
**Brakke Consulting's
Animal Health News & Notes for April 21, 2006**
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Editor: Lynn Fondon, DVM, MBA

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COMPANY EARNINGS RELEASES

> **Pfizer** reported results for the first quarter of 2006. Animal health revenues were \$511 million, an increase of 3% compared to the first quarter of 2005. (*PRNewswire*)

> Merck reported results for the first quarter of 2006. Sales for joint venture **Merial** were \$586 million, an increase of 18% compared to the first quarter of 2005. Sales of Frontline increased 29% in the quarter. (*company website*)

> Akzo Nobel reported results for the first quarter of 2006. **Intervet's** revenues grew 8% to an all-time quarterly high of EUR 282 million (\$341 million). Operating income grew 9% to EUR 58 million (\$70 million). This performance was driven by accelerating growth outside Europe, especially in North America. (*company press release*)

> Wyeth reported results for the 2006 first quarter ending March 31, 2006. Worldwide net revenue for Animal Health division **Fort Dodge** increased 1% to \$248 million for the 2006 first quarter due to higher sales of livestock and poultry products partially offset by equine products. Excluding the unfavorable impact of foreign exchange, worldwide Animal Health net revenue increased 2% for the 2006 first quarter. (*company website*)

> **Schering-Plough** Corporation reported financial results for the 2006 first quarter. Animal Health sales increased 8% to \$208 million, reflecting growth of core brands across most geographic and species areas, led by higher sales of seasonal livestock and companion animal products. The sales growth was tempered by an unfavorable impact from foreign exchange of 6%. (*company press release*)

> Eli Lilly and Company announced financial results for the first quarter of 2006. Worldwide sales of animal health division **Elanco** in the first quarter were \$198 million, an increase of 1% compared with the first quarter of 2005. (*company press release*)

> **Evalis** reported turnover of EUR 648.4 million (\$767 million) for 2005, against EUR 672 million in 2004. This 3.5% downturn reflects the return to normal of raw materials prices and a positive currency impact of EUR 7.1 million, attributable mainly to Brazil and Poland. On a like-for-like basis, 2005 turnover was EUR 628 million (\$744 million). (*company website*)

> **ImmuCell** Corporation announced the results of its operations for the three month period ended March 31, 2006. Product sales increased approximately 1% to \$1,438,000, in comparison to the same period in 2005. The Company recognized net income of \$306,000 for the three months ended March 31, 2006, compared to net income of \$259,000 during the same period in 2005. (*company press release*)

> **Biopure** Corporation announced its financial results for the first fiscal quarter ended January 31, 2006. Total revenues for the first quarter of 2006 were \$477,000, including \$341,000 from sales of Biopure's veterinary product Oxyglobin. For the quarter, the company reported a net loss of (\$6.4 million), compared with a net loss of (\$7.5 million) for the corresponding period in 2005. (*company website*)

Brakke Veterinary Practice Management Group launches new website

Brakke VPMG, a division of Brakke Consulting, Inc. announced the launch of their new website, www.brakkevpmg.com, this week. The site has expanded information about the various services that the group offers in addition to educational articles and an upcoming events calendar that highlights the numerous speaking engagements of Brakke VPMG consultants.

Brakke VPMG's mission is to provide practical, high-quality, innovative practice management advice to veterinarians and those who work with them, in order to help practices accomplish their goals in the areas of medical and surgical care, client service, financial success and practice operations. Realizing that each practice is unique, Brakke VPMG offers a customized methodology that consistently exceeds client expectations. To find out more about Brakke VPMG contact: info@brakkevpmg.com or call the Dallas Headquarters at 972-243-4033.

COMPANY NEWS RELEASES

> **Royal Canin** Veterinary Diets announced the launch of Royal Canin Dental formula diets for dogs and cats to help prevent dental plaque and tartar formation. The new formulas are Feline Dental DD 27; Canine Dental DS 23 for dogs under 25 pounds; and Canine Dental DD 20 for dogs over 25 pounds. (*DVM Newsmagazine*)

> **Vedco**, Inc. announced that, as a result of **Henry Schein** completing the acquisition of **NLS Animal Health**, the Vedco Board of Directors has approved a transfer of the shares in Vedco previously owned by Barber & Lundberg, to Henry Schein, enabling Henry Schein Veterinary to distribute Vedco products throughout the US. (*company press release*)

> **Lifelearn** Inc. is expanding its digital production expertise with the launch of the Integrated Digital Media Solutions (IDMS) division. IDMS was created to provide an effective vehicle for the animal healthcare industry to reach their specific audiences with innovative solutions. IDMS is providing interactive solutions for multi-platform delivery (web, CD, DVD, hybrid, PDA). (*company press release*)

**CONSULTANT PROFILE
RON BRAKKE: PRESIDENT, BRAKKE CONSULTING**

Ron grew up in South Dakota on a multispecies family farm. He attended Augustana College in Sioux Falls, SD, where he received a degree in Biology. He has been married to his wife Becky for 40 years. They have two daughters, who are both professionals in the human healthcare field.

Before starting Brakke Consulting in 1986, Ron held a number of positions over the preceding 23 years, the last being President of the Consumer and Animal Health Division of Zoecon Corp. Under Ron's leadership, Zoecon Consumer and Animal Health grew from \$15 million to \$100 million with the introduction of insect growth regulators into the animal health and consumer markets.

- Ron's current activities at Brakke Consulting include:
- managing a successful firm of a dozen dedicated consultants
 - interfacing with senior management of leading animal health companies
 - managing senior executive searches for large and small companies
 - acting as principal consultant on acquisition and merger projects

What does Ron see in the future for Animal Health?
The animal health industry has evolved from an orphan industry where investment was cautious, to an industry where leading pharmaceutical and investment firms believe a high rate of return can be achieved. This new level of interest in animal health is positive for all those involved.

ANIMAL HEALTH NEWS

- > JAPAN - BSE Japan confirmed a case of BSE in a 5-year-old Holstein. The dairy cow, intended to be slaughtered for meat, was from Okayama prefecture in western Japan. Earlier, a 20-month-old Holstein steer slaughtered for beef had tested positive for the disease, but confirmatory tests were negative. (*Meating Place*)
- > NORTH AMERICA - NEW VETERINARY CONFERENCE The American Animal Hospital Association (AAHA) and the Ontario Veterinary Medical Association (OVMA) are joining together to offer an international joint conference in Toronto, in 2011. The AAHA/OVMA Conference – Toronto 2011 is scheduled for March 22–28, 2011, at the Metro Toronto Convention Center. (*association press release*)
- > BRAZIL - FMD Brazil's agriculture ministry confirmed a new case of foot and mouth disease (FMD) near Japora in the state of Mato Grosso do Sul. The case was identified during routine monitoring activities in the area, which has been quarantined since last October, when FMD was discovered. According to the ministry, the farm had 137 cows, all of which will be slaughtered. (*Feedstuffs online*)

US Animal Health Market, 1986: 20 years ago

Pharmaceuticals	\$ 844 million
Biologicals	193 million
Feed Additives	<u>1067 million</u>
Total	\$ 2104 million

*source: AHI

BRAKKE CONSULTING VIEWPOINT

Well, it looks like a number of the larger companies are off to a nice start in 2006. We've felt for the past few months that the overall market would show strength through at least the first two quarters, with some possible softness during the second half of the year.

Companion animal products will again lead most of the growth. Food animal and poultry sales will show some softness. Higher energy prices will result in increased protein production costs throughout the production chain, which will have a negative impact on profitability. There will be more inflation on the cost side, and limited ability for producers to pass those costs on. In the long run, this will likely cause a decline in product usage. However, it's an election year and the politicians like a strong economy when they are visiting with their constituents.

Finally, in last week's newsletter I failed to mention the contributions that Bruce Andrews made to Brakke Consulting for the two years he was with us. Sorry, Bruce!

Have a great weekend.

Ron Brakke

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Brakke Consulting, Inc.
2735 Villa Creek, Suite 140
Dallas, TX 75234 USA