

March 4, 2014

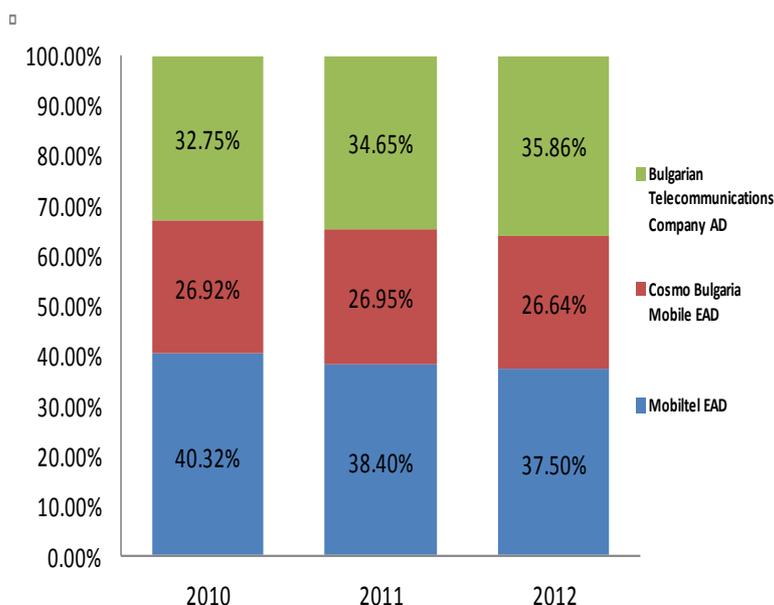
## Bulgarian telecoms' net sales shrinking revenue will raise competition on the market

By Alexander Yanev

As of end-February 2014, there were three telecommunications companies in Bulgaria which accounted for the major part of the clients on the local market. Namely, they are the Bulgarian Telecommunications Company AD (BTC AD), Cosmo Bulgaria Mobile EAD, operating under the brand name GLOBUL and Mobiltel EAD (MTel). To investigate the topic, the current article takes data from the companies' audited annual non-consolidated reports, published in the Trade Register of Bulgaria.

The net sales revenue of the three companies marked a consistent slowdown in the period 2010-2012. Their total net sales revenue amounted to BGN 2.347 bln in 2012, down from BGN 2.586 bln and BGN 2.737 bln in 2011 and 2010, respectively. The results reveal a shrinking of the net sales revenue by 14.25% in 2012, compared to 2010.

**Figure 1. Companies' share in their total net sales revenue**

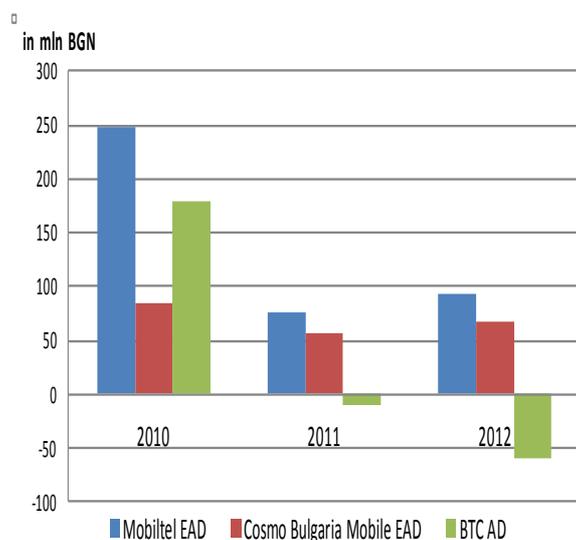


Source: Companies' annual non-consolidated and audited reports

Mobiltel EAD had the largest share in the total net sales revenue of the three companies in the period under review. However, its share declined slightly to 37.50% in 2012, from 38.40% in 2011 and 40.32% in 2010. Cosmo Bulgaria Mobile EAD's net sales revenue accounted for more than 26% of the total net sales revenue throughout the period. BTC AD managed to boost its share to 35.86% in 2012 from 34.65% in 2011 and 32.75% in 2010.

For the period 2013-2015, each one of the three telecoms' net sales revenue CAGR is negative with 7.0% for Mobiltel EAD, 5.0% for Cosmo Bulgaria Mobile EAD, and 2.0% for BTC AD. Based on these results, we expect the three companies to report lower net sales revenues in 2013, compared to 2012.

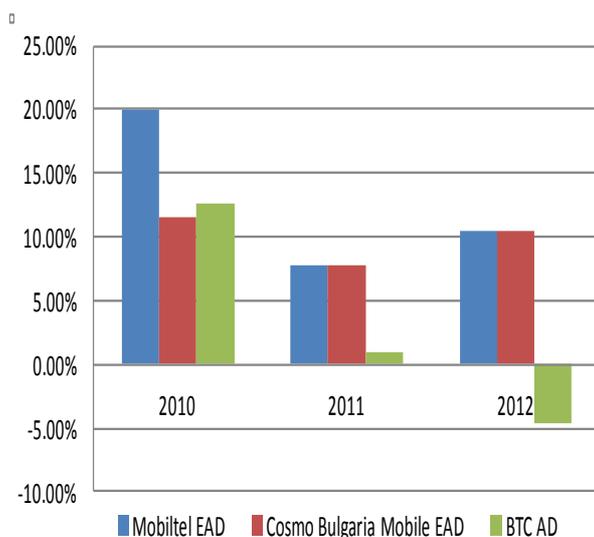
**Figure 2. Earnings before interest and tax (EBIT)**



The companies' earnings before interest and taxes (EBIT) experienced considerable fluctuations between 2010 and 2012. Although BTC AD performed well in 2010 by reporting an EBIT of BGN 179 mln, it made the largest downturn in the next two years, reporting a negative EBIT of BGN 11 mln in 2011 and 59 mln in 2012. Mobiltel EAD scored the highest EBIT of BGN 247 mln, in 2010. The company's EBIT slumped by 69% in 2011 but recovered in 2012, reaching BGN 93 mln. Cosmo Bulgaria Mobile EAD recorded slighter deviations in its EBIT in

comparison to the other companies and managed to turn to an EBIT of BGN 67 mln in 2012, after a year-on-year drop in 2011.

**Figure 3. Net profit margin**



Source: Companies annual non-consolidated and audited reports

The net profit margin (net profit as a percentage of the net sales revenue) of the three companies showed a dynamic development in the period 2010-2012. Mobiltel EAD and Cosmo Bulgaria Mobile EAD reported almost an equal net profit margin in 2011 and 2012. Mobiltel EAD generated a net profit margin of 10.50% in 2012, compared to 7.69% in 2011. Cosmo Bulgaria Mobile EAD posted a net profit margin of 7.79% in 2011, followed by 10.39% in 2012. However, Mobiltel EAD's net profit margin dropped much sharper than that of Cosmo Bulgaria Mobile EAD in 2012, compared to 2010. BTC AD also experienced a steep decline in its net profit margin, which hit -4.68% in 2012 after the positive 12.68% in 2010 and 1.03% in 2011.

In 2013, the net sales revenue of the three telecommunication companies is expected to reflect the slow recovery of the country's economy. The companies will try to attract more subscribers, including those of their competitors, by offering lower prices and better service quality in order to keep revenues intact. The telecoms will focus on providing bundled and broadband services rather than only fixed and mobile telephony.