
**Brakke Consulting's
Animal Health News & Notes for April 29, 2005**
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COMPANY EARNINGS RELEASES

> **Virbac SA** reported results for the first quarter of 2005. Preliminary net sales for the quarter were EUR 82.4 million (\$106 million), a decrease of 2.9% compared to the first quarter of 2004 (1.9% decrease in constant exchange rates). Companion animal sales grew 1.7%, while food animal sales declined 6% at constant exchange rates. (*company website*)

> **IDEXX Laboratories**, Inc. reported that revenue for the first quarter of 2005 increased 14% to \$152 million from \$133 million for the first quarter of 2004. Net income was \$17.7 million for the quarter ended March 31, 2005, compared to \$17.8 million for the same period in the prior year. Net income, as expected, was flat relative to the first quarter of 2004 primarily as a result of anticipated increases in sales and marketing expense related to the expansion of the Companion Animal Group sales and support personnel in 2004 and integration costs associated with the acquisitions of Vet Med Lab and Dr. Bommeli AG in the fourth quarter 2004. (*company website*)

> **ABAXIS**, Inc. reported financial results for the fourth quarter and the fiscal year ended March 31, 2005. For the full year ended March 31, 2005, ABAXIS reported total revenues of \$52.8 million, an increase of 13% compared to the prior year. Net income for the year was \$4.9 million, compared to \$24.0 million in the previous fiscal year. The company recorded a one-time tax benefit of \$19.5 million at March 31, 2004. For the fourth quarter, the company reported revenues of \$13.8 million, an increase of 8% compared to the comparable prior-year period. Net

income for the quarter was \$1.3 million compared to \$20.9 million in 2004. (*company press release*)

> **Nestle** reported results for the first quarter of 2005. PetCare enjoyed 6.4% organic growth, predominantly driven by US sales. PetCare revenues for the quarter were CHF 2,437 million (\$2,031 million). (*company press release*)

> Colgate-Palmolive Company announced results for first quarter 2005. **Hill's Pet Nutrition** sales grew 7% to \$359 million, on unit volume growth of 3.0%. Dollar operating profit increased 3% despite a double-digit increase in commercial spending. (*company press release*)

> **VCA Antech, Inc.** reported financial results for the first quarter ended March 31, 2005 as follows: revenue increased 29.5% to a first quarter record of \$186.9 million; and net income increased to \$17.2 million. Reported net income for the first quarter of 2004 included an after-tax benefit of \$1.1 million for the settlement of an insurance claim relating to a prior legal settlement. Excluding this item from 2004, first quarter 2005 net income increased 26.6% from \$13.6 million to \$17.2 million. (*company press release*)

> **Pilgrim's Pride** announced results for the fiscal 2005 second-quarter. Second-quarter sales fell slightly to \$1.375 billion from \$1.385 billion last year. Net income rose to \$56.4 million from \$33 million in the same period last year. The latest quarter includes a gain of \$6.5 million from a litigation settlement. (*Meating Place*)

> **Maple Leaf Foods Inc.** reported its financial results for the first quarter ended March 31, 2005. Sales for the first quarter increased to C\$1.6 billion (US\$1.3 billion) from C\$1.2 billion last year, mostly due to the acquisition of Schneider Foods in April 2004, and increased sales in the Company's fresh pork and hog production operations. Excluding Schneider Foods, sales for the first quarter increased 3%. Net earnings for the quarter before restructuring costs were C\$21.1 million (US\$17 million) compared to C\$18.1 million last year. Including restructuring costs, net earnings were C\$12.7 million. (*Business Wire*)

BRAKKE CONSULTING, INC.
Mergers & Acquisitions Assistance

Are you interested in growing your business by purchasing another company, product line or technology? Have you been thinking about selling your company, product line or technology? Have you considered merging your company with another firm to improve shareholder value? Brakke Consulting, Inc. assisted many clients with mergers, acquisitions and divestitures over the last few years. Contact information for all offices are available on our website at www.brakkeconsulting.com.

COMPANY NEWS RELEASES

> **Intervet** announced the formal launch of Safe-Guard (fenbendazole) Canine Granules to the OTC market. The dewormers were previously available only through veterinarians. (*Pet Product News*)

> **MWI Veterinary Supply, Inc.** announced it has filed a registration statement with the U.S. Securities and Exchange Commission (SEC) for its proposed initial public offering of its common stock. Banc of America Securities LLC is serving as the sole bookrunner for the offering, and William Blair & Company, L.L.C. and Piper Jaffray & Co. are acting as

co-managers. A registration statement relating to these securities has been filed with the SEC but has not yet become effective. *(company press release)*

> **Lallemand Animal Nutrition** of France and Canadian biotechnology company **GangaGen Life Sciences** Inc. have signed a framework collaboration agreement concerning the selection, development, production and worldwide marketing of novel bacteriophage products for food safety and animal health. Its particular focus will be bacteriophages to use as feed additives against pathogens within an animal's digestive tract. *(Pig Enews)*

> **Rayovac** announced the acquisition of **Tetra Holding GmbH** fish and aquarium supplies company from a private equity group. The deal was estimated at around \$550 million, and is expected to close June 30. Tetra's estimated revenues were \$266 million in 2004. Tetra will be combined with Rayovac's recently-acquired United Pet Group to form one of the world's largest pet supplies manufacturers. *(Pet Product News, Pet Age)*

> **Rayovac Corporation** announced that the proposal to change its corporate name to **Spectrum Brands**, Inc. was approved by shareholders at the company's 2005 annual meeting of shareholders. This name change symbolizes the completion of the transformation of Rayovac Corporation from a US battery manufacturer to a global diversified consumer products company with a robust portfolio of brands across seven major product categories. Rayovac announced the acquisition of United Industries, which markets its products under the Spectrum Brands name, in February 2005. The official corporate name change becomes effective May 2, 2005. At the commencement of trading on that date, the company's common stock, which is traded on the New York Stock Exchange, will begin trading under the symbol "SPC." *(Business Wire)*

> **S&M Nutec** announced the acquisition of **Pill Pockets** Inc. S&M plans to incorporate the Pill Pockets, designed to deliver medications to pets, into its Smart Pet Products Line. Financial terms were not disclosed. *(Pet Product News)*

> **Smithfield Foods**, Inc. announced that it has become the first in its industry to achieve ISO 14001 certification for all its U.S. hog production and processing facilities. ISO 14001 is the international gold standard for environmental management. To obtain ISO certification, a company must meet a rigorous and comprehensive set of requirements and criteria developed by more than 2,000 experts worldwide. The certification process is conducted by an accredited third-party auditor and ensures that anyone receiving certification has mechanisms in place to ensure, and move beyond, environmental compliance. *(company press release)*

> AUSTRALIA **Peptech Animal Health** reported that a higher-dose formulation of Suprelorin (deslorelin) successfully suppressed fertility in male dogs for at least 13 months with no side effects. Last December in Australia, the company began marketing a lower-dose implant which suppressed testosterone for at least 6 months in dogs. Peptech is currently seeking regulatory approval for Suprelorin in Europe and the US, as well as additional approvals in Australia and New Zealand. *(Pet Product News)*

ANIMAL HEALTH NEWS

> US - CWD IN WILD DEER The New York State Department of Environmental Conservation announced that it has received a preliminary positive result for chronic wasting disease (CWD) in a wild deer sampled in Oneida County, near where two captive deer herds were recently found to have CWD. Samples, taken as part of the department's intensive monitoring effort, were tested at Cornell University and will be sent to the National Veterinary Services Laboratory in Ames, Iowa, for verification. *(Feedstuffs online)*

> US - BSE TESTING PROFITS INDUSTRY A report commissioned by the Kansas Department of Agriculture concluded that the discovery of BSE in the US cost the beef industry between \$3.2 billion and \$4.7 billion in losses last year. The study also concluded that voluntary testing for the disease would have provided an economic gain to the beef industry despite the added testing costs. The report looks at regulator costs, losses and consumer reactions after the December 2003 discovery of a BSE case in Washington state. It concludes that profits from overseas markets would have more than paid for testing for BSE. (AP)

> US - SENIOR PET CARE GUIDELINES The American Animal Hospital Association (AAHA) announced the release of the AAHA Senior Care Guidelines for Dogs and Cats. The AAHA Senior Care Guidelines recommend that healthy senior dogs and cats visit the veterinarian every six months for an exam and laboratory testing. Recommended laboratory tests include a complete blood count, urinalysis, blood chemistry panel and fecal examination for healthy dogs and cats. (PRNewswire)

> US - NEW VETERINARY ASSOCIATION In a time when the veterinary industry is beginning to realize that increased business knowledge can help achieve greater productivity and improve overall care for patients, the University of Pennsylvania announced the creation of the Veterinary Business Management Association (VBMA). Sixteen universities have already initiated chapters of the VBMA. Students or faculty interested in more information should visit VBMA online at www.vbma.biz. VBMA sponsors include platinum-level sponsors Hill's Pet Nutrition and Commerce Bank. (press release)

> US - PORK INDUSTRY GAINS A rise in overseas pork sales and the popularity of diets high in protein and low in carbohydrates have helped fuel big gains in the US pork industry. The top three hog producers (Smithfield Foods Inc.; Premium Standard Farms; and Seaboard Corp.) each reported large jumps in sales and profits during 2004. The benefits even trickled down to individual hog farmers who for years have coped with rock-bottom livestock prices. An agricultural economist at the University of Missouri at Columbia, said the industry sold 20.5 billion pounds of pork last year, compared with 19.95 billion pounds in 2003. Exports jumped almost 30% by weight and 35% by value. Looking ahead, 2005 should remain strong as exports are still up, the dollar is still struggling and major beef importers, such as Japan, have yet to lift their bans. (AP)

> US - ANIMAL ID The National Pork Producers Council (NPPC) has developed an interactive Premises Registration Map, a tool which enables producers to directly access their state's Animal Identification and Premises Registration website. US pork producers can utilize the map to access their state's official system to register their livestock premises. The map was designed to aid producers as they begin the voluntary process of registering their premises as part of the National Animal Identification System being developed by the USDA. (organization press release)

> US - PRION RESEARCH In a paper published in *Cell*, researchers at the University of Texas Medical Branch have claimed they found the strongest proof that transmissible spongiform encephalopathies such as BSE, scrapie, and chronic wasting disease, are transmitted by prions, and not viruses or bacteria. The researchers formed prions in vitro using a small amount of infected tissue, then reproduced the disease by injecting the new prions into animal models. Prior to this research, prions had not been proven to be infective when introduced into healthy animals. (Wattnet Meatnews)

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BRAKKE CONSULTING VIEWPOINT

The distribution segment of the animal health industry has dominated the news the past few weeks. First was the announcement of the Butler/Burns transaction. This week, MWI announced the filling of its S-1 statement. We believe that both of these reported actions demonstrate the value and interest of the financial community in the animal health distribution area. We're of the opinion that these two transactions will not be the last we see in distribution.

Have a great weekend.

Ron Brakke

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