statement (PLNm)	2020	2021	2022	2023E	2024E	2025E
Net profit/loss	2.7	4.6	0.1	0.9	3.9	7.4
Depreciation of fixed assets (incl. leases)	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Others	2.6	0.0	0.0	25.5	3.5	1.5
Cash flow from operations before changes in w/c	5.3	7.5	-2.2	26.4	7.4	8.9
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	0.0	0.0	0.0	-3.6	-24.1	-10.6
Increase/decrease in accounts payable	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in other w/c positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	0.0	0.0	0.0	-3.6	-24.1	-10.6
Cash flow from operating activities	**5.3**	**7.5**	**-2.2**	**22.8**	**-16.7**	**-1.7**
CAPEX	0.0	0.0	0.0	0.0	0.0	0.0
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	-25.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	**-44.9**	**-29.9**	**16.0**	**-25.0**	**0.0**	**0.0**
Cash flow before financing	-39.5	-22.4	13.9	-2.2	-16.7	-1.7
Increase/decrease in debt position	0.0	0.0	0.0	-18.2	4.8	5.2
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	25.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	**40.5**	**21.4**	**-13.9**	**6.8**	**4.8**	**5.2**
Increase/decrease in liquid assets	0.9	-1.0	-0.0	4.6	-11.9	3.6
Liquid assets at end of period	**1.1**	**0.1**	**0.1**	**4.7**	**-7.2**	**-3.6**

Source: Company data; AlsterResearch

Regional sales split (PLNm)	2020	2021	2022	2023E	2024E	2025E
Domestic	8.2	13.1	15.1	18.1	38.9	48.0
Europe (ex domestic)	0.0	0.0	0.0	0.0	0.0	0.0
The Americas	0.0	0.0	0.0	0.0	0.0	0.0
Asia	0.0	0.0	0.0	0.0	0.0	0.0
Rest of World	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	**8.2**	**13.1**	**15.1**	**18.1**	**38.9**	**48.0**

Regional sales split (common size)	2020	2021	2022	2023E	2024E	2025E
Domestic	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Europe (ex domestic)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

Ratios	2020	2021	2022	2023E	2024E	2025E
Per share data (in PLN)						
Earnings per share reported	4.38	7.46	0.16	1.40	6.26	11.87
Cash flow per share	8.59	12.10	-3.48	36.78	-26.89	-2.71
Book value per share	21.95	29.41	69.85	71.25	77.52	89.39
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Income statement (PLNm)						
Sales	8.2	13.1	15.1	18.1	38.9	48.0
yoy chg in %	na	59.7%	15.1%	20.5%	114.3%	23.5%
Gross profit	7.4	11.4	8.4	9.1	20.3	27.0
Gross margin in %	90.3%	87.2%	55.6%	49.9%	52.2%	56.3%
EBITDA	6.2	10.2	3.7	5.7	15.8	22.1
EBITDA margin in %	75.2%	78.2%	24.5%	31.2%	40.5%	46.0%
EBIT	6.2	10.2	3.6	5.6	15.7	22.1
EBIT margin in %	75.2%	78.2%	24.2%	31.1%	40.5%	45.9%
Net profit	2.7	4.6	0.1	0.9	3.9	7.4
Cash flow statement (PLNm)						
CF from operations	5.3	7.5	-2.2	22.8	-16.7	-1.7
Capex	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance Capex	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	5.3	7.5	-2.2	22.8	-16.7	-1.7
Balance sheet (PLNm)						
Intangible assets	0.0	0.0	0.5	0.5	0.5	0.4
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	13.6	18.3	43.4	44.2	48.1	55.5
Pension provisions	0.9	1.2	2.5	3.0	6.5	8.1
Liabilities and provisions	72.0	96.0	68.4	50.8	59.0	65.8
Net financial debt	71.0	93.8	65.8	43.0	59.7	61.3
w/c requirements	0.0	0.8	17.5	21.1	45.2	55.8
Ratios						
ROE	19.9%	25.4%	0.2%	2.0%	8.1%	13.3%
ROCE	7.2%	9.0%	3.3%	5.9%	14.7%	18.2%
Net gearing	520.8%	513.5%	151.8%	97.2%	124.0%	110.5%
Net debt / EBITDA	11.5x	9.2x	17.8x	7.6x	3.8x	2.8x

Source: Company data; AlsterResearch

AlsterResearch

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