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**Brakke Consulting's  
Animal Health News & Notes for April 28, 2006**  
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IN THE NEWS:

earnings news

[Bayer](#)  
[Hill's](#)  
[IDEXX](#)  
[Maple Leaf](#)  
[Nestle](#)  
[VCA Antech](#)  
[Virbac SA](#)

other news

[Alpharma](#)  
[Doane Pet Care](#)  
[Embrex](#)  
[Encore Genetics](#)  
[Mars](#)  
[Smart Drug Systems](#)  
[ViaGen](#)

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**COMPANY EARNINGS RELEASES**

- > **Bayer** reported financial results for the first quarter of 2006. Sales in the Animal Health segment advanced 10.6% to EUR 220 million (\$266 million) as volumes increased in all regions, especially Europe. At the same time, this segment benefited from the European market launch of Profender, a new dewormer for cats. (*company website*)
  
- > **Virbac SA** reported results for the first quarter of 2006. Net sales were EUR 91 million (\$110 million), an increase of 15% compared to the first quarter of 2005. (*company website*)
  
- > **IDEXX Laboratories**, Inc. reported that revenue for the first quarter of 2006 increased 10% to \$168.2 million for the first quarter of 2005. Companion Animal Group ("CAG") revenue for the first quarter of 2006 increased 12% to \$139.4 million for the first quarter of 2005 primarily due to higher sales in all CAG product and service categories. Incremental sales from businesses acquired during 2005, consisting of veterinary reference laboratories and a digital radiography business, contributed approximately 2% to CAG revenue growth, while the impact of foreign exchange reduced growth by 2%. (*PRNewswire*)
  
- > The **Nestle** Group reported financial results for the first quarter of 2006. Petcare recorded organic growth of 6.8% with sales of CHF 2,788 million (\$2,137 million), with Europe the key driver. (*company press release*)
  
- > Colgate-Palmolive Company announced results for the first quarter of 2006. **Hill's** sales grew 7% to \$385 million, while unit volume grew 5.5%, to a first quarter record level and the best volume increase in twelve quarters. (*company press release*)

> **VCA Antech**, Inc. reported financial results for the quarter ended March 31, 2006 as follows: revenue increased 25.3% to a first quarter record of \$234.2 million; and net income was \$29.7 million. Laboratory internal revenue growth was 15%, while consolidated animal hospital revenue increased 28%. (*company press release*)

> **Maple Leaf Foods** reported that sales slipped to C\$1.43 billion (US\$ 1.2 billion) from C\$1.5 billion a year ago, but its net profits rose to C\$17.3 million (US\$ 14.8 million) from C\$12.7 million last year in its first quarter, ended March 31. The profit rebound was driven by the company's baked goods and further-processed meat products, not its fresh pork and chicken. Meat group operating profits plunged 26%, to C\$13.7 million (US\$ 11.7 million) from C\$18.7 million in the quarter, and sales dropped 10% to C\$924 million (US\$ 791 million). (*Meating Place*)

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**BRAKKE CONSULTING, INC.**  
**Buy, Sell, or Stay the Same**

In the past year, Brakke Consulting has been the finder of record, agent of record or consultant for several acquisition, merger, and divestiture projects. We have assisted with valuations and due diligence on confidential transactions, and provided executive counsel on a number of potential transactions.

Brakke Consulting has the experience, insight, abilities, and contacts that provide our clients with the highest quality services in the animal health, pet, veterinary, and specialty chemicals markets. Please contact any of our offices for a confidential consultation on our range of services. Contact information for all offices are available on our website at [www.brakkeconsulting.com](http://www.brakkeconsulting.com)

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**COMPANY NEWS RELEASES**

> **Alpharma** announced it has acquired the Extend-A-Cool product line from **Smart Drug Systems** Inc. Financial terms were not disclosed. (*Feedstuffs*)

> **Mars**, Incorporated and **Doane Pet Care Company** announced that Mars has entered into an agreement to acquire Doane's parent corporation, Doane Pet Care Enterprises, Inc., from Teachers' Private Capital, the private equity arm of Ontario Teachers' Pension Plan. The acquisition by Mars will not include Doane's European business, which is being sold to a third party. Closing of the transaction is subject to certain conditions, including receipt of required regulatory approvals, and is expected to be completed within the next several months. Financial terms were not disclosed. (*Business Wire*)

> **Embrex** Inc. announced that the USDA granted its Inovocox coccidiosis vaccine for poultry a Veterinary Biological Product License which allows the company to market and sell the product in the US. Simultaneously, the USDA granted a Veterinary Biologics Establishment License to Embrex Poultry Health LLC, the company's manufacturing subsidiary based in Scotland County, North Carolina, where the new vaccine will be manufactured, packaged and shipped to customers. (*RTTNews*)

> **ViaGen** Inc. announced it is partnering with **Encore Genetics** to create the first commercial horse cloning operation in the US. The companies simultaneously announced the birth of two cloned horses. (*Feedstuffs*)

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## CONSULTANT PROFILE

### JOHN MANNHAUPT: VICE PRESIDENT, BRAKKE CONSULTING

John grew up in New York City. He attended Iona College in New Rochelle, N.Y. on an academic scholarship, where he received a degree in Mathematics. He then earned an MBA from the Tepper school of business at Carnegie Mellon University in Pittsburgh. His wife Susan now works with Brakke in the accounting department. Their son will attend the University of Texas at Austin next fall.

Before joining Brakke Consulting in 1991, John held a number of positions with the Zoecon division of Sandoz (now Novartis), the last being as National Sales Manager of the Starbar division. John has also been a Financial Analyst with Occidental Chemical (Zoecon's previous owner) and General Foods (now Kraft).

John's current activities at Brakke Consulting include:

- divestitures and acquisitions
- new product and technology evaluations
- marketing plans, including start-up budgets and financial evaluations
- executive recruiting, especially technical and hard to fill positions

#### What does John see in the future for Animal Health?

The US will always be the most dynamic market, and the place that new products and companies have to have a presence. Outside the US, Mexico will become a very dynamic market for pet products, as the middle class continues to mirror that in the US. Eastern Europe will become a growth area for food-producing animals, once feed, environmental and health systems are better established.

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## ANIMAL HEALTH NEWS

> WORLD - AVIAN INFLUENZA Although the highly pathogenic H5N1 strain of the avian influenza virus has been isolated in cats, mink, and a few other species of mammals, the U.N. Food and Agriculture Organization (FAO) said that the animal species playing a major role in the transmission and spread of highly pathogenic avian H5N1 influenza virus are essentially domestic and wild birds. Epidemiological findings and experimental studies have demonstrated that some mammal species, particularly cats, may be susceptible to the virus. However, from the data that have accumulated since the 2003 start of the current avian influenza outbreak, cats do not appear to play any discernable role in the transmission of the virus in the natural setting. (*Wattnet meatnews*)

> IVORY COAST - AVIAN INFLUENZA The West-African nation of Ivory Coast confirmed its first cases of H5N1 in both domestic poultry and wild birds, according to the World Organization for Animal Health. The infected birds were backyard free-range chickens, ducks and a sparrow hawk in the nation's largest city, Abidjan. (*Meating Place*)

> US - CATTLE INVENTORY April's Cattle on Feed report, listed April 1 feedyard inventories at 11.8 million head. That figure is up 9% from one year earlier and the largest April 1 inventory since the USDA began its current data-reporting series in 1996. (*Drovers Alert*)

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### US Animal Health Market, 1986: 20 years ago

Top 5 companies' market share in 1986: 20%

Top 5 companies' market share in 2006: 40%

(incl nutritional feed additives)

source: *Animal Pharm; Brakke Consulting Inc*

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## **BRAKKE CONSULTING VIEWPOINT**

The good sales and earning news continues for animal health companies. Not to rain on the parade, but it does not appear that the same is true for fresh meat companies like Maple Leaf. Their report hit my in-box after I read in Drovers that US beef prices are expected to fall 2.9% per year for the next six years and that the April 1 cattle on feed inventory is the highest since at least 1996. So it is safe to say the cattle cycle has turned. In this environment, the animal health companies will have to provide efficiency in order to maintain their sales and prices.

The other big news has to be Mars' acquisition of Doane. I had just commented privately that Mars did not dominate the US pet food market like it does in Europe. But a change is clearly underway and the shelf life of consulting advice is again shortened.

I am off to the State HS rowing championships in Austin this weekend. Pray that it does not rain like last year. Have a good weekend.

*John Mannhaupt*

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