



PRESS RELEASE

Regulated Information

H1 2024 Results - MeCure Industries Plc Reports First Half Revenues of ₦17.1 billion for Period Ended 30 June 2024, up 39% Year-on-Year.

Lagos, Nigeria – 2 August 2024 - MeCure Industries Plc (“MeCure “or the “Company “), a leading human therapeutic and pharmaceutical manufacturing company, listed on the Growth Board of the NGX, recently announced its half year unaudited financial results for the period ended 30 June 2024.

Financial Highlights<sup>1</sup>

	H1 2024	H12023	Change (y-o-y)
	₦Million	₦Million	%
Revenue	17,127	12,356	38.6%
Gross Profit	5,680	4,259	33.4%
Gross Profit Margin	33.16%	34.47%	-130.6 bps
Operating Profit	2,858	2,345	21.9%
Operating Profit Margin	16.69%	18.98%	-229.1 bps
Operating Expenses	2,861	1,951	46.6%
Profit Before Tax	1,338	1,326	1.0%
Profit Before Tax margin	7.81%	10.73%	-291.5
Profit After Tax	937	1,069	-12.3%
Earnings per Share (Naira)	0.23	0.27	-12.3%
Return on Average Assets (ROAA) (Annualised)	4.0%	6.2%	-225.7 bps
Return on Average Equity (ROAE) (Annualised)	15.1%	19.8%	-472.4 bps
	H1 2024	FY 2023	Change (y-t-d)
Capital Expenditure	10,939	15,248	-28.3%
Total Assets	52,854	41,735	26.6%
Total Liabilities	40,487	29,505	36.5%
Total Equity	12,567	12,230	2.8%
Debt-to-Assets	0.8x	0.7x	552.7 bps
Debt-to-Equity	3.2x	2.4x	nm
Asset-to-Equity	4.2x	3.4x	nm
Capacity Utilisation	50.0%	75.0%	

nm - not meaningful

<sup>1</sup>Figures in this release are subject to rounding differences.

## Operational Highlights

- MeCure Industries pioneered the first local production of amoxicillin-clavulanic acid 625mg (Amoxyclav) in Q2 2024. This product is positioned to be the first domestic substitute for equivalent imported variants.
- Expanded the general over-the-counter (OTC) manufacturing plant from 14 to 27 lines
- Constructed three new standalone plants to produce Beta lactam, Corticosteroids and Syrup. Doubled production capacity to 1.5 billion doses per month across tablet, capsules and syrup formulations, supportive of a healthy and sustainable growth trajectory with greater market presence.

The Co-Chief Executive Officer (Finance and Accounts, Logistics, Procurements and Stores), Mr Arjun Udani, commenting on the results said: *"MeCure Industries continued its growth trajectory by expanding market reach, increasing capacity, and enhancing service offerings, leading to an impressive 39% revenue growth compared to the same period last year. In addition to expanding the OTC manufacturing plant, we made progress with reducing Nigeria's drug import dependency by completing the construction of new standalone plants dedicated to producing Beta Lactam and Corticosteroids – representing yet another pioneering and impactful milestone by Mecure Industries"*

Co-Chief Executive Officer (Regulatory Affairs, Manufacturing Quality Control & Assurance, and Human Resources), Mrs Anderline Dukor, commented, saying, *"In the first half of the year, we reaffirmed our dedication to providing exceptional value to stakeholders in the pharmaceutical industry. In another pioneering move, we initiated a pilot phase of the bio equivalence and bioavailability studies ensuring all equipment set up in the clinical research organization laboratory are calibrated and operational prior to commencement of the clinical trials. Approval from NAFDAC and Nigeria Institute of Medical Research (NIMR) will be required before proceeding with the studies. These studies aim to establish efficacy equivalence with leading innovator brands, such as comparing Amoxyclav with Augmentin. The results of these trials will be published in respected medical journals.*

*Additionally, our first Annual General Meeting after the listing, which held on 3 July 2024 was a resounding success. Looking ahead, we are optimistic about the future and confident in our ability to continue delivering long-term benefits to all our stakeholders."*

## Financial Review

**Revenue** increased to ₦17.1 billion (+38.6% y-o-y; H1 2023: ₦12.4 billion) due to increase in the sales of finished products. This outcome was achieved by the higher than usual volumes of finished goods inventory – in view of the planned shutdown of the general OTC manufacturing plant to accommodate the expansion to 27 lines from 14 lines. Consequently, the Company achieved utilisation of 50% from the expanded general factory.

**Cost of sales (COS)** increased to ₦11.4 billion (+41.4% y-o-y; H1 2023: ₦8.1 billion). This was mainly due to:

- Raw materials costs (87.8% of COS) which increased to ₦10.1 billion (+38.6% y-o-y; H1 2023: ₦7.3 billion) arising from increase in production.
- Depreciation on machinery expenses (7.3% of COS) of ₦838.1 million (+35.2% y-o-y; H1 2023: ₦619.7 million), driven by equipment acquisition to support the expansion of the existing general OTC manufacturing line and local production of amoxicillin-clavulanic acid 625mg (Amoxyclav).
- Other direct expenses (2.8% of COS) which increased to ₦319.3 million (50.2% y-o-y; H1 2023: ₦212.5 million) due to higher expansion-driven logistics costs.

Gross profit rose to ₦5.7 billion (+33.4% y-o-y; H1 2023: ₦4.3 billion) on the back of higher sales volume. Despite this substantial growth in gross profit, the much faster growth in raw materials costs resulted in a slight decline in gross profit margins to 33.2% (-130.6 bps y-o-y, H1 2023: 34.5%)

Operating profit for the year increased to ₦2.9 billion (+21.9% y-o-y; H1 2023: ₦2.3 billion) due to the increase in other income derived from the sale of by products which would have gone to waste while operating profit margin decreased to 16.7% (H1 2023: 19.0%, -229.1 bps). Other income for the period was ₦19.5 million (+5.6% y-o-y; H1 2023: ₦18.5 million).

Total operating expenses rose to ₦2.8 billion (+41.4% y-o-y; H1 2023: ₦1.9 billion), reflective of a generally much higher inflation environment. Specifically,

- **Marketing expenses** (34.9% of total operating expenses) rose to ₦990.5 million in H1 2024 (+80.1% y-o-y; H1 2023: ₦550.1 million) on the back of increased marketing efforts to drive higher regional penetration of products as well as building out the direct to customer sales efforts.
- **Administrative expenses** (65.1% of total operating expenses) grew to ₦1.9 billion in H1 2024 (+33.9% y-o-y; H1 2023: ₦1.4 billion)
  - A major factor contributing to the increase in administrative expenses was the surge in utility costs, which rose to ₦371.8 million (172.4% y-o-y; H1 2023: ₦136.5 million). This significant rise was primarily driven by the high costs associated with the expansion and upgrading of the general OTC plant.
  - Employee costs also grew to ₦392.4 million (+7.0% y-o-y; H1 2023: ₦366.6 million).
  - Repairs and maintenance cost increased to ₦161.8 million (+1.8% y-o-y; H1 2023: ₦158.9 million).
  - Legal fees attributed to ₦253.8 million in H1 2024 contributing 13.7% to administrative expenses.

Finance costs increased to ₦1.5 billion (+49.1% y-o-y; H1 2023: ₦1.0 billion) as a result of higher bank interest rates. MeCure Industries maintains a robust interest coverage ratio of 1.9x (H1 2023: 2.3x), reflective of the Company's capacity to cover interest expenses through its operational income.

Faster rise in operating expenses and finance costs, relative to operating profit, led to a muted growth in profit before tax of ₦1.3 billion (+1.0% y-o-y; H1 2023: ₦1.3 billion) with profit before tax margin of 7.8% (-291.5 bps; H1 2023: 10.7%). Income tax for the year was ₦401.5 million (+50.3% y-o-y; H1 2023: ₦267.2 million), resulting in an effective tax rate of 30.0% (984.4bps y-o-y; H1 2023: 20.2%).

The Company recorded Profit after tax for the period of ₦936.8 million (-12.3%; H1 2023: ₦1.1 billion) due to faster growth in taxes which resulted in earnings per share of ₦0.23 (-12.3% y-o-y; H1 2023: ₦0.27). following total dividend payment of ₦600.0 million (₦0.15 dividends per share, 64.1% payout ratio), the Company retained ₦336.8 million profit for the year.

Overall, the Company recorded Return on average assets of 4.0% (-225.7 bps y-t-d; FY 2023: 6.2%). This was majorly driven by the combination of reduced profit after tax and increased investment in assets to support the factory expansion intended to drive future growth. Return on average equity of 15.1% (-472.4 bps y-o-y; FY 2023: 19.8%). This was due to a slight increase in retained earnings coupled with the decline in profit for the year.

Total assets stood at ₦52.9 billion (+26.6% y-o-y; FY2023: ₦41.7 billion) driven by Property plant and equipment which increased to ₦35.5 billion (+39.7% y-o-y; FY 2023: ₦25.4 billion). This was largely due to higher capital expenditure projects for the construction of a corticosteroid manufacturing plant and expansion of the general OTC manufacturing plant. Current assets also increased to ₦17.3 billion (+6.6% y-o-y; H1 2023: ₦16.3 billion) driven by an increase in trade and other receivables due to higher sales volumes and inventory.

Total liabilities rose to ₦40.3 billion (+36.5% 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 ₦19.3 billion (+65.6% y-t-d; FY 2023: ₦11.7 billion). This increase in current liabilities is attributable to the ₦15.9 billion commercial paper issuance in February 2024 and June 2024. Non-current liabilities which consist of working capital loans, term loans and deferred tax liabilities, increased to ₦20.9 billion (+17.5% y-t-d; FY 2023: ₦17.8 billion).

Total equity increased to ₦12.6 billion (+2.8% y-o-y; FY 2023: ₦12.2 billion) due to higher retained earnings for the period.

Reflective of the increase in its debt funding for its plant expansion, MeCure recorded debt-to-equity of 3.2x, (+7932.7 bps y-o-y; H1 2023: 2.4x), Debt-to-assets of 0.8x (+552.7 bps y-o-y; H1 2023: 0.7x) and Assets-to-equity of 4.2x (+12529.0 bps y-o-y; H1 2023: 3.4x).

MeCure Industries generated total cash and cash equivalents of ₦295.2 million for the period ended 30

June 2024 (FY 2023: ₦706.1 million).

- Net cash flows from operating activities amounted to ₦582.8 million (-61.4% y-o-y; H1 2023: ₦1.5 billion).
- Net cash outflow through investing activities, primarily attributed to capital expenditure on the purchase of property, plant and equipment, was ₦10.9 billion (+182.9% y-o-y; H1 2023: ₦3.9 billion).
- Net cash flows from financing activities of ₦9.9 billion (+299.9% y-o-y; H1 2023: ₦2.5 billion) driven by increased debt to be utilised for expansion.

## Outlook

The global pharmaceutical market is expected to grow at a compound annual growth rate of 6.12% from 2023 to 2030<sup>2</sup>. The pharmaceutical industry is witnessing growth due to factors such as the increasing prevalence of chronic diseases, rising geriatric population, increasing healthcare spending by government organisations globally, and extensive efforts to improve the affordability of pharmaceuticals.

In Nigeria, the Covid-19 pandemic ignited an increased need for expansion and capacity building industry wide, and the outlook for the pharmaceutical industry remains broadly positive; driven by the country's fast-growing population, rising healthcare expenditure, and the government's efforts to improve healthcare infrastructure. The combined capacity of local drug production in Nigeria is not able to meet demand, consequently, the pharmaceutical industry is heavily import dependent with about 65%<sup>3</sup> of pharmaceutical formulations being imported. The President recently directed that an executive order be developed to reduce identified barriers to local drug manufacturing, enable the industry to thrive and reduce the price of drugs.

Nigeria also suffers from a heavy burden of both communicable and chronic/non-communicable diseases. Socio-economic factors such as the lifestyle habits of the population also contribute to the disease burden, rural-urban migration, westernisation causing increased consumption of unhealthy foods, and a growing fast-food culture. There is also greater health awareness resulting in increasing demand for vitamins and supplements for which MeCure Industries has a well-developed Nutraceuticals segment.

MeCure Industries is well positioned to capture growth from rising demand spanning across these various factors as the Company continues to develop new product lines that address Nigeria's growing communicable and non-communicable disease burdens. Recent and very timely capacity

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<sup>2</sup> *Pharmaceutical Market Size & Trends by Grand View Research*

<sup>3</sup> [www.nafdac.gov.ng](http://www.nafdac.gov.ng)

expansion is pivotal to MeCure’s growth strategy as the Company benefits from an increasing supply gap created by the exit of key manufacturers of alternative variants medicines from the Nigerian market. In the non-communicable/chronic ailment segment, which is the fastest growing pharmaceutical segment globally, including in Africa, MeCure has identified 98 formulations covering over 15 categories. With a view to reducing the need for imports and expanding its market reach, MeCure Industries completed the construction of a corticosteroid manufacturing plant focused on the production of Dexamethasone and Prednisolone drugs for treatment of inflammation, and tertiary disorders, coupled with serious injuries for human use.

In Q4 2024, the Company is set to commence local production of nutraceuticals, which were previously imported under the Youthberry brand. This strategic move will further enhance its market presence and overall efficiency.

The Company is also expanding its foray into the formal distribution system, building an ecosystem of marketers and pharmacies, through which its direct to customer model is evolving. Additionally, the Track and Trace solution has been increasingly instrumental in mapping the reach and distribution of the Company’s products, providing MeCure Industries with valuable insights into market penetration. This capability has enabled the Company to strategically identify and target new markets, optimising their market expansion efforts and effectively directing their sales initiatives to regions with potential. In the medium- to long-term, the Company plans to expand in a measured way to select countries across Africa.

NAFDAC remains a proactive industry regulator, has attained maturity three (ML3) status as a globally recognised regulatory authority, and its Central drug control laboratory in Lagos has been pre-qualified by the World Health Organisation (WHO). This points to the efforts made in enhancing governance and vigilance which will further strengthen the industry and reduce the menace of fake drugs.

Click [Here](#) to access the full H1 2024 unaudited financial statements.

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Statement of profit or loss and other comprehensive income for the period ended 30 June 2023

In thousands of naira	H1 2024	H1 2023
Revenue	17,127,031	12,355,901
Cost of sales	(11,447,404)	(12,355,901)
Gross profit	5,679,627	4,258,743
Marketing expenses	(990,546)	(550,077)
Administrative expenses	(1,850,732)	(1,382,323)
Other income	19,500	18,468
Operating Profit	2,857,850	2,344,811
Profit before Interest and tax	2,857,850	2,344,811
Finance cost	(1,519,519)	(1,019,099)
Profit before tax	1,338,331	1,325,712
Income tax	(401,499)	(257,213)
Profit after tax	936,832	1,068,500
Dividend	(600,000)	-
Profit retained for the period	336,832	1,068,500
Other comprehensive income for the period	-	-
Profit for the period	336,832	1,068,500
Basic and diluted earnings/(loss) per share (Naira)	0.23	0.27

Statement of Financial Position as of 30 June 2024

In thousands of naira	H1 2024	FY 2023
<b>Non-current assets</b>		
Property, plant, and equipment	35,504,611	25,407,102
Intangible assets	-	-
R&D	-	50,601
<b>Total non-current assets</b>	<b>35,504,611</b>	<b>25,457,703</b>
<b>Current assets</b>		
Inventories	8,486,623	8,314,400
Trade and other receivables	8,567,510	7,256,230
Cash and cash equivalents	295,188	707,060
<b>Total current assets</b>	<b>17,349,321</b>	<b>16,277,690</b>
<b>Total assets</b>	<b>52,853,932</b>	<b>41,735,393</b>
<b>Non-current liabilities</b>		
Secured working Capital Loan	6,681,586	6,279,468
Secured Long Term Loan	12,874,969	10,161,810
Unsecured Loan	-	-
Deferred tax liabilities	1,384,704	1,384,784
<b>Total non-current liabilities</b>	<b>20,941,259</b>	<b>17,825,982</b>
<b>Current liabilities</b>		
Trade and other payables	974,657	874,967
Commercial Paper	15,890,189	9,226,533
Bank Overdraft	808,582	43,524
Current tax liabilities	1,672,083	1,534,054
<b>Total current liabilities</b>	<b>19,345,511</b>	<b>11,679,078</b>
<b>Total liabilities</b>	<b>40,286,770</b>	<b>29,505,060</b>
<b>Equity</b>		
Share capital	2,000,000	2,000,000
Retained profit	10,567,164	10,230,332
<b>Total equity</b>	<b>12,567,164</b>	<b>12,230,332</b>
<b>Total equity and liabilities</b>	<b>52,853,932</b>	<b>41,735,392</b>

Statement of Cash Flows for the period ended 30 June 2024

In thousands of naira	H1 2024	H1 2023
Cash flows from operating activities		
Cash used in operations	846,286	1,706,833
Tax paid	(263,471)	(197,710)
Net cash used in operating activities	582,815	1,509,123
Cash flows from investing activities		
Purchase of property, plant, and equipment	(10,938,678)	(3,866,335)
Purchase of intangible assets	-	-
Net cash used in investing activities	(10,938,678)	(3,866,335)
Cash flows from financing activities		
Term Loan	3,115,277	2,511,966
Commercial paper	6,663,656	-
Bank overdraft	765,059	(29,365)
Dividend paid	(600,000)	-
Net cash generated from financing activities	9,943,991	2,482,601
Net (decrease)/increase in cash and cash equivalents	(411,872)	125,389
Cash and cash equivalents at the beginning of the year	707,060	31,750
Cash and cash equivalents at the end of the period 30 June 2024	295,189	157,139



## 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.

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 of the current and previous financial year.

Return on average assets corresponds to net profit divided by average total assets of the current and previous financial year.

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

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

Debt to equity ratio is computed as total interest bearing liabilities divided by 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 expense.

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.