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**Brakke Consulting's  
Animal Health News & Notes for November 10, 2006**  
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Editor: Lynn Fondon, DVM, MBA

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IN THE NEWS:

earnings news

- [Digital Angel](#)
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other news

- [Elanco](#)
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- [Micro Beef Technologies](#)
- [PetMed Express](#)
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- [Pfizer](#) (Convenia)
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**COMING IN DECEMBER:  
2006 US FLEA CONTROL AND HEARTWORM MARKETS  
ORDER NOW FOR EARLY-BIRD DISCOUNT**

Brakke Consulting will be publishing our latest annual report on the US Flea Control and Heartworm Markets in December. The report will include the following valuable information:

- Information on a number of new products expected to enter the market in 2007
- Up-to-date pricing and sales data on the leading products
- Advertising budgets for flea and heartworm products
- Opinion survey of small animal veterinarians

The report on the US Flea Control & Heartworm Markets will be available for a purchase price of **\$4,500 if ordered BEFORE DECEMBER 1**, and \$4,995 after that date.

Please contact Dr. Lynn Fondon at (972) 243-4033 or [lfondon@brakkeconsulting.com](mailto:lfondon@brakkeconsulting.com) to pre-order the report or for more information.

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**COMPANY EARNINGS RELEASES**

> **MWI Veterinary Supply**, Inc. announced financial results for its fourth quarter and fiscal year ended September 30, 2006. Total revenues grew 21% to \$161 million for the three months ended September 30, 2006 compared to the three months ended September 30, 2005. Net income for the quarter increased 264% to \$3.3 million. Revenue for the full year reached \$606 million for the

year, up 22% over 2005. Net income of \$13.8 million for the year surpassed 2005 by more than 200%. (Market wire)

> **Heska** reported results for its third quarter ended September 30, 2006. Total revenues for the quarter were \$18.6 million, a 4% decrease compared to the third quarter of 2005. Core companion animal health revenues were \$15.6 million, the highest third quarter in company history and 1% higher than the third quarter of 2005. Net income for the quarter was \$864,000, a 30% decline from the third quarter of 2005. (company press release)

> **Peptech** reported a 23% fall in animal health revenues for the 2006 financial year. Sales fell 23% from Au\$ 1.3 million (US\$ 970,000) in 2005 to Au \$1 million this year, reflecting lower sales of the equine fertility product Ovuplant (deslorelin). The decline was partially offset by increased sales of Peptech Animal Health's other product, Suprelorin (deslorelin). Sales of the canine contraceptive implant have risen by 18% in the last six months, and by 84% over the corresponding period last year. (Animal Pharm)

> **Embrex**, Inc. announced financial results for the third quarter ended September 30, 2006. Consolidated revenues for the quarter were \$14.4 million, an 8% increase compared to consolidated revenues of \$13.3 million for the third quarter of 2005. Consolidated net income was \$0.7 million for third-quarter 2006, an 11% increase in comparison to third-quarter 2005 net income. (company website)

> **Digital Angel** Corporation announced results for its nine months ended September 30, 2006. For the first nine months of 2006 revenue was \$42.0 million and the net loss was (\$4.1 million), compared to revenue of \$42.0 million and a net loss of (\$2.4 million) for the first nine months of 2005. Nine-month Animal Applications revenue was up 10.7%, primarily reflecting increased companion pet sales to Schering Plough, which were up 77% over the same period last year. (company website)

> **eMerge Interactive**, Inc. reported results for the three months ended September 30, 2006. Revenues for the quarter were \$388,000, compared to revenues of \$400,000 for the third quarter of 2005. Net loss for the third quarter of 2006 was (\$1.2 million), compared to a net loss of (\$1.6 million) in the third quarter last year. (company press release)

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## **BRAKKE CONSULTING, INC.**

### **SIGN UP NOW TO ATTEND BRAKKE CONSULTING'S 2007 INDUSTRY OVERVIEW**

Brakke Consulting will once again be presenting our 2007 Industry Overview at the North American Veterinary Conference and the Western Veterinary Conference.

#### **NAVC (North American Veterinary Conference)**

The 2007 Industry Overview will be presented on Monday, January 15 from 2:00 pm – 4:00 pm at the Gaylord Palms.

#### **WVC (Western Veterinary Conference)**

The 2007 Industry Overview will be presented on Monday, February 19 from 2:00 pm – 4:00 pm at the Four Seasons hotel adjacent to the Mandalay Bay.

Early registration is \$325 for the first company attendee and \$300 for each additional attendee from the same company at the same presentation. To register online, go to the home page at [www.brakkeconsulting.com](http://www.brakkeconsulting.com) and click on the registration link. You may also register by calling Jane Morgan in the Dallas office at 972-243-4033.

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## COMPANY NEWS RELEASES

> **Pfizer** introduced the Porphyromonas Denticanis-Gulae-Salivosa Bacterin, the first vaccine to fight the common bacteria that can lead to periodontitis. The bacterin is conditionally licensed by the USDA to be used in healthy dogs as an aid in preventing periodontitis. (*Veterinary Practice News*)

> **Lipid Sciences** Inc. announced a research and license agreement with **Elanco Animal Health** to develop animal health products. The agreement covers research, development, manufacture and sale of one or more immunological products. They will begin with a vaccine directed against specific lipid-enveloped organisms, which would make an animal's immune system more effective in fighting the virus. Under the agreement, Elanco will pay all associated research and development costs for each targeted product. Lipid Sciences may also receive a series of payments including a technology access fee, milestone payments, and royalties from product sales. (*Houston Chronicle*)

> The FDA amended the animal drug regulations to reflect approval of an original new animal drug application (NADA) filed by **Virbac** AH. The NADA provides for veterinary prescription use of chewable tablets in dogs containing ivermectin, pyrantel pamoate, and praziquantel for the treatment and control of various internal parasites. (*AnimalNet - Federal Register*)

> **Vetoquinol** announced that that it intends to be listed on the French Euronext Paris exchange. Vetoquinol will be in the Compartment B section aimed at mid-size companies. The valuation range is between EUR 19.40 - 22.40 (\$24.80 - \$28.63) per share, and there are a total of 496,133 shares on offer. The company will make an open price public offer in France aimed at individuals, and a global placement aimed at institutional investors in France and abroad. The offer excludes the US, Canada, Japan and Australia. (*Animal Pharm*)

> The Board of Directors of **PetMed Express**, Inc. approved a share repurchase program of up to \$20 million, effective immediately. This program is intended to be implemented through purchases made from time to time in either the open market or through private transactions at the Company's discretion, subject to market conditions and other factors, in accordance with Securities and Exchange Commission requirements. As of November 8, 2006, PetMed Express, Inc. has 24.2 million shares outstanding. (*BusinessWire*)

> **Micro Beef Technologies**, Ltd. announced it has received USDA approval as an interim Animal Tracking Database for participation in the National Animal Identification System. The database is now operational for producers to register their animals, either in anticipation of a National Animal Identification System or for an age- or source-verified program. (*Drovers Alert*)

> EU **Pfizer** Animal Health announced the EU launch of a new cephalosporin antibiotic with a two-week duration of action. The product, named Convenia, contains cefovecin and is approved for the treatment of skin and soft tissue infections and urinary tract infections in dogs and cats. It will be available from the beginning of December in Europe, and is in the approval process in other regions of the globe. (*Animal Pharm*)

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## ANIMAL HEALTH NEWS

- > SLOVENIA - BSE Tests confirmed BSE infection in a cow from Slovenia which was slaughtered in Austria's Graz in late October. Slovenian veterinary authorities have already enforced safety measures at the farm the cow originated from. This is the 7th confirmed BSE case in Slovenia. (*Slovene Press Agency*)
  
- > US - CEM Two cases of contagious equine metritis (CEM) were confirmed by the USDA in Dane County, Wisconsin. The two animals that tested positive were Lipizzaner stallions imported from eastern Europe. The last reported outbreak of CEM in the US was in 1997. (*Animal Pharm*)
  
- > CHINA - PATHOGENIC GENE IDENTIFIED Chinese scientists have identified a gene in the H5N1 bird flu virus which they say is responsible for its virulence in poultry, opening the way for new vaccines. The research was reported in the November issue of the Journal of Virology. (*Reuters*)
  
- > US - ARIZONA PASSES ANIMAL WELFARE LAWS By a margin of 3-2, Arizona became the first state in the nation to prohibit the confinement of calves in veal crates and the second state to prohibit the confinement of breeding pigs in gestation crates. The measure phases out the two confinement practices, with an effective date of Dec. 31, 2012. (*Feedstuffs.com*)
  
- > US - POULTRY DEPOPULATION PRODUCT APPROVED The USDA's Animal & Plant Health Inspection Service (APHIS) confirmed that it has approved the use of a water-based firefighting foam for the mass depopulation of poultry in the event of a disease outbreak or other emergency situation. The foam can only be used under four conditions: (1) with floor-reared poultry; (2) with birds infected with a potentially zoonotic disease -- such as highly pathogenic avian influenza; (3) in situations of rapidly spreading infectious disease that cannot be contained by currently accepted depopulation methods; and (4) for animals housed in structurally unsound buildings that would be hazardous for human entry that might result from a natural disaster. The system produces a foam that fills a poultry facility rapidly and occludes the upper airway of domestic poultry, depopulating the birds as quickly as possible. (*Feedstuffs.com*)

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**BRAKKE CONSULTING VIEWPOINT**

It appears that the financial community is beginning to recognize the commercial value in animal health companies. If we reflect on the past decade, we've seen a period when few, if any, venture funds or equity funds would consider an investment in animal health. The past few years we've seen the equity funds move into the market and successfully complete some significant transactions that are proving to be very profitable for them when they exit. And in the past two years, we've seen some of the first significant public offerings of animal health-related companies with more considering an IPO as an exit strategy.

Now we're observing a re-entry of venture funds back into the animal health category. This is a positive development for the industry. There are many early-stage technologies and companies that need funding in order to develop into operations that can stand along or be acquired by established companies.

It's a great time to be in animal health!

Have a great weekend!!

*Ron Brakke*

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