



PRESS RELEASE

Regulated Information

MeCure Industries Plc Reports First Quarter Revenues of ₦8.1 billion for Period Ended 31 March 2024, up 47% Year-on-Year.

Lagos, Nigeria – 30 April 2024 - MeCure Industries Plc (“MeCure “or the “Company”), a leading human therapeutic and pharmaceutical manufacturing company, recently listed on the Growth Board of the NGX, announces its Q1 2024 unaudited financial results for the period ended 31 March 2024.

Financial Highlights¹

	Q1 2024	Q1 2023	Change (y-o-y)
	₦Million	₦Million	%
Revenue	8,078	5,495	47.0%
Gross Profit	2,668	1,891	41.1%
Operating Profit	1,656	1,016	63.0%
Operating Expenses	1,019	875	16.5%
Profit Before Tax	916	570	60.9%
Profit After Tax	641	399	60.9%
Earnings per Share (Naira)	0.16	0.10	60.4%
	Q1 2024	FY 2023	Change (y-t-d)
Capital Expenditure	(5,926)	(15,248)	-61.1%
Total Assets	49,087	41,735	17.6%
Total Liabilities	36,215	29,505	22.7%
Total Equity	12,872	12,230	5.2%
Ratios ²			
Gross Profit Margin	33.03%	34.41%	-137.9 bps
Operating Profit Margin	20.50%	18.48%	201.5 bps
Return on Average Assets (ROAA)	1.41%	1.16%	25.2 bps
Return on Average Equity (ROAE)	5.11%	3.70%	141.0 bps
Current Ratio	1.0x	1.4x	-4023.2 bps
Acid Ratio	0.5x	0.7x	-2210.1 bps
Debt-to-Assets Ratio	0.7x	0.7x	520.9 bps
Debt-to-Equity Ratio	2.8x	2.4x	5150.0 bps
Asset-to-Equity Ratio	3.8x	3.4x	5150.0 bps
Capacity Utilisation	60%	70%	-

¹Figures in this release are subject to rounding differences.

²All ratios are defined within the glossary of terms on page 10.

Operational and Strategic Highlights

- MeCure Industries successfully completed its Beta-lactam plant (Amoxicillin and Clavulanic acid also known as Amoxyclav) and, in the first quarter of 2024, secured approval from the National Agency for Food & Drug Administration (NAFDAC) to launch production of Amoxyclav 625mg tablets (the first locally manufactured alternative antibiotic tablets following the departure of major manufacturers of similar variants). Production commenced during the first quarter of 2024, and NAFDAC's final approval to transition the product's sourcing status from "import" to "locally produced" was obtained on the 30th of April, paving the way for sales of this product to commence. Furthermore, MeCure Industries is proactively retrofitting its other facilities and plants to align with the Beta-lactam plant's standard.
- MeCure Industries has made significant progress in constructing its pioneering Corticosteroid manufacturing plant, slated to become the only facility of its kind in Nigeria. As at the first quarter of 2024, the project achieved a 90% completion rate. This plant is dedicated to the production of Dexamethasone and Prednisolone medications, which are used for the treatment of inflammation, tertiary disorders, and severe injuries.
- MeCure Industries, having launched its state-of-the-art Track and Trace Solution in the first quarter of 2024, stands as the pioneer pharmaceutical manufacturing company in Nigeria to adopt this advanced technology. This first phase of implementation of this innovative solution took effect during the period for 20 of their popular brands. Moreover, the solution is continually evolving to provide insights into potential target markets through a feature that monitors product distribution points.

CO-CEOs Statement on the Company's First Quarter Performance

The Co-Chief Executive Officer (Finance and Accounts, Logistics, Procurements and Stores), Mr Arjun Udani commenting on the results said: *"During this period, we achieved remarkable financial results and also made significant progress in our strategic initiatives. The approval from NAFDAC for our new beta-lactam facility marked a pivotal moment, initiating the production of essential Amoxyclav tablets. MeCure Industries maintained its focus on growth by expanding market reach and enhancing capacity and service offerings, resulting in a very strong 47% increase in revenue compared to the same period last year. Additionally, we secured a 7-year Bank of Industry (BOI) facility with a significantly lower interest rate than prevailing market rates. This facility, expected to take full effect in the second quarter of the year, will be utilised for further expansion, further solidifying our position as a leading pharmaceutical manufacturing company in the market".*

Co-Chief Executive Officer (Regulatory Affairs, Manufacturing Quality Control & Assurance, and Human Resources), Mrs Anderline Dukor commented saying *"In the first quarter of this year, we reinforced our commitment to delivering exceptional value to stakeholders in the pharmaceutical industry. This commitment was underscored by the commencement of production of Amoxyclav tablets, the first locally manufactured alternative to antibiotic tablets, and are glad to have received NAFDAC's approval to commence sales. Additionally, we've taken proactive steps to retrofit our existing facilities to align with the approved plant, emphasising our dedication to regulatory standards, product authenticity, and enhanced product quality. Moreover, MeCure has fostered strategic partnerships with select state governments in Nigeria to extend the reach of our products. We strengthened our marketing efforts further by appointing dedicated marketing personnel for each state in Nigeria, thereby targeting previously untapped regions."*

As we move forward, we remain optimistic about the future and confident in our ability to deliver outstanding value to our customers and long-term value to all our stakeholders".

Financial Review

Revenue increased to ₦8.1 billion (+47% y-o-y; Q1 2023: ₦5.5 billion); this growth was attributable to a combination of an increase in the average unit prices of products reflective of ongoing macro and industry dynamics and higher volumes sold. This growth underscores successful market penetration by MeCure through effective marketing and increased regional penetration.

Cost of sales (COS) increased to ₦5.4 billion (+50% y-o-y; Q1 2023: ₦3.6 billion). This was mainly due to:

- Raw materials costs (87.9% of COS) which increased to ₦4.76 billion (+48.7% y-o-y; Q1 2023: ₦3.2 billion) arising from increased import duty, coupled with the knock-on impact of FX rate movements on our suppliers.
- Depreciation on machinery expenses (7.7% of COS) of ₦419.0 million (+35.2% y-o-y; Q1 2023: ₦309.8 million), driven by equipment acquisition to support our product expansion strategy.
- Other direct expenses (1.3% of COS) which declined to ₦72.5 million (-20.3% y-o-y; Q1 2023: ₦90.9 million) due to improved management of logistics costs.

From the foregoing, **gross profit** rose to ₦2.7 billion (+41.1% y-o-y; Q1 2023: ₦1.9 billion) however, faster growth in the cost of sales relative to revenues led to a slight contraction in Q1 2024 **gross margins** of 33.0% (-137.9 bps y-o-y, Q1 2023: 34.4%)

Total operating expenses rose to ₦1.0 billion (+50.1% y-o-y; Q1 2023: ₦875.1 million). This was driven by:

- **Marketing expenses** (24.1% of total operating expenses) which rose to ₦244.5 million in Q1 2024 (+18.7% y-o-y; Q1 2023: ₦205.9 million) on the back of increased marketing efforts to drive higher regional penetration of products.
- **Administrative expenses** (75.9% of total operating expenses) grew to ₦771.4 million in Q1 2024 (+15.3% y-o-y; Q1 2023: ₦669.1 billion)
 - One significant factor contributing to the rise in administrative expenses was the upsurge in utilities cost to ₦159.9 million (154% y-o-y; Q1 2023: ₦62.9 million) driven by higher electricity cost due to the added machinery installations in the Amoxyclav plant, and the increase in the cost of diesel.
 - Employee costs also grew to ₦180.6 million (+5.1% y-o-y; Q1 2023: ₦171.9 million).
 - Repairs and maintenance cost increased to ₦101.1 million (+18.3% y-o-y; Q1 2023: ₦85.4 million).
 - Insurance cost rose to ₦131.2 million (+29% y-o-y; Q1 2023: ₦101.6 million).

Operating profit for the year increased to ₦1.6 billion (+63.0% y-o-y; Q1 2023: ₦1.0 billion) while **operating profit margin** increased to 20.5% (Q1 2023: 18.5%, +201.5 bps).

Other income for the period was ₦3.5 million (Q1 2023: Nil) This income relates to the sale of scrap materials being by-products from the construction of the new plants.

Finance costs increased to ₦739.6 million (+65.8% y-o-y; Q1 2023: ₦446.0 million) driven by an increase in bank interest rates and higher debt volumes. Nonetheless, MeCure Industries maintained a healthy interest coverage ratio of 2.2x (Q1 2023: 2.3x), indicating a satisfactory ability to meet interest obligations from operational income.

The Company achieved **profit before tax** of ₦916.4 million (+60.9% y-o-y; Q1 2023: ₦569.7 billion). **Income tax** for the year was ₦274.9 million (+260.9% y-o-y; Q1 2023: ₦170.9 million), resulting in an **effective tax rate** of 30.0% (0 bps y-o-y; Q1 2023: 30.0%)

Profit after tax increased to ₦641 million (+60.9%; Q1 2023: ₦398.8 million). This resulted in earnings per share of ₦0.16 (+60.4% y-o-y; Q1 2023: ₦0.10)

Overall, the Company recorded return on average assets of 1.4% (+25.2bps y-t-d; Q1 2023: 1.2%) and return on average equity of 5.1% (+141.0 bps y-t-d; Q1 2023: 3.7%).

Total assets stood at ₦49.1 billion (+17.6% y-t-d; FY 2023: ₦41.7 billion) driven by:

- Property plant and equipment which increased to ₦30.9 billion (+21.7% y-t-d; FY 2023: ₦25.4 billion). This was driven by increased capital expenditure projects for expanding operational capacities and adopting advanced technology. Current assets also increased to ₦18.2 billion (+11.7% y-t-d; FY 2023: ₦16.3 billion) driven by increase in inventory (newly developed product lines awaiting approval to be sold) and trade receivables.

Total liabilities rose to ₦36.2 billion (+22.7% y-t-d; FY 2023: ₦29.5 billion).

- **Current liabilities**, made up of commercial papers, trade payables, bank overdrafts and current tax liabilities, increased to ₦18.3 billion (+57.0% y-t-d; FY 2023: ₦11.7 billion). This increase in current liabilities is attributable to the ₦14.9 billion commercial paper issuance in December 2023 and February 2024 to finance higher working capital needs.
- **Non-current liabilities** which consist of working capital loans, term loans and deferred tax liabilities, increased to ₦17.8 billion (+0.3% y-t-d; FY 2023: ₦17.8 billion).

The Company recorded current ratio of 1.0x (-2210.1 bps y-t-d; FY 2023: 1.4x) as current liabilities increased on the back of the commercial paper issued in December 2023 and February 2024 to finance the completion of the new Corticosteroid plant previously mentioned.

Total equity increased to ₦12.8 billion (+5.2% y-t-d; FY 2023: ₦12.2 billion) primarily due to higher retained earnings for the period.

MeCure recorded **debt-to-equity** of 2.8x, (+4010.7 bps y-t-d; FY 2023: 2.4x), **Debt-to-assets** of 0.7x (308.2 bps y-o-y; FY 2023: 0.7x) and **Assets-to-equity** of 3.8x (+4010.7 bps y-o-y; FY 2023: 3.4x). Overall, the Company will continue to expand its funding sources in the coming periods.

MeCure generated total **cash and cash equivalents** of ₦339.8 million for the period ended 31 March 2024 (Q1 2023: ₦43.1 million).

- Net cash flows from operating activities amounted to ₦851.4 million (-6.2% y-o-y; Q1 2023: ₦907.7 billion), indicating a slight decrease in cash generation from core operations. This as a result of reduced credit cycles on payables as suppliers demanded quicker payments due to the exchange rate volatility.
- Net cash outflow through investing activities, primarily attributed to capital expenditure on the purchase of property, plant and equipment, was ₦5.9 billion (+490.4% y-o-y; Q1 2023: ₦1.0 billion).
- Net cash flows from financing activities of ₦6.4 billion (+5868.4% y-o-y; Q1 2023: ₦107.4 million) driven by increased debt to be utilised for further expansion.

Outlook

The global pharmaceutical industry is poised for continued expansion, fuelled by advancements in medicine and evolving consumer preferences. The market growth is mainly driven by innovative drugs and an increasing demand for treatments globally. Customers are increasingly seeking personalised and targeted treatments, leading to a rise in demand for precision medicines tailored to specific genetic profiles. The revenue in the pharmaceutical sector is predicted to exhibit an annual growth rate (CAGR 2024-2028) of 6.19%, resulting in a market volume of US\$1,470.00 billion by 2028³.

Given Nigeria's fast-growing population and increasing healthcare expenditure, coupled with government initiatives to support local drug manufacturing, the pharmaceutical sector is expected to continue its growth trajectory. However, challenges such as import dependency and capacity limitations may still persist and require ongoing attention and strategic interventions.

MeCure is well-positioned to manage the import dependency challenge faced in the Nigeria market, as the new product lines being developed are intended to be locally produced in its NAFDAC approved plants. MeCure continues to develop new product lines that address the growing disease burdens reflecting the Company's commitment to innovation and delivering value. As a result of its BOI Financing earlier mentioned, MeCure will improve its competitive positioning. The funding will expedite the completion of the Corticosteroid plant, paving the way for the commencement of production and sales of the new product lines. Additionally, the launch of Amoxyclav tablet sales is anticipated in the second quarter of 2024, following final approval from NAFDAC received on the 30th of April.

The Company is also expanding its foray into the retail distribution system and seeks to penetrate more regions in Nigeria whilst also exploring new markets and regions across Africa. The Company is seeking Food and Drug Administration (FDA) approval for Cameroun, Ghana and Niger.

Click [here](#) to see the Q1 2024 Unaudited Financial Statements

³ Statista.com

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Statement of profit or loss and other comprehensive income for the period ended 31 March 2024

In thousands of naira	31 March 2024	31 March 2023
Revenue	8,078,392	5,494,967
Cost of sales	5,410,044	3,604,160
Gross profit	2,668,348	1,890,807
Marketing expenses	244,460	205,981
Administrative expenses	771,420	669,129
Other income	3,500	-
Operating Profit	1,655,968	1,015,698
Profit before Interest and tax	1,655,968	1,015,698
Finance cost	739,565	446,010
Profit Before Tax	916,402	569,688
Income tax	(274,921)	170,906
Profit for the year	641,482	398,781
	-	-
Other comprehensive income for the year		
Profit for the year	641,482	398,781
Basic and diluted earnings/(loss) per share (Naira)	0.16	0.10

Statement of Financial Position as of 31 March 2024

In thousands of naira	31 March 2024	31 December 2023
Non-current assets		
Property, plant, and equipment	30,912,577	25,407,102
Intangible assets	-	50,601
Development Cost	-	-
Total non-current assets	30,912,577	25,457,703
Current assets		
Inventories	9,726,604	8,314,400
Trade and other receivables	8,107,922	7,256,230
Cash and cash equivalents	339,844	707,060
Total current assets	18,174,370	16,277,690
Total assets	49,086,947	41,735,393
Non-current liabilities		
Working Capital Loan	6,469,405	6,279,468
Term Loan	10,029,434	10,161,810
Deferred tax liabilities	31,384,704	1,384,704
	17,883,543	17,825,982
Current liabilities		
Trade and other payables	899,890	874,967
Commercial Paper	14,906,316	9,226,533
Bank Overdraft	716,410	43,523
Current tax liabilities	1,808,976	1,534,054
Total current liabilities	18,331,592	11,679,078
Total liabilities	36,215,135	29,505,060
EQUITY		
Share capital	2,000,000	2,000,000
Retained profit	10,871,812	10,230,332
Total equity	12,871,812	12,230,332
Total equity and liabilities	49,086,947	41,735,393

Statement of Cash Flows for the period ended 31 March 2024

In thousands of naira	31 March 2024	31 March 2023
Cash flows from operating activities		
Cash used in operations	-851,387	910,714
Tax paid	-	-3,035
Net cash used in operating activities	851,387	907,679
Cash flows from investing activities		
Purchase of property, plant, and equipment	- 5,926,059	- 1,003,714
Purchase of intangible assets	-	-
Net cash used in investing activities	- 5,926,059	-1,003,714
Cash flows from financing activities		
Loan repayment	5,737,343	86,515
Bank Overdraft	- 672,887	- 20,888
Interest paid	-	-
Capital contribution (capitalization)	-	-
Net cash generated from financing activities	6,410,230	107,403
Net (decrease)/increase in cash and cash equivalents	-367,216	11,368
Cash and cash equivalents at the beginning of the year	707,060	31,750
Cash and cash equivalents at the end of the year	339,844	43,118

Glossary of Terms

Operating profit is computed by subtracting operating expenses from gross profit.

Operating profit margin is computed as operating profit divided by total revenue.

Operating income is computed by subtracting gross profit from operating expenses. It

Operating costs is the addition of cost of goods sold and operating expenses.

Profit before tax corresponds to EBIT minus net finance (cost)/income plus share of profit of associates and joint venture using the equity method.

Effective tax rate is computed as income tax divided by profit before tax multiplied by hundred.

Profit before tax margin corresponds to Profit before Tax as a % of revenue.

Return on average equity corresponds to net profit divided by average total equity.

Return on average assets corresponds to net profit divided by average total assets.

Leverage refers to the amount of debt used to finance assets.

Debt to assets ratio is computed as total liabilities divided by total assets.

Debt to equity ratio is computed as total liabilities divided total equity.

Asset to equity ratio is computed as total assets divided by total equity.

Interest coverage ratio is computed as operating profit divided by interest expenses.

Current ratio is computed as current assets divided by current liabilities.

Acid ratio is computed as current assets minus inventory divided by current liabilities.

Capacity utilisation means actual output divided by maximum potential output.

About MeCure Industries PLC

MeCure Industries Plc (NGX: MECURE) MeCure Industries is a company principally in the business of manufacturing drugs in Nigeria under two categories namely pharmaceuticals and nutraceuticals. In the pursuit of its primary objective, it adopts the use of modern-day technology and expertise care in services to restore health and save lives through its diverse solutions. For over a decade, MeCure has developed a reputation for quality and is trusted by its stakeholders. Growth has been demonstrated through historical revenue and market share growth, backed by an experienced management team with over 150 years' experience across multiple disciplines with a deep understanding of the pharmaceutical industry.

For more information visit <https://www.mecure.com/>

Forward-looking statements

Certain statements in this document may constitute forward-looking information or forward-looking statements under applicable Canadian securities law (collectively “forward-looking statements”). Forward-looking statements are statements that relate to future events, including the Company’s future performance, opportunities, or business prospects. Any statements that express or involve discussions with respect to expectations, forecasts, assumptions, objectives, beliefs, projections, plans, guidance, predictions, future events or performance (often, but not always, identified by words such as “believes”, “seeks”, “anticipates”, “expects”, “continues”, “may”, “projects”, “estimates”, “forecasts”, “pending”, “intends”, “plans”, “could”, “might”, “should”, “will”, “would have” or similar words suggesting future outcomes) are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements. Undue reliance should not be placed on these forward-looking statements because the Company cannot assure that the forward-looking statements will prove to be correct. As forward-looking information address future conditions and events, they could involve risks and uncertainties including, but are not limited to, risk with respect to general economic conditions, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.