

NIGERIAN EXCHANGE GROUP PLC

BUY

Transaction volumes to drive earnings

Target price: N72.52

Ref Price: N61.85

NGXGROUP delivered its strongest quarterly revenue on record in Q3'25, driven primarily by exceptional growth in transaction fees. This surge also underpinned the impressive 73.9% QoQ jump in PAT in Q3'25. Given the strength of the third-quarter performance, we have revised estimates for FY'25 revenue and PAT estimates upward.

In the coming year, we expect continual recovery in foreign participation in the local equities market. Furthermore, the FTSE's potential reclassification of the Nigerian bourse as a frontier market in 2026 signals a likely boost in trading activity, as it could attract additional foreign portfolio inflows.

Elsewhere, although listing fees declined in 9M'25, we expect a recovery in the coming year, driven by anticipated high-profile listings on the exchange - most notably the widely discussed potential listing of Dangote Refinery alongside other large corporates.

Against this backdrop and an improving macroeconomic environment, we have updated our valuation assumptions: the risk-free rate has been reduced to 16.4% (from 18.0%) in line with easing FGN bond yields, while the equity risk premium has been adjusted to 13.8% (from 14.3%). Overall, revisions in our projections supports a higher 12-month target price of N72.52 thereby changing our recommendation from HOLD to **BUY**.

Transaction fees and a recovery in listing charges to drive revenue in FY'26E

Transaction fees played a more substantial role in driving revenues in 9M'25, growing by 71.2% YoY and contributing 64.2% to revenue (vs. 49.0% in 9M'24), while listing charges declined 13.3% and revenue contribution dropped to 19.8% (from 29.8% in 9M'24). The divergence in trajectory reflected:

1. The more material increase in transaction volumes in Q3'25, which surged by 114.5% QoQ and supported transaction fee growth,
2. The decline in large-cap company listings, compared to the previous year.

Specifically, in Q3'25, activity was boosted by large-ticket transactions such as the N387.4 billion and N6.5 billion cross deals in Aradel and Unity Bank on 25 August, respectively, as well as the sizable FirstHoldco crosses on 16 July, during which roughly 10.4 billion units were traded.

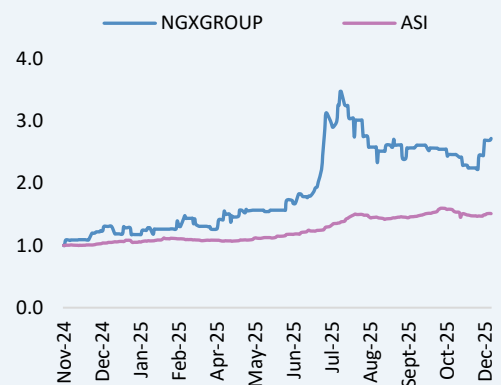
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Market Data	NGXGROUP
Market Cap (N'Mn)	136,355.7
Last close price (N)	61.85
52-week high/low price (N)	79.80/27.00
Avg 3M daily volume (mn)	1.38

Rebased 1-year price movement

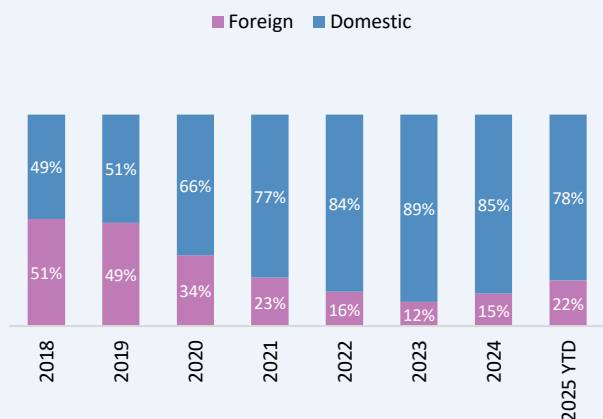


Source: Bloomberg, CardinalStone Research

Incorporating the exceptional Q3'25 performance and an expectedly strong Q4'25, supported by elevated market activity as portfolio managers rebalance ahead of 2026, alongside the temporary November selloffs triggered by uncertainty around Capital Gains Tax (CGT) implementation, we now project FY'25 revenue of N21.1 billion (vs N17.0 billion previously). This upward revision is largely driven by transaction fees, which we estimate at N13.8 billion, effectively masking the projected 27.0% YoY decline in listing fees to N4.0 billion.

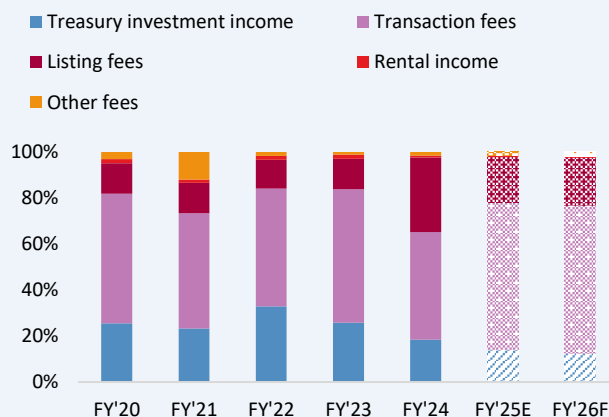
For FY'26, we expect trading activity to remain robust, supported by Nigeria's anticipated reclassification into the FTSE Frontier Market and the continued expansion of retail investor participation. On this basis, we project a 15.0% YoY increase in transaction fees. We also forecast a recovery in listing fees, underpinned by several potential market-moving events. These include the anticipated IPOs of Dangote Petroleum Refinery and Dangote Fertilizer, as well as the possibility of an NNPC Limited listing. In addition, sustained government security issuances on the exchange should further support primary market activity. Overall, we estimate a 20.0% YoY rise in listing fees in 2026.

Figure 1: Recovery in foreign participation in equities



Source: NGX, Company financials, CardinalStone Research

Figure 2: Transaction fees remain a key driver for revenue



More sustainable revenue opportunities emerge as FX gains moderate

The relatively stable FX environment in 2025, underpinned by deliberate CBN interventions, has sharply reduced revaluation-driven gains. Consequently, we expect other operating income (comprising FX gains, sundry income, and penalty fees) to decline by c.84.0% YoY to N839.1 million in FY'25. With no major FX volatility anticipated, we project this line to normalise from FY'26 and revert to its pre-2023 growth trend of roughly 2.0% annually.

Meanwhile, market data revenue remains a bright spot, growing 33.4% YoY in 9M'25 and sustaining a strong 4-year CAGR of 48.0%. This continued momentum highlights a compelling medium-term opportunity for the "other income" segment, especially as FX-induced windfalls fade from earnings.

Effective Tax Rate (ETR) to slightly rise in FY'25

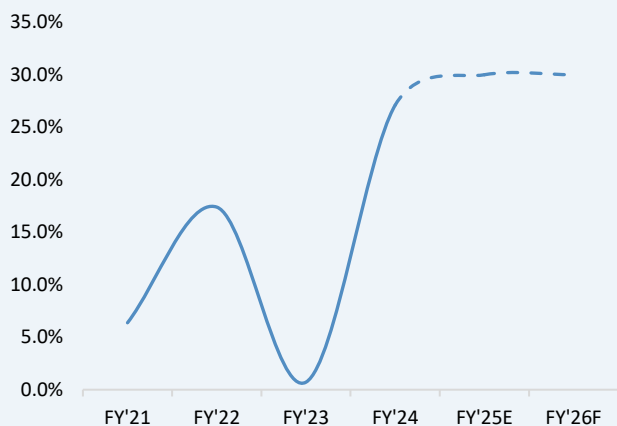
In 9M'25, income tax expenses rose sharply by 72.7% YoY, yet ETR eased to 29.8% (9M'24: 31.0%). We link the jump in tax expenses to the corresponding 79.6% increase in PBT in the same period, while the moderation in ETR highlights effective tax management amid strong profitability. In FY'25, we expect FY'25 ETR to close slightly above its prior year print at 28.0% (FY'24:27.1%), showcasing improvement in taxable income.

The Group's deleveraging efforts expected to weigh on ROE

We assess our ROE projections leveraging a three-part DuPont analysis (see Figure 4). Despite an expected uptick in PAT margin and asset turnover, our ROE estimate for FY'25 represents an 80bps reduction to 19.6%, following the decline in financial leverage in the year.

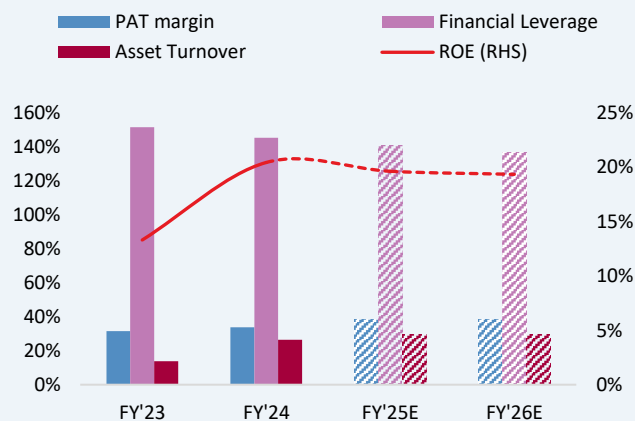
In FY'26, we anticipate a further moderation in financial leverage as the Group intensifies its deleveraging efforts while refraining from new borrowings. This is expected to offset the otherwise resilient operating metrics with PAT margin holding at 38.5% and asset turnover at 0.3x. Consequently, ROE is projected to remain broadly stable, edging down slightly to 19.3% in FY'26E.

Figure 3: ETR to edge slightly higher in FY'25



Source: NGX, Company financials, CardinalStone Research

Figure 4: Lower financial leverage weigh on ROE



Valuation and Recommendation

Adjustments to our model yield a new 12-month target price ("TP") of N72.52/share, implying a 17.3% potential upside from the current price. Hence, we upgrade our recommendation from a **HOLD** to a **BUY**. This new 12-month TP implies a conservative exit P/E of 13.1x vs EMEA peer median of 16.1x.

Figure 5: Summary of financials

Income Statement (Nm)	2023A	2024A	2025E	2026F
Revenue	8,300	16,893	21,118	24,187
Other income	3,504	7,098	3,737	3,986
Total income	11,804	23,991	24,855	28,173
Personnel & operating expenses	(8,217)	(13,252)	(13,199)	(14,768)
Interest expense on borrowings	(2,340)	(2,315)	(956)	(456)
Impairment write back/(charge)	(419)	252	869	(115)
Depreciation and ammortization	(394)	(486)	(453)	(529)
Operating profit	433	8,190	11,117	12,304
Share of profit of equity accounted investees	4,856	5,420	4,558	5,890
Profit Before Tax	5,289	13,610	15,675	18,194
Tax	(38)	(3,689)	(4,389)	(5,094)
Profit After Tax	5,251	9,920	11,286	13,100
EPS	2.38	4.50	5.12	5.94
DPS (NGN)	1.00	2.00	3.58	4.16
Payout ratio	42.0%	44.4%	69.9%	70.0%
Shares outstanding (million)	2,205	2,205	2,205	2,205

Balance Sheet (Nm)	2023A	2024A	2025E	2026F
Cash and cash equivalents	6,578	871	8,865	14,242
Trade and other receivables	756	677	705	799
Investment securities	433	4,845	1,275	2,078
Other current assets	321	491	1,362	1,544
Current assets	8,088	6,884	12,206	18,663
Investment securities	16,348	23,478	24,216	27,236
Investment in associates	31,592	33,134	32,992	35,371
Property, Plant & Equipment	3,641	4,419	5,209	6,088
Other non-current assets	172	126	126	126
Non-current assets	51,754	61,156	62,542	68,821
Total assets	59,841	68,040	74,748	87,483
Other liabilities	3,922	7,151	5,116	6,326
Term borrowings	950	798	255	112
Other current liabilities	1,492	5,303	5,303	5,303
Current liabilities	6,364	13,252	10,674	11,741
Term borrowings	13,351	4,994	1,569	687
Other non-current liabilities	662	1,247	1,247	1,247
Non-current liabilities	14,013	6,241	2,816	1,934
Total liabilities	20,378	19,493	13,491	13,675
Total equity	39,464	48,547	57,514	67,722
Total liabilities & equity	59,841	68,040	74,748	87,483
BVPS	17.90	22.02	26.09	30.72
Net debt/(cash)	7,723	4,922	(7,041)	(13,444)

Cash Flow Statement (Nm)	2023A	2024A	2025E	2026F
Cash flow from operating activities	307	9,033	6,102	8,578
o/w Depreciation & amortization	355	439	453	529
o/w Changes in working capital	447	9,645	10,176	11,328
Cash flow from investing activities	3,389	(2,433)	9,135	1,174
o/w Capital expenditure	(186)	(1,349)	(1,243)	(1,409)
as % of total income	1.6%	5.6%	5.0%	5.0%
Cash flow from financing activities	(2,669)	(12,310)	(7,243)	(4,374)
o/w Dividends paid	(551)	(1,487)	(2,319)	(2,892)
o/w Debt issued/(repaid)	-	(8,349)	(3,968)	(1,026)
Net change in cash	1,026	(5,710)	7,994	5,377
Cash & cash equivalents at beginning of year (incl FX diff)	5,551	6,580	871	8,865
Cash & cash equivalents at end of the year	6,578	871	8,865	14,242

Ratio Analysis	2023A	2024A	2025E	2026F
EBITDA Margin	46.7%	55.5%	54.2%	48.8%
EBIT Margin	43.3%	53.4%	52.4%	46.9%
Net Profit Margin	31.5%	33.7%	38.4%	38.5%
OPEX/Total income	76.5%	56.2%	51.4%	54.7%
ROE	13.3%	20.4%	19.6%	19.3%
ROA	8.8%	14.6%	15.1%	15.0%
ROIC	5.1%	14.1%	14.6%	13.4%
ROCE	5.1%	14.0%	14.4%	13.2%
Net debt/Equity (x)	0.2	0.1	(0.1)	(0.2)
Net debt/EBITDA (x)	1.4	0.4	(0.5)	(1.0)
Total income/Assets (x)	0.2	0.4	0.3	0.3
Assets/Equity (x)	1.5	1.4	1.3	1.3
Interest cover (x)	2.2	5.5	13.6	29.0
Effective tax rate	0.7%	27.1%	28.0%	28.0%

Valuation	2023A	2024A	2025E	2026F
P/E (x)	26.0	13.7	12.1	10.4
P/BV(x)	3.5	2.8	2.4	2.0
Dividend Yield	1.6%	3.2%	5.8%	6.7%

Source: Company reports, CardinalStone Research estimates

Note: NGN in Millions (except per-share data). Fiscal year ends in December.

*Totals may not add up due to independent rounding

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