
**Brakke Consulting's
Animal Health News & Notes for May 6, 2005**

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COMPANY EARNINGS RELEASES

> **Alpharma** announced results for the first quarter of 2005. First quarter revenues for the Animal Health Division were \$74.5 million compared to \$84.5 million in 2004. Revenues in 2004 included \$19.2 million related to a divested distribution operation, and \$2.8 million of revenues related to the AHD aquatic operation which was divested in July 2004. Excluding revenues from divested operations and the impact of foreign currency, 2005 sales increased 18% versus 2004. Sales growth was driven by strong sales in the US poultry and livestock businesses. *(PRNewswire)*

> **Embrex, Inc.** announced financial results for the first quarter ended March 31, 2005. For the quarter, consolidated revenues were \$12.8 million, a 7% increase compared to the first-quarter of 2004. Consolidated net income for the first quarter 2005 decreased to \$0.6 million as compared to 2004 first-quarter net income of \$1.1 million. The \$0.5 million decrease in net income is primarily attributable to an increase in operating expenses and a \$0.6 million decrease in device sales and is partially offset by revenue growth. *(company website)*

> **Digital Angel Corporation** announced results for its first quarter ended March 31, 2005. Revenue from the Company's Animal Applications business increased 17.3% to \$8.3 million from \$7.1 million in the 2004 first quarter. *(company website)*

> **Tyson Foods** reported that profits in the second quarter dropped to \$76 million from \$119 million a year ago. Sales grew from \$6.15 billion to \$6.36 billion, mainly due to higher price points and a product mix that included more precooked products. *(Meating Place)*

> **Central Garden & Pet Company** announced record results for its fiscal second quarter ended March 26, 2005. Net sales for the fiscal second quarter were \$379 million, an increase of 5.5% from the second quarter of fiscal 2004. Net sales for the Pet Products segment were \$158.4 million, an increase of 9% compared to the second quarter of fiscal 2004. Operating income for the Pet Products segment was \$23.6 million, an increase of 50% compared to the second quarter of fiscal 2004 (*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 is available on our website at www.brakkeconsulting.com.

COMPANY NEWS RELEASES

> **IDEXX Laboratories, Inc.** announced it has entered into a five-year agreement with **Banfield, The Pet Hospital**, to equip each Banfield hospital with an expanded IDEXX VetLab laboratory system and to provide rapid assay products to Banfield hospitals. IDEXX also will help Banfield veterinarians develop new diagnostic approaches, and provide educational opportunities for all Banfield veterinary healthcare teams. (*company website*)

> **Neogen Corporation** announced it has resumed its stock repurchase program of the company's common stock. Neogen's Board of Directors has authorized the company repurchase of up to 1,250,000 shares. To date, Neogen has repurchased approximately 871,000 shares, however, no shares have been repurchased in over two years. Additional shares will be acquired on the open market or in negotiated transactions, depending on market conditions and other factors. (*company website*)

> **Durvet** announced plans to move OTC feline and canine vaccines beyond their traditional rural markets and into metro and suburban pet retail outlets nationwide. The company promoted its new line of companion animal vaccines at the recent Global Pet Expo. The vaccines are marketed under the Spectra brand name for dogs and Focus brand name for cats. (*Veterinary Practice News*)

> **Phibro Animal Health Corporation** announced that its subsidiaries, Ferro Metals and Chemicals Co., Ltd. (United Kingdom) and Koffolk Ltd. (Israel) have completed the sale of their jointly owned subsidiary Wychem Ltd. for cash of \$4.75 million. The buyers included William A. Mathison, former head of the Specialty Chemicals Group of the Company, who retired in August 2004, and Terry Robinson, the present Managing Director of Wychem. Wychem is a manufacturer of pharmaceutical intermediates located in Suffolk, UK. (*Business Wire*)

> The **Hartz Mountain Corporation** announced an agreement with **My Pet Inc.**, a designer and maker of creative pet toy products. Under this agreement, Hartz will purchase the assets of My Pet Inc., and the owner of My Pet will design products exclusively for Hartz. My Pet has been focused on developing and selling bird and dog toys through the Pet Specialty distribution and catalogue channels. Financial terms were not disclosed. (*Business Wire*) [top](#)

> **PetCARE Television Network**, Inc. announced that in preparation for its previously announced merger with African American Medical Network, Inc., it has changed its name to Medical Media Television, Inc. Its common stock will be traded on the OTCBB under the new symbol of "MMTV." (*Business Wire*)

> **Optibrand** announced that Kiyota Beef, a Japanese cattle feeder, will use Optibrand's retinal imaging technology to identify their high quality Japanese beef. Kiyota Beef plans to use the retinal-imaged products to differentiate its products from those of other Japanese suppliers. Optibrand will work with the company to create a readily identifiable brand. (*company press release*)

> UK **Tridelta plc** and **NMR**, the UK's largest milk recording and analysis company, announced a joint initiative to introduce a new method for the detection of mastitis. The new method is based on Tridelta's unique assay for the Acute Phase Protein, MAA (Milk Amyloid A). MAA is produced in the udder of the cow in response to infections and several independent scientific publications have shown that the measurement of this protein gives a very early and sensitive indication of mastitis. Initially the focus will be on the detection of clinical and sub-clinical mastitis at the end of the milking period known as "drying off". Tridelta intends to use the UK model to expand the use of MAA testing into Europe and the USA. (*AnimalNet*)

> JAPAN **Meiji Seika** launched Vetorphanol (butorphanol tartrate) to relieve post-operative pain in dogs and cats. (*company communication*)

> JAPAN **Merial Japan** launched Witness FeLV-FIV to detect antigen of feline leukemia virus and antibody of feline immunodeficiency virus in cat blood. This kit is manufactured by **AGEN Biomedicals** in Australia. (*company communication*)

ANIMAL HEALTH NEWS

> US - VESICULAR STOMATITIS Vesicular Stomatitis has appeared early this year. Laboratory tests completed April 27 confirmed the infection in two horses on a premises in southwest New Mexico. Recent outbreaks occurred in 1995, 1997, 1998 and 2004, with initial cases detected in mid-May or early June. (*TAHC*)

> US - VOLUNTARY COOL BILL The Meat Promotion Act of 2005, H.R. 2068, was introduced by a bipartisan group of congressmen. The bill calls for a voluntary country-of-origin labeling program to supplant a mandatory program set to go into effect in September 2006. Processors in particular oppose the mandatory aspect because they would have to segregate operations by US and imported product lines. Since many processors mix domestic and imported meat when making products such as sausage and ground beef, the resulting expense would be considerable. Proponents of a mandatory program counter that a voluntary program would be pointless because suppliers using imported products would simply opt out. (*Meating Place*)

> US - ANIMAL ID PROGRAM Agriculture Secretary Mike Johanns unveiled a thinking paper and timeline on the National Animal Identification System (NAIS) and called on agriculture producers, leaders, and industry partners to provide feedback. The documents propose requiring stakeholders to identify premises and animals according to NAIS standards by January 2008. Requiring full recording of defined animal movements is proposed by January 2009. Both documents are available on the USDA's NAIS Web site at <http://www.usda.gov/nais> and will be published in the Federal Register. (*AnimalNet - USDA press release*)

> US - VETERINARY WORKFORCE EXPANSION BILL U.S. Senator Wayne Allard introduced S. 914, the Veterinary Workforce Expansion Act of 2005 (VWEA). The legislation would establish a grant program to expand capacity in veterinary medical schools, and increase the number of veterinarians working in public health practice and biomedical research. The VWEA would amend

the Public Health Service Act to create a competitive grant program for schools and institutions to increase both their training capacity and their ability to research high-priority diseases. (*Food Systems Insider*)

> US - PET TELEVISION **PetNet Television**, a new television channel dedicated to the health and happiness of America's pets and pet parents, will be launched later this year on cable/satellite TV, on demand and online. PetNet Television will be strategically aligned with the top pet industry suppliers and will partner with major pet exhibition and advocacy associations across the US. PetNet Television will offer both original and acquired programming in the areas of news, health, adoption and advocacy, services and entertainment. PetNet TV is founded, owned and operated by American Ingenuity, Inc. (*Business Wire*)

> US - CALIFORNIA PET CLONING BAN REJECTED California lawmakers rejected a proposal that would have banned sales of cloned pets. The proposed ban came after the first sale of a cloned pet last year by Sausalito, California-based **Genetic Savings & Clone Inc.** The company revealed in December it had cloned a cat for a client in Texas for \$50,000. A California State Assembly committee rejected the bill after lawmakers raised concern a ban on cloned pets was premature because of uncertainties surrounding the future of the technology. (*Reuters*)

> US - FISH VACCINES Two immersion-applied, modified live vaccines for farm-raised catfish and other species have been developed at the ARS' Aquatic Animal Health Research Units. The two vaccines, which provide protection against *Flavobacterium columnare* each work differently. One vaccine is effective and has been field tested by **Intervet**, Inc. This modified live vaccine cannot cause disease, but can persist long enough to stimulate immunity. The other vaccine does not allow a pathogen to colonize, yet allows enough pathogen to persist for immunity to develop. (*AnimalNet - ARS press release*)

BRAKKE CONSULTING VIEWPOINT

There seems to be no let up in the merger and acquisition activities within the animal health and pet industry. These market segments seem to be a place where investors are willing to place some of their portfolio of funds for investment. That is good news for the sellers and probably even good news for the buyers. While some values may seem to be a bit inflated there are still many opportunities for investment that will provide a nice return for those firms that are creative and understand the market channel.

When will it end? We think the consolidation will continue for the next few years. We continue to be impressed with the number of new companies that are developing that will provide some of the acquisitions in the future. If we can be of assistance on either the buyer or seller side of the business give us a call. We've developed a great deal of expertise the past 19 years.

Have a great weekend.

Ron Brakke

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