Capital Bancorp Plc
Building Wealth that Transcends Generations

The Nigerian Equities Market
Our Outlook and Top Picks for 2026

FEB 2026

The Nigerian equities market in 2025 was driven by strong corporate earnings, recapitalization initiatives, and new listings, all of which reinforced investor confidence and market depth. As a result, market performance was exceptionally strong, with the NGX All-Share Index (NGX-ASI) advancing from approximately 102,926 points at the beginning of the year to about 155,613 points by year-end, representing a full-year return of 51.19%. This marked one of the strongest performances recorded by the Nigerian equities market in over two decades.

Looking ahead to 2026, we remain optimistic that the market's growth trajectory can be sustained, although the nature of returns is expected to evolve. Unlike 2025, which benefited significantly from broad-based market repricing, we expect that the next phase of performance should be more selective and fundamentally driven.

Our outlook is anchored on gradually improving macroeconomic conditions and a continued shift in capital allocation towards equities. Key support factors include enhanced corporate pricing power amid moderating inflation pressures, a gradual softening in fixed-income yields, renewed participation by foreign portfolio investors as FX conditions stabilise, and supportive government policies, particularly for companies linked to infrastructure and construction activities.

In addition, expectations of easing monetary conditions, earnings normalisation across previously pressured sectors, and selective valuation rerating are likely to favour companies with resilient cash flows and sound balance sheets.

As macro conditions stabilise and valuations normalise, equity market performance in 2026 is unlikely to be driven by a general rise in all stock prices, as was largely the case in 2025. Instead, returns are expected to be increasingly company-specific, reflecting differences in earnings quality, financial resilience, and execution capability.

In this environment, investors are likely to be rewarded for owning businesses that can consistently generate profits, convert earnings into cash, and maintain strong balance sheets despite lingering macroeconomic constraints. This shift reinforces the importance of disciplined fundamentals-based stock selection, as performance distributed across stocks and sectors.

NGX-ASI 2025

+51.19%

NGX-ASI 2026E

+46.50%

Investment Philosophy and Selection Framework

Our 2026 equity strategy is anchored on a disciplined, fundamentals-driven investment philosophy as the Nigerian equities market transitions from broad-based repricing to a more selective, earnings-led phase. Stock selection prioritises companies with sustainable profitability, valuation support, and strong balance sheets, rather than short-term price momentum.

We focus on businesses delivering a robust return on equity and consistent earnings growth, complemented by reasonable valuations that provide downside protection while allowing for selective valuation rerating. Emphasis is also placed on balance-sheet resilience and strong operating cash flow generation, which underpin long-term growth prospects and dividend sustainability.

To ensure institutional investability, we prioritise liquid, market-relevant companies with sizeable market capitalisation. In addition, dividend-paying stocks form a core part of our strategy, enabling the portfolio to generate a combination of capital appreciation and dividend income. Collectively, these principles guide the construction of a diversified 2026 model portfolio designed to optimise returns while maintaining prudent risk management within the Nigerian equities market.

Sector	Stocks	P/E	P/OCF	P/GP	P/B	ROE(%)	Divi Yield	TP	Weight	Price Upsi	Total Return
AGRICULTURE	OKOMUOIL	18.10	14.18	8.25	20.53	113.34	5.47%	1,452.00	7.00%	20.35%	25.82%
	PRESCO	12.38	8.33	7.49	4.01	32.37	5.70%	2,956.36	10.00%	74.93%	80.63%
CONSUMER GOODS	NASCON	9.99	13.40	5.67	5.23	39.25	1.60%	180.00	4.00%	44.00%	45.60%
BANKING	FIDELITYBK	4.60			0.92	20.10	10.85%	25.32	6.00%	30.85%	41.71%
	GTCO	4.83			1.11	20.86	8.83%	103.55	4.00%	3.29%	12.12%
	STANBIC	4.95			1.67	33.82	4.69%	118.40	3.00%	1.02%	5.72%
	UBA	3.26			0.40	12.29	7.35%	67.80	7.00%	53.39%	60.75%
	WEMABANK	3.53			1.10	31.07	4.00%	42.48	6.00%	69.92%	73.92%
	ZENITHBANK	3.96			0.64	16.16	7.09%	93.00	6.00%	25.68%	32.77%
INSURANCE	AIICO	8.49			1.60	18.84	1.64%	4.90	5.00%	14.49%	16.12%
HEALTHCARE	FIDSON	16.95	11.74	3.21	5.13	30.24	1.43%	73.08	3.00%	4.40%	5.83%
	MAYBAKER	14.24	16.63	4.83	4.65	32.63	1.01%	46.44	5.00%	17.57%	18.58%
ICT	MTNN	17.07	8.22	4.76	43.69	255.92	0.81%	714.60	8.00%	15.24%	16.05%
CEMENT	DANGCEM	15.10	8.63	5.96	4.70	31.01	4.41%	788.76	6.00%	15.99%	20.41%
	WAPCO	12.79	29.05	5.83	4.22	33.02	3.11%	232.20	7.00%	39.04%	42.16%
OIL AND GAS	ARADEL	9.28	1.06	13.19	1.06	11.54	3.56%	1,099.08	8.00%	22.12%	25.68%
CONLOMERATES	CUSTODIAN	4.65			1.39	30.36	2.45%	111.90	5.00%	103.45%	105.91%
									100.00%		

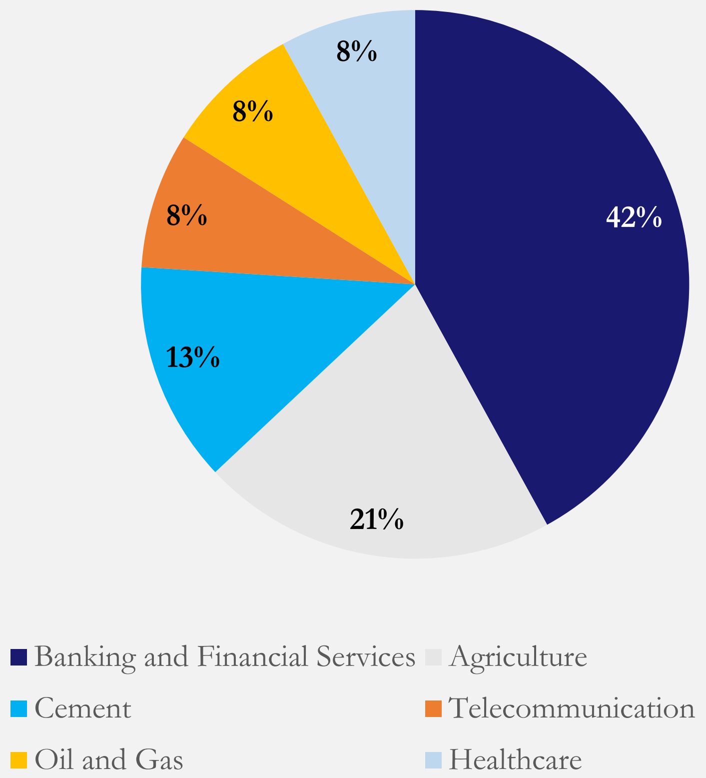
P/B=Price to book
P/E=Price to earnings
P/OCF= Price to operating cash flow
P/GP=Price to Gross Profit

ROE= Return on Equity
TP= Target Price
CP= Price as of 6th of February 2026

Investment Philosophy and Selection Framework

Portfolio weights reflect conviction levels, expected total return, earnings visibility, and sector diversification considerations, ensuring a balanced exposure across growth, income, and defensive segments of the Nigerian equities market. Target prices are derived using conservative, sector-specific valuation multiples applied to sustainable earnings. Total return reflects expected price appreciation plus dividend income over a 12-18month horizon.

Sector Allocation



Financial services (Banking and Insurance) form the largest allocation, reflecting attractive valuations, completion of the recapitalization plan, and compelling dividend yields, supported by expectations of moderating interest rates and improving asset quality. Agriculture and consumer goods represent the next major allocation, driven by strong pricing power, favourable supply-demand dynamics in palm oil, and supportive government policies. Industrial and cement stocks, follows anchored by sustained infrastructure spending, housing demand, and government capital expenditure. Industrial and cement stocks

Energy exposure is maintained at a moderate level through Aradel, providing upside to oil and gas earnings without excessive commodity risk, while consumer and telecom holdings add defensive cash flows and earnings stability. Overall, the portfolio is intentionally diversified across sectors offering a balance of structural growth, valuation support, and income generation.

Conviction Stock Highlights

PRESCO PLC- STRUCTURAL GROWTH AND POLICY WINNER

Presco remains the clear leader in Nigeria's palm oil sector combining scale, profitability, and strategic expansion. In 2025, gross earnings increased by 61.03%, while Profit after tax(PAT) appreciated by 76.84%, supported by strong pricing, operational efficiency, and improved liquidity (current ratio: 2.3x). Equity doubled to NGN426bn, reinforcing balance-sheet strength.

The company's USD 171.6m acquisitions of GOPDC and Saro Oil Palm, alongside new land banks in Cross River and Edo States, significantly expand capacity and position Presco to capture rising domestic demand and premium export markets. Supportive government policies, including the National Palm Oil Traceability Framework, import tariffs on CPO, and access to low-cost financing via CACS , enhance earnings visibility and margin stability.

While risks around climate variability, pests, FX volatility, and ESG compliance persist, Presco's integrated, traceable operations mitigate these pressures. Trading at a P/E of 12.4x with strong cash flows and regional diversification (Ghana contributing 24% of revenue), Presco stands out as a high-quality growth and income stock for 2026

OKOMUOIL PLC- GROWTH WITH INCOME APPEAL

Okomu Oil delivered a robust earnings performance in 2025, supported by favourable palm oil prices, higher production volumes, and disciplined cost management. Revenue rose by 52.35% to NGN198 billion, while profit after tax increased by 59.00% to NGN63.5 billion. Operating cash flow expanded sharply to NGN81.2 billion, underscoring strong cash conversion and earnings quality.

The balance sheet remains sound, with equity of NGN56.1 billion largely driven by retained earnings. While working capital pressures increased due to expansion activities, long-term borrowings declined, reflecting prudent debt management. Significant capital expenditure on plantations and processing facilities supports long-term capacity growth and productivity improvements.

Structurally, Okomu benefits from Nigeria's palm oil supply deficit, rising domestic consumption, and elevated global CPO prices driven by biofuel demand. Although exposed to climate variability, input cost inflation, and ESG compliance requirements, Okomu's strong margins, cash generation, and dividend payouts make it an attractive balance of growth and income. Positioned between Presco's scale dominance and smaller, higher-risk peers, Okomu offers resilient earnings and shareholder returns into 2026.

NASCON- ESSENTIAL GOODS PRODUCER WITH POLICY SUPPORT

NASCON Plc represents a defensive consumer staples play with strong regulatory support and improving financial performance. In its 9M-2025 financials, revenue rose by 47% to NGN117.3 billion, while profit after tax increased by 172% to NGN24.3 billion. Equity expanded by over 70% to NGN61.9 billion, and liquidity improved significantly, with a quick ratio of 2.0x.

NASCON's dominance in the Northern region, which accounts for the majority of its revenue, provides scale benefits and distribution efficiency. The company operates within a supportive policy environment, benefiting from import protection, priority access to foreign exchange under the Backward Integration Policy, and the National Salt Policy, all of which reinforce its market leadership and margin stability. Although FX movements, energy costs, and logistics challenges remain relevant risks, NASCON's strong balance sheet, steady domestic demand, and low valuation, with a P/E of 7.8x, support a positive outlook for 2026

Conviction Stock Highlights

LAFARGE AFRICA(WAPCO)- HIGH MOMENTUM CEMENT PLAY

In the latest financials (Q3 2025), WAPCO delivered a strong earnings performance, with revenue growing by 62.77% year-on-year and profit after tax surging by 245.86%, supported by robust operating cash flows and disciplined leverage management.

From a valuation perspective, WAPCO trades at a meaningful discount to key listed peers, with a forward P/E of c.9–10x versus Dangote Cement at c.15x and BUA Cement at c.20x+, despite comparable ROE and stronger recent earnings momentum.

While risks remain around energy costs, logistics inefficiencies, and tightening environmental regulations, these pressures are already reflected in the current valuation. Supported by infrastructure-led demand, rising housing activity, and improving capacity utilisation, WAPCO offers an attractive blend of earnings growth, valuation upside, and dividend income. For 2026, we view WAPCO as a high-conviction cement pick, positioned for selective rerating as earnings normalise and cost pressures ease.

DANGOTE CEMENT- STRUCTURAL GROWTH AND POLICY WINNER

Dangote Cement continues to anchor Nigeria's cement sector through unmatched scale, strong profitability, and disciplined capital management. In the nine months to September 2025, revenue rose 23.21% to NGN3.15 trillion, while profit after tax increased 166.31% to NGN743 billion, supported by strong pricing, cost control, and operational efficiency.

The company maintains a resilient balance sheet, with rising equity, declining leverage, and substantial operating cash flows of NGN1.29 trillion, enabling continued investment in capacity expansion while supporting dividends and debt reduction. Its dominant domestic footprint and pan-African presence position it to benefit from infrastructure-led growth across key markets.

Despite exposure to energy costs, FX volatility, and tightening environmental regulations, Dangote Cement's scale advantages, cash generation, and market leadership provide strong downside protection. While peers may offer higher short-term upside, Dangote Cement remains a defensive, income-generating core holding with durable long-term earnings power.

GTCO- DEFENSIVE INCOME ANCHOR

GTCO remains a core defensive holding within the banking allocation, offering a compelling blend of earnings resilience, balance-sheet strength, and consistent dividend income. Despite strong profitability, the stock continues to trade at attractive valuation levels, reflecting a P/E of c.4.8x, ROE of c.21%, and dividend yield of approximately 8.8%.

The investment case for GTCO in 2026 is anchored on earnings stability rather than aggressive balance-sheet. Strong fee income, prudent risk management, and a conservative liquidity profile position the group to navigate macro volatility while maintaining consistent shareholder distributions.

Conviction Stock Highlights

Key risks include regulatory tightening, FX-related revaluation volatility, and asset-quality pressure in a slower growth environment. Nonetheless, GTCO's strong franchise quality and disciplined management mitigate downside risk.

GTCO serves as a portfolio stabiliser, offering reliable income and capital preservation, with modest upside potential if valuation multiples expand as interest rates soften.

UBA- RERATING AND GROWTH PLAY

UBA offers one of the most compelling valuation-to-growth profiles among Tier-1 Nigerian banks, trading at a discounted P/E of c.3.3x with ROE of c.12%. Its pan-African footprint provides diversified earnings and FX-linked income, positioning the bank to benefit as FX liquidity improves and foreign investor participation gradually returns.

The successful NGN239.40 billion rights issue in 2025 materially strengthened capital, enabling UBA to participate in recapitalisation-driven sector consolidation while sustaining dividend capacity.

In 9M-2025, earnings stability was driven increasingly by core banking income, with gross earnings rising 3.0% to NGN2.47 trillion and net interest income up 6.2% despite higher funding costs. The sharp decline in FX and trading income signals a shift toward more sustainable earnings, supported by stable fee income and a significant reduction in impairment charges, reflecting improving asset quality. With equity up by 25.8%, assets growing steadily, and a dividend yield of c.7.4%, UBA offers income support and significant rerating potential, making it a high-upside Tier-1 banking play for 2026.

ZENITHBANK- QUALITY VALUE PLAY

Zenith Bank remains a benchmark for earnings consistency and balance-sheet discipline within Nigerian banking. The stock trades at an attractive valuation (P/E c.4.0x) while delivering solid profitability (ROE c.16%) and a dividend yield of around 7.09%, reinforcing its appeal as a defensive income name.

In 9M-2025, gross earnings grew 16.29% to NGN3.37 trillion, driven by a 40.77% increase in interest income, with net interest income expanding strongly despite higher funding costs. While profit moderated year-on-year, Zenith's balance sheet remained resilient, with total assets rising to NGN31.2 trillion, customer deposits up by 9.80%, and shareholders' equity strengthening by 34.80%.

Strategically, Zenith's planned entry into Kenya through the acquisition of Paramount Bank enhances geographic diversification and long-term growth optionality, aligning with consolidation trends that favour well-capitalised banks. Despite risks from regulatory shifts and macro-related credit stress, Zenith remains a dependable core holding for 2026, combining quality earnings, dividend support, and moderate upside potential.

Conviction Stock Highlights

FIDSON- RERATING AND GROWTH PLAY

Fidson provides exposure to Nigeria's healthcare sector, characterised by structurally resilient demand and long-term import substitution opportunities. The company delivered solid profitability, with ROE exceeding 30%, supported by efficient operations and distribution strength.

Growth prospects are underpinned by rising healthcare demand, expanding local manufacturing capacity, and increasing emphasis on domestic pharmaceutical production. However, valuation levels reflect some of this optimism, placing greater emphasis on execution and margin sustainability.

Risks include FX exposure on imported inputs, regulatory pricing pressures, and supply-chain disruptions. Fidson is positioned as a defensive mid-growth stock, offering portfolio diversification and earnings resilience.

MTNN- QUALITY VALUE PLAY

MTN Nigeria remains a cornerstone defensive position, underpinned by recurring revenues, strong operating cash flows, and essential service demand. Data growth, tariff adjustments, and scale efficiencies support earnings visibility despite consumer affordability pressures.

While valuation metrics appear elevated on book value, this reflects structural capital intensity rather than earnings weakness. MTN's ability to generate cash and maintain market leadership remains the core investment appeal.

Risks include regulatory intervention, FX exposure on capex, and competitive pressures. In 2026 MTN is expected to provide stability, liquidity, and defensive earnings support within the portfolio, acting as a hedge against macro volatility.

ARADEL-HIGH CONVICTION ENERGY EXPOSURE

Aradel Plc recorded a strong operational and financial performance in 2025, driven by higher production volumes, favourable crude pricing, and a significant contribution from associate investments. Revenue increased by 20% to NGN697.3 billion, while profit after tax rose by 55% to NGN401.2 billion, translating to earnings per share of NGN91.59.

Strategically, Aradel's growth profile is anchored on asset consolidation and scale expansion across Nigeria's upstream and midstream energy space. The acquisition of an additional 40% stake in ND Western Limited materially strengthens control over key Niger Delta assets, while investments in Renaissance and other associates diversify earnings and reduce single-asset risk. Although leverage increased due to capital-intensive expansion, liquidity remains strong, supported by funding access and rising cash balances.

Relative to higher-priced peers such as Seplat Energy, Aradel provides a more accessible entry point into Nigeria's upstream oil and gas sector, while still offering exposure to commodity upside and sector reforms. For 2026, Aradel represents a value-oriented energy play with earnings resilience, strategic growth optionality, and scope for further rerating, subject to disciplined execution and commodity price stability.

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.
- All the views expressed about the companies and their securities in this report are accurately expressed and reflect our personal views about any and all of the subject securities or issuers;
- All analysis made by the analyst(s) were in good faith based on public information regarding the companies, securities, industries or markets and the views expressed reflect the analyst's opinion, without undue influence or any intervention

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The company may have financial or beneficial interest in securities or related investments discussed in this report, which could, unintentionally, affect the objectivity of this report.

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 +10.00% and +10.50%. 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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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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Our sector experts provide advisory services to help our clients drive their strategies. They analyze the clients'needs, define the problems clearly,come up with solution options, appraise the options, guide the client to the optimal solutions, and help with the disciplined execution of the gold-standard course of action.

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