

Evolutions and Trends Regarding the Pharmaceutical Sector in Romania

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The pharmaceutical industry is a vital field of activity that by providing pharmaceutical products and preparations that take medicines form, contributes to the diagnosis, treatment, maintenance, upkeep and maintenance of the health of the population. Over time, we are witnessing an increase in the need for pharmaceuticals, and implicitly an increase in both the number of drug distributors and the number of manufacturers. Pharmaceutical industry as one of the most profitable and competitive industries is considered to be one of the key industries in the world. An important part of specialized studies deals with the evolution of the pharmaceutical industry. The purpose of this paper is to analyze and present trends in the evolution of the pharmaceutical sector in Romania. We also aim to present a top of the largest and most important companies in the pharmaceutical field according to the CANE activity code. The results of the research show the upward trend of the national pharmaceutical sector, given the increase in profits recorded by companies in the field, increased revenue, turnover, number of entities producing and distributing drugs. The pharmaceutical industry is an important sector, with a continuous development and a rapid growth rate.

Keywords: pharmaceutical field, financial crisis, turnover, net profit, manufacture of pharmaceuticals

JEL Classification: G01, G10, M40

1. Introduction

The pharmaceutical industry is a vital field of activity that by providing pharmaceutical products and preparations that take the medicines form, contributes to the diagnosis, treatment, maintenance, upkeep and maintenance of the health of the population.

Over time, we are witnessing an increase in the need for pharmaceuticals, and implicitly an increase in both the number of drug distributors and the number of manufacturers. Pharmaceutical industry as one of the most profitable and competitive industries is considered to be one of the key industries in the world. Hence, the pharmaceutical industry return is employed as one of the scales in measuring the development of countries in the world [4].

Recent studies [10] show that medicines for mild conditions such as flu and colds are abundantly available on pharmacy shelves, which facilitates self-treatment with over-the-counter medications, and excessive media advertising creates a continuing need for a sedentary lifestyle with an unhealthy diet and without sports, Romanians are becoming more and more consumers of medicines.

The purpose of this paper is to analyze and present trends in the evolution of the pharmaceutical sector in Romania. We also aim to present a top of the largest and most important companies in the pharmaceutical field according to the CANE activity code. The results of the research show the upward trend of the national pharmaceutical sector, given the increase in profits recorded by companies in the field, increased revenue, turnover, number of entities producing and distributing drugs. The pharmaceutical industry is an important sector, with a continuous development and a rapid growth rate.

2. Literature review

An important part of the specialized studies deals with the problem of the national pharmaceutical industry. Some authors [5] conclude that statistics have shown that the pharmaceutical industry is one of the most competitive and dynamic in the sectors of activity on the market, which is why competition is very close. Barriers to entry in this market, as well as research and development costs are relatively high, so that they use mergers and acquisitions, mainly in the innovative area of industry, thus generating one of the most active economic segments, after the banking sector.

One might ask why the pharmaceutical industry is so important and interesting. The simplest and most obvious answer lays in the most fundamental need of mankind: the will to survive. The discoveries in the pharmaceutical and biotechnology industries help to reduce mortality and to prolong life. This can surely be considered as one of the most important needs, if not the need and desire of all human beings [6].

The pharmaceutical industry is the part of the healthcare sector that deals with medications. The industry comprises different subfields pertaining to the development, production, and marketing of medications. These more or less interdependent subfields consist of drug manufacturers, drug marketers, and biotechnology companies.

The main goal of the pharmaceutical industry is to provide drugs that prevent infections, maintain health, and cure diseases. This industry directly affects the global population, so a number of international regulatory bodies monitor things like drug safety, patents, quality, and pricing. Here are some of those regulatory entities [1]:

- World Health Organization (or WHO)
- US Food and Drug Administration (or FDA)
- Medicines and Healthcare Products Regulatory Agency (or MHRA)

An important research [11] in the pharmaceutical field focuses on the evolution of the pharmaceutical industry in Romania for the period before the financial crisis and the period after the crisis. According to her, during the pre-crisis period between 2002 and 2007, the Romanian pharmaceutical market experienced a period of sustained growth, with an annual growth rate of 25%, being stimulated by rapid economic development which led to an increase in financial resources, both public and private. The same quoted source claims that, starting with the second half of 2007, the pharmaceutical market has entered a period of stagnation of almost 3 years, and the reasons for this dynamic are mainly related to the negative effects of the recession on the financial resources of the pharmaceutical healthcare sector.

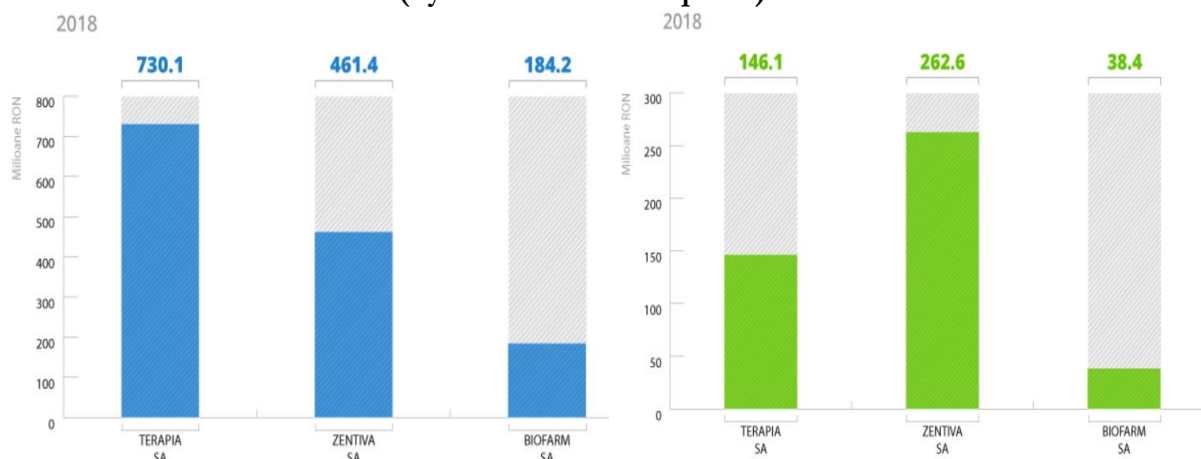
According to an analysis conducted by Keys fin, which took into account the financial data of companies producing and distributing drugs, their business has evolved steadily in recent years, from 37.92 billion lei in 2012 to 47.87 billion lei in 2017, estimates for 2018 going to 50 billion lei. The increase in turnover in the pharm industry, which reached 26% between 2012-2017, leading to a significant evolution of profitability, comes mainly against the background of the sustained expansion of pharmacy chains and aggressive promotion campaigns [2]. The pharmaceutical market in Romania, including prescription and over-the-counter drugs, increased by 13.4% in 2018 compared to the previous year, reaching the level of 3.374 billion euros, according to data provided by the market research firm IMS in December and quoted by Zentiva, one of the leading local manufacturers of medicines [8].

3. Description and top of the national pharmaceutical companies

In 2019, a study in the pharmaceutical field [10] according to risc.ro paints a top of the national pharmaceutical companies. In this sense, the largest drug company in Romania in 2018 was Terapia SA, with a turnover of RON 730.1 million and followed by Zentiva SA and Biofarm SA. If from the point of view of turnover, the detached leader of the ranking is

Therapy, when we talk about profit, the situation changes, this making a ring with Zentiva. The profit obtained by Zentiva in 2018 is considerably higher (by 79.7% compared to Therapy), as shown by the figures in the figure below (Figure no. 1):

**Figure no 1. Top three local pharmaceutical companies
(by turnover and net profit)**



(Source: <https://www.risco.ro/suport/practici-in-afaceri/cine-castiga-cel-mai-mult-din-fabricarea-produselor-farmaceutice-2083>)

A year later, in a study published by Stog I. (2020) [7] the top of national companies is completed by Antibiotice SA and Sandoz Srl. The study shows that the local production of pharmaceuticals is led by TERAPIA SA, with a turnover of 730 million lei in 2018, the company being followed by ZENTIVA SA (461.4 million lei), ANTIBIOTICE SA (365 million lei), SANDOZ SRL 357 million lei) and BIOFARM SA (184 million lei), and the total turnover of the five largest local producers exceeded 2 billion lei in 2018 and represents over 53% of the total turnover of that year of local pharm producers. The same study cited above, deals with the top distributors of pharmaceuticals. According to him, there is only one step from production to pharmacies or hospitals, and this is done by local drug distributors (CAEN 4646), in the top of which is MEDIPLUS EXIM SRL, with a turnover of 3.9 billion lei, followed by FILDAS TRADING SRL (3.6 billion lei), ALLIANCE HEALTHCARE SRL, FARMEXIM SA and SANOFI ROMÂNIA SRL, so that, cumulatively, these five companies had business of over 14 billion lei in 2018, respectively 42 % of total turnover generated by local distributors.

In addition to the ranking of distributors, manufacturers of pharmaceuticals, Stog I. (2020) [7] also makes a ranking of pharmacy chains, based on turnover. Thus, on the first place is SENSIBLU SRL, with a turnover of 1.7 billion lei (9.1% of the total), being followed by DONA (SIEPCOFAR SA), with 979 million lei in 2018 (5.1% of the total) and HELP NET FARMA, with 665 million lei (3.5% of the total). The next ranked are CATENA HYGEIA SRL, with 620 million lei (3.2% of the total) and FARMACIA TEI SRL, with 448 million lei (2.3% of the total). All these 5 chains reported business of over 4.4 billion lei in 2018, concentrating 23% of the total sub-segment of the pharmaceutical retail trade.

The profitability of the pharmaceutical sector is the point of interest of several specialized studies. In this sense, the authors Şuşu S. & Bârsan M. (2017) [9] in the paper Dynamics of profitability in Romanian Pharmaceutical companies under the impact of changes in the contemporary business environment aim to assess the profitability of companies whose object of activity is the manufacture of basic pharmaceutical products and pharmaceutical preparations (CANE code 21: manufacture of basic pharmaceutical products

and pharmaceutical products), listed on the stock exchange, companies such as SC Antibiotice S.A., S.C. Biofarm S.A. and S. C. Zentiva S.A. for a period of five years, 2013-2017.

Hada I. (2020) [3] conducts a study to assess the financial performance of a number of five companies in the field of pharmaceutical industry (more precisely, companies whose object of activity consists in the retail trade of pharmaceutical products in specialized stores - CAEN 4773) for which some of the indicators for measuring financial performance over a period of fifteen years, 2004-2018, were analyzed. The five companies were chosen based on turnover, representing the five best performing companies in the field of trade in pharmaceuticals according to the site topfirme.com, and the indicators were calculated based on the information contained in their annual financial reports, published on mfinante.ro.

Romania's entire economy is affected by the pandemic: according to our estimates the annual decrease will be between 5 and 7%, being influenced by both the duration of the state of emergency and other factors, such as the authorities' approach to the several hundred thousand Local SMEs directly or indirectly affected. However, there are also sectors that are growing, this is also the case of the pharmaceutical industry, and an industry that has grown steadily in the last 10 years and which this year will most likely reach an all-time high. We can therefore say that, in 2020, the pharm industry, which is at the forefront of the fight against coronavirus, will contribute both to the stability of the local economy and to the health of Romanians, said Roxana Popescu, Managing Director of KeysFin [12].

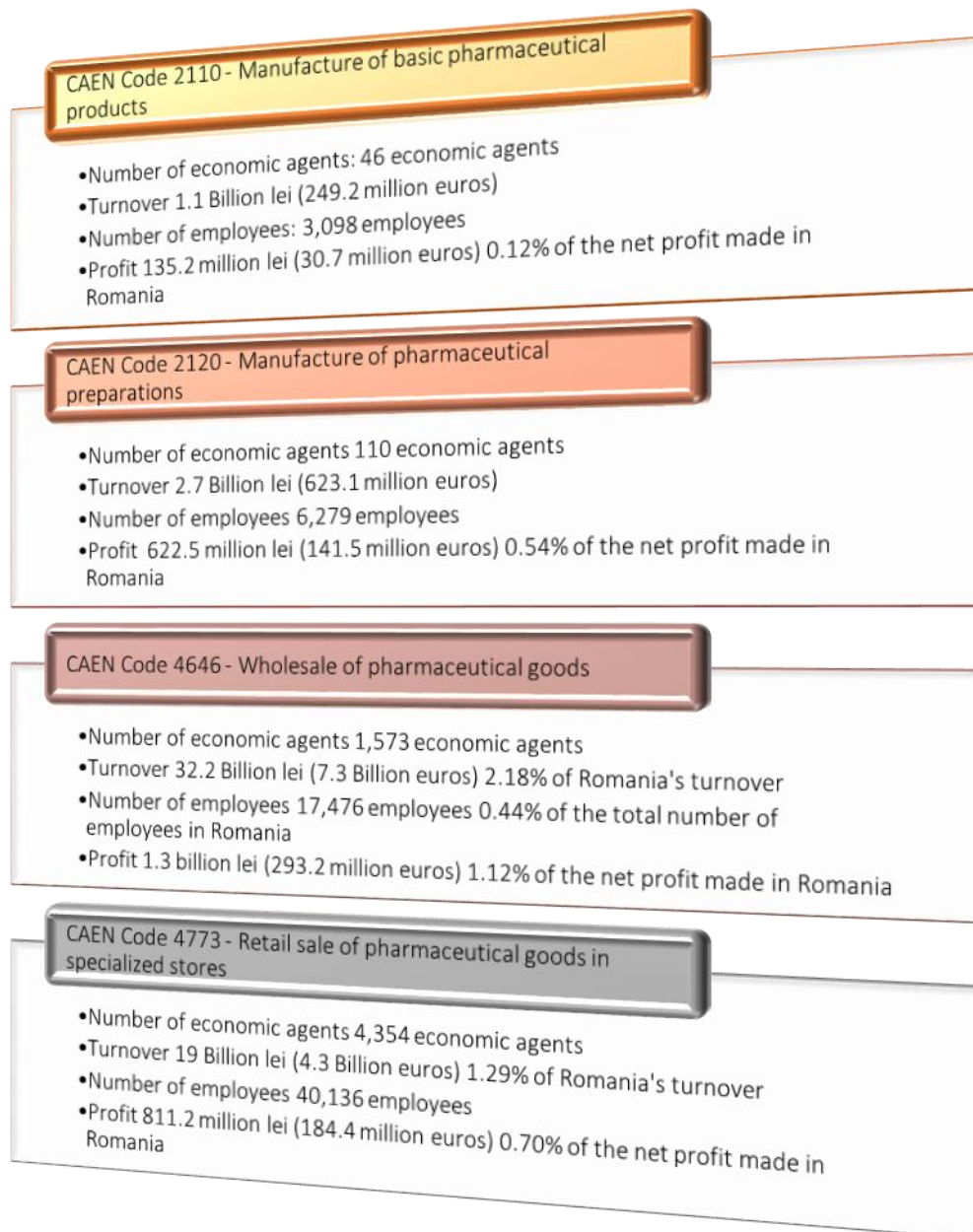
In the current context [7], the pharmaceutical industry in Romania will register record business in 2020, in the context of the increased demand for medicines and medical equipment, generated by the Coronavirus pandemic. The turnover generated by the entire production and distribution chain will reach approximately 68 billion lei, a historical maximum for the local market, according to a KeysFin analysis. In Romania are officially registered 170 manufacturers of medicines and pharmaceutical preparations and almost 6,500 wholesalers and retailers of these product categories, according to data provided by the Ministry of Public Finance, for 2018. The labor force increased by 1.5% compared to 2017 and 15% compared to the level of 2009, so that in the local pharm industry, in 2018 there were about 68 thousand employees [7].

In Romania, according to the site topfirme.com [13] in the pharmaceutical sector we have the following areas of fields:

- CAEN Code 2110 - Manufacture of basic pharmaceutical products
- CAEN Code 2120 - Manufacture of pharmaceutical preparations
- CAEN Code 4646 - Wholesale of pharmaceutical goods
- CAEN Code 4773 - Retail sale of pharmaceutical goods in specialized stores

In the figure below we find the fields of activity in the pharmaceutical sector in Romania characterized by the number of employees, turnover, number of economic agents operating in the field, as well as the net profit obtained by the companies in question in 2018.

Figure no 2. Description of the fields of activity in the pharmaceutical sector



(Source: own processing based on data available on topfirme.com)

In the figure below we find a top of the top five companies depending on the turnover achieved, by fields of activity in the pharmaceutical sector in Romania

Figure no 3. Top five pharmaceutical companies depending on the areas of activity

(Source: own processing based on data available on topfirme.com)

All this research does nothing but highlight the upward trend of the national pharmaceutical sector, given the increase in profits recorded by companies in the field, the increase in revenues, turnover, the number of entities producing and distributing drugs. The pharmaceutical industry is an important sector with a continuous development, and a fast growth rate.

4. Conclusions

Statistics have shown that the pharmaceutical industry is one of the most competitive and dynamic in the sectors of activity on the market, which is why competition is very close. Barriers to entry in this market, as well as research and development costs are relatively high, so that they use mergers and acquisitions, mainly in the innovative area of industry, thus generating one of the most active economic segments, after the banking sector [5]. In this sense, the purpose of this paper is to analyze and present trends in the evolution of the pharmaceutical sector in Romania. We also aim to present a top of the largest and most important companies in the pharmaceutical field according to the CANE activity code.

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