



PRESS RELEASE

Regulated Information

MeCure Industries Plc Reports Revenues of ₦31.8 billion for Full Year Ended 31 December 2023, up 19.2% Year-on-Year.

Lagos, Nigeria – 29 February 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 full-year audited results for the period ended 31 December 2023.

Financial Highlights¹

	FY 2023	FY 2022	Change (y-o-y)
	₦Million	₦Million	%
Revenue	31,759	26,642	19.2%
Gross Profit	10,284	8,850	16.2%
Operating Profit	6,081	5,256	15.7%
Operating Expenses	4,275	3,594	18.9%
Profit Before Tax	3,690	3,781	-2.4%
Profit After Tax	2,913	2,609	11.7%
Earnings per Share (Naira)	1.46	1.30	12.3%
Capital Expenditure	15,248	5,907	158.2%
Total Assets	41,735	26,996	54.6%
Total Equity	12,230	9,317	31.3%
Ratios²			
Gross Profit Margin	32.38%	33.22%	-83.7 bps
Operating Profit Margin	19.15%	19.73%	-58.2 bps
Return on Average Assets (ROAA)	8.48%	11.18%	-270.5 bps
Return on Average Equity (ROAE)	27.04%	37.14%	-1009.6 bps
Current Ratio	1.4x	2.0x	-5612.6 bps
Acid Ratio	0.7x	0.8x	-765.8 bps
Debt-to-Assets Ratio	0.7x	0.7x	520.9 bps
Debt-to-Equity Ratio	2.4x	1.9x	5150.0 bps
Asset-to-Equity Ratio	3.4x	2.9x	5150.0 bps
Cost Efficiency	41.1%	40.6%	46.6 bps
Capacity Utilisation	75.0%	75.0%	-

¹Figures in this release are subject to rounding differences.

²All ratios are defined within the glossary of terms on page 8.

Operational and Strategic Highlights

- MeCure Industries was listed on the NGX Growth Board in November 2023 in a move aimed at enhancing access to capital for business expansion, driving investor engagement and building the Company's visibility.
- MeCure Industries manufactured its first validation batch of Amoxiclav 625mg tablets in the new Beta-Lactam plant in December 2023, potentially a first choice of antibiotic for bacterial infections. This product is positioned to be the first domestic substitute for equivalent imported variants within a potential market estimated at ₦500 billion. It is pivotal to MeCure's expansion strategy as the Company caters to growing demand from Nigeria's heavy disease burden as well as the gap in demand created by the exit of key manufacturers of alternative variants from the Nigerian market.
- With a view to reducing the need for imports, MeCure Industries commenced 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. This plant will be the first and only corticosteroid plant in Nigeria, and given its pioneer status, the Company is set to benefit from a tax holiday.
- Reflecting its innovative and pioneering DNA, MeCure Industries launched its cutting-edge Track and Trace Solution in 2024. As the first pharmaceutical manufacturing business in Nigeria with this technology, it sets new standards for pharmaceutical governance, supply chain transparency and product authenticity in the healthcare industry.

CO-CEOs Statement on the Company's Performance

The Co-Chief Executive Officer (Finance and Accounts, Logistics, Procurements and Stores), Mr Arjun Udani commenting on the results said: *"In the year 2023, our Company experienced substantial growth and progress, despite a difficult macro-economic environment evidenced by high inflation, tighter monetary policies, and foreign exchange volatility. MeCure Industries continued to focus on growth through our product and capacity expansion as well as efficiency, which resulted in 11.7% increase in our Profit after Tax. We also democratised the Company's value creation through our successful listing on the NGX Growth Board which will enhance access to capital, collaboration, partnerships, and strategic alliances to further strengthen our position in the healthcare sector".*

Co-Chief Executive Officer (Regulatory Affairs, Manufacturing Quality Control & Assurance, and Human Resources), Mrs Anderline Dukor commented on the full-year audited results saying *"Over the course of the year, we have demonstrated our unwavering commitment to delivering exceptional value to stakeholders in the pharmaceutical industry evidenced by our commencement of the construction of Nigeria's first and only Corticosteroid manufacturing plant aimed at the production of two new drug lines. We also collaborated with the National Agency for Food & Drug Administration (NAFDAC) to develop a pioneering Track and Trace solution, showing our commitment to product authenticity and the safety of our consumers. MeCure is conscious of the double burden of disease facing the Nation and continues to position itself with the capacity and technical know-how to alleviate these challenges while meeting the standard of quality and affordability required by Nigeria's growing populace.*

With confidence, we look forward to sustaining our growth trajectory in the year 2024, as we continue to make meaningful contributions to healthcare and well-being".

Financial Review

Revenue increased to ₦31.8 billion (+19.2% y-o-y; FY 2022: ₦26.6 billion); this growth was attributable to a combination of an increase in volumes sold as well as an increase in average unit prices reflective of ongoing macro and industry dynamics. This growth underscores successful market penetration by MeCure through effective marketing, product innovation and expansion in the product portfolio such as the production of additional tablet lines, Beta-Lactam Capsules as well as Nutraceuticals. Some of these new product lines, such as the oncology and chronic medicines product segments, are set to address the heavy double disease burden of non-communicable, lifestyle illnesses as well as communicable diseases in Nigeria.

Cost of sales (COS) increased to ₦21.5 billion (+20.7% y-o-y; FY 2022: ₦17.5 billion). This was mainly due to:

- Raw Materials costs (89.9% of COS) which increased to ₦19.3 billion (+24.2% y-o-y; FY 2022: ₦15.5 billion) arising from higher production volumes and price escalation due to the inflationary environment.
- Depreciation on machinery expenses (7.8% of COS) which rose to ₦1.7 billion (+35.2% y-o-y; FY 2022: ₦1.2 billion), driven by equipment acquisition to support our product expansion strategy.
- Other direct expenses (4.5% of COS) which increased to ₦0.9 billion (+84.4% y-o-y; FY 2022: ₦0.5 billion) due to price inflation and higher activity levels.

From the foregoing, **gross profit** rose to ₦10.3 billion (+16.2% y-o-y; FY 2022: ₦8.9 billion) however, faster growth in the cost of sales relative to revenues led to FY 2023 **gross margins** of 32.38% (-84 bps y-o-y, FY 2022: 33.22%)

Total operating expenses rose to ₦4.3 billion (+20.7% y-o-y; FY 2022: ₦3.6 billion). This was driven by:

- **Marketing expenses** (27.0% of total operating expenses) which increased to ₦1.1 billion in FY 2023 (+19.5% y-o-y; FY 2022: ₦0.9 billion)
- **Administrative expenses** (73.0% of total operating expenses) increased to ₦3.1 billion in FY 2023 (+17.3% y-o-y; FY 2022: ₦2.6 billion)
 - One significant factor contributing to the rise in administrative expenses was the fluctuation in foreign exchange rates - ₦0.3 billion (+45.5% y-o-y; FY 2022: ₦0.2 billion)
 - Employee costs increased to ₦0.6 billion (+26.6% y-o-y; FY 2022: ₦0.4 billion).
 - Other expenses increased to ₦0.5 billion (+15.4% y-o-y; FY 2022: ₦0.4 billion).
 - Regulatory expenses reduced to ₦29.2 million (-68.2% y-o-y; FY 2022: ₦91.9 million).

Operating profit for the year increased to ₦6.1 billion (+ 15.7% y-o-y; FY 2022: ₦5.3 billion) while **operating profit margin** decreased by 58.2 bps to 19.1% (FY 2022: 19.7%).

Cost efficiency marginally decreased to 41.1% (-46.6 bps³ y-o-y; FY 2022: 40.6%).

Other income for the period was ₦35.5 million (FY 2022: Nil) comprising of interest income of ₦18.5 million and sales of scrap inventory of ₦17.1 million.

Finance costs increased to ₦2.4 billion (+62.0% y-o-y; FY 2022: ₦1.4 billion) driven by an increase in bank interest of ₦2.3 billion. (+79.8% y-o-y; FY 2022 ₦1.3 billion).

³Difference is due to rounding errors.

Nonetheless, MeCure Industries maintained a healthy interest coverage ratio of 2.5x (FY 2022: 3.6x), indicating a satisfactory ability to meet interest obligations from operational income.

The Company achieved **profit before tax** of ₦3.7 billion (-2.4% y-o-y; FY 2022: ₦3.8 billion). **Income tax** for the year was ₦776.3 million (+ 33.9% y-o-y; FY 2022: ₦1.2 billion), resulting in an **effective tax rate** of 21.0% (-996.3bps y-o-y; FY 2022: 31.1%)

Profit after tax increased to ₦2.9 billion (+11.7%; FY 2022: ₦2.6 billion). This resulted in earnings per share⁴ of ₦1.46 (+11.7% y-o-y; FY 2022: ₦1.30)

Overall, the Company recorded return on average assets of 8.5% (FY 2022: 11.2%) and return on average equity of 27.0% (FY 2022: 37.1%).

Total assets stood at ₦41.7 billion (+ 54.6% y-t-d; FY 2022: ₦27.0 billion) driven by:

- Property plant and equipment which increased to ₦25.4 billion (+113.5% y-t-d; FY 2022: ₦11.9 billion). This was impacted mainly by the increase in capital expenditure which was driven by strategic investment in expanding operational capacities and adopting advanced technology. Fluctuations in FX rates played a vital role in impacting the valuation of foreign-sourced equipment and materials.
- Decrease in intangible assets to ₦50.6 million (-91.1% y-t-d; FY 2022: ₦553.4 million). This decrease comprises of amortization of E-pharmacy and IP software.

Total liabilities rose to ₦29.5 billion (+66.9% y-t-d; FY 2022: ₦17.7 billion). **Current liabilities**, made up of commercial papers, trade payables, bank overdrafts and current tax liabilities, increased to ₦11.7 billion (+57.0% y-t-d; FY 2022: ₦7.4 billion). This increase in current liabilities is attributable to the ₦3 billion commercial paper issuance in December 2023 due to higher working capital needs driven by the depreciation of the naira. **Non-current liabilities** which consist of working capital loan, term loan and deferred tax liabilities, increased to ₦17.8 billion (+74.1% y-t-d; FY 2022: ₦10.2 billion).

The Company maintains a strong liquidity position with a current ratio of 1.4x, (-5612.6 bps y-o-y; FY 2022: 2.0x).

Total equity increased to ₦12.2 billion (+31.3% y-t-d; FY 2022: ₦9.3 billion) primarily due to the retention of total comprehensive income over the period.

MeCure recorded **debt-to-equity** of 2.4x, (+5150.0 bps y-o-y; FY 2022: 1.9x), **Debt-to-assets** of 0.7x (520.9 bps y-o-y; FY 2022: 0.7x) and **Assets-to-equity** of 3.4x (+5150.0 bps y-o-y; FY 2022: 2.9x). Overall, the Company has low to moderate leverage with plans to continue to expand its funding sources in the coming periods.

MeCure generated total **cash and cash equivalents** of ₦707.1 million for the period ended 31 December 2023 (FY 2022: ₦31.8 million).

- Net cash flows from operating activities amounted to ₦4.9 billion (+151.3% y-o-y; FY 2022: Net inflow of ₦1.9 billion), indicating a positive cash generation from core operations.
- Net cash outflow through investing activities, primarily attributed to capital expenditure on the purchase of property, plant and equipment was ₦15.2 billion (-158.2% y-o-y; FY 2022: ₦5.9 billion).
- Net cash flows from financing activities of ₦10.9 billion (+182.1% y-o-y; FY 2022: ₦3.9 billion).

⁴Difference is due to rounding errors.

Outlook

The global pharmaceutical market is expected to grow at a compound annual growth rate (CAGR) of 6.12% from 2023 to 2030⁵. The pharmaceutical industry is witnessing growth due to factors such as the increasing chronic disease prevalence, 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 President recently directed that an immediate executive order be developed to reduce identified barriers to local drug manufacturing, enable the industry to thrive and reduce the price of drugs. 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%⁶ of pharmaceutical formulations being imported.

MeCure is well positioned to capture growth from this rising demand as the Company continues to develop new product lines that address growing disease burdens. In the chronic ailment segment, which is the fastest growing pharmaceutical segment globally, including in Africa, MeCure has identified 98 formulations covering over 15 categories.

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, fast foods culture. There is also greater health awareness resulting in growing demand for Vitamins and supplements for which MeCure has a well-developed Nutraceuticals segment.

The Company is also expanding its foray into the formal distribution system and, in the medium to long term, plans to expand in a measured way to selected 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 see the Full Year 2023 Audited Financial Statements

⁵*Pharmaceutical Market Size & Trends by Grand View Research*

⁶ www.nafdac.gov.ng

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Statement of profit or loss and other comprehensive income for the period ended 31 December 2023

In thousands of naira	Full Year Ended 2023	Full Year Ended 2022
Revenue	31,759,011	26,641,985
Cost of sales	21,474,634	17,791,675
Gross profit	10,284,377	8,850,311
Marketing expenses	1,145,329	957,749
Administrative expenses	3,093,708	2,636,340
Other income	35,572	-
Operating Profit	6,080,913	5,256,221
Profit before Interest and tax	6,080,913	5,256,221
Finance cost	2,391,286	1,474,759
Profit Before Tax	3,689,627	3,781,462
Income tax	776,305	1,172,380
Profit for the year	2,913,323	2,609,082
	-	-
Other comprehensive income for the year		
Profit for the year	2,913,323	2,609,082
Basic and diluted earnings/(loss) per share (Naira)	1.46	1.30

Statement of Financial Position as of 31 December 2023

In thousands of naira	31 December 2023	31 December 2022
Non-current assets		
Property, plant, and equipment	25,407,102	11,900,284
Intangible assets	50,601	553,417
Development Cost		
Total non-current assets	25,457,703	12,453,701
Current assets		
Inventories	8,314,400	8,900,538
Trade and other receivables	7,256,230	5,609,614
Cash and cash equivalents	707,060	31,750
Total current assets	16,277,690	14,541,902
Total assets	41,735,393	26,995,602
Non-current liabilities		
Working Capital Loan	6,279,468	4,492,296
Term Loan	10,161,810	4,541,562
Deferred tax liabilities	1,384,704	1,206,466
	17,825,982	10,240,325
Current liabilities		
Trade and other payables	874,967	569,741
Commercial Paper	9,226,533	5,627,730
Bank Overdraft	43,523	107,099
Current tax liabilities	1,534,054	1,133,698
Total current liabilities	11,679,078	7,438,268
Total liabilities	29,505,060	17,678,592
EQUITY		
Share capital	2,000,000	2,000,000
Retained profit	10,230,332	7,317,009
Total equity	12,230,332	9,317,009
Total equity and liabilities	41,735,393	26,995,602

Statement of Cash Flows for the period ended 31 December 2023

In thousands of naira	Full Year Ended 2023	Full Year Ended 2022
Cash flows from operating activities		
Cash used in operations	5,178,752	2,274,003
Tax paid	-197,710	-291,864
Net cash used in operating activities	4,981,042	1,982,139
Cash flows from investing activities		
Purchase of property, plant, and equipment	-15,248,379	-5,214,839
Purchase of intangible assets	-	-691,770
Net cash used in investing activities	-15,248,379	-5,906,609
Cash flows from financing activities		
Loan repayment	11,006,223	3,915,600
Bank Overdraft	-63,575	-37,097
Interest paid	-	-
Capital contribution (capitalization)	-	-
Net cash generated from financing activities	10,942,647	3,878,503
Net (decrease)/increase in cash and cash equivalents	675,310	-45,966
Cash and cash equivalents at the beginning of the year	31,750	77,716
Cash and cash equivalents at the end of the year	707,060	31,750

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.

Cost efficiency ratio is computed as operating cost divided by operating income.

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.