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Coface Survey: 4% increasing income for the wholesale of pharmaceuticals

A new survey conducted by Coface Romania on the wholesale of pharmaceutical products indicates a positive trend of the revenues of the companies operating in this sector of activity in 2017, but with a slight decrease in profitability. This study aggregated the data of 1,662 companies, which submitted the financial data for 2017 and generated RON 28.6 MLD consolidated turnover.

Strengths:

- **A positive trend of revenues**, which increased in 2017 by about 4% compared to the previous year;
- **Positive money conversion cycle** at consolidated level (76.4% in 2016 and 75.9 in 2017);
- Over one third of the companies (40%) made **Investments in 2017**, thus recording a Capex / Depreciation overratio.

Vulnerabilities:

- Almost half of the companies analysed (46%) **recorded a decrease in turnover**;
- More than half of the companies (58%) registered a **decrease in the net result**, which also led to a decrease in the consolidated profitability;
- 46% of the analysed companies have over 80% **debt level**, and 31% have a negative capitalization level.

Companies operating in this sector registered a net consolidated result of 3.4% in 2017, decreasing 0.5% compared to the previous year. Of the total number of these companies, more than half reported a decrease of the net result for 2017, while 25% of them recorded a net loss in the same period, and 14% of them recorded a loss of more than 20%. Only 22% of the companies analysed had a profit of more than 20%.

The investments for the expansion of the fixed assets occupied a significant place in the choices of the companies in the analysed sector during the year 2017. Thus, eliminating the impact of the sale of tangible assets or the adjustment for the depreciation, the weight of CAPEX in total assets reached 14%, decreasing compared to the previous year, when the weight of CAPEX in the total assets was 18%.

Following the analysis of the evolution of companies in this sector, with a turnover of more than EUR 1 billion, from the point of view of the frequency of bank incidents, it is noted that this decreased in the first part of 2019 (until July) compared to the previous years, when the frequency of banking incidents was increasing (in 2016 - 2018, both the number of bank incidents and the number of companies that recorded bank incidents, were increasing).

Trends in the Wholesale of pharmaceuticals

The data published by INSSE, regarding the trade balance of pharmaceutical products, reflects the existence of a deficit during the analysed period (2013 – 2018), which reached a maximum in 2018. Romania's main export partners, outside the European Union, are: Russia, The United Arab

Emirates and the United States, these three representing 55%.

“Companies in the wholesale sector of pharmaceuticals have increased in terms of revenues, but the profitability has changed in the opposite direction. Also, although at the consolidated level there is an improvement of the current liquidity, by decreasing the cash and immediate liquidity, we can deduce that the companies in this sector collect the receivables with more difficulty, which is confirmed by the increase of the collection days. For the sector of wholesale of pharmaceutical products it is noted, in terms of payment behaviour, the decrease of the number of companies that recorded debts to the State Budget in the last two to three years (as in almost all sectors), but maintaining a high value of the amounts owed. This fact indicates that the high calibre of companies that are published by ANAF in the lists of outstanding obligations is maintained. At the same time, the number of companies with a turnover > EUR 1 million that registered incidents in the last period (2 quarters) decreased). Regarding the court files, the year 2019 the year 2019 could represent a minimum for this type of actions, in this sector, if the trend of the first 6 months of the year is maintained”, said Nicoleta Marin, Economic Analyst, Coface Romania.

Romanians allocate less than 10% of the average monthly expenditure of the household to the purchase of pharmaceutical products. Thus, in sum, they spent approximately RON 77 a month during 2018 on medical products, devices and medicines. This category of expenses was exceeded by three other types of non-food goods: tobacco, fuel and clothing.

Of the total of 1,662 companies active in 2017, Coface analysed 212 companies (~ 12.8%), but which have a 79% weight of the turnover in the consolidated turnover at the sector level. In this context, most companies (48%) are classified by Coface as companies with a medium-high risk, with ratings 4 or 5. At extremes, with percentages of 9%, we find companies with a high risk of insolvency (ratings 1-3), respectively 39% low risk companies (ratings 6-10).

Find out more about the evolution of this sector of activity from the **Coface survey on wholesale of pharmaceutical products**, attached.

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