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Competitive Intelligence

## **LABORATORIES MARKET IN BULGARIA**

a report by SeeNews Competitive Intelligence

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### 1. METHODOLOGY

For the preparation of the analysis a throughout desktop research was implemented. The initial phase of the process was focused on data mining in official and verified secondary sources, which included:

- ✓ Bulgarian trade register database;
- ✓ National statistical institute;
- ✓ Original annual reports of companies;
- ✓ Websites and publications of government and regulatory bodies;
- ✓ Government institutions in the healthcare field – Ministry of Health, National Health Insurance Fund (NHIF), Regional Health Inspectorates (RZIs)
- ✓ Non-governmental organisations and associations in the healthcare sector, including Bulgarian Society of Clinical Laboratory (BSCL) and Medical Federation Podkrepa (MFP). Both BSCL and MFP did not provide useful information on the market trends and environment.

The information in the report does not include data on the laboratories specialised in medical imaging, including dental imaging. The research identified a total of 239 SMDLs, while there is no exact number and financial data of laboratories, which are part of hospitals and medical centres.

Based on the data gathered during the research, qualitative and quantitative analyses were made. The results are:

- ✓ Estimation of the market size in terms of revenue of independent medical diagnostic laboratories (SMDLs);
- ✓ Identification and profiles of the top SMDLs in the industry;
- ✓ SMDLs' market share and market penetration calculation;
- ✓ Data on number of tests carried in SMDLs and in laboratories part of hospitals, as well as number of tested patients and their distribution by age groups and sex;
- ✓ Number of independent medical diagnostic laboratories (SMDLs) and their manipulation rooms by city, according to the registers of the RZIs and NHIF.

Appendixes:

Description	Appendix Name	Information Source	Notes
Basic information on SMDLs	Appendix 1	RZIs, desktop research	The information includes SMDLs' National identification number, official name, managers, status, phone, fax, websites, e-mails and headquarters
Financial information on SMDLs	Appendix 2	Companies financial statements	Information on main financial indicators for 2011, 2012 and 2013 in BGN. The indicators are Net sales revenue, Net profit/loss, Intangible assets, Fixed assets, Subscribed capital, Liabilities to financial institutions, Costs for raw materials and external services, Staff costs, Depreciation and amortisation expenses, and Number of employees;
Market share and market penetration of SMDLs	Appendix 3	SeeNews	Market share and marlet penetration of the 239 SMDLs in 2011, 2012 and 2013.
Number of laboratories by region and city/village	Appendix 4.1	NHIF	Data is available for 2010, 2011, 2012, 2013 and 2014.
	Appendix 4.2	RZIs, desktop research	The data is as of March 2015.

Number of tests	Appendix 5.1	NHIF	Data for 2011, 2012, 2013 and 2014 in nine test categories.
- In hospital laboratories	Appendix 5.2	RZIs	Data for 2010, 2011, 2012, 2013 and 2014 (where available). RZI Gabrovo didn't provide information as of the date the report was prepared.
- In SMDLs	Appendix 5.3	RZIs	
Number of tested patients	Appendix 6	NHIF	Data for 2010, 2011, 2012, 2013 and 2014 by age group and sex.
Paid medical diagnostic services by NHIF	Appendix 7	NHIF	Data for 2010, 2011, 2012, 2013 and 2014 in BGN.

## 2. MACROECONOMIC REVIEW AND BUSINESS CLIMATE IN BULGARIA

Bulgaria's GDP increased by 1.2% y/y in the fourth quarter of 2014, continuing the upward trend since 2010. According to the World Bank, the real GDP annual growth will stand at 1.1% in 2015 and 2.0% in 2016, compared to 1.4% in 2014 and 1.1% in 2013. The main drivers behind the recovery were industry and exports, followed by gross capital formation and household expenditure.

Bulgaria - macroeconomic overview						
Indicator	Q4 2014	2013	2012	2011	2010	2009
GDP - nominal (bln EUR)	30.408*	41.047	40.926	40.102	36.764	36.078
GDP - real, y/y (%)	1.2	0.9	0.6	1.8	0.4	-5.5
Inflation - average annual (%)	-1.4	0.9	3.0	4.2	2.4	2.8
Unemployment (%)	10.6	12.9	12.3	11.4	11.2	6.8
Foreign direct investment (bln EUR)	1.182	1.092	1.070	1.330	1.151	2.437
Trade balance (bln EUR)	-3.557	-2.353	-3.460	-2.156	-2.763	-4.174

Source: National Statistical Institute

\*as of Q3 2014

The rise in unemployment, typical for the last five years was interrupted in 2014. As of December 2014, the unemployment rate was 10.6% against 12.9% in the end of 2013. Average annual inflation also went down in line with the trend for 2012 and 2013, and in 2014 there was annual average deflation of 1.4% y/y.

The FDI flow stabilised in 2014 and totalled EUR 1.182 bln for the January-December period, higher than the values for the whole 2012 and 2013, but still more than twice lower than 2009.

The positive growth of GDP, marked for fifth consecutive year in 2014, is expected to persist in 2015 and 2016 at rates of 1.5% and 2.0% respectively, as a result of improved EU funds utilisation, acceleration of structural reforms in key sectors, lower fuel prices and beneficial fiscal policy.

In January 2015 the business confidence indicator went up by 3.8 percentage points m/m due to the improved business climate in the manufacturing industry, construction and services. Economic uncertainty, tough competition, financing issues and low demand are among the key factors, which impede the development of the sectors.

Bulgaria improved significantly its position in the ranking on ease of doing business, according to World Banks' Doing Business 2015 report. The country went up to the 38th position in the 2015 report, compared to its 58th position in previous year's report. Bulgaria made easier starting a business by simplifying preregistration and registration formalities, the World Bank noted. The country was among the economies in Southeastern Europe to achieve the highest average score on the strength of insolvency framework index, the report showed. Bulgaria implemented many of the good practices measured by the index as part of its reform efforts.

Bulgaria improved also its position in the Global Competitiveness Index of the World Economic Forum by scoring 4.37 points in the 2014-2015 ranking, thus occupying the 54th place, up from 57th place in the 2013-2014 ranking. Bulgaria outpaced almost all countries in Central and Eastern Europe, including Romania, Slovenia, Croatia and Greece. Bulgaria ranks highest in health and primary education, macroeconomic environment and technological readiness.

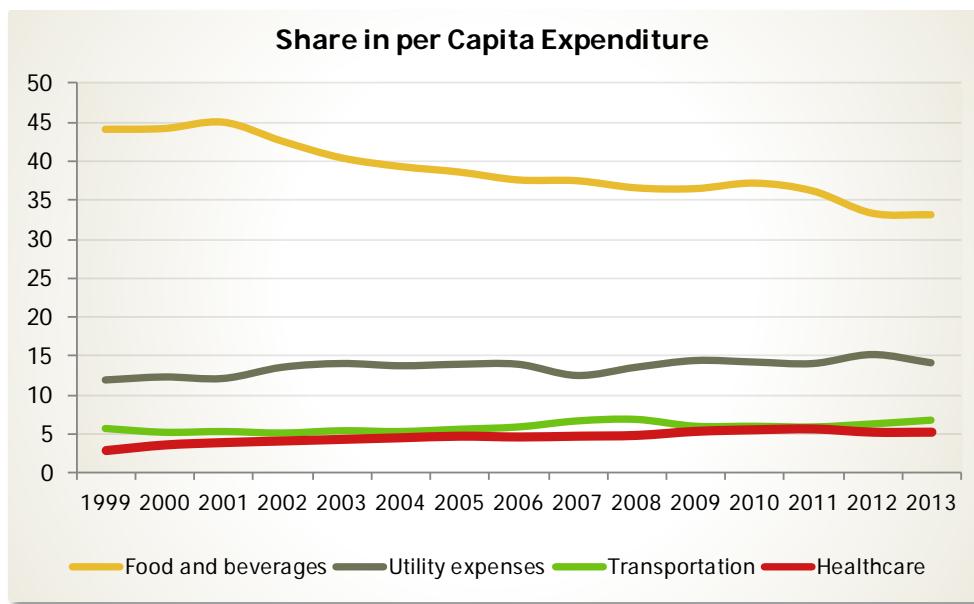
## **2.1. Health and demographic overview**

The aging population, declining birth rates and a high mortality rate are the main features of the demographic situation in Bulgaria, according to a report of the National Statistical Institute (NSI). Positive trends are the decreasing total, as well as infant mortality rate and the increasing life expectancy of the population.

As of end-2013 Bulgaria's population totalled 7.245 million people or by 0.5% less than at end-2012. The birth rate in the country is slowing down, reaching 9.2 per mille in 2013, down from 9.5 per mille and 9.6 per mille in 2012 and 2011, respectively.

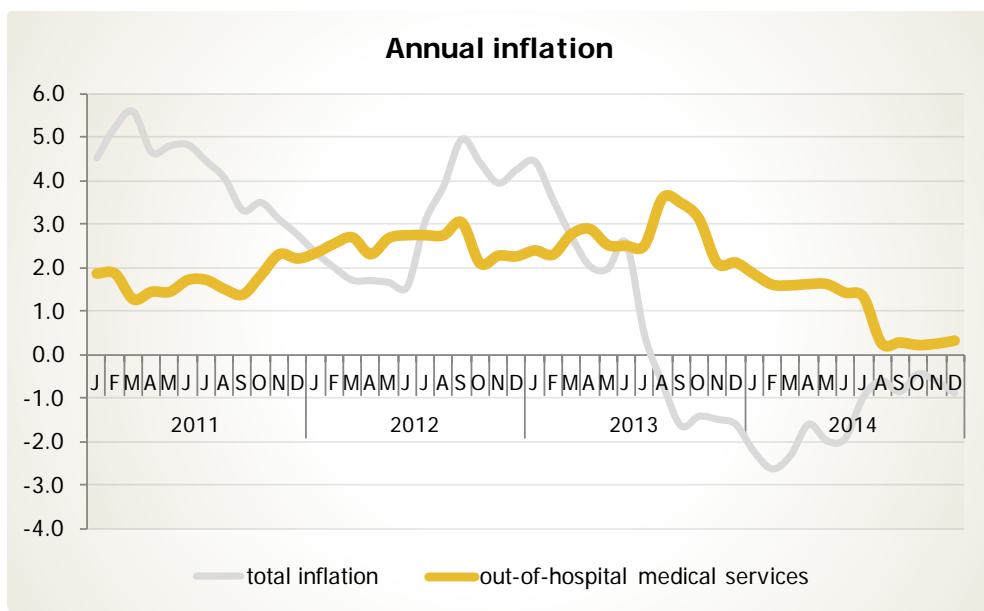
The Bulgarians aged 65 and older continued to raise their share in the total population of the country and in 2013 they accounted for 19.6% of the total, compared to 19.2% in 2011 and 16.9% in 2001.

In the 2011-2013 period expenditure on healthcare products and services accounted for more than 5.0% of the per capital expenditure of the population. The healthcare expenditure was fourth in terms of share in the per capita expenditure after food and beverages expenditure, which accounted for more than 30%, utilities expenditure with a share of more than 14%, and transportation services.



Source: NSI

In 2014 the average annual inflation in out-of-hospital medical services slowed down to 1.0% from 2.7% in 2013. In the period 2011-2014 the annual inflation was strongest in August 2013 when it amounted to 3.6% and lowest, of 0.2%, in October 2014.



Source: NSI

### **3. MARKET SIZE**

*The analysis on the main financial indicators of the 239 SMDLs in Bulgaria is based on the companies' financial statements for 2013, 2012 and 2011. Financial reports for 2014 were not published as of the date of the preparation of the report.*

The 2011-2013 period seems to be beneficial for the SMDLs as their total net sales revenue was growing and reached BGN 73.282 mln in 2013, a 28.6% jump in comparison to 2011. More than half of the companies, which posted annual reports in 2013, registered a rise in their net sale revenues. However, the share of the laboratories, which reported a decline in sales, soared to 44.6% from 28.7% in 2012. Furthermore, more than 50% of the SMDLs generated net sales revenues of less than BGN 100,000 and only 8.1% of the laboratories passed the BGN 1.0 mln mark.