

Capital Bancorp Plc

Pharmaceutical Sector Report



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Executive Summary

The global pharmaceutical industry continues to expand, supported by structural drivers including ageing populations, rising incidence of chronic diseases, and sustained innovation across biologics, speciality therapeutics, and AI-driven drug discovery. However, value creation remains concentrated in high-margin therapeutic segments, while emerging markets continue to be largely volume-driven, creating a gap between demand growth and profitability.

In Nigeria, the pharmaceutical sector is undergoing a gradual structural shift toward local manufacturing, driven by regulatory reforms, import substitution policies, and increasing investment in healthcare infrastructure. While foreign exchange conditions have shown relative stability in recent periods, the industry remains structurally exposed to imported inputs, elevated financing costs, and working capital intensity. As a result, performance continues to depend on procurement efficiency, cost control, and capital structure discipline.

Financial performance across listed pharmaceutical companies in FY2025 reflects strong revenue expansion and improved profitability, driven by pricing adjustments, capacity expansion, and market share gains following the exit of multinational players. However, this growth has also been accompanied by increased leverage and capital intensity, limiting the conversion of earnings into sustainable cash flows.

Within this context, company positioning remains differentiated. MAYBAKER presents the most balanced profile, combining strong earnings growth, improving margins, and valuation support. FIDSON demonstrates scale advantages and consistent expansion, although valuation levels reflect much of its growth outlook. MECURE offers strong growth momentum but remains exposed to leverage, finance costs, and working capital pressure. NEIMETH, despite its recent recovery, continues to face structural balance sheet and earnings quality concerns.

From a valuation perspective, opportunities remain selective. While earnings momentum is strong across the sector, upside varies significantly, with some stocks already pricing in optimistic expectations. Investment outcomes will depend on each company's ability to sustain profitability, improve cash flow generation, and manage capital structures effectively.

Overall, the Nigerian pharmaceutical sector offers strong long-term growth potential, supported by demographics and rising healthcare demand. However, performance in the medium term is expected to remain uneven, with clear differentiation between companies delivering sustainable returns and those reliant on continued external funding.

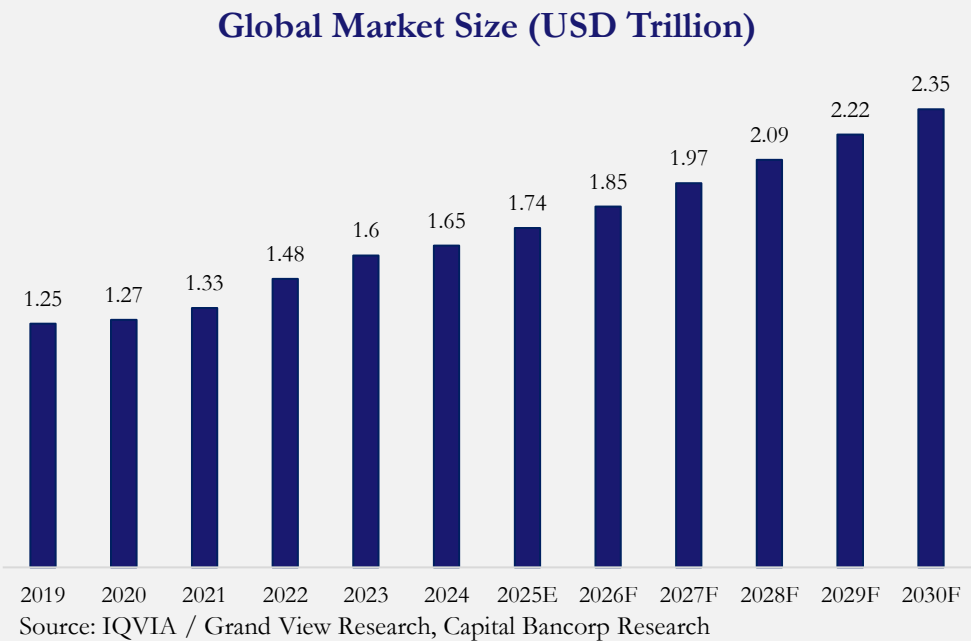
Overview of the Global Pharmaceutical Industry

The global pharmaceutical industry represents one of the most important pillars of the modern healthcare system, encompassing the research, development, manufacturing, and distribution of medicines used to prevent, manage, and treat diseases. The sector covers a broad range of products, including prescription medicines, generic drugs, biologics and biosimilars, vaccines, and over-the-counter (OTC) therapies. Over the past century, pharmaceutical innovation has played a transformative role in improving global health outcomes, increasing life expectancy, and enhancing the management of chronic diseases. At the same time, the industry has become a major contributor to economic activity, supporting high-value research, advanced manufacturing, and global trade.

Unlike many other industries, demand for pharmaceutical products tends to be structurally resilient and relatively non-cyclical. While healthcare needs are primarily driven by demographic and epidemiological trends, it is worth noting that economic conditions are not entirely without influence, particularly in emerging markets with limited insurance penetration, where affordability and purchasing power remain key determinants of actual healthcare utilisation. Several long-term structural drivers continue to support the growth of the pharmaceutical sector. These include rising global life expectancy, ageing populations in developed economies, increasing prevalence of chronic diseases such as diabetes, cancer, and cardiovascular disorders, and expanding access to healthcare services across emerging markets. In parallel, technological breakthroughs in biotechnology, genomics, artificial intelligence, and precision medicine are accelerating the pace of drug discovery and enabling the development of increasingly targeted therapies.

1.1 Global Market Size and Growth Trends

The global pharmaceutical industry has experienced sustained expansion over the past decade, driven by increasing healthcare spending, rising demand for innovative therapies, and expanding pharmaceutical access in emerging economies. The global pharmaceutical market was valued at approximately USD 1.65 trillion in 2024 and is projected to reach USD 2.35 trillion by 2030, reflecting a compound annual growth rate (CAGR) of 6.1% between 2025 and 2030.



Overview of the Global Pharmaceutical Industry

This growth trajectory reflects several structural shifts within global healthcare systems. Ageing populations across major developed economies, including the United States, Western Europe, and Japan, are driving increased demand for treatments targeting age-related diseases such as cardiovascular conditions, cancer, and neurological disorders. At the same time, rising income levels and expanding healthcare coverage in emerging markets are improving access to essential medicines and advanced therapies.

Another major contributor to recent pharmaceutical industry growth has been the rapid expansion of GLP-1 receptor agonist therapies used in the treatment of diabetes and obesity. Drugs such as semaglutide (Ozempic and Wegovy) and tirzepatide (Mounjaro and Zepbound) have experienced extraordinary global demand, creating one of the fastest-growing therapeutic segments in the pharmaceutical market. These therapies are expected to continue driving strong revenue growth for several pharmaceutical companies over the coming years.

1.2 Structure, Innovation & Regional Dynamics

The global pharmaceutical industry is dominated by a group of large multinational corporations commonly referred to as "Big Pharma." These companies maintain extensive research capabilities, large intellectual property portfolios, and global distribution networks that allow them to develop and commercialize innovative medicines worldwide. Among the largest pharmaceutical companies globally are Roche, Merck & Co., Pfizer, Johnson & Johnson, AbbVie, AstraZeneca, Novartis, Bristol Myers Squibb, Sanofi, and Eli Lilly.

These firms generate annual revenues ranging from approximately USD 45 billion to over USD 75 billion and operate across multiple therapeutic areas including oncology, cardiovascular medicine, immunology, metabolic diseases, and vaccines. In recent years, the competitive landscape of the pharmaceutical industry has evolved significantly. The rapid growth of obesity and diabetes treatments has propelled companies such as Eli Lilly and Novo Nordisk to the forefront of the industry, driven by the extraordinary global demand for GLP-1 therapies.

These drugs have become some of the most commercially successful medicines in recent history, significantly boosting revenues and market valuations across the sector. Research and development remains the core engine of long-term value creation within the pharmaceutical industry. Globally, pharmaceutical companies collectively invest more than USD 220 billion annually in R&D, making the sector one of the most research-intensive industries worldwide.

The drug development process is complex and lengthy, on average, it takes 10 to 15 years for a potential drug candidate to progress from early laboratory research through clinical trials and regulatory approval. Moreover, only a small proportion of drug candidates ultimately reach commercialization, making strong research pipelines essential for sustaining long-term pharmaceutical growth. Recent technological advances are reshaping the pharmaceutical innovation landscape. Artificial intelligence and machine learning are increasingly being used to accelerate drug discovery, identify promising molecular targets, and improve clinical trial efficiency. Advances in biotechnology have also enabled the development of highly specialized therapies including gene therapies, cell therapies, and RNA-based medicines, opening new treatment possibilities for previously untreatable conditions.

Emerging markets are becoming increasingly important contributors to global pharmaceutical demand, driven by rising healthcare expenditure, expanding healthcare coverage, and growing middle-class populations across Asia, Latin America, the Middle East, and Africa. While developed markets continue to dominate global pharmaceutical spending, emerging economies are expected to account for an increasing share of industry growth over the coming decade as access to medicines improves and healthcare infrastructure expands.

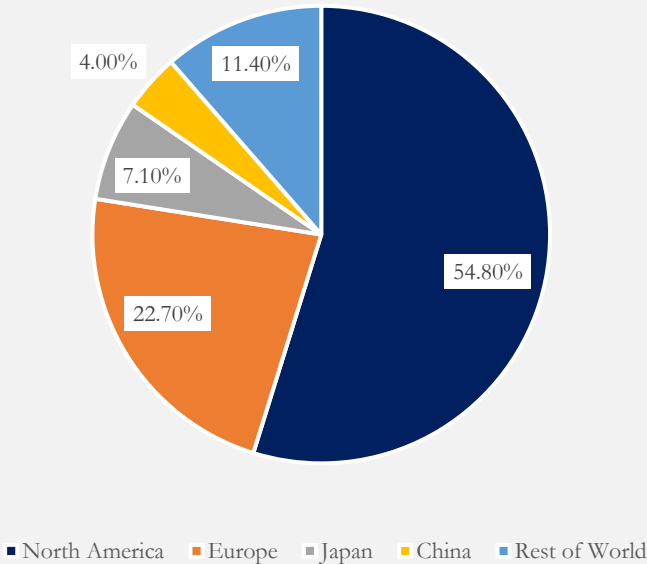
Overview of the Global Pharmaceutical Industry

China and India play particularly influential roles within the global pharmaceutical ecosystem, although their roles differ significantly. China has rapidly expanded healthcare coverage and pharmaceutical consumption through major healthcare reforms and increasing reimbursement for innovative therapies, positioning the country as one of the largest pharmaceutical markets globally. India, by contrast, has emerged as one of the world’s leading suppliers of generic medicines and active pharmaceutical ingredients (APIs), serving as a critical manufacturing hub for global drug supply chains.

Regionally, North America remains the largest pharmaceutical market, accounting for approximately 54.8% of global prescription pharmaceutical sales, followed by Europe with 22.7%, Japan with 7.1%, and China with roughly 4.0% of global pharmaceutical revenues. These markets continue to dominate global medicine consumption due to higher healthcare spending, stronger reimbursement systems, and broader access to innovative therapies.

The sector also operates within a highly globalized supply chain, with manufacturing activities distributed across several major production hubs. The United States, China, India, Germany, Switzerland, and Ireland rank among the world’s leading pharmaceutical manufacturing centers, supported by strong research ecosystems, advanced manufacturing infrastructure, and favorable regulatory environments. A critical component of this supply chain is the production of active pharmaceutical ingredients (APIs) — the core chemical compounds used in drug manufacturing. API production remains heavily concentrated in Asia, particularly in China and India, which together account for a substantial share of global API production and exports.

Global Pharmaceutical Market Share by Region



Source: EFPIA (2025); IQVIA MIDAS Database, Capital Bancorp Research

Looking ahead, much of the pharmaceutical industry’s future growth is expected to come from emerging markets, where rising incomes, expanding healthcare access, and growing populations are driving increased demand for medicines. Within Sub-Saharan Africa, Nigeria represents one of the largest pharmaceutical markets, supported by its population of over 220 million people, growing healthcare demand, and expanding pharmaceutical distribution network.

Against this global backdrop, Nigeria’s pharmaceutical sector continues to evolve as policymakers and industry stakeholders work to strengthen domestic drug manufacturing, improve access to medicines, and reduce reliance on imported pharmaceuticals

Overview of the Nigerian Pharmaceutical Industry

Nigeria’s pharmaceutical industry is one of the largest in Sub-Saharan Africa, supported by the country’s position as Africa’s most populous nation and a major economic hub within West Africa. The sector plays a critical role in meeting the healthcare needs of over 200 million people and serves as a key supplier of medicines across the ECOWAS region. Within West Africa, Nigeria accounts for an estimated 60% of pharmaceutical manufacturing activity, reinforcing its position as the region’s primary drug production hub.

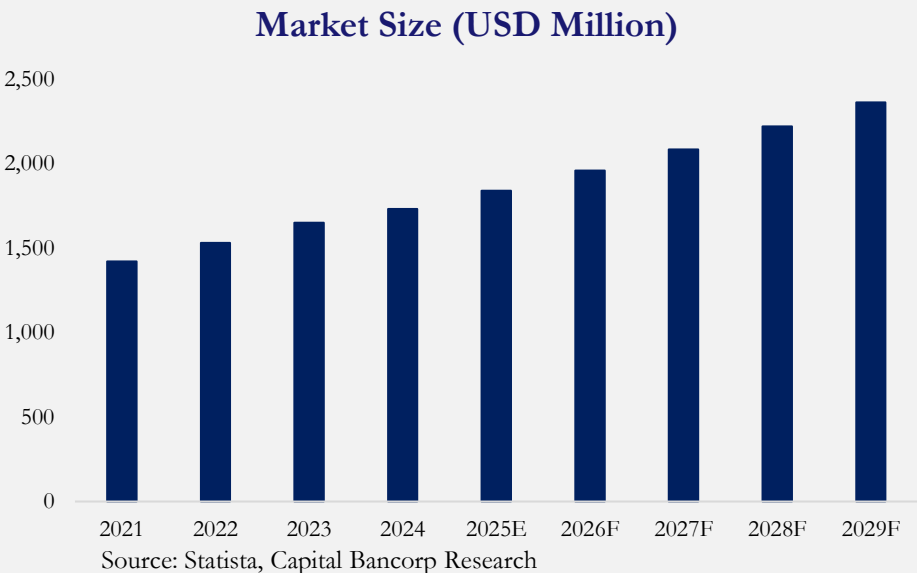
Despite this scale, the industry faces a structural imbalance between strong domestic demand and limited manufacturing capacity. Local pharmaceutical manufacturers currently operate below optimal production levels and supply only a portion of the national demand for medicines. Industry estimates suggest that locally manufactured drugs account for roughly 25–30% of domestic consumption, while the remaining 70–75% is imported, primarily from India and China.

This heavy reliance on imported medicines exposes the sector to foreign exchange volatility, global supply chain disruptions, and rising drug prices, particularly during periods of naira depreciation.

2.1. Market Size and Growth Trends

Nigeria’s pharmaceutical market has demonstrated resilient growth despite broader macroeconomic headwinds. The market was valued at approximately USD 1.7 billion in 2024, expanding at an estimated 8.08% year-on-year, driven by rising healthcare demand, rapid urbanisation, and a growing middle class seeking improved access to medical treatment. Industry estimates suggest that market revenue could reach about USD 1.84 billion in 2025, with oncology drugs emerging as one of the fastest-growing therapeutic segments, accounting for roughly USD 314.7 million in market value, a notable shift in a market traditionally dominated by anti-infectives and anti-malarials, reflecting rising diagnosis rates and expanding access to cancer treatment across urban centres. Over the medium term, the sector is projected to expand at a compound annual growth rate (CAGR) of 6.45% between 2025 and 2029, reaching approximately USD 2.36 billion by 2029.

Recent market dynamics also point to an increasing shift toward locally manufactured generic medicines, largely driven by affordability constraints in a historically volatile foreign exchange environment. While recent currency stability has provided some short-term relief, rising drug prices continue to push consumers toward generics, which offer comparable therapeutic value at significantly lower cost.



Overview of the Nigerian Pharmaceutical Industry

Looking ahead, the outlook for Nigeria’s pharmaceutical sector remains cautiously optimistic. Market growth is expected to remain strong, supported by rising healthcare demand, gradual expansion of health insurance coverage under the National Health Insurance Authority (NHIA), and improvements in pharmaceutical distribution networks. In addition, several policy initiatives are beginning to reshape the industry’s long-term structure.

These include the NAFDAC Ceiling List, which restricts new registrations of imported medicines that can be produced locally, and the “5+5” regulatory directive, which requires pharmaceutical importers to transition toward local manufacturing partnerships. If sustained, these reforms could gradually expand domestic production capacity, reduce reliance on imported medicines, and strengthen the resilience of Nigeria’s pharmaceutical supply chain over the medium term.

2.2. Industry Structure and Operating Dynamics

The Nigerian pharmaceutical sector is concentrated in midstream operations, with local manufacturers primarily engaged in formulation and packaging activities such as tableting, encapsulation, and final product finishing. Production of active pharmaceutical ingredients (APIs) and other critical raw materials remains largely import-dependent due to the absence of a domestic petrochemical and fine chemical base. As a result, the industry functions primarily as a formulation hub rather than a fully integrated pharmaceutical manufacturing ecosystem.

Industry estimates suggest that over 70% of APIs are imported, mainly from India and China, meaning the highest value-added stages of pharmaceutical production occur offshore. Domestic firms therefore capture value mainly through secondary processing, branding, and distribution, while upstream chemical synthesis remains external. The value chain typically begins with API importation, followed by formulation and packaging before products move through wholesale distribution to retail pharmacies and healthcare providers.



Overview of the Nigerian Pharmaceutical Industry

Component	Estimated Domestic Share	Dependency Source
Active Pharmaceutical Ingredients(APIs)	< 30%	India, China
Excipients & Fine Chemicals	Low	Global Imports
Formulation & Finishing	High	Local Labor/Plants
Packaging Materials	Moderate	Local/Import Mix

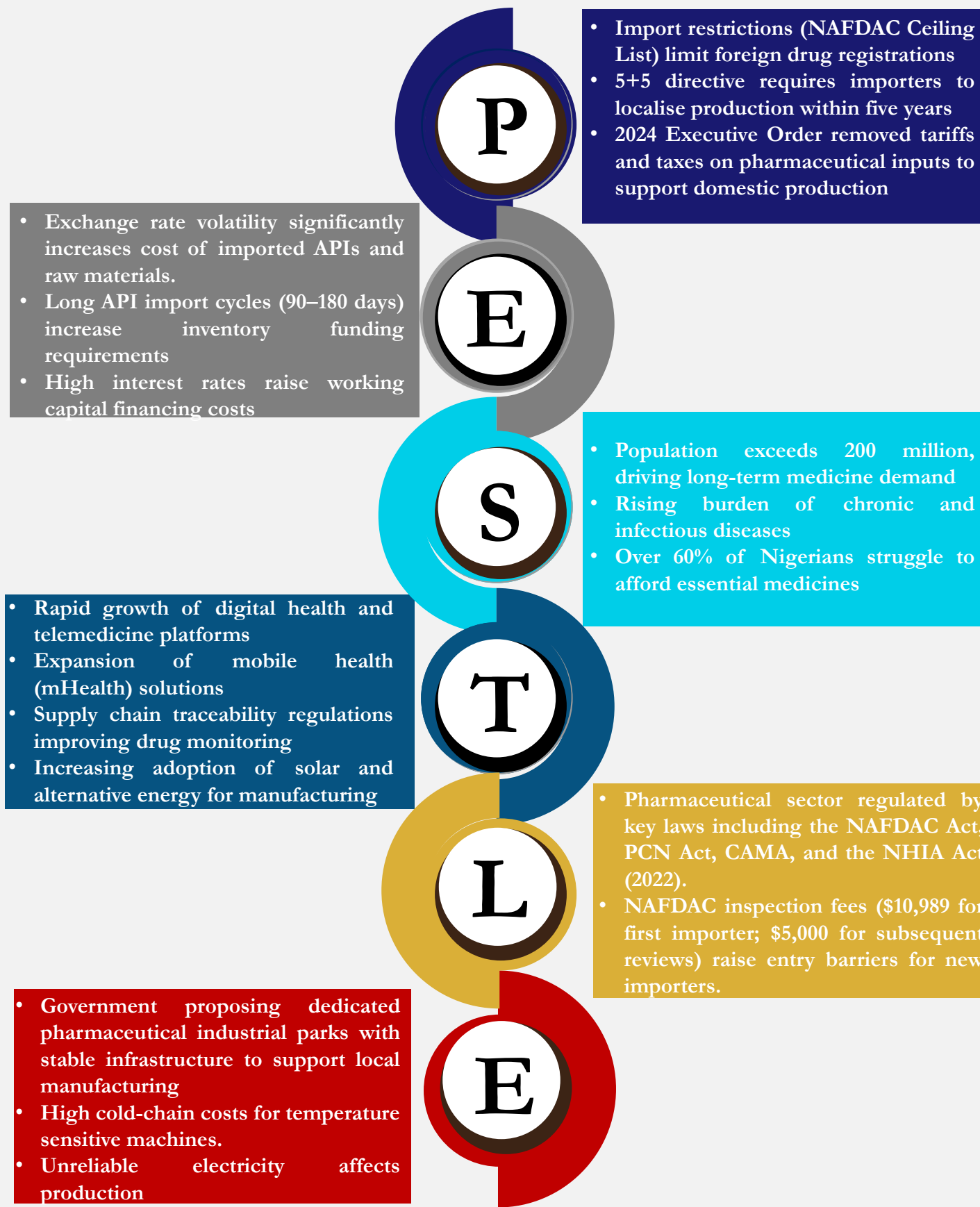
This structure creates significant foreign exchange exposure, as imported inputs priced in foreign currency directly affect production costs and margins. Consequently, manufacturing performance in Nigeria depends less on technological sophistication and more on procurement efficiency, working capital management, and cost control.

Despite the dominance of imported pharmaceutical inputs, the sector remains gradually shifting toward greater local manufacturing participation. Following the exit of multinational pharmaceutical companies such as GlaxoSmithKline and Sanofi, domestic manufacturers, including Fidson Healthcare Plc, McCure Industries, Emzor Pharmaceuticals, and May & Baker Nigeria Plc, have expanded production capacity and captured growing market share.

However, structural constraints continue to limit industry expansion. Capacity utilisation across pharmaceutical manufacturing facilities is estimated at 50–60%, reflecting high energy costs, unreliable electricity supply, and logistics inefficiencies. The sector also remains heavily exposed to exchange-rate volatility given its dependence on imported APIs. As a result, firms with stronger balance sheets, efficient procurement systems, and integrated distribution networks are better positioned to maintain margin stability within Nigeria’s structurally constrained operating environment.

In a significant external development, the European Union announced in March 2026 a €50 million financing facility through the Bank of Industry, specifically targeting local manufacturing of pharmaceuticals, vaccines, diagnostics, and medical devices in Nigeria. Channelled under the EU's Global Gateway Strategy, the facility is designed to support Nigeria's transition from import dependency toward competitive domestic production, directly addressing the structural constraint identified above. An additional €5 million has been allocated for training in the health, pharma, and nutrition sectors. If effectively deployed, this funding could meaningfully accelerate capacity expansion among domestic manufacturers and reduce the industry's reliance on imported APIs over the medium term.

Pestle Analysis



Porters 5 forces Analysis

● High ● Moderate

1 Threat of New Entrants

MODERATE

WHO ML3 regulation, the NAFDAC 5+5 policy, and NHIA supplier approvals have increased compliance and capital requirements, making market entry more difficult and reinforcing the advantage of established manufacturers.

5 Supplier Power

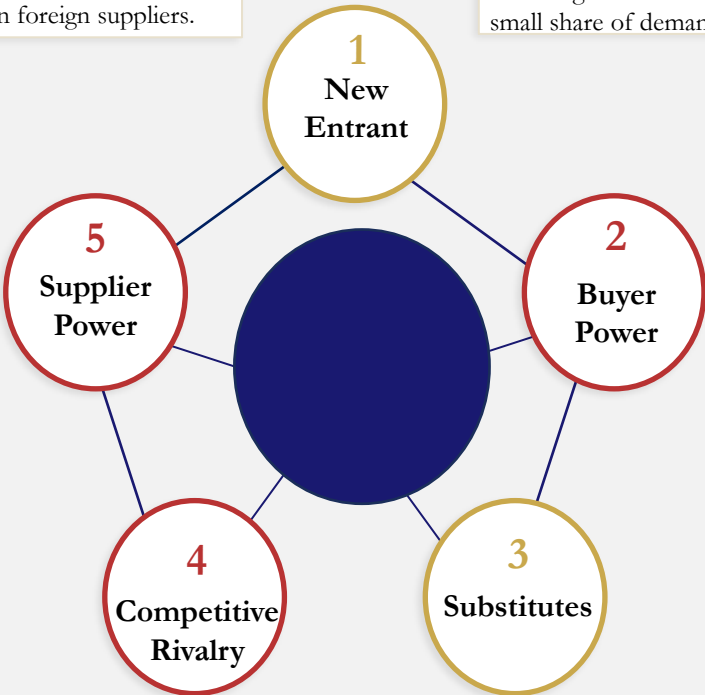
HIGH

Over 70% of APIs and excipients are imported, primarily from India and China, exposing manufacturers to exchange-rate volatility. Long lead times (90–180 days) and high borrowing costs further increase dependence on foreign suppliers.

2 Buyer Power

MODERATE

Out-of-pocket spending dominates healthcare financing in Nigeria, limiting formal pricing power, while high consumer price sensitivity continues to constrain pharmaceutical pricing. Institutional buyers, including NHIA-backed programs, remain a relatively small share of demand.



4 Competitive Rivalry

HIGH

The exit of GSK and Sanofi opened market share for domestic firms. Emzor, Fidson, McCure and May & Baker are expanding production and competing intensely in generic medicines.

3 Substitutes

MODERATE

Rising drug prices may push some consumers toward herbal medicines, though adoption is limited by clinical validation, while counterfeit and substandard products in informal markets also pose risks, prompting stricter traceability and regulatory oversight.

Sector Outlook

The sector shows clear differences in scale, liquidity, and ownership structure, with larger players such as Fidson and McCure contrasting with more liquid names like May & Baker, while regulatory requirements help explain variations in free float and market accessibility.

	MAYBAKER	FIDSON	MECURE	NEIMETH
NGX BOARD	MAIN	MAIN	GROWTH	MAIN
Board requirement in %	20%	20%	10%	20%
Board requirement in Value	4,000,000,000.00	4,000,000,000.00	50,000,000.00	4,000,000,000.00
Outstanding shares('000)	1,725,234.89	2,400,000	4,000,000	4,273,105
Free Float	35.15%	33.54%	3.70%	23.83%
Market Cap('000)	71,597,248	252,840,000	246,000,000	47,004,151

Table: Peer Comparison — Listed Pharmaceutical Companies (FY2025)

	MAYBAKER	FIDSON	MECURE	NEIMETH
Gross Margin	34.36%	41.28%	34.12%	45.46%
Operating Margin	17.09%	17.51%	21.14%	36.80%
Pre-tax Profit Margin	17.13%	11.67%	10.21%	20.19%
Net Profit Margin	11.65%	7.82%	8.32%	13.33%
EBITDA Margin	19.20%	19.26%	28.46%	39.01%
Debt to Equity	0.41x	1.09x	2.79x	3.68x
Debt to Assets	0.21x	0.42x	0.68x	0.65x
Interest Coverage Ratio	9.72x	2.94x	1.93x	2.22x
Trailing P/B ratio	4.77x	5.91x	5.35x	7.21x
Trailing P/E Ratio	16.06x	27.15x	37.96x	50.00x
Trailing Dividend Yield	0.96%	0.95%	0.52%	0.00%
EV/EBITDA	9.62x	12.28x	13.33x	19.16x
Current Ratio	2.27x	1.13x	1.26x	1.53x
Quick Ratio	0.99x	0.52x	0.78x	0.76x
Asset Turnover Ratio	1.59x	1.55x	1.14x	0.55x
ROA	18.55%	12.09%	9.45%	7.30%
ROE	37.85%	34.15%	38.26%	45.83%
ROIC	31.35%	22.25%	15.85%	17.13%

Source: Companies report, Capital Bancorp Research

P/B= Price to Book Ratio
P/E=Price to Earnings Ratio
ROA= Return on Assets
ROE= Return on Equity
ROIC= Return on Invested Capital
EV= Enterprise Value

EBITDA=Earnings Before Interest Tax and Depreciation and Amortization
The share price used was as at 16th March 2026

Sector Outlook

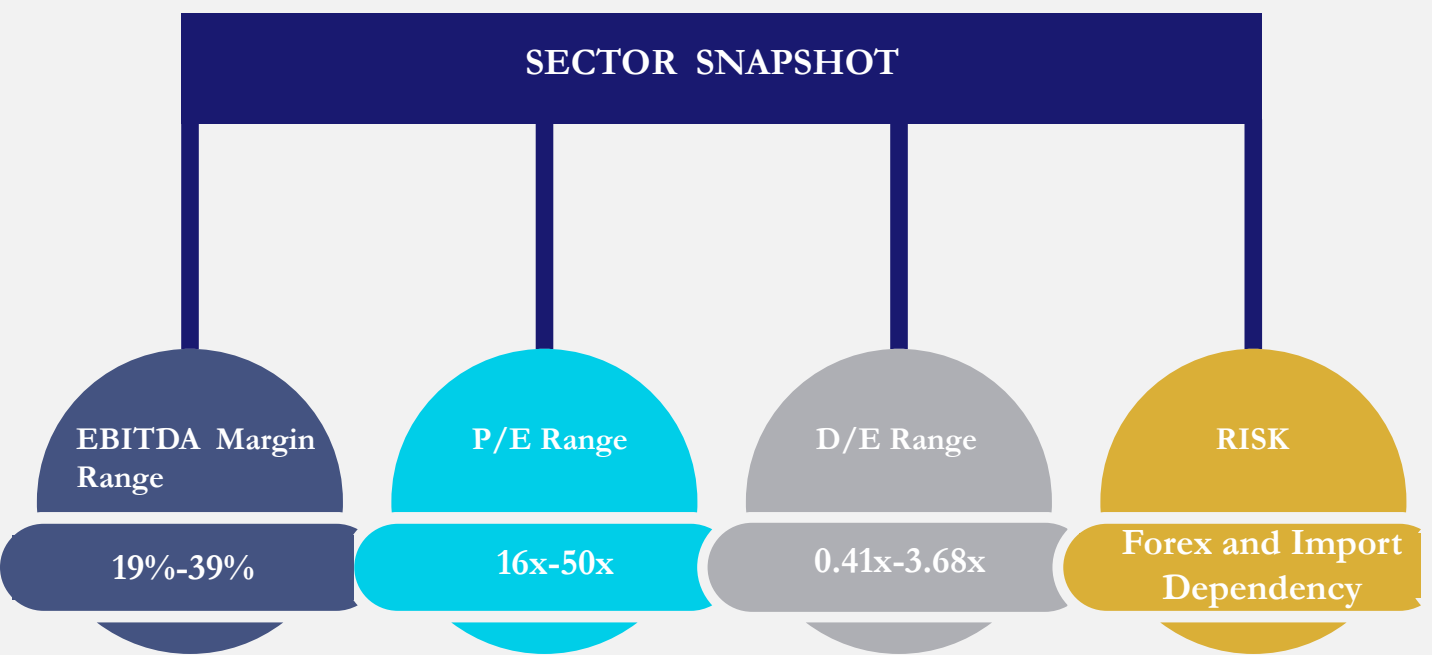
The sector demonstrates strong operating profitability, with margins across listed peers reflecting improved cost absorption, pricing adjustments, and scale benefits rather than purely demand-driven expansion.

However, leverage levels vary significantly (0.41x – 3.68x debt-to-equity), highlighting clear differences in financial risk profiles and sensitivity to elevated financing costs across companies.

MAYBAKER stands out for its balance between profitability and capital structure, supported by strong return on equity (37.85%) and efficient asset utilisation. In contrast, NEIMETH and MECURE deliver higher margins but with significantly higher leverage and lower efficiency levels, raising concerns around the sustainability of earnings and cash flow conversion.

Valuation multiples remain elevated across the sector, with some stocks trading at up to 50x earnings, reflecting strong growth expectations. However, these valuations appear demanding when viewed against underlying constraints, including imported input dependence, cost pressures, and capital intensity.

From an investment perspective, May & Baker appears relatively well-positioned given its balance of growth, profitability, and financial stability, while higher-valued peers may face downside risk if earnings momentum is not sustained.



Company Profiling- MAYBAKER

MAY AND BAKER Nigeria Plc is one of the oldest and most established pharmaceutical companies in Nigeria, with operations dating back to 1944. Originally a distributor of imported medicines, the company has evolved into a diversified healthcare manufacturer, with operations spanning pharmaceutical production, consumer health products, and contract manufacturing services.

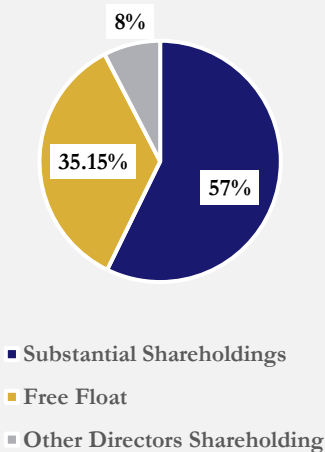
Listed on the Nigerian Exchange (NGX) in 1979, the company has strengthened its position within Nigeria’s pharmaceutical value chain through sustained investment in local manufacturing capacity. Its core operations are anchored in the production and distribution of prescription and over-the-counter medicines across key therapeutic areas including anti-infectives, anti-malarials, cardiovascular, and anti-diabetic treatments, positioning it to address both communicable and non-communicable diseases.

The company operates through two major business units: Pharmaceutical Manufacturing and Beverages. The pharmaceutical segment, which accounts for approximately 98.7% of total revenue, remains the dominant contributor, supported by complementary operations in consumer wellness products and contract manufacturing. The company’s WHO-certified PharmaCentre in Ota enables both in-house production and third-party manufacturing, enhancing capacity utilisation and operational efficiency.

A key strategic growth pillar is its investment in Biovaccines Nigeria Limited, a joint venture with the Federal Government aimed at developing local vaccine manufacturing capability. The project has commenced operations and secured initial supply contracts, positioning the company within a high-value segment of the pharmaceutical industry.

From an operational standpoint, May & Baker benefits from strong brand recognition, established manufacturing infrastructure, and a diversified healthcare portfolio, which together support resilience in a structurally challenging operating environment. However, like peers, the company remains exposed to foreign exchange volatility and imported input costs, which continue to influence margin dynamics.

Ticker	MAYBAKER
SUB-SECTOR	PHARAMACEUTICAL
Share Price(24.03.2026)	N41.00
12M Target Price	N57.32
Float	1,725,234,886
Market Cap.	70,734,630,326
12M Trailing EPS(NGN)	2.58
12M Trailing PE(x)	15.87
Rating	BUY
Upside(%)	39.80
52 Weeks high	48
52 Weeks Low	6.70



Source: Company’s Report, Capital Bancorp Research

Company Profiling- MAYBAKER

Ownership structure further reinforces this positioning, with substantial shareholders controlling 57% of equity, providing long-term strategic stability, while a free float of 35% supports market liquidity and investor participation. Directors’ holdings remain modest at 7%, suggesting limited direct equity alignment, although governance influence remains anchored at the board level.

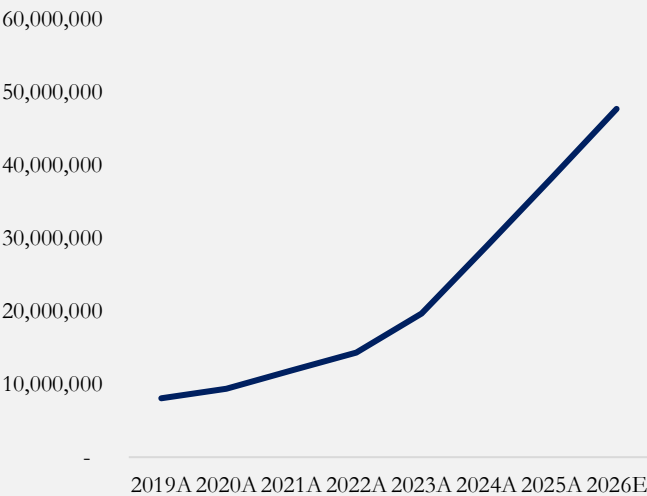
Analysis of the Financials

MAY & BAKER NIGERIA PLC has maintained a positive revenue growth trend over the last six years, supported by increased demand for pharmaceutical products across Nigeria. The company's revenue grew from NGN8.08 billion in 2019 to NGN38.26 billion in its unaudited full-year 2025 results, reflecting a 6-year CAGR of 29.47% and a year-on-year (y/y) growth of 32.36%. The strong performance was driven by a 31.58% increase in pharmaceutical sales and a 143.65% growth in beverage segment revenue. In 2025, the Pharmaceutical segment accounted for 98.72% of total revenue, while the Beverage segment contributed 1.28%. Looking ahead, we forecast revenue to grow further to NGN47.78 billion in 2026, representing a 24.86% y/y increase, underpinned by continued domestic demand for pharmaceutical products, an expected recovery in inventory levels, and the gradual ramp-up of the Biovaccines Nigeria Limited joint venture.

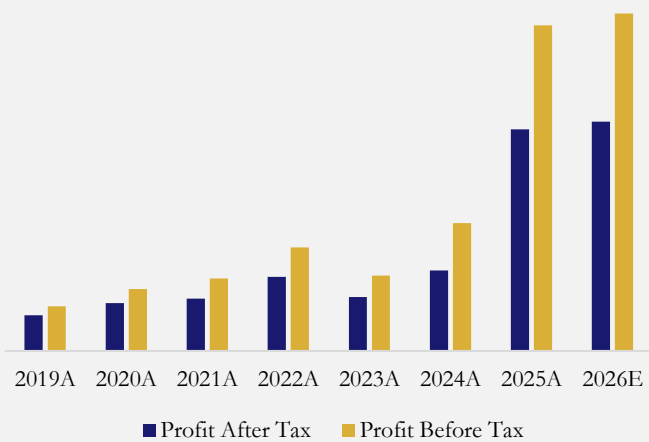
The strength in revenue has translated into meaningful margin expansion, as cost of sales grew at a slower pace of 23.65% to NGN24.31 billion in 2025. This supported a 50.94% increase in gross profit, reflecting improved pricing power and more efficient cost absorption despite persistent input cost pressures. However, margin sustainability remains contingent on foreign exchange stability and procurement efficiency, given the company’s reliance on imported raw materials. In 2026, cost of sales is expected to rise further in line with higher production volumes, which may partially compress margins if input costs continue to trend upward.

Operating expenses remained broadly controlled in 2025, with distribution and marketing costs rising in line with expanded commercial activity, while administrative expenses declined, reflecting improved internal cost discipline. Going forward, operating expenses are expected to trend higher, particularly within distribution,

Trend in Revenue(N’000)



Source: Company’s Report, Capital Bancorp Research



Source: Company’s Report, Capital Bancorp Research

Company Profiling- MAYBAKER

as the company intensifies its commercial expansion across key geographic regions. This is likely to support revenue growth but may moderate operating margin expansion in the medium term.

This combination of strong revenue growth and cost optimisation drove a significant improvement in profitability. Profit before tax rose by 154.84% to NGN6.56 billion, while profit after tax increased by 175.01% to NGN4.46 billion. Return metrics improved accordingly, with Return on Equity rising to 32.63% and Return on Assets to 17.40%, highlighting stronger earnings efficiency. However, profit growth is expected to moderate in 2026, with profit after tax projected at NGN4.62 billion, as rising operating costs and input price pressures partially offset revenue gains.

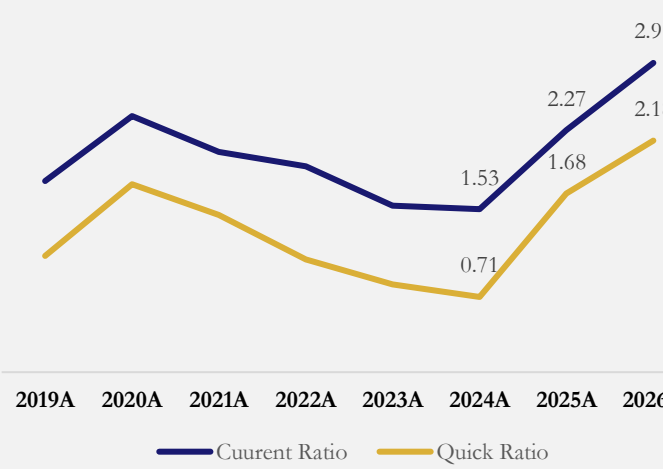
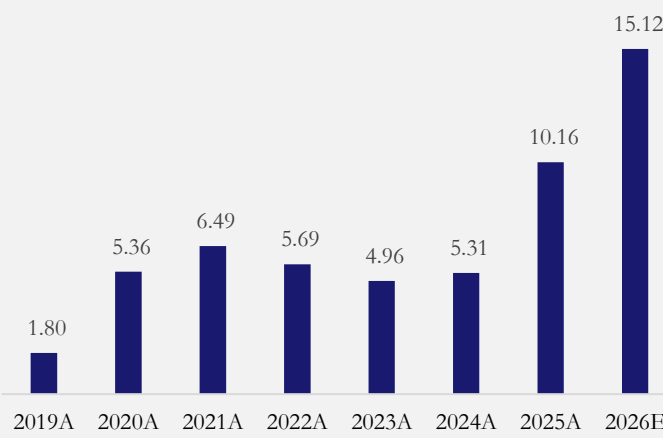
Balance sheet strength improved materially, supported by earnings retention and a more conservative funding structure. Total equity rose by 38.08% to NGN13.66 billion, while total assets increased to NGN25.62 billion. The capital structure has shifted toward equity financing, reducing leverage and enhancing financial flexibility. This trend is expected to continue, with retained earnings driving further balance sheet expansion in 2026.

Liquidity conditions strengthened significantly, with current assets rising and current liabilities declining, resulting in an improved current ratio of 2.27x. The company’s transition into a net cash position further reinforces its liquidity profile and provides a buffer against operational volatility. This strong liquidity position is expected to be maintained, supported by continued operating cash flow generation.

Operational efficiency also improved, with asset turnover and fixed asset utilisation ratios increasing, reflecting the company’s ability to generate higher output from its existing asset base. These gains are expected to persist, particularly as demand conditions remain favourable, although future efficiency improvements will depend on sustained capacity utilisation and cost management.

Despite the strong financial trajectory, key risks remain. The company’s heavy reliance on pharmaceutical revenue exposes it to sector-specific disruptions,

Trend in Working Capital(N’BN)



Company Profiling- MAYBAKER

while continued dependence on imported raw materials leaves margins vulnerable to foreign exchange volatility. The sharp decline in inventory levels suggests a potential restocking cycle ahead, which could pressure cash flows and margins. Additionally, rising financing costs and tax obligations may weigh on profitability, particularly in a high interest rate environment.

TECHNICAL ANALYSIS

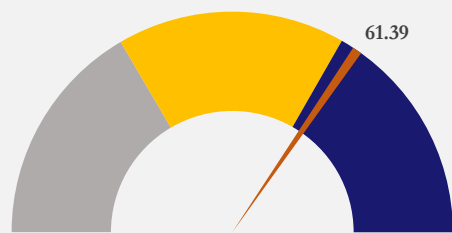
The technical outlook for MAYBAKER remains bullish, with the current share price of NGN41.00, trading above all key moving averages. 10-day MA (NGN9.33), 12-day EMA (NGN40.05), 26-day EMA (NGN39.31), 50-day MA (NGN38.42), and 100-day MA (NGN28.02).

The significant gap between the current price and the 100-day MA highlights the strength of the long-term uptrend. Momentum indicators suggest a slight moderation in buying pressure. The MACD (0.73) is just below its signal line (0.74), with a near-zero histogram (-0.00), indicating that upward momentum is slowing but not reversing.

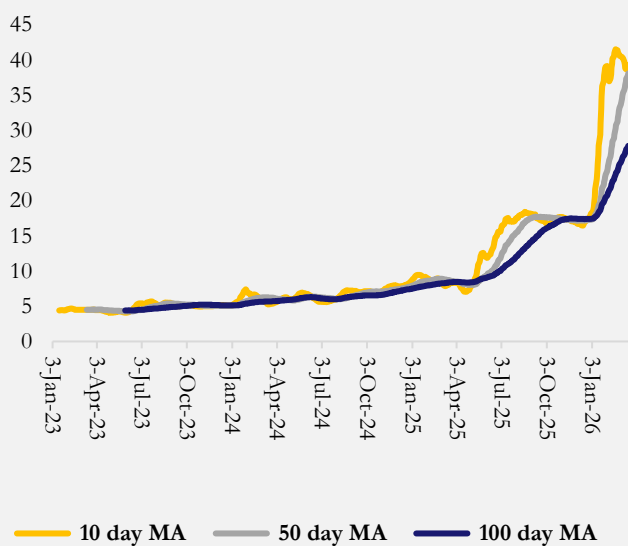
The 6-month RSI of 61.39 confirms medium-term bullishness while remaining below overbought levels, suggesting there is still room for further appreciation.

Overall, the technicals indicate a bullish bias, with potential for short-term consolidation.

6 Months RSI



Moving Averages



Company Profiling- VALUATION

To determine the fair value of May & Baker Nigeria Plc, we employed a combination of the Discounted Cash Flow (DCF) model and comparable multiples, allowing us to capture both intrinsic value and relative market positioning.

Under the DCF framework, a risk-free rate of 16.54% was adopted, alongside an equity risk premium of 13.00%. Using a historical levered beta of 0.72, we derived a cost of equity of 25.90%. A pre-tax cost of debt of 12.02% and an effective tax rate of 32% resulted in an after-tax cost of debt of 8.17%. Based on the company's capital structure, we estimated a weighted average cost of capital (WACC) of 24.60%.

Applying a terminal growth rate of 4.0%, consistent with long-term economic and sector expectations, and blending valuation outputs with a higher weighting assigned to DCF.

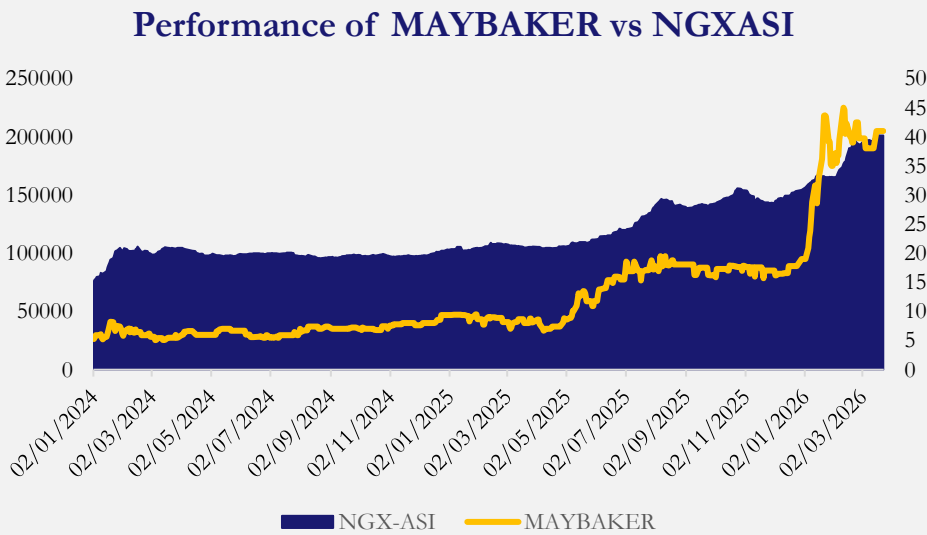
We derived a 12-month target price of **NGN 57.32 per share**.

At the current market price of NGN 41.00, the stock is trading at a significant discount to intrinsic value, implying an upside of 39.80%.

Recommendation:

We assign a **BUY** recommendation on MAY AND BAKER Nigeria Plc, supported by strong earnings momentum, with revenue growing by 32.36% and profit after tax increasing by 175.01% in FY2025. This performance has translated into improved returns, with ROE at 32.63%, alongside a strengthened balance sheet and net cash position.

With revenue projected to grow by 24.86% in 2026 and the stock trading at a 61.50% discount to intrinsic value, May & Baker offers a compelling risk-reward profile. Despite exposure to foreign exchange and input cost pressures, the company's growth trajectory and operational improvements support continued upside.



Source: NGX, Capital Bancorp Research

Company Profiling- NEIMETH

NEIMETH INTERNATIONAL PHARMACEUTICALS PLC is one of Nigeria’s most established indigenous pharmaceutical companies, with origins dating back to 1957 as Pfizer Products Nigeria. Following a management buyout in 1997, the company transitioned into a fully local entity while retaining strong manufacturing standards and operational capabilities derived from its multinational heritage.

Listed on the Nigerian Exchange (NGX), Neimeth operates across two core segments: Human Pharmaceuticals and Animal Health. The human pharmaceutical segment remains the primary revenue driver, covering key therapeutic areas including anti-malarials, analgesics, vitamins, and chronic disease treatments, while the animal health division provides additional diversification through veterinary products targeting poultry and livestock markets.

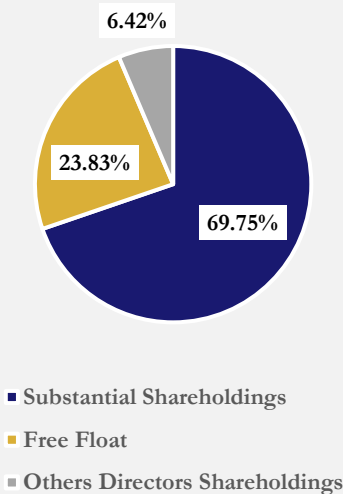
A distinguishing feature of Neimeth’s business model is its focus on indigenous research and development, particularly in niche therapeutic areas. The company’s development of Ciklavit, a locally formulated product for the management of sickle cell anemia, highlights its ability to address underserved health segments and differentiate from peers focused primarily on generic drug manufacturing.

Operationally, the company has undergone a significant turnaround in recent years. For FY2025, Neimeth returned to profitability, recording a pre-tax profit of NGN1.49 billion, supported by strong growth in gross earnings and improved cost efficiency. This recovery reflects ongoing balance sheet restructuring, debt optimisation, and the execution of a targeted recovery strategy under new management.

A key growth driver is the Amawbia “Center of Excellence”, a WHO-compliant manufacturing facility designed to significantly expand production capacity, improve cost efficiency, and support export expansion under the African Continental Free Trade Area (AfCFTA). This positions the company to transition from a domestically focused operator to a regional pharmaceutical manufacturer.

In addition, the company has initiated plans for a NGN20

Ticker	NEIMETH
SUB-SECTOR	PHARAMACEUTICAL
Share Price(24.03.2026)	N10.30
12M Target Price	N6.76
Float	4,273,104,000
Market Cap.	43,799,322,222
12M Trailing EPS(NGN)	0.23
12M Trailing PE(x)	44.81
Rating	SELL
Downside(%)	34.38
52 Weeks high	16.15
52 Weeks Low	2.42



Company Profiling- NEIMETH

billion capital raise, aimed at funding capacity expansion, strengthening working capital, and accelerating its growth strategy. While this initiative is expected to enhance long-term earnings potential, it introduces execution and potential dilution risks in the near term.

Overall, Neimeth combines legacy manufacturing capabilities, niche R&D focus, and ongoing capacity expansion, positioning it as a recovery-driven, capacity-led growth play within Nigeria’s pharmaceutical sector. However, sustained profitability and successful execution of its expansion strategy remain critical to unlocking long-term shareholder value.

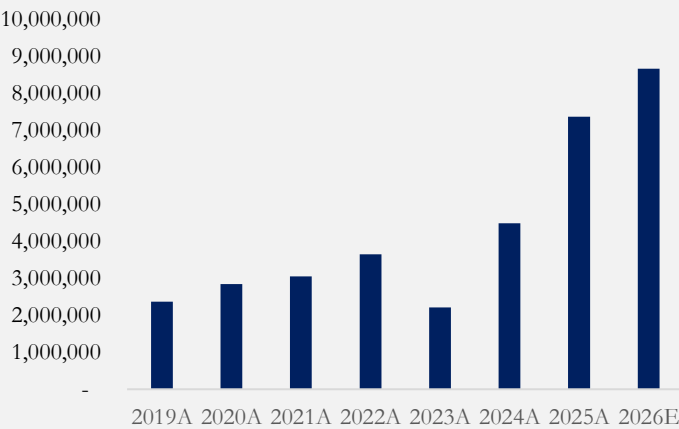
Analysis of the Financials

NEIMETH INTERNATIONAL PHARAMECUTICALS PLC recorded a strong financial recovery in FY2025, returning to profitability after two consecutive years of losses. Revenue increased by 64.27% to NGN7.37 billion, driven largely by a rebound in pharmaceutical product sales, which accounted for over 97% of total revenue. This highlights the company’s continued dependence on its core pharmaceutical segment, with the animal health business contributing only marginally.

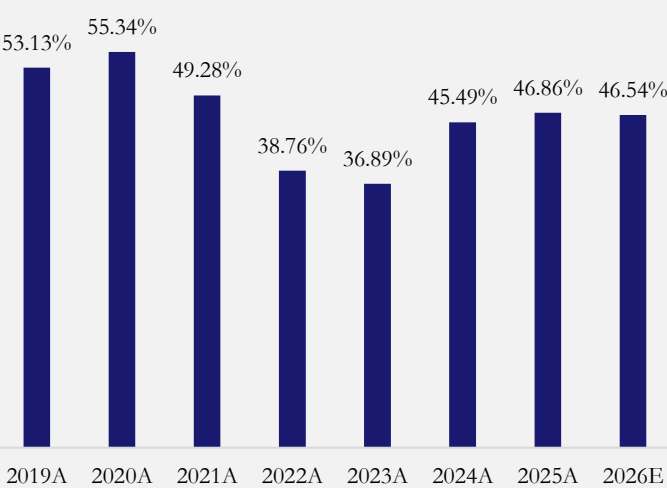
The improvement in revenue supported stronger gross profitability, as gross profit rose by 71.10% with cost of sales growing at a slower pace than revenue. However, operating cost pressures remained elevated, with administrative expenses rising sharply due to higher staff costs, impairment charges on receivables, and one-off write-offs relating to inventory and discontinued ERP investments. While revenue momentum has improved, cost control remains a key factor for sustaining profitability.

The company reported a pre-tax profit of NGN1.49 billion, compared to a loss in the prior year, reflecting a significant turnaround. This performance was supported by both improved operations and non-recurring gains, including a fair value gain on investment properties and a shift from foreign exchange losses to gains. Profit after tax stood at NGN982.11 million, with earnings per share returning to positive levels. Excluding these one-off gains, underlying operating performance appears weaker, suggesting that earnings stability will depend on continued improvement in core operations.

Trends in Revenue(N’000)



Gross Profit Margin



Company Profiling- NEIMETH

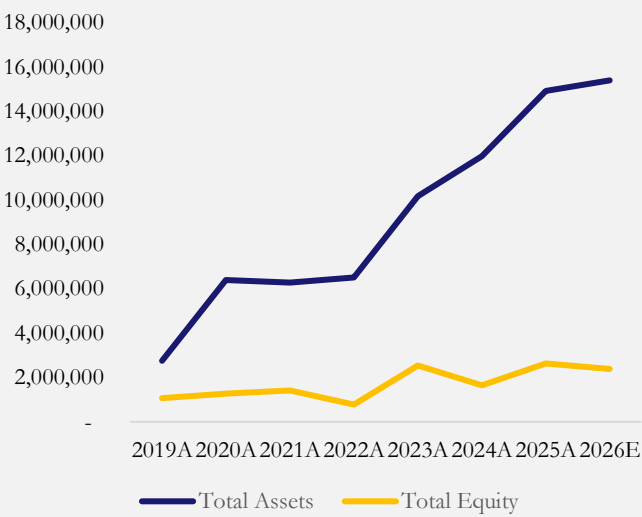
Balance sheet trends show a mix of recovery and structural pressure. Total equity increased by 59.47% to NGN2.63 billion, supported by retained earnings, while total assets rose following the restructuring of borrowings. Despite this improvement, the capital structure remains heavily skewed toward liabilities, with over 80% of assets financed by debt. Total borrowings increased significantly to NGN10.09 billion, reflecting the consolidation of existing obligations into long-term facilities at high interest rates, which increases the company’s cost of funding.

Liquidity improved, with working capital returning to a positive position and the current ratio rising to 1.53x. This was largely driven by the reclassification of short-term obligations into long-term debt following restructuring. However, cash flow performance remains weak, with negative operating cash flow driven by a sharp increase in inventory levels and a reduction in payables. This suggests that liquidity improvements are partly structural rather than driven by stronger cash generation.

Operational efficiency improved alongside revenue recovery, as asset turnover and fixed asset utilisation increased, indicating better use of the company’s asset base. However, efficiency levels remain relatively low, reflecting the impact of an enlarged asset base and ongoing capital investment.

Despite the improved performance, several risks remain evident. The company’s high debt burden and elevated interest costs will place pressure on cash flows as repayment obligations begin. The quality of earnings is also a concern, given the contribution of non-recurring gains to profitability. In addition, the sharp increase in inventories raises the risk of potential write-downs, while the rise in overdue receivables points to possible collection challenges.

Foreign exchange exposure remains a key vulnerability, given the company’s reliance on imported inputs and its foreign currency obligations, including a Yen-denominated bond. The absence of dividend payments in recent years further reflects the company’s focus on financial recovery rather than shareholder returns.



Company Profiling- VALUATION

To determine the fair value of Neimeth International Pharmaceuticals Plc, we employed a blend of valuation methodologies, including the Discounted Cash Flow (DCF) model and comparable multiples, to capture both intrinsic value and relative market positioning.

Under the DCF framework, a risk-free rate of 16.54% was adopted, based on the yield on Nigeria’s 10-year government bond, alongside an equity risk premium of 13.00%. Using a historical levered beta of 0.55, this resulted in a cost of equity of 16.62%. A pre-tax cost of debt of 12.64% and an effective tax rate of 32% produced an after-tax cost of debt of 8.59%. Incorporating the company’s current capital structure, we derived a weighted average cost of capital (WACC) of 15.18%.

A terminal growth rate of 4.0% was applied, consistent with long-term economic growth expectations and the broader structural outlook for Nigeria’s pharmaceutical sector. Valuation outputs across the DCF and comparable multiples approaches were blended using both a weighted framework, with greater emphasis on DCF, and an equal-weight approach to ensure balance across methodologies.

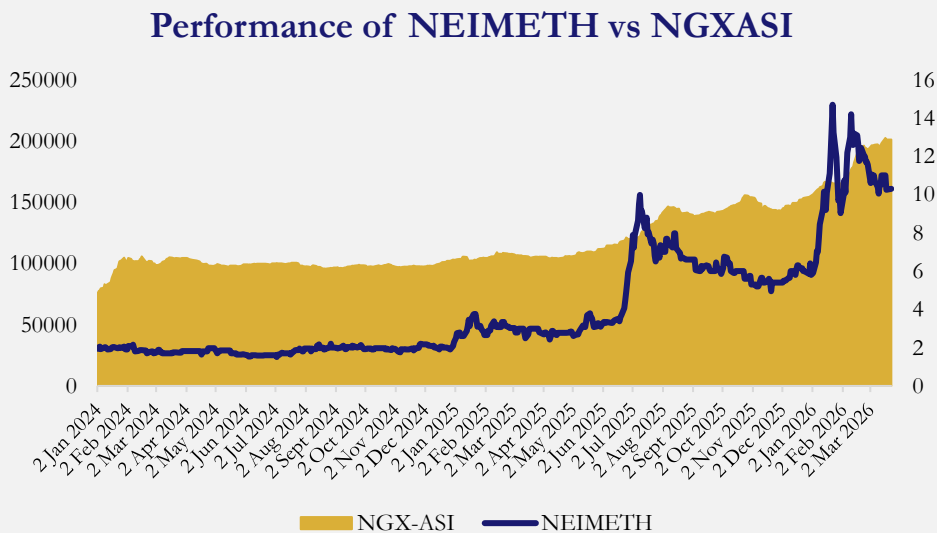
This resulted in a fair value estimate of **NGN 6.76 per share**, implying a 12-month target price.

At the current market price of NGN 10.30, the stock is trading above its intrinsic value, implying a downside of 34.38%.

Recommendation:

We assign a **SELL** recommendation on Neimeth International Pharmaceuticals Plc. While the company has demonstrated a clear turnaround in FY2025, supported by revenue recovery and balance-sheet restructuring, current valuation levels appear to have largely priced in these improvements.

Further upside will depend on the company’s ability to sustain profitability, improve cash flow generation, and successfully execute its capacity expansion strategy, including the Amawbia manufacturing facility. However, elevated leverage, high financing costs, and earnings quality concerns remain key considerations. Overall, the stock presents a skewed risk-reward profile, with limited upside at current valuation levels.



Source: NGX, Capital Bancorp Research

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Company Profiling- MECURE

MECURE INDUSTRIES Plc is a fast-growing Nigerian pharmaceutical manufacturer established in 2005, focused on producing high-quality pharmaceutical and nutraceutical products. The company operates across both segments, with a diversified portfolio covering acute treatments, chronic care, over-the-counter medicines, and dietary supplements, positioning it to address Nigeria’s evolving healthcare needs.

Listed on the Nigerian Exchange in November 2023, MeCure has leveraged capital market access to accelerate expansion in manufacturing capacity, product development, and distribution. The company’s WHO cGMP-compliant facilities and ISO-certified processes underpin its strong quality positioning, while its Beta-Lactam plant has enabled it to capture market share in key antibiotic segments following the exit of multinational players.

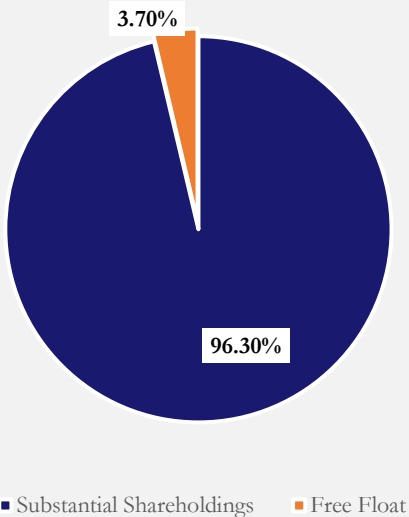
A distinguishing feature of MeCure’s model is its integration of manufacturing, diagnostics, and technology-driven distribution. Through its GS1-certified supply chain and track-and-trace system, the company enhances product authenticity and reduces counterfeit risk, while its growing diagnostics footprint strengthens its position across the healthcare value chain.

Operationally, MeCure continues to scale rapidly, supported by an expanding distribution network and a growing workforce. The company has also demonstrated strong innovation capabilities, introduced new drug delivery systems and expanded its nutraceutical offerings to capture rising consumer demand for preventive healthcare.

Financially, the company has entered a strong growth phase, with FY2025 revenue increasing by 68.34% and profit rising by 177.52% to NGN6.46 billion. This performance reflects both volume expansion and improved operating leverage following recent investments in production and marketing.

Looking ahead, growth is expected to be supported by continued product expansion, increased capacity utilisation, and planned funding initiatives, including a NGN10 billion commercial paper programme.

Ticker	MECURE
SUB-SECTOR	PHARAMACEUTICAL
Share Price(24.03.2026)	N61.00
12M Target Price	N69.63
Float	4,000,000,000.00
Market Cap.	246,000,000,000.00
12M Trailing EPS(NGN)	1.62
12M Trailing PE(x)	38.07
Rating	HOLD
Upside(%)	13.22
52 Weeks high	104
52 Weeks Low	11.2



Company Profiling- MECURE

However, as with peers, the company remains exposed to foreign exchange volatility and input cost pressures.

Analysis of the Financials

MECURE INDUSTRIES PLC has delivered a strong revenue expansion in recent years, reflecting the full impact of its capacity build-out, product scale-up, and improved market penetration. The company’s revenue grew significantly to NGN77.69 billion in 2025, representing a year-on-year growth of 68.80%. This performance was driven by increased pharmaceutical volumes, expanded distribution coverage, and improved product availability across key therapeutic segments.

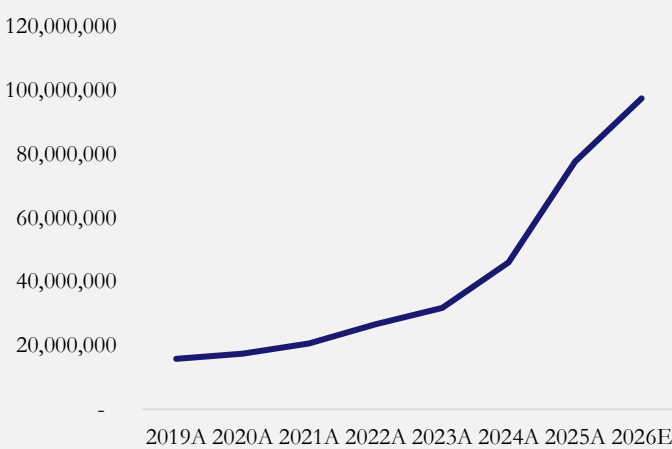
Looking ahead, revenue growth is expected to remain robust, with revenue projected to approach NGN97.53 billion in 2026, supported by sustained domestic demand, continued expansion of its nutraceutical segment, and improved capacity utilisation. However, the pace of growth is likely to normalise relative to the sharp expansion recorded in 2025.

The strength in revenue has translated into significant expansion in gross earnings, with gross profit rising to NGN32.20 billion in 2025. However, the cost of sales also increased materially, reflecting higher input costs and production scale. This trend is expected to persist, with the cost of sales projected to increase further in 2026, suggesting that while scale benefits remain evident, margin expansion may moderate in the near term, particularly in a volatile foreign exchange environment.

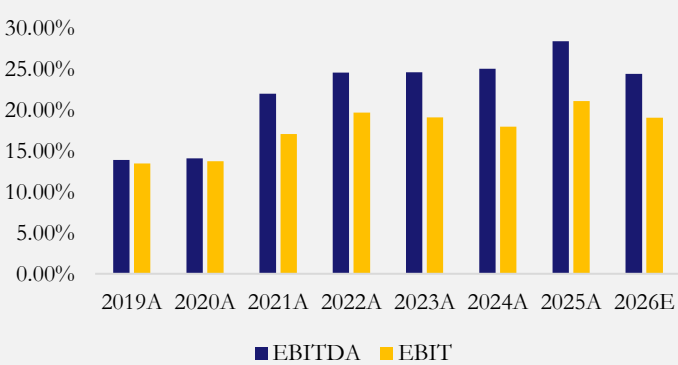
Operating expenses have increased in line with the company’s aggressive expansion strategy, with marketing and administrative costs rising significantly to support distribution growth and operational scale. This expansionary cost profile is expected to continue into 2026, particularly within administrative expenses, as the company strengthens its internal structure to support long-term growth.

Despite rising cost pressures, profitability has improved significantly. Profit before tax rose to NGN7.93 billion in 2025, while profit after tax increased to NGN6.46 billion, reflecting strong operating leverage. Earnings are expected to strengthen further, with profit after tax projected to rise to NGN8.73 billion in 2026,

Trends in Revenue(N’000)



EBITDA and EBIT Margin



Company Profiling- MECURE

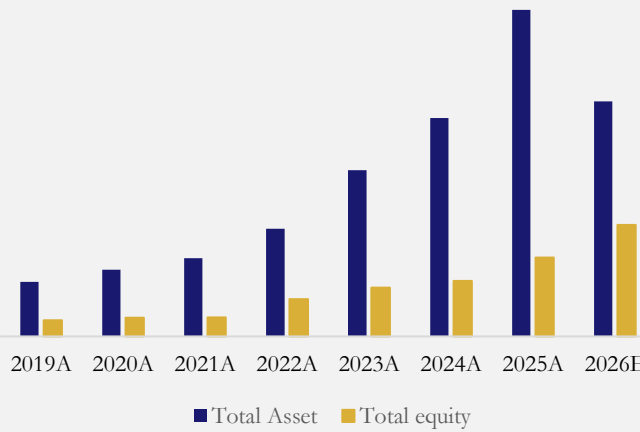
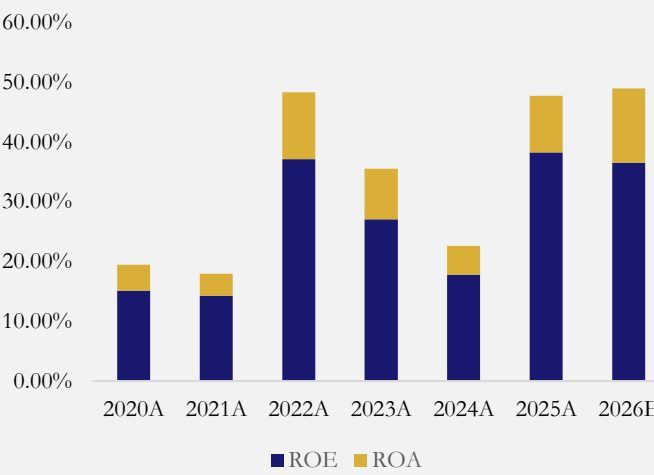
supported by continued revenue growth and a moderation in finance costs.

Balance sheet expansion remains a defining feature of the company’s growth profile. Total assets increased significantly by 49.45% to NGN81.96 billion in 2025, driven by expansion in both fixed assets and working capital. Equity also improved to NGN19.82 billion, supported by retained earnings growth. However, the capital structure remains heavily liability-driven, with total liabilities standing at NGN62.14 billion, representing approximately 75.80% of total assets, reflecting the company’s continued reliance on external funding to support its rapid expansion.

Liquidity conditions improved during the period, with cash and cash equivalents rising sharply to NGN6.48 billion from NGN0.40 billion in 2024. However, this improvement was largely driven by financing inflows, as the company recorded a net operating cash outflow of NGN2.43 billion, reflecting significant working capital build-up, particularly in inventories of NGN15.77 billion and receivables of NGN19.06 billion. This shows that growth is still being actively funded rather than fully supported by internally generated cash flows.

Operational efficiency has improved alongside revenue growth, with the company benefiting from scale advantages and improved asset utilisation, as reflected in the significant increase in revenue relative to asset growth. However, the expansion in working capital indicates that efficiency gains are yet to fully translate into strong cash conversion, and this remains a key area to monitor.

Despite the strong financial trajectory, key risks remain. The company’s reliance on debt financing is reflected in elevated finance costs of NGN8.49 billion, which continues to weigh on earnings. In addition, the significant build-up in inventories and receivables introduces potential pressure on liquidity, particularly if conversion cycles weaken. Furthermore, dependence on imported raw materials continues to expose margins to foreign exchange volatility in a high-cost operating environment.



Company Profiling- VALUATION

Our valuation of MeCure Industries Plc is anchored on a DCF framework, supported by comparable multiples. Key assumptions include a WACC of 15.87%, derived from a cost of equity of 17.17% and an after-tax cost of debt of 10.32%, alongside a terminal growth rate of 4.00%.

Based on these inputs, we arrive at a DCF-implied valuation, which is subsequently benchmarked against peer multiples to ensure alignment with market pricing.

Blending both approaches, we estimate a fair value of **NGN 69.63 per share**, representing a 13.22% upside from the current market price of NGN61.00.

Recommendation:

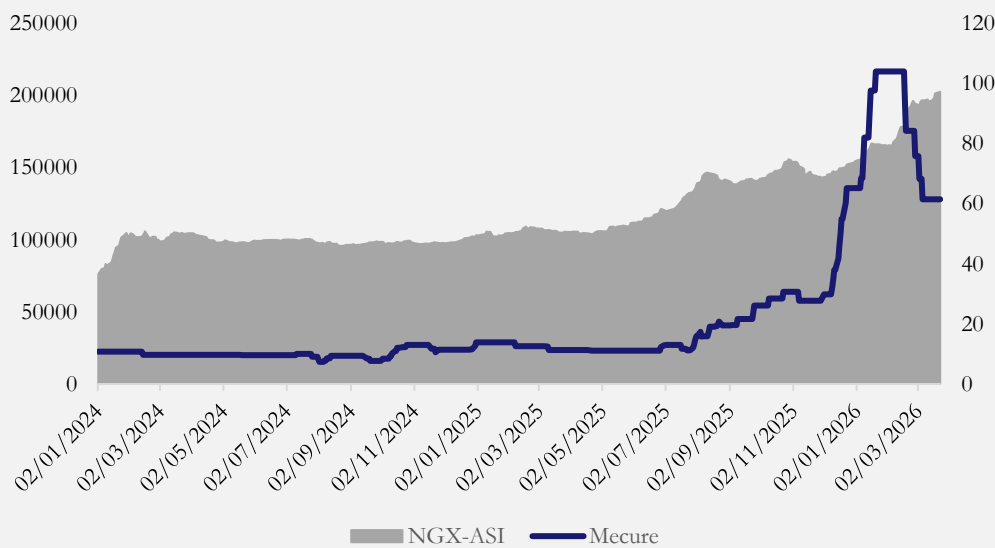
We assign a **HOLD** recommendation on MeCure Industries Plc reflecting a balance between strong earnings growth and elevated balance sheet risk. The company delivered robust performance in FY2025, with revenue growing by 68.80% and profit after tax increasing by 177.52%, supported by improved scale and operating leverage.

However, this growth remains largely funding-driven, with total liabilities accounting for approximately 75.80% of total assets and finance costs rising to NGN8.49 billion. In addition, operating cash flow recorded a net outflow of NGN2.43 billion, driven by significant working capital build-up in inventories and receivables.

While earnings are expected to remain strong, with profit after tax projected at NGN8.73 billion in 2026, the estimated upside of 13.22% suggests that current valuation levels largely reflect the company’s growth prospects.

Overall, MeCure presents a high-growth but capital-intensive profile, and at current levels, we believe the risk-reward remains balanced, supporting a HOLD stance.

Performance of MEcure vs NGXASI



Source: NGX, Capital Bancorp Research

Company Profiling- FIDSON

FIDSON HEALTHCARE Plc is one of Nigeria’s leading indigenous pharmaceutical manufacturers, established in 1995 and listed on the Nigerian Exchange in 2008. The company has evolved from a pharmaceutical distribution business into a fully integrated manufacturing-led healthcare provider, positioning itself as one of the most technologically advanced local players in the industry.

A defining feature of Fidson’s strategy is its sustained investment in high-quality pharmaceutical manufacturing infrastructure. Its WHO cGMP-compliant facility in Ota enables the production of a wide range of dosage forms, including tablets, capsules, infusions, and injectables. This capability has positioned the company as a critical player in Nigeria’s push toward local drug manufacturing and import substitution.

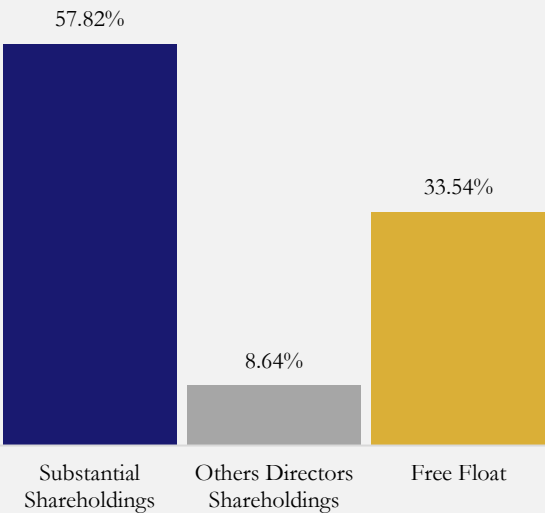
Fidson holds a strong competitive position in sterile manufacturing, particularly in Large Volume Parenterals (LVPs), where it produces over 120 million units annually. In addition, it remains the only indigenous pharmaceutical company in Nigeria with the capability to manufacture glass-ampoule injectable medicines, a technically complex segment that creates a significant barrier to entry and strengthens its competitive moat.

The company generates revenue across ethical pharmaceuticals, over-the-counter products, and contract manufacturing services, with growing collaboration with multinational pharmaceutical companies. Partnerships with global players such as GlaxoSmithKline and Bayer reinforce Fidson’s positioning as a reliable local manufacturing partner, while providing stable contract manufacturing income.

Operationally, Fidson is supported by a well-developed distribution network, comprising multiple warehouses, an extensive distributor base, and a large field force, ensuring broad market penetration across Nigeria. This distribution strength complements its manufacturing capability, enabling efficient product delivery across both institutional and retail channels.

Recent strategic initiatives reflect an increasingly outward-looking growth strategy. The company has undertaken a NGN21 billion rights issue to expand production capacity, alongside entering strategic partnerships with international

Ticker	FIDSON
SUB-SECTOR	PHARAMACEUTICAL
Share Price(24.03.2026)	N105.35
12M Target Price	N116.22
Float	2,400,000,000.00
Market Cap.	252,840,000,000
12M Trailing EPS(NGN)	3.87
12M Trailing PE(x)	27.16
Rating	HOLD
Upside(%)	10.32
52 Weeks high	105.35
52 Weeks Low	17.05



Company Profiling- FIDSON

pharmaceutical firms to enhance technical capabilities and scale into more complex therapeutic segments. Planned investments, including a proposed manufacturing facility in the Lekki Free Trade Zone, are expected to strengthen its position within the regional pharmaceutical value chain.

Leadership transition in 2025, following the retirement of founder Fidelis Ayebae and the appointment of Abiola Adebayo as Managing Director, reflects continuity in strategic direction as the company enters a new phase of expansion.

Analysis of the Financials

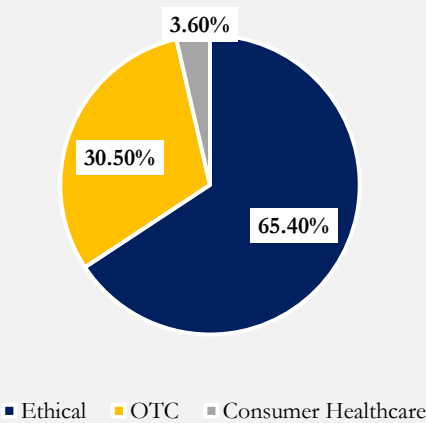
FIDSON HEALTHCARE PLC has sustained a strong growth trajectory, with revenue expanding from NGN84.19 billion in 2024 to NGN119.06 billion in 2025, representing a year-on-year growth of 41.43%. This builds on a multi-year expansion trend, with revenue projected to reach NGN161.55 billion in 2026, reflecting a 35.68% increase based on historical growth momentum.

Revenue growth remains broad-based but is largely driven by the ethical pharmaceutical segment, which contributed NGN77.84 billion, accounting for over 65% of total revenue. The OTC segment generated NGN36.37 billion, while consumer healthcare products contributed NGN4.33 billion, reinforcing the company’s strong positioning in prescription-driven markets.

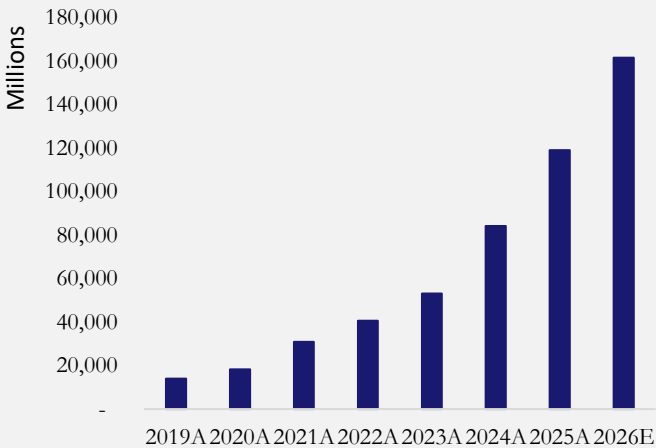
The expansion in revenue translated into strong gross earnings performance, with gross profit rising to NGN49.15 billion in 2025 from NGN35.10 billion in 2024. However, the cost of sales also increased significantly to NGN69.92 billion, reflecting continued exposure to imported raw materials, energy costs, and foreign exchange pressures. While scale benefits are evident, margin expansion remains sensitive to input cost volatility and currency movements.

Operating performance strengthened further, with operating profit rising to NGN20.85 billion from NGN13.13 billion, representing a 58.73% increase. This reflects strong operating leverage, as revenue growth outpaced the increase in administrative and selling expenses, although continued expansion in operating costs is expected as the company scales its distribution and manufacturing footprint.

Business segment contribution to Fidson's Revenue



Trends in Revenue(N'000)



Company Profiling- FIDSON

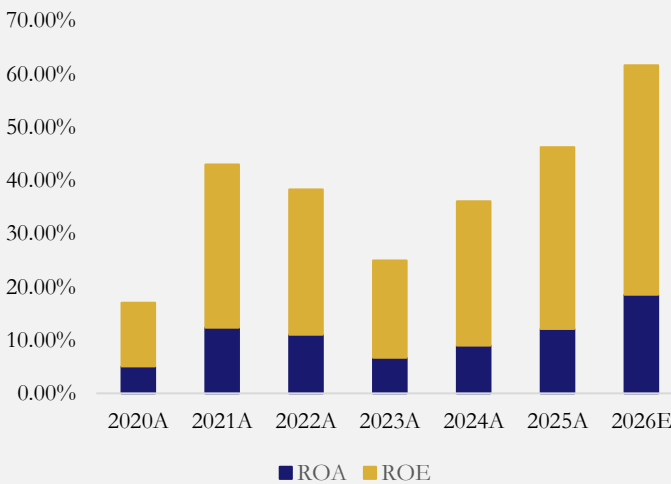
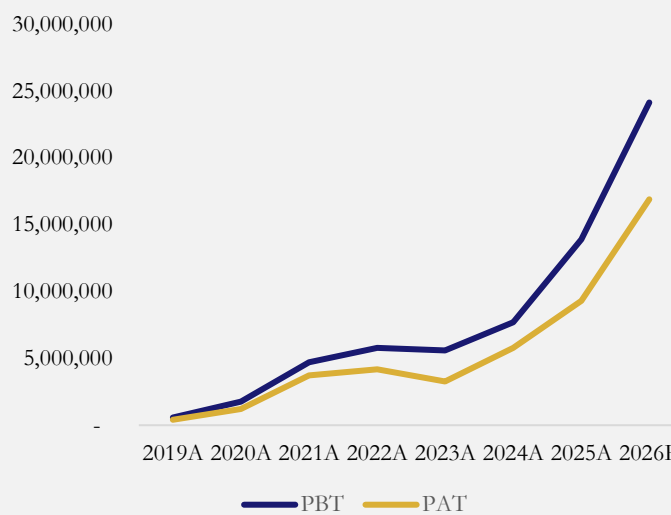
Profit before tax increased by 80.41% to NGN13.89 billion, while profit after tax rose to NGN9.31 billion from NGN5.78 billion. Despite this strong performance, finance costs remain elevated at NGN7.10 billion, reflecting the company’s reliance on debt funding to support expansion. This continues to act as a drag on net earnings and remains a key factor influencing profitability going forward.

Balance sheet expansion remains a defining feature of the company’s growth profile. Total assets increased to NGN80.45 billion in 2025, driven by growth in property, plant and equipment as well as working capital components. Equity strengthened to NGN30.78 billion through retained earnings, although the capital structure remains liability-heavy, with liabilities accounting for over 60% of total assets, indicating continued dependence on external funding.

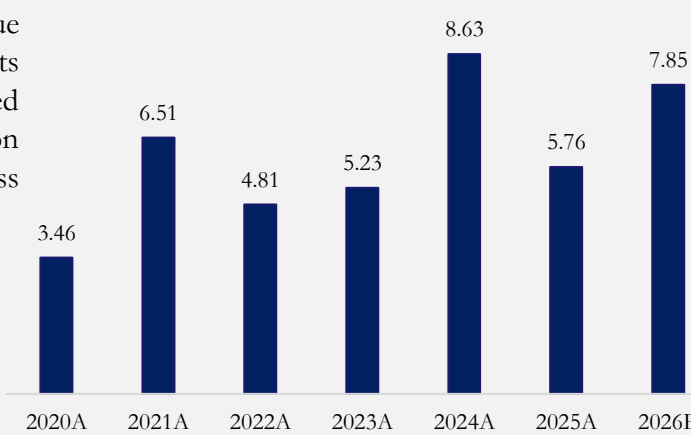
Liquidity and cash flow dynamics reflect a business still in an expansion phase. Net cash generated from operating activities improved significantly to NGN13.44 billion in 2025, supported by stronger earnings. However, this was partially offset by working capital pressures, with receivables increasing by NGN4.82 billion and inventories rising by NGN2.16 billion, indicating that a significant portion of earnings remains tied up in operations rather than fully converted into cash.

Investing activities remained high, with NGN8.12 billion deployed into capital expenditure, reinforcing the company’s long-term manufacturing expansion strategy. While this supports future growth, it also increases the company’s capital intensity and funding requirements.

Operational efficiency has improved alongside revenue growth, with stronger asset utilisation and scale benefits evident in rising operating profit. However, the continued expansion in working capital suggests that cash conversion remains an area to monitor, particularly as the business continues to scale.



Trend in Working Capital(N'BN)



Company Profiling- VALUATION

Our valuation of FIDSON HEALTHCARE PLC is anchored on a DCF framework, supported by comparable multiples. Key assumptions include a WACC of 22.17%, derived from a cost of equity of 22.71% and an after-tax cost of debt of 17.74%, alongside a terminal growth rate of 4.00%.

Based on these inputs, we arrive at a DCF-implied valuation, which is subsequently benchmarked against peer multiples to ensure alignment with market pricing.

Blending both approaches, we estimate a fair value of **NGN 116.22 per share**, representing a 10.32% upside from the current market price of NGN 105.35.

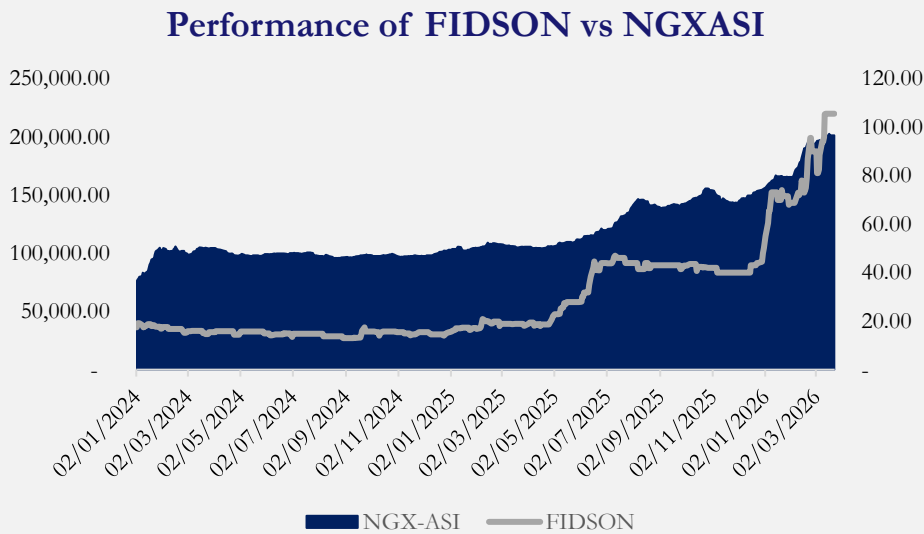
Recommendation:

We assign a **HOLD** recommendation on FIDSON HEALTHCARE PLC, reflecting a balance between strong operating performance and limited valuation upside. The company delivered robust growth in FY2025, with revenue increasing by 41.43% and profit after tax rising by 61.07%, supported by scale expansion and improved operating leverage.

However, despite this strong earnings profile, the stock offers a relatively modest upside of 10.32%, suggesting that current market pricing already reflects much of the company’s growth trajectory. In addition, elevated finance costs of NGN7.10 billion and continued working capital intensity, with significant exposure to inventories and receivables, indicate that growth remains capital-intensive.

While revenue is expected to expand further to NGN161.55 billion in 2026, supported by sustained demand and capacity expansion, the combination of funding requirements, cost pressures, and limited valuation headroom supports a more balanced risk-reward outlook.

Overall, Fidson represents a strong growth story with improving fundamentals, but at current levels, we believe the upside is largely priced in, warranting a HOLD stance.



Source: NGX, Capital Bancorp Research

Analyst's Certification and Disclaimers

ANALYSTS' CERTIFICATION

We, the undersigned analysts, certify that the views expressed in this report reflect our independent assessments of economic conditions and trends. Our compensation is not influenced by the views or recommendations in this report, which complies with Nigerian SEC regulations and international best practices.

RESEARCH METHODOLOGY

This report is based on:

- **Primary Data:** Sources include the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS), and U.S. Department of Agriculture (USDA).
- **Secondary Data:** Reports from the Nigerian Exchange Group (NGX), African Development Bank (AfDB), and Bloomberg Africa.
- **Analysis Tools:** Statistical modelling, historical trend analysis, and forward-looking projections based on key indicators like GDP growth, inflation forecasts, fiscal and monetary policies, and trade balances.

INVESTMENT GUIDE

Capital Bancorp Research applies a three-tier rating system—**Buy**, **Hold**, and **Sell**—for all equities under active coverage.

- A Buy rating is assigned to stocks with strong fundamentals and an expected price appreciation of +15.00% or more from the current market price to the target price.
- A Hold rating is used for stocks with fair upside potential, where expected returns range between +0.00% and +14.99%. These are typically companies with solid fundamentals but limited near-term catalysts.
- A Sell rating is given to stocks that are either significantly overvalued or have weak fundamentals, with expected returns of less than 0.00% from current levels to the analyst's target price.

FREQUENCY OF NEXT UPDATE: We will provide an updated view on the company (or companies) as soon as there are material developments or significant financial disclosures

CONFLICT OF INTEREST DISCLOSURE: Analysts declare no material conflicts of interest with entities referenced in this report. Any potential conflicts are disclosed in the appendix.

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- **Research Analyst:** Johnson Onyeka.
- **Research Intern:** Attah Salifu.

For more details on company-specific valuation methodologies, upside/downside risks to current valuation, send an email to research@capitalbancorpgroup.com

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