

MedPal AI – Initiation of Coverage

3rd November 2025

Highly complementary AI-driven wellness app and online pharmacy set to grow rapidly in an increasingly favourable operating environment

MedPal AI is a UK-based digital health company specialising in AI-driven wellness management and online pharmacy operations.

- **Shares amongst the best performing on AIM since August IPO as rapid progress made**

MedPal AI listed on AIM on 26th August 2025 alongside a fundraise of £2 million (£1.65 million net) at 4p per share. Since then, the firm has already managed to expand its operations markedly via the acquisition of certain assets from Universal Pharmacy, which came with a UK Distance Selling Pharmacy (DSP) licence. Another £0.545 million was raised alongside the Universal deal, at 8p per share, to fund expansion of the DSP business.

- **AI driven consumer app to target rapid growth in health & fitness monitoring**

The MedPal AI digital health app aggregates and monitors health metrics, using data to provide users with a unified health profile and non-clinical wellness guidance. The app will be marketed both direct-to-consumer and via corporate partnerships with the likes of insurers, employers and health & fitness firms, to earn paying subscriptions. Prior to IPO, MedPal signed a collaboration deal for the app with Epassi UK Limited, a provider of employee benefit schemes to over 11 million people via 2,000+ corporate clients. Another strategic partnership has been agreed with UK & Ireland gym advisor Independent Gyms Ltd to give members of 2,000+ gyms free initial access to the MedPal app.

- **Universal Pharmacy operations acquired and upgraded for expansion**

Universal's Distance Selling Pharmacy (DSP) licence allows MedPal to provide regulated online and mail-order pharmaceutical services. This is a key strategic asset, with DSPs having recently been closed for new applications. The operations have already been expanded and upgraded, with robotic dispensing systems installed and additional warehouse space leased to triple floor space. This has created a state-of-the-art, 24/7 automated medicines fulfilment hub which will be integrated with AI to enable the delivery of 100,000+ prescriptions per month, nationwide.

- **Valuation based on heavily discounted industry metrics suggests significant upside potential should forecasts be met**

After heavily discounting EV/Revenue multiples currently being seen in the AI health care sector (by 70%+), applying this multiple to our 2027 forecasts and discounting back to the present day at a rate of 20%, we derive a valuation for MedPal of 79.62p per share. This is supported by an additional earnings based valuation, which, assuming a price-to-earnings growth (PEG) ratio of just 0.4 times for 2028, produces a discounted (20%) valuation of 85.14p.

Valuation – 79.62p



Key data

EPIC	MPAL
Share price	7p
52 week low/high	4p/12.25p
Listing	AIM
Shares in issue	419,899,640
Market Cap	£29.39m
Sector	Consumer Services

Share price chart



Research Analyst

Richard Gill

Contact Optimo Research

info@optimoresearch.com

IMPORTANT: MedPal AI is a client of Optimo Capital and has paid for the production of this research report.

This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This research note does not constitute advice and your capital is at risk.

For full disclaimer & risk warning information please refer to the last pages of this document.

Table: Financial overview. Source: Company accounts & Optimo Capital

Year to end August	2026E	2027E	2028E
Revenue (£m)	28.2	81.1	116.3
PTP (£m)	0.68	16.64	31.57
Fully diluted EPS (p)	0.09	2.09	3.97

Corporate Background

MedPal AI is a digital health and artificial intelligence company focused on wellness management and the operation of a UK Distance Selling Pharmacy (DSP). The business was founded in August 2021 and is now led by an experienced management and advisory team with specific expertise in technology, healthcare, and finance.

Successful IPO, acquisition and follow on fundraising

On 26th August 2025 MedPal listed its shares on AIM in conjunction with a placing and oversubscribed retail offer at 4p per share, raising a combined total of £2 million. This added to the raising of c.£1 million in seed funding prior to the listing, with the previous funding round of c.£0.5 million completed at 3p per share. The net proceeds of the IPO fundraise amounted to £1.65 million and is being spent on technology development (£0.65 million), marketing (£0.575 million) and working capital (£0.425 million).

Shortly after IPO, on 1st October 2025, MedPal announced its first acquisition. Through wholly owned subsidiary MedPal Limited the company bought key assets from Universal Pharmacy Limited, which is in administration, for £45,000 in cash. Assets acquired include a leasehold property, goodwill, certain equipment, stock, and, most importantly, Universal's NHS Pharmacy Contract which is a UK Distance Selling Pharmacy (DSP) licence.

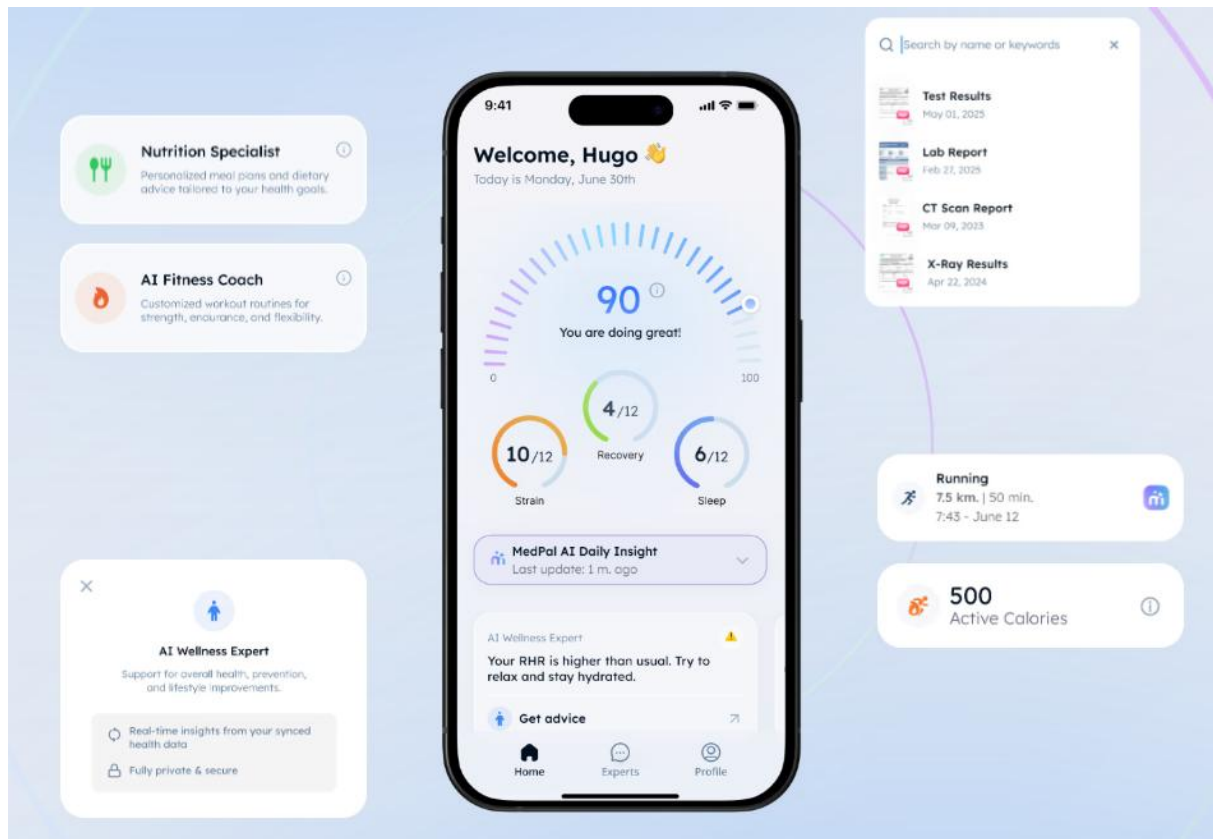
On the same day MedPal announced that it had completed another fundraise via a placing of new shares at 8p per each, to raise an additional £400,000. Alongside this, a WRAP retail offer at the same price raised a total of £145,304, giving combined proceeds of £545,304. The funds will be used to progress the company's strategy relating to the business of Universal Pharmacy.





Operations - MedPal AI digital health app

MedPal's core consumer-facing product is the MedPal AI digital health app, available on both the Apple iOS and Google Android operating systems. The app aggregates and monitors a user's health metrics, using data to provide them with a unified health profile and non-clinical wellness guidance. While the app does not provide medical advice, it can help users to identify when they might need to seek appropriate care from a qualified medical professional.



MedPal consumer app. Source: Company

Key features of the app include:

Collating fragmented data - Consumers often use a range of apps, wearable devices and other equipment to collect health related information. This could include activity data such as step count, sleep quality, heart rate and alcohol intake, to other health metrics such as body measurements, blood pressure, nutrition, alcohol intake and mental wellbeing.

A unique feature of the MedPal app is that it acts as a unified health data aggregation platform, able to collate fragmented data from over 100 consumer health and wellness applications, across both the Apple iOS and Google Android platforms. This overcomes the problem of healthcare data being exclusive to just one platform – for example Apple Watch syncs only with Apple Health on iOS and can't be used on Android devices. MedPal bypasses these limitations by connecting to Apple Health (HealthKit) on iOS and Google Fit/Health Connect on Android.

As well as covering data from popular wearable devices such as those from Fitbit, Garmin, Xiaomi and Withings, MedPal can also integrate with specialised health monitoring devices including blood pressure monitors, smart scales and glucose monitors, alongside popular fitness and wellness apps such as Strava, MyFitnessPal, Headspace, and Cronometer.

The aggregated data is then used to provide an overview of personal health metrics, presented on a unified dashboard on the MedPal AI app – see example in image above

AI Analytics and Personalised Insights – Many apps and wearables act as mere data collection devices, presenting information to the user without any actionable health insights. The MedPal wellness app addresses this issue by interpreting the aggregated data to create personalised lifestyle recommendations and insights for users through its “AI wellness coach.”

For example, the app might recognise from a user’s data that their daily step count is below recommended levels. The system delivers personalised wellness recommendations or “bio-hacks” – such as suggesting ways to incorporate more walking activity into a daily routine.

Users can interact with an AI chatbot for more information or recommendations, with all recommendations being individualised, answered by the chatbot with context from the gathered personal health data. MedPal acts as an AI wellness coach, continuously learning from the user’s data to provide guidance.

Conversational AI & Voice Monitoring - The aim is for the app to make use of conversational AI, which is currently in development, to be a next level wellness assistant, helping users to be motivated and take health related action when needed by translating raw data into meaningful insights, fitness and wellbeing alerts. The app will be able to develop personalised programmes for the user including workout, nutrition, and recovery plans.

MedPal is looking to be one of the first voice health agents to interact with users using conversational AI and aims to achieve human-like levels of interaction. It is also the intention to be able to notify users to check on their wellbeing, recommend bio-hacks, and detect risks, in real-time.

Non-clinical positioning

It is important to note that MedPal intends to stick to the position of the guidance and advice given on the app being non-clinical. The app functions as a digital health companion that monitors fitness and wellbeing, only guiding users to specialist care if and when needed. The app will never diagnose or suggest treatments directly. The general advice provided by the AI does not replace professional medical advice, diagnosis or treatment. This non-clinical positioning means that the app side of the business can be brought to market faster and is easily scalable since no clinical trial approval is required for core features.

Development

MedPal outsources development services for the app to mobile app software development specialist Newsoft LLC. A Master Service Agreement between the two parties includes software development, engineering, product design, and user experience services through developers employed by Newsoft and assigned to MedPal by mutual agreement as an independent contractor.



Consumer App - Business model and growth strategy

For the MedPal app, the focus will be on delivering revenues from several channels.

Direct-to-consumer

The consumer app operates under a freemium model, with the basic offering being free to users on an introductory basis. The free offering includes standard health tracking, data aggregation, and baseline AI insights. This amount of information is designed to be enough for users to realise the value of the app, build trust and ultimately convince them to upgrade to a paying subscription.

Currently, the MedPal app is offered on a one-week free introductory basis. On expiration users can take up a subscription option, currently set at £29.99 for an annual subscription or £3.99 a month, prices which are in line with similar offerings in the market and affordable for the general population.

The intention is to convert a proportion of users to a premium subscription service that will provide enhanced personalised coaching and guidance. This will provide recurring revenues on a monthly and annual basis, with the free service also helping to build brand recognition. In time, MedPal will offer enhanced services and more in-depth analytics and coaching, for which higher fees will be charged.

Corporate partnerships & licensing

MedPal AI has a strategy of working with corporate partners in order to increase the initial adoption of its app, to encourage paid-for subscriptions in the longer term and to position itself as an employee wellness tool. The company is also looking to licence its platform on a B2B basis, to the likes of healthcare providers, businesses, and insurance firms.

The app is expected to have a range of attractions for corporate partners. Insurers for example, may bundle the app with health plans to add a value-added service for fitness and wellness monitoring, and encourage risk lifestyle improvements. This is under the belief that healthier lifestyles will reduce risk for insurers and could lead to a reduction in premiums for policy holders.

Such partnerships will allow MedPal to scale via institutional channels and tap into additional revenue streams, such as licence fees, beyond those derived from the consumer app. Two corporate partnerships have already been entered into by the firm, providing a large base of potential subscribers to target over the coming months and few years.

Epassi UK

Prior to IPO, MedPal AI entered into an agreement with Epassi UK Limited, a provider of employee benefit schemes aimed at improving the health and wellbeing of employees. Epassi provides its corporate wellness programmes to over 11 million people via more than 2,000 corporate clients including the likes of Siemens, Volvo, Bosch and Harrods, with its offerings including gym memberships, private healthcare and discounts on lifestyle and health brands.

Under the agreement, MedPal AI has granted Epassi the exclusive right to offer its app on a zero-cost basis to Epassi's clients and merchant customers for a one-year period. During this time, Epassi clients will be able to access the basic version of the app for free and have the option to upgrade to the premium offering. Epassi will receive a 25% commission on monthly app fee income and on all subscription fee upgrades after the 12-month trial period. To help drive take-up of the app, MedPal will contribute £4,000 per month towards sales incentives.

Independent Gyms

Shortly after listing on AIM, on 16th September 2025 MedPal announced a strategic partnership with Independent Gyms Ltd. Independent Gyms is a support services company which focusses on helping independent fitness facilities across the UK and Ireland. Under the deal, members of more than 2,000 gyms will be given free access to the MedPal app on iOS and Android. After a free 12-month trial period a subscription will be required.

For gyms, provision of the app is expected to help them to: compete with larger chains; improve members' experiences; help client retention; promote a more inclusive, tech-enabled fitness landscape; increase user engagement; and add value for members. Independent Gyms will also receive a 25% commission (net of platform fees) on subscriptions from its members following the end of the free access period.

Acquisitions

The digital healthcare market is highly fragmented and MedPal believes that there will be opportunities to acquire related, complementary businesses. It is the intention that any businesses bought would operate alongside, and interact with, the MedPal app, to provide users with extended functionality. This is the case with the recently acquired Universal Pharmacy, which we cover in detail on page 9.



Market Growth & Opportunities – Wearables and Digital Healthcare

With its AI driven consumer app, MedPal is looking to take advantage of the rapid growth being seen in the both the digital healthcare and wearables markets on a global basis. We believe that the healthcare market offers many opportunities for MedPal. The firm's focus on using technology to drive preventative care and improve health offers a significant commercial opportunity.

Healthcare expenditures are huge worldwide. For example, US healthcare spending reached \$4.9 trillion in 2023. In the UK, the Department of Health and Social Care's revenue budget (most of which goes to the NHS) is set to be £202 billion in 2025-26. The markets are so significantly large that even marginal improvements in prevention and early intervention can translate to significant cost savings. An increased focus by governments and healthcare providers on preventive healthcare, including recent initiatives like an NHS program to distribute connected health wearables, further supports MedPal's growth potential.

Digital Healthcare market

The usage of digital health, particularly telemedicine, increased significantly during the COVID-19 pandemic as alternatives to physical appointments and individual self-monitoring were required. According to an October 2024 report from Statista, over 1.3 billion people were expected to use digital health tools in 2024, this figure including fitness trackers, smartwatches, online doctor consultations, or any other digital treatment and care use.

To put some values on the market size, a June 2025 report from Coherent Market Insights (CMI) entitled *Digital Healthcare Market Analysis & Forecast 2025-2032*, said that the wider global digital healthcare market is expected to be worth \$266.78 billion in 2025, growing at a CAGR of 21.1% to reach \$1.025 trillion by 2032.

Factors influencing this growth include: an increasing preference for online consultations; growing demand for self-care and personalised medicines; a greater emphasis on fitness and healthy living; favourable government regulations; and technological innovations, including the emergence of artificial intelligence for disease management and prediction. The CMI report notes the transformative role AI is playing in the digital healthcare market, driving efficiency, personalisation, and predictive capabilities.

Another recent report entitled *Digital Health Market (2025 - 2030)* from Grand View Research provides similar figures. It suggests the global digital health market was worth \$288.55 billion in 2024 and is expected to grow at a CAGR of 22.2% to \$946.04 billion by 2030. It notes several market drivers including, "...a strong domestic (US) digital health market for telehealthcare platform developers, mHealth app providers, wearable device manufacturers, and e-prescription systems."

Wearables market

On a narrower basis, an October 2025 paper from Fortune Business Insights reported that the global wearable medical devices market was worth \$91.21 billion in 2024 and predicts it to grow from \$103.04 billion in 2025 to \$324.73 billion by 2032, for a CAGR of 17.8%. It notes that according to 2023 data published by Watch Faces, there were approximately 1.2 billion users owning a smartwatch globally.

Having some lower figures but higher rates of growth, another report from Grand View Research, *Wearable Medical Devices Market (2025 - 2030)*, suggests the global wearable medical devices market was worth \$42.74 billion in 2024 and is projected to reach \$168.29 billion by 2030, growing at a CAGR of 25.53%.

Health & Fitness apps

Of note in the health & fitness app market is a recent paper from app growth specialist RevenueCat. Its *State of Subscription Apps 2025* report analysed over 75,000 apps across all categories (e.g., Health & Fitness, Productivity, Education), covering more than \$10 billion in revenue across more than a billion transactions. It found that health & fitness apps can perform particularly well against other categories, as users seek long-term solutions to ongoing problems and life challenges.

The chart below is particularly noteworthy for MedPal, showing that health & fitness apps have the highest conversion rates of any other app category regarding customers becoming paid members 35 days after an app is downloaded. This is true for the median, upper quartile and top 10% of performers, with the bottom quartile only just being beaten by business apps.

Day 35 Download to Paid, By Category

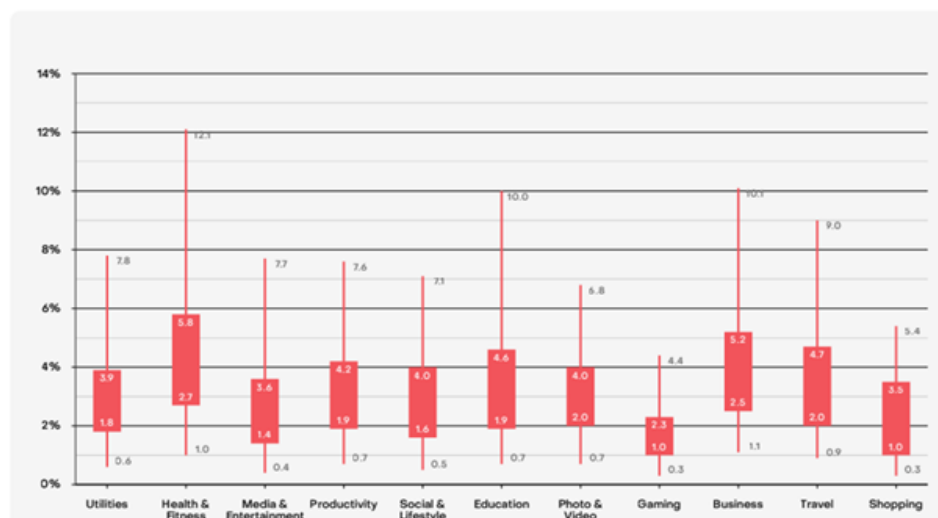


Chart shows the bottom quartile, median, upper quartile, and top 10% of performance, in order, from the bottom up. Source: RevenueCat, *State of Subscription Apps 2025* report

In terms of revenue, RevenueCat found that health & fitness apps dominate long-term revenue per install, with the highest performance across all percentage measurements after 60 days. The \$0.63 median figure for health & fitness apps is more than double the \$0.31 per install seen across all app categories. RevenueCat noted that the top 10% of health & fitness apps' ability to be well above the median (\$4.19 per install) suggests strong retention, upselling, and recurring revenue potential.

Average Revenue per Install After 60 Days, Split By App Category

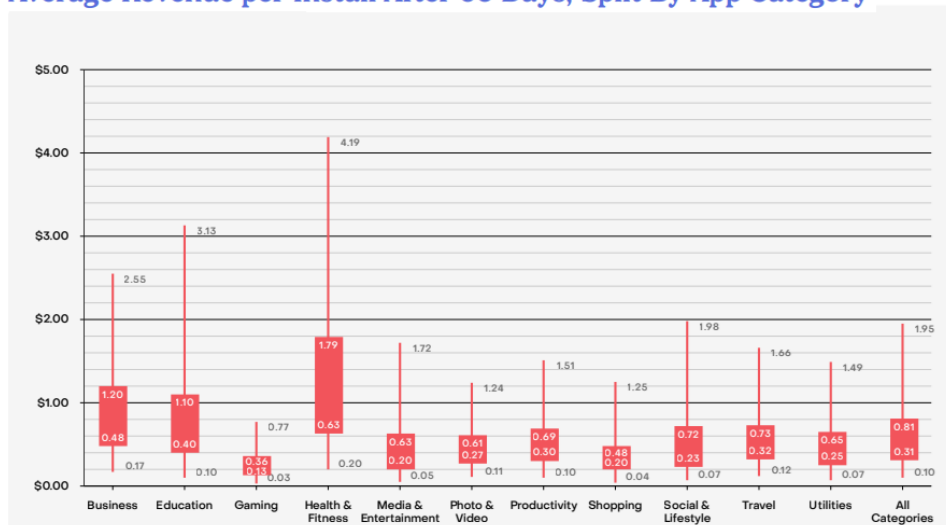


Chart shows the bottom quartile, median, upper quartile, and top 10% of performance, in order, from the bottom up. Source: RevenueCat, *State of Subscription Apps 2025* report



Operations - Universal Pharmacy

Universal Pharmacy Limited's warehouse and distribution operations are in Swaffham, Norfolk. The firm's key assets were bought opportunistically by MedPal in early October for the sum of just £45,000 following the company's administration a few weeks previously. Prior to administration the company claimed to be "...the largest independent provider of pharmacy care home services in Norfolk, and we deliver medication to over 50 care homes across the region, servicing 3,000 patients every month."

The chart below, put together by healthcare analytics site PharmData, runs for the period April 2014 to June 2025 and shows that Universal enjoyed steady growth in dispensed items over many years before experiencing the financial difficulties which caused its administration. According to NHS data, Universal dispensed 17,968 prescription items in April 2025, 17,202 in May, falling to 3,946 in June, the last month with available data. At the peak in August 2024, 25,812 items were dispensed.



Source: www.pharmdata.co.uk/nacs_select.php?query=FJ308

DSP licence is the key

Important here is the acquired UK Distance Selling Pharmacy (DSP) licence. This is a key strategic asset for MedPal to have as, via 100% owned subsidiary MedPal Limited, it will enable the company to provide regulated online and mail-order pharmaceutical services. Since the acquisition announcement, MedPal has successfully applied to NHS England for approval on its fitness to practice and for change of ownership in respect of the licence; an inspection on 11th October 2025 found that all standards had been met. At the time of the inspection the team consisted of two regular pharmacists, one accuracy checking technician (ACT), twelve full-time and two part-time dispensers, along with five regular delivery drivers and two who worked part time.

It is worth noting that, as of 23rd June this year, no new applications for DSP licences can be accepted or are permitted under amendments made to the NHS (Pharmaceutical and Local Pharmaceutical Services) Regulations 2013. The DSP route to establishing a new pharmacy is now closed, with the UK pharmacy regulator, the General Pharmaceutical Council, issuing no new licences. Existing DSPs can continue to operate under the terms of their contracts.

According to Community Pharmacy England, the representative body for community pharmacy owners in England, reasons for the changes include: the c.400 DSP pharmacies currently operating in England is considered to be sufficient; additional DSP applications were starting to undermine the integrity of market entry controls; and new so called 'local' DSP pharmacies can undermine the viability of nearby physical pharmacies and the face-to-face provision of pharmaceutical services they offer to patients. **For MedPal, the licence gives a key strategic advantage, with the ability to sell pharmaceuticals online complemented by the knowledge that the market is closed to potential new entrants.**

Facilities expanded and modernised to support delivery of 100,000+ prescriptions per month

Just three weeks after the Universal deal was revealed MedPal updated the market on progress, with the announcement of the opening of an enlarged and upgraded distribution centre at the Ecotech Business Park in Swaffham.

Putting to use some of the proceeds of the placing and retail offer, MedPal Limited has acquired some advanced robotic dispensing equipment to increase throughput, accuracy, and cost efficiency, with an Omnicell VBM and a BD Rowa VMAX advanced robotic dispensing system being installed – see image on page 12. These machines will improve automation of the facility and are expected to result in lower unit costs, enabling competitive pricing and improved patient affordability.

In addition, adding to a warehouse unit at the Centre which was part of the initial assets acquired, MedPal has leased two adjacent units, tripling the size of the original facility. This has created a state-of-the-art, 24/7 automated medicines fulfilment hub which will be integrated with AI to enable the delivery of over 100,000 prescriptions per month on a national scale; DSPs are contractually obligated to provide their services and deliver prescriptions to customers anywhere in England. The 24-hour facilities will also help to support the growing demand for telehealth services, particularly among working-age patients unable to access traditional GP surgeries during business hours.



MedPal's new facilities. Source: Company

To attract new customers and grow revenues, access to the pharmacy service will be advertised nationally and also via the consumer MedPal app. MedPal will also be targeting care homes as new clients.

Users of the service will be able to complete a digital AI-supported triage consultation, at any time of day, which will produce a recommendation for a prescription. Crucially, the AI is complemented by human support, with recommendations being signed off by a qualified Independent Prescriber or General Practitioner where clinically appropriate, and then fulfilled at the Centre. Medication will be delivered to the user either the same or next day, covering both private and NHS prescriptions. There will be no charge to the user for the consultation or prescription, only for the medication.

We point out here that we believe MedPal is making effective use of advanced technology across both the consumer app and pharmacy operations via AI and robotics. The two business areas are highly complementary, with the AI-driven consumer app providing health insights and guidance, which can then lead to orders being received by the efficient, automated pharmacy operations.



Online Pharmacy - Business model and growth strategy

It is MedPal's intention to grow revenues rapidly at the online pharmacy business, both from NHS and private sources, as reflected by the recent upgrading of the Swaffham facility.

Online pharmacies generally make money in two main ways from the NHS. The first is the receipt of fees on a per-activity basis for delivering certain core services under their NHS contract, for example dispensing NHS prescriptions. The current Single Activity Fee (SAF) payment for NHS prescriptions is set at £1.46 per item.

The second primary income stream is reimbursement for the cost of the medicines that pharmacies supply to patients. Pharmacies first purchase their medicines from wholesalers at the best price they can and are then reimbursed by the NHS according to the Drug Tariff price list. The difference between the reimbursement and the purchase price is known as the 'retained margin' which pharmacies keep as gross profit.

Outside of the NHS, other revenue streams for online pharmacies include private prescriptions, selling non-prescription items and payments for providing services beyond basic dispensing.

Income from private prescriptions is key for MedPal's future growth, with higher profits per item available compared to the low profit per item for NHS business. Private prescriptions for certain lifestyle and cosmetic areas, such as erectile dysfunction, hair loss and weight management, often carry the highest per item profits because NHS reimbursement doesn't often apply.

Strategic focus on weight loss drugs

To capture the high per item

income referred to above, MedPal is adopting a niche therapeutic focus, with recent announcements highlighting opportunities in the weight loss drug market, particularly in the GLP-1 agonist market for obesity treatment. Alongside this, MedPal will be focussing on chronic disease management prescriptions with same-day delivery capability in key metropolitan areas and next-day delivery nationwide.

GLP-1 agonist drugs are medications that mimic a natural hormone to help manage type 2 diabetes and obesity by stimulating insulin release, reducing appetite, and slowing stomach emptying. All GLP-1 medicines are prescription only medicines, which means they can only be prescribed by a healthcare professional. Some GLP-1 medicines are available on the NHS and can also be purchased privately following consultation with a healthcare professional.

In the UK, there are several licensed GLP-1 medicines including semaglutide (Wegovy, Ozempic and Rybelsus), tirzepatide (Mounjaro) and liraglutide (sold under various brand names), which are typically administered by self-injection. It must be noted that Ozempic is licensed to treat diabetes in the UK but has not been approved for weight loss.

Access to weight loss injections on the NHS can come with strict eligibility criteria, such as having a BMI of 35 or above and being referred by a specialist. As a result, many people are turning to private clinics. According to specialist health website thebestofhealth.co.uk, in August 2025 the cost of private weight loss injections ranged between £179 and £375 per month in the UK depending on the strength of the dose, the specific medication, and the particular private provider.

Meanwhile, data from life-sciences analytics company IQVIA, released in April 2025, suggest that, despite high user fees of up to £267 a month, approximately 1.4 million people in the UK access GLP-1s privately every month, predominantly through online pharmacies. This is in contrast to an estimated 200,000 who access GLP-1s through the NHS, with the majority of these people using them for type 2 diabetes, not weight management.

New director to drive the online pharmacy business

Alongside the initial Universal deal announcement, MedPal announced the appointment of pharmaceutical industry veteran Mike Rudin as its new Director of Online Pharmacy. Mike was previously employed by Tesco Limited as Director of Pharmacy and Superintendent Pharmacist where he led the establishment of the UK's largest in-store pharmacy chain, spanning 200 outlets with annual turnover over £200 million. More recently he has held senior management positions or directorships in business services, financial, pharmaceutical and wholesale companies.



The Omnicell VBM and BD Rowa VMAX advanced robotic dispensing system, which have been installed at the Universal Pharmacy distribution facility in Swaffham. Source: Company



Market Growth & Opportunities – Online Pharmacies

Since current market leader Pharmacy2U became the UK's first Distance Selling Pharmacy at the turn of the century the market has grown rapidly. Data from an NHS Freedom of Information request (FOI-01635) shows that there were exactly 400 DSPs in England as at November 2023.

The introduction of online pharmacies has given patients more choice and control about how they manage their health and how they access medication. However, they still make up only a small amount of the overall UK pharmacy market.

Combined, DSPs dispensed 6.225 million items in November 2023. However, this only represented 6% of the market, with a total 103.5 million items dispensed when tradition bricks-and-mortar pharmacies are included. Further data from NHS England shows that in the four years to end 2024, the market share of distance-selling pharmacies increased from 4% to 7%.

Early growth in UK online pharmacies was driven by technological advancements, growing acceptance of online selling by governments, changes in regulation and shifting patient habits. Notably, DSPs saw significant growth during the COVID-19 pandemic due to the physical movement restrictions imposed by the government.

Figures from NHS Digital show that the number of patients nominating online pharmacies as their preferred option for receiving medicines through the electronic prescription service almost doubled from 999,498 to 1,950,497 between March 2020 and March 2022. Overall DSP market growth has understandably slowed since then but is expected to carry on at a lower rate. Continuing growth is being driven by the steady adoption of digital prescriptions, increased demand for convenience, and the expansion of private pharmacy services.

A recent report from Fortune Business Insights, *ePharmacy Market Size, Share and Industry Analysis By Product (Over-the-Counter Products, Prescription Medicine) and Regional Forecast, 2024-2032*, estimates that the global ePharmacy market was worth \$127.95 billion in 2024. The analysts are looking for the market to grow from \$150.70 billion in 2025 to \$505.36 billion by 2032, for a CAGR of 18.9%.

In MedPal's core market, Statista Market Insights is looking for revenue in the UK Online Pharmacy market to reach £1.59 billion in 2025. Growth is estimated at a CAGR of 7.64% up to 2030 for an expected market value of £2.25 billion by 2030. This comes on the back of increasing user penetration rates, with a figure of 17.66% in 2025 expected to hit 20.70% by 2030.

The UK online pharmacy sector has grown to the point where the larger players are consolidating, with Pharmacy2U agreeing to acquire rival LloydsDirect in October 2023. The acquisition was subsequently investigated by the Competition & Markets Authority, with an ultimate decision in March 2024 that the deal did not give rise to a realistic prospect of a substantial lessening of competition. Nevertheless, the market remains fragmented, which provides further acquisition opportunities for MedPal.

Key Risks

Execution Risk

MedPal remains at an early stage of its operations, with challenges including converting app users to paying subscribers and the successful pursuit of further corporate partnerships. On the online pharmacy side, operations are more advanced, with the business having a previously successful track record prior to administration and the infrastructure in place to grow under MedPal's new business plan. Nevertheless, challenges remain in successfully meeting budgets, sourcing medicines and delivering the rapid growth which is being planned across both sides of the business.

Competition Risk

MedPal operates in markets which have a range of established competitors with long-standing track records, significant financial resources and large existing customer bases. On the wellness app side, the market includes a number of well-funded global technology companies, healthcare software firms and other start-ups, many of which are incorporating AI into their offerings. In online pharmacy, there are a number of larger players such as Pharmacy2U/LloydsDirect and Well.co.uk, which have developed scale and brand trust with customers. Traditional bricks and mortar pharmacies also compete for Universal's potential clients, with physical pharmacies retaining a much larger market share than online pharmacies, albeit being highly fragmented and on a more localised basis. Such competition could delay the company in reaching break-even or profitability, as well as reduce its potential market share.

Regulatory Risk

While the MedPal app is considered to be a non-clinical wellness service, there is a risk that regulators may reclassify or require approval of its software as a medical device or health product in the future. The company has put in place a compliance policy to ensure that the app is in compliance with the applicable medical and data protection regulations and will review any new features to ensure compliance.

In online pharmacy, MedPal is regulated by both the General Pharmaceutical Council, which registers and inspects all pharmacies in Great Britain, and NHS England, which enforces the terms for providing NHS services. The company must ensure that it adheres to the terms of its Distance Selling Pharmacy licence, with non-compliance potentially leading to suspension or removal from the DSP list.

In addition, the use of AI in healthcare and wellness is a rapidly developing area subject to increasing regulation as regulatory authorities develop appropriate frameworks for digital health services. As a result, there is the possibility that regulations may change.

Technology Risk

The AI health industry is characterised by rapid innovation so MedPal must ensure that its products maintain a competitive advantage via continuous improvement and adaptation. There is a risk that the company's current technology, across both the wellness app and online pharmacy, could become obsolete or less effective if new technologies emerge. For example, advances in AI, changes in smartphone capabilities, or new wearables could shift how users monitor wellness, potentially reducing the need for the company's app.

Dilution Risk

MedPal may need to raise further funds via the issue of equity to finance its operations and may issue shares as consideration for any acquisitions made. Any further equity fundraises or other share issues by the company will result in current shareholders having their stake in the company diluted.



Senior Management

Stig Magnus-Karl Karlsson - Non-executive Chairman

A seasoned technology entrepreneur and venture capitalist, Mr. Karlsson serves as a General Partner at Sway Ventures, a U.S.-based venture capital firm investing in early to mid-stage technology companies. He also holds board positions at Model Medicines and AppliedVR, a company pioneering immersive therapeutics for pain management. Over a 30-year career, he has founded or co-founded eight companies, oversaw the IPO of his first tech startup, and has been instrumental in creating thousands of jobs. Karl brings strategic guidance from his extensive experience of scaling companies and a network of contacts in the healthcare innovation space.

Jason Drummond - Chief Executive Officer

A serial tech entrepreneur with a strong track record in founding and taking companies public, Jason co-founded the fintech firm FairFX Group PLC (now Equals Group), which grew into a leading online payments platform and recently achieved a £283 million acquisition exit. He also founded early internet companies such as Virtual Internet plc (sold to Web.com) and has launched multiple ventures (e.g. Betex) across fintech and online services. Jason has led 11 companies through IPOs on global stock exchanges over more than 20 years, reflecting his experience in driving growth companies to the public markets. As a co-founder and CEO at MedPal, he oversees corporate strategy and scaling operations. Jason is the largest shareholder in MedPal AI, with a 40.5% stake.

Justin Drummond – Executive Director

Justin Drummond has 24 years' experience with publicly listed companies, having invested in and co-founder of a number of successful technology, telecoms and investment firms. He co-founded Gaming Corporation Plc in February 2000, six years after his first marketing business was established. Justin saw the company admitted to trading on AIM just a year after its formation via the reverse takeover of Chrome Technology plc in May 2001. Having started with an initial £500,000 investment, Gaming Corporation grew to a £50 million market capitalisation in just four years. In 2012, Justin stepped down from his role as chairman of two AIM quoted companies, Media Corporation and Clear Leisure, to focus on corporate finance. Justin has a 9% shareholding in MedPal AI.

Adam Monaco - Executive Finance Director

Adam Monaco is a member of the Chartered Accountants of Australia & New Zealand and has over 8 years' experience. He began his career in audit and assurance with RSM Australia where he specialised in working with SMEs. Whilst working as an external auditor he worked in a variety of industries including mining, manufacturing and biotech. Since moving to the UK, Adam has primarily worked with high growth VC backed tech start-ups. He has used his previous experience to develop comprehensive solutions for complex financial and operational issues. Adam graduated from the University of Western Australia with a double degree in Pharmacology and Accounting/Finance.

Kevin Sean O'Neill, FRCS - Non-executive Director

Kevin O'Neill, FRCS, is a Senior Consultant Neurosurgeon at Imperial College Healthcare NHS Trust, where he has over three decades of experience in neurosurgery, specialising in brain tumours, neurovascular disease, spine and peripheral nerve surgery. As a surgeon who pursues excellence in outcomes and professionalism, he won the Top Doctor Award for Neurosurgery in 2017 and 2022 voted for by his peers. He is recognised for his knowledge in advanced technologies such as digital health, artificial intelligence applications, and intraoperative imaging in neurosurgical practice. At MedPal, Kevin provides independent oversight as a Non-executive Director, bringing his clinical expertise and perspective to the board in support of the company's mission to advance AI-driven wellness and digital health innovation.

Forecasts

MedPal has no material operating history to date. Prior to IPO the company was focused on developing the platform and preparing for admission to AIM. Historic financials are largely irrelevant given the current investment case so instead we focus on our forecasts for the next three financial years, up until year end August 2028.

Working with management we have come up with a set of figures which we believe are reasonable and achievable given the current available resources. As both the wellness app and online pharmacy business have different operating models we examine each separately. We also provide separate forecasts for expenses at the plc level.

Key forecast assumptions - MedPal AI wellness app

App revenues are driven by the number of app installs, rates of conversion from free to paid customers, and churn rate. We further split our model for this side of the business into direct-to-consumer (DTC) and corporate revenues.

App installs – at the top of the assumptions are the number of times the MedPal wellness app is installed by new users who go on to become paid subscribers. DTC installs are driven by marketing spend and costs per install. We assume marketing spend starts off at £15,000 in September 2025, rising to £60,000 per month by March 2026 and beyond. We assume a cost per install (CPI) of £3 for the first six months, falling to £2.50 until the end of year 3 as efficiencies are gained. This sees new app installs steady at 24,000 a month over the forecast period from March 2026.

We believe these CPI figures are conservative given recent data from app analytics firm Adjust, which considered eCPI - a measurement that also takes into account the benefit of the natural spread of apps via word of mouth and other means like viral marketing. Adjust found that health and fitness apps had an eCPI of just \$0.72 in H1 2024, with lifestyle apps at \$0.99.

On the corporate side, new app users are lumpier in terms of timing, being driven by new partnerships. We forecast a total of 3.5 million new users over the forecast period from corporate sources.

Paid conversions – in D2C we are looking for a conversion rate of 5% from installs to paying customers. This rate is in line within the top quartile to median range found by RevenueCat for health & fitness apps (see page 8). We expect corporate conversion rates to be higher at 20% given the more captive audiences being targeted.

Churn rate – for DTC we assume a churn rate (lost paying subscribers) of 2.5% per month and a slightly lower rate of 2% per month in corporate, again assuming a more captive and engaged audience in corporate.

Pricing – we assume a price for the app of £3.99 per month across both DTC and corporate.

Trial period – our assumptions for corporate revenues include the free trial periods that MedPal has been offering to its partners' members, which are typically 12 months long. As a result, significant revenues from corporate partnerships are not expected to come in until FY2027 but should grow markedly from then onwards.

Costs – the main selling expenses are platform costs and bank charges, with a user operating cost margin of 15% assumed for DTC. Administration costs include the marketing expenses referred to above, along with development costs (rising to a flat £65,000 per month by December 2025), and minor depreciation costs

**Findings – Wellness app P&L**

Year to August	2026	2027	2028
DTC revenues £	189,140	714,756	1,129,632
Corporate revenues £	0	6,654,552	18,203,272
Total revenues £	189,140	7,369,308	19,332,904
COGS £	-85,113	-1,519,459	-3,784,923
GROSS PROFIT £	104,027	5,849,848	15,547,981
Gross margin	55.0%	79.4%	80.4%
Admin costs £	-1,198,300	-1,503,600	-1,503,600
OPERATING PROFIT £	-1,094,273	4,346,248	14,044,381

MedPal AI wellness app division forecasts. Source: Optimo Research. Forecasts are not a reliable indicator of future performance.

Our findings show that, after a slow start due to extended free trial periods, the corporate side of the app business is expected to be the most significant for MedPal in terms of revenues over the forecast period. As scale is built, the business becomes highly profitable, with gross margins rising from an expected 55% in FY2026 to just over 80% in FY2028. With relatively fixed expenses at the operating level, we are looking for losses of £1.09 million in FY2026 to be turned around into a profit of £4.35 million in FY2027 and surge to £14.04 million in FY2028 as operational gearing takes full effect.

Key forecast assumptions – Online Pharmacy

The economics of a DSP are driven by item volumes, with the challenge also being to ensure efficient and accurate operations to generate profits.

Item volumes – as MedPal focusses on attracting new care home and private clients we expect rapid growth in item volumes over the forecast period. We are looking for total NHS pharmacy item numbers to start at c.48,000 for October 2025, ending at c.327,00 by August 2028, for a compound monthly growth rate of 5.8%. Growth will be supported by the company making additional investment into capital equipment, warehouse space and other required resources and infrastructure. Private pharmacy sales and private prescriptions will be driven new app sign-ups.

Sales price and gross margins – We are looking for NHS cost of sales to be 74% to start with, falling to 68% by June 2026 as efficiencies are gained. Average item value is assumed to be £9.66. Private sales meanwhile are expected to have an average item price of £250, with a COGS of 75%. While slightly lower than the NHS margins, this delivers a higher gross profit on a per item basis. Other major variable selling costs include delivery charges, packaging and variable labour costs.

Private clinic – MedPal also intends to provide vaccinations to both NHS and private customers via an on-site clinic. We expect these to provide modest amounts of income, with patient numbers being seasonal, weighted to October and November before the winter flu season starts.

Operating expenses – Major fixed operating expenses include fixed salaries, office rent & rates, software, equipment maintenance, insurance and advertising.

Findings – Online Pharmacy P&L

Year to August	2026	2027	2028
Total revenues £	27,991,352	73,737,642	96,926,768
COGS £	-22,277,506	-57,578,263	-75,165,385
GROSS PROFIT £	5,713,846	16,159,379	21,761,383
Gross margin	20.4%	21.9%	22.5%
Admin costs £	-2,582,478	-2,482,581	-2,848,659
OPERATING PROFIT £	3,131,368	13,676,798	18,912,724

MedPal AI Online Pharmacy division forecasts. Source: Optimo Research. Forecasts are not a reliable indicator of future performance.

Our findings show that, like the app business, the online pharmacy division enjoys significant scale benefits as volumes increase over time. However, gross margins are a lot lower, in the low 20 percent levels, given higher variable expenses and costs of goods sold. We expect the business to post a modest profit in the first year of new ownership, with net operating income of £3.13 million for FY2026. Operational gearing takes full effect again in FY2027, with operating profits soaring to £13.68 million, and then to £18.91 million in FY2028.

Key assumptions – Plc costs

Supporting the two business units is MedPal's centralised corporate function. The main costs here are salaries and other employee expenses, which we forecast run at c.£56,500 per month for most of the forecast period, from May 2026 after the hiring of an account manager. Other major expenses at the plc level include consultants, accountancy, investor relations, office rent and AIM related fees. We are looking for total other monthly costs of c.£59,000 per month, for total monthly plc costs of c.£115,500 from May 2026.

**Combined MedPal AI Plc forecasts**

Our forecasts for MedPal AI Plc combine the forecasts for the two divisions and add in plc costs. We also assume a standard corporation tax rate of 25%.

Year to August	2026	2027	2028
Total revenues £	28,180,492	81,106,949	116,259,672
COGS £	-22,362,619	-59,097,723	-78,950,308
GROSS PROFIT £	5,817,873	22,009,227	37,309,364
Gross margin	20.6%	27.1%	32.1%
Admin costs £	-5,133,243	-5,372,896	-5,738,974
OPERATING PROFIT £	684,630	16,636,331	31,570,390
Tax £	-171,157	-4,159,083	-7,892,597
NET PROFIT £	513,472	12,477,248	23,677,792
EPS p	0.12	2.97	5.64
Diluted EPS p	0.09	2.09	3.97

MedPal AI Plc P&L forecasts. Source: Optimo Research. Forecasts are not a reliable indicator of future performance.

Valuation

Enlarged share capital

MedPal currently has 419,899,640 shares in issue. However, including warrants and options the fully diluted share capital is 595,954,638. We feel it prudent to include these additional shares in our valuation for the company, especially considering that the c.135.75 warrants are all currently in the money (exercising at prices between 1p and 4p). The options are market value options. For valuation purposes we assume that these additional shares are already in issue, with £6.39 million received from their exercise, as per their terms.

Type	Amount	Exercise price £	Value on exercise £
Orana warrants	4,130,833	0.04	165,233
Orana introduction warrants	75,000,000	0.01	750,000
Cairn warrants	4,130,833	0.04	165,233
Dalheim warrants	11,500,001	0.03	345,000
Clear Capital warrants	40,985,000	0.04	1,639,400
Options	40,308,331	0.0825	3,325,437
TOTAL	176,054,998	TOTAL CASH	6,390,304

MedPal warrants & options. Source: Company admission document

Taking the above into account, at the current price of 7p, MedPal's enlarged market capitalisation is £41.72 million. Using key figures from our P&L forecasts, and our assumptions for period end net cash, we derive the following valuation multiples.

Year to August	2026	2027	2028
Total revenues £	28,180,492	81,106,949	116,259,672
Net profit £	513,472	12,477,248	23,677,792
Net cash £	8,388,205	15,424,457	39,968,917

Multiples	2026	2027	2028
Revenue multiple	1.5	0.5	0.4
Earnings multiple	81.2	3.3	1.8
Ex-cash earnings multiple	64.9	2.1	0.1

MedPal valuation figures. Source: Optimo Research

The table above shows that MedPal AI will trade on very low multiples of earnings should it meet our forecasts. Once hitting decent levels of profitability in FY2027 the price to earnings multiple is just 3.3 times, falling to 1.8 times in FY2028. On an ex-cash basis, removing the forecast net cash from the equation, the earnings multiple is 2.1 times in FY2027 and 0.1 times for FY2028. In our view, these low valuations appear to be more relevant to a value stock, not a growth stock like MedPal.



Valuation methods

EV/Revenue valuation

High valuation multiples are currently being seen in the AI sector, driven by investor demand for disruptive and fast growing companies which are taking full advantage of AI's potential. Highlighting these values is a December 2024 report from analysts at Finro Financial Consulting (*AI Revenue Multiples: 2025 Insights & Trends*), which examined data across a number of public companies, private startups, and AI M&A deals. Finro found an average valuation multiple for AI companies of 23.4 times revenues, highlighting robust valuations across the industry.

What's more, Finro found that health care AI companies commanded a revenue multiple of 28.8 times, suggesting that this premium to AI companies overall reflected strong market confidence in the sector. The report noted key drivers of the market were: increased adoption of AI in clinical settings; a focus on cost reduction and efficiency in healthcare delivery; and regulatory support for AI-driven innovations.

Being very conservative, and to reflect the specific execution risk involved with MedPal's operations, we choose to heavily discount this figure by over 70%, to just 8 times, in our EV/Revenue based valuation of MedPal. Applying the multiple to our 2027 revenue forecasts, the first full year of significant revenue growth, gives a valuation of £664.28 million. Discounting this back to the present day (end October 2025), at an again conservative discount rate of 20%, results in a figure of 79.62p per share. Applying the same method to our 2028 numbers and discounting back to the present day produces a figure of 96.89p per share. However, we choose to adopt the 2027 based number as our headline valuation figure.

Earnings based valuation

Our valuation can also be supported by an earnings based approach, which would be applicable in the coming years given our forecasts for strong profit growth.

For a business which we forecast to grow earnings by 90% in 2028, we believe that a price-to-earnings growth (PEG) ratio of 0.4 times for 2028 would be appropriate, but still conservative - a PEG ratio of 1 is generally considered to be fair value for a growth company, thus suggesting a modest rating. This implies an earnings multiple of 36 times for 2028, which produces an unrisks valuation of 143.03p. Discounting this figure, again at a rate of 20%, back to the present day produces a figure of 85.14p, slightly above our EV/Revenue based valuation and supporting the investment case.

Conclusion

MedPal AI has made rapid progress in its first two months as a listed company. The news has come fast, with the highlight being the company expanding into the online pharmacy market via the acquisition of assets from Universal. Online pharmacy looks to be an excellent fit with the app side of the business, which should act as decent funnel for sales of pharmacy items. The funds raised alongside the deal have already been put to good use via the upgrading of the Swaffham distribution centre, in line with plans to deliver 100,000+ items per month in the near term. We look forward to future trading updates from MedPal which update on progress towards this expectation.

Meanwhile, on the app side, MedPal has added another corporate partnership to its books since IPO with Independent Gyms, adding to the large potential that comes from the deal with Epassi. While being more of a slow burner, due to the initial free trial period, we believe corporate partnerships have excellent long-term potential for attracting paying app users. We expect corporate deals, and those done with the likes of fitness companies, to have higher conversion and retention rates due to the captive nature of the users. This all comes with a growing demand for AI-driven health tools and an increasing desire for individuals to monitor their health, fitness and wellbeing statistics, then take action on them.

On the acquisition side of things, we would not be surprised to see news of further deals being made in the coming months. MedPal has already demonstrated that it can find and complete deals quickly, and it is encouraging that the firm has already received a positive inspection report from the General Pharmaceutical Council, showing that it meets the standards required to run online pharmacies. It is also encouraging that the firm, backed by management with significant financial services experience, has already proven its ability to raise funds from the market. This bodes well for any further requirements to fund future deals.

Highlighting the key risks mentioned, and that our valuation is highly dependent on forecasts being met, we initiate coverage of MedPal AI with a valuation of 79.62p.



DISCLOSURES

This financial promotion has been approved by Optimo Research Ltd, which is authorised & regulated by the Financial Conduct Authority. FRN No. 768993. Date and time of research note completion and first publication – 3rd November 2025, 7am. A list of all research reports published by Optimo Research during the past 12 months, including target prices, can be found [HERE](#)

Optimo Research Ltd offers professional equity research services and the companies covered by us pay a fee in order for this research to be made available. Companies linked to Optimo Research Ltd by way of common ownership, namely Optimo Capital Limited, may conduct certain business which is not regulated by the Financial Conduct Authority with companies covered in our research reports, namely acting as an introducer between the companies and potential providers of capital; where this is the case, this will be disclosed.

MedPal AI is a research client of Optimo Research Ltd and has paid for the production of this research report.

For certain clients, Optimo Research may take a portion of fees by way of equity payment in the respective companies we cover. If this is the case, our interests will be fully disclosed in the research report. However, as a consequence of this, our vested interest would be in an increase in value in the subject company's equity. As such, we would not be seen as being impartial in relation to the outcome of our reports.

Optimo Research has written internal procedures designed to identify, prevent, avoid and manage potential conflicts of interest that arise in connection with its research business. Optimo Research follows both a personal & company dealing policy (covering staff & research analysts) in relation to the dealing in the shares, bonds or other related instruments of companies that we cover.

Our research reports reflect the objective views of our team of analysts who are employed on a freelance contractual basis and receive a fixed fee only for the production of research reports. No part of our research analysts' compensation is directly related to the specific views expressed in this report or to the performance of the subject company's share price. No element of variable compensation is paid to Optimo's research analysts.

Optimo Research does not issue explicit "buy", "hold", "sell" or equivalent recommendations in its research reports. Our price targets/fair values are calculated by our research analysts based on an extensive analysis of the subject company, with methodologies and underlying assumptions being laid out in our reports. Our price targets/fair values should be seen as a value guide only and there is absolutely no certainty or representation on our part that they will be reached. Optimo Research may publish follow up notes on the company covered in this report but has no fixed scheduled commitment and may cease to follow this company without notice.

DISCLAIMERS & RISK WARNING

Optimo Research has made every reasonable effort to ensure the accuracy of the information in our research reports and website, although this cannot be guaranteed. Nothing in our reports should be construed as an offer or the solicitation of an offer to buy or sell securities by us and, as we have no knowledge of your individual situation and circumstances, you should not make any investment decision without consulting a fully qualified financial adviser. This research note does not constitute advice and your capital is at risk by investing in the financial instruments issued by the companies discussed.

Nothing in Optimo Research's material constitutes a representation that any investment strategy or recommendation we make is suitable or appropriate to a recipient's individual circumstances. Optimo Research material should not be regarded by recipients as a substitute for obtaining independent investment advice and/or the exercise of their own judgement.

Optimo Research does not represent or undertake that recipients of our material will generate profits, nor will it share with such recipients any investment profits, nor accept any liability for any investment losses or tax consequences that they may suffer. Neither Optimo Research nor any of its, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of our material.

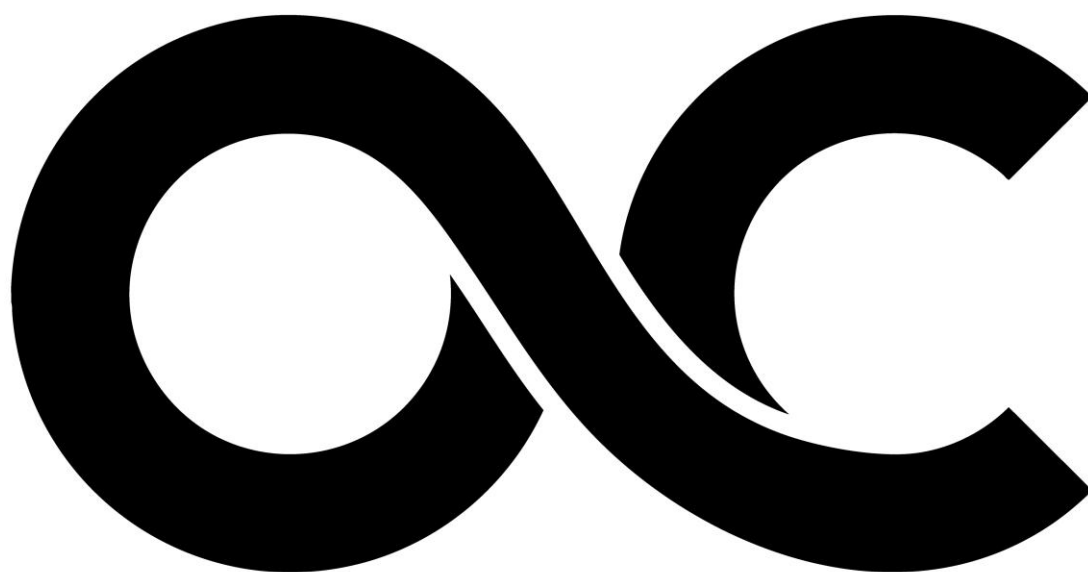
The marketability of the shares we cover can be limited and you may have difficulty buying, or selling in volume. Additionally, given the smaller capitalisation bias of our coverage, the companies we write about should be considered as high risk. Past performance is not necessarily a guide to future performance and forecasts are not a reliable indicator of future results.

LEGAL

Our reports may not be reproduced in whole or in part without prior permission from Optimo Research. Optimo Research reserves the right to grant or revoke the authority to use its website at its absolute discretion. While every reasonable precaution has been taken to ensure the accuracy, security and confidentiality of information available through the website, Optimo Research cannot be held responsible for any consequence of any action carried out by any user authorised or unauthorised.

The information provided herein, and your subsequent use of it may from time to time be subject to certain statutory or other external regulation, conditions and restrictions. All use of the information by you must comply with such regulations, conditions or restrictions applicable to the area or territory in which you shall use the information herein. None of the information published or made available via the Optimo Research website is intended to be published or made available in any jurisdiction where to do so would result in a breach of any applicable law or regulation.

© 2025 Optimo Research Ltd.



OPTIMO RESEARCH