

Strong Demand Drives Robust Revenue Growth

Continuing with its trajectory of topline expansion, Mecure Industries PLC (**MECURE**) financial performance in 9M:2025 told the story of growth driven primarily by improved demand as its revenue of NGN60.01bn bested 2024FY revenue by 30.08%. This was also an increase of 98.60%YoY compared to 9M:2024's revenue of NGN30.22bn. In our view, the market gap created by GSK's exit from select products such as Augmentin created a buoyant opportunity for **MECURE** to capture and retain market share, a factor which we view as a major catalyst for its sustained positive performance.

Given the increase in sales to invested capital and trailing asset turnover ratio: 0.79x and 1.14x (vs 0.55x and 0.95x in 9M:2024), respectively, we deduce that this growth was primarily driven by increase in sales volume across product rather than price increments during the nine-month period. This also depicts an effective utilization in its assets in generating revenue. On a segmental basis, the Acute division, (c. 56% of revenue), expanded to NGN33.64bn (vs NGN16.94bn in 9M:2024), Chronic division, (c.9.05%), increased to NGN5.43bn from NGN2.74bn, Narcotics, (c. 1.76%), inched up to NGN1.05bn from NGN530.76mn, Over-the-Counter, (c. 18.97%), rose to NGN11.38bn from NGN5.73bn, and the supplements, (c. 14.17%), increased to NGN8.50bn from NGN4.28bn in 9M:2024.

We expect revenue growth to stay robust in the 2025FY, as the firm maintains its market share, particularly given the essential nature of these medicines. In addition, the company's Beta-lactam plant has room to scale output, while confirmed international demand via its track-and-trace solution opens a potential new revenue stream over the near to medium term. Overall, we project a revenue forecast of NGN80.25bn with asset turnover at 1.04x.

Strong Profitability Sustained Despite Higher Input Costs

In line with revenue growth, **MECURE**'s cost of sales surged by 96.16% YoY to NGN39.60bn in 9M:2025 (vs NGN20.19bn in 9M:2024), fueled by a 91.16% spike in raw materials costs to NGN35.85bn in 9M:2025 from NGN18.75bn. Notwithstanding, cost-to-sales ratio improved to 65.99% from 66.81% in 9M:2024. Additionally, operating expenses accelerated by 50.09% YoY to NGN7.53bn in 9M:2025 (vs NGN5.02bn in 9M:2024), due to a 58.60% YoY upswing in administrative expenses and a 36.56% YoY rise in marketing expenses. Irrespective of higher costs, operating profit more than doubled, rising by 158.83% YoY to NGN13.02bn (compared to NGN5.03bn). Hence, operating margin improved to 21.69% from 16.65% in 9M:2024.

The firm voyage into the debt market in the 9M period resulted in higher short-term liabilities (+133.30%) – *Commercial paper (increased by +188.71% YoY) and working capital loans from banks (+104.46% YoY)* – and finance costs soared by +137.13% YoY to NGN6.65bn from NGN2.80bn in 9M:2024. As a result, interest coverage ratio shrunk to 1.49x from 1.80x in 9M:2024.

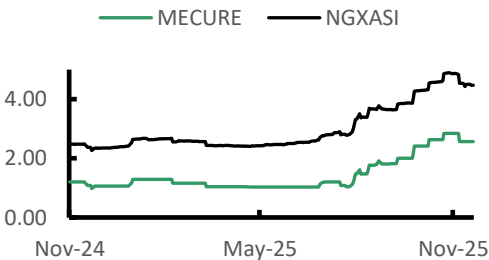
Overall, Profit after tax reflected the cumulative impact of the positive outing during the period as it increased by a whopping 186.14% YoY to NGN4.46bn in 9M:2025 (from NGN1.56bn in 9M:2024). Profitability also remained strong as trailing net margin, Return on Asset (ROA) and Return on Equity (ROE) strengthened to 6.90%, 6.68% and 29.35% (from 5.06%, 4.25% and 16.68% in 2024FY), respectively.

Looking ahead, we anticipate moderate cost pressures through 2025FY, from increased production levels. Also, we expect finance cost in Q4:2025 standalone to be low due to reducing short term debt obligations. Overall, we forecast net profit will settle at NGN6.18bn (translating to a net margin of 7.70%).

Debt Surge Weakens Liquidity and Solvency Position

Despite stronger earnings, **MECURE**'s liquidity position improved only slightly during the period as current liabilities (+164.56%) grew faster than current assets (+91.58%) during the period. Consequently, Current ratio inched up marginally to 1.03x from 1.01x in 9M:2024FY, while quick ratio remained unchanged at 0.96x. However, the firm maintained a positive cash balance, anchored mainly on the commercial paper raise. We note that this form of cashflow financing is unsustainable given that it relies on raising debt in the capital market as the cashflow from operations was negative during the period at NGN5.40bn. Earnings quality was also negative at -1.21x highlighting the substantial presence of credit sales during the financial period. Similarly, solvency ratios weakened, influenced by the higher exposure

Company	MECURE
Valuation	
Trailing EPS	NGN1.31
BVPS	NGN4.45
P/E	21.19x
P/BV	6.22x
Target PE	20.89x
Dec-2025 Exp. EPS	1.54
Dec 2025 Target price	32.25
Current Price	29.80
Up/Downside Potential	8.22%
Ratings	HOLD
Key metrics	
ROE	25.03%
ROA	5.70%
Net margin	7.43%
Asset Turnover	0.77x
Leverage	2.97x
Yr Hi	NGN30.70
Yr Lo	NGN11.10
YTD return	99.28%
Beta	0.13
Adjusted Beta	0.42
Shares outstanding	4.00bn
Market cap [NGN]	110.80bn
Free Float	12.73%
Financial year end	December
Most Recent Period	9M:2025



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to debt. For context, debt-to-asset ratio, debt-to-equity ratio and debt-to-capital ratio climbed to 0.68x, 2.97x and 0.75x respectively (from 0.60x, 2.34x and 0.70x in 9M:2024).

**Recommendation**

Based on our expected EPS of NGN1.54 and our target P/E of 20.89x we arrived at our target price of NGN32.25. This implies an upside potential of xx compared to the company’s closing price of NGN29.80 on December 2, 2025. Hence, we recommend a **HOLD** on the stock.

Sensitivity Analysis of Dec-2025 Target Price to key model inputs						Min	21.29
EPS						Max	43.72
Target PE	32.25	1.04	1.29	1.54	1.79	2.04	
	20.39x	21.29	26.38	31.48	36.58	41.67	
	20.64x	21.55	26.71	31.87	37.03	42.18	
	20.89x	21.81	27.03	32.25	37.47	42.70	
	21.14x	22.07	27.36	32.64	37.92	43.21	
	21.39x	22.33	27.68	33.02	38.37	43.72	

**Financial Highlights and Forecasts (NGNbn)**

Profit & Loss Account	9M:2024	9M:2025	2025FY	2026FY	2027FY	2028F	2029F
Revenue	30.22	60.01	80.25	114.13	152.03	199.48	247.77
Cost of Sales	20.19	39.60	52.04	72.83	95.87	124.62	154.86
Gross Profit	10.03	20.41	28.21	41.30	56.16	74.86	92.91
OPEX	5.02	7.53	10.32	14.66	19.34	25.08	30.83
Operating Profit	5.03	13.02	18.13	26.98	37.27	50.37	62.83
Finance Cost	2.80	6.65	7.98	9.02	9.71	10.35	9.68
PBT	2.23	6.37	10.15	17.96	27.57	40.02	53.15
PAT	1.56	4.46	6.18	11.48	17.68	25.63	34.06

Balance Sheet	9M:2024	9M:2025	2025F	2026F	2027F	2028F	2029F
Property, Plant and Equipment	34.69	42.67	46.34	59.34	73.92	91.14	112.11
Total Debt	30.86	52.96	49.08	61.08	70.71	75.40	71.31
Total Assets	51.31	78.23	76.83	104.05	136.62	174.75	214.78
Total Equity	13.19	17.82	18.54	27.07	40.20	59.22	84.51
Current Liabilities	16.48	34.59	30.23	46.88	57.34	68.50	84.92
Non-Current Liabilities	21.65	25.82	28.06	30.10	39.09	47.03	45.35
Total Liabilities	38.13	60.41	58.28	76.98	96.43	115.53	130.27

Financial Ratios	9M:2024	9M:2025	2025F	2026F	2027F	2028F	2029F
Gross Margin	33.19%	34.01%	35.15%	36.18%	36.94%	37.53%	37.50%
Operating Margin	16.65%	21.69%	22.59%	23.64%	24.52%	25.25%	25.36%
Net Margin	5.16%	7.43%	7.70%	10.06%	11.63%	12.85%	13.75%
Return on Asset	3.04%	5.70%	0.00%	0.00%	0.00%	0.00%	0.00%
Return on Equity	11.82%	25.03%	33.31%	42.42%	43.99%	43.28%	40.31%
Asset Turnover	0.59x	0.77x	1.04x	1.10x	1.11x	1.14x	1.15x
Financial Leverage	2.34x	2.97x	4.14x	3.84x	3.40x	2.95x	2.54x
Current Ratio	1.01x	1.03x	0.93x	0.92x	1.08x	1.21x	1.20x
Quick Ratio	0.96x	0.96x	0.29x	0.37x	0.48x	0.58x	0.58x

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#### Fair Value Estimate

We estimate stock's fair value by computing a weighted average of projected prices derived from discounted cash flow and relative valuation methodologies. The choice of relative valuation methodology (ies) usually depends on the firm's peculiar business model and what in the opinion of our analyst is considered as a key driver of the stock's value from a firm specific as well as an industry perspective. However, we attach the most weight to discounted cash flow valuation methodology.

#### Target Price Estimate

While we believe that the fair value is underpinned by the future benefits stream and growth outlooks, which are primary drivers of value, the market might not align to the fair value estimate within the estimated investment horizon. Thus, we do not derive our target price from the fair value but from a trading perspective using the year projected earnings or book value and the respective target multiples. Notwithstanding, we are of the opinion that the variance between the two should not be too significant.

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**HOLD:** Target Price of the stock ranges between **-10 percent and 10 percent** from the current market price.

**SELL:** Target Price of the stock is more than **10 percent** below the current market price.

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**Asset allocation:** The recommended weighting for equities, cash and fixed income instrument is based on a number of metrics and does not relate to a particular size change in one variable.

Movements in Price Target

Company Name: MECURE INDUSTRIES Plc.

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
2-Dec-2025	29.80	16.87	32.25	BUY	BUY
21-May-2025	11.70	18.35	16.87	BUY	BUY

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Company	Disclosure
MECURE INDUSTRIES Plc.	

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