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**Brakke Consulting's  
Animal Health News & Notes for May 20, 2005**  
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**COMPANY EARNINGS RELEASES**

> **Synbiotics** Corporation announced its financial results for the quarter ended March 31, 2005. Net income for the quarter was \$60,000 compared to a net loss of (\$495,000) for the first quarter of 2004. Synbiotics' revenues were \$5,072,000 for the first quarter of 2005 as compared to \$5,178,000 for the first quarter of 2004. The first quarter of 2004 results include significant legal expenses related to patent litigation which was settled in 2004. (*Business Wire*)

> **PetMed Express**, Inc. announced results for the fiscal year ended March 31, 2005. Net income was \$8.0 million compared to net income of \$5.8 million for fiscal 2004, an increase to net income of 38%. Net sales for the fiscal year ended March 31, 2005 were \$108.4 million, compared to \$94.0 million for the fiscal year ended March 31, 2004, an increase of 15%. The Company acquired approximately 510,000 new customers for the fiscal year. (*Business Wire*)

> **PETsMART**, Inc. reported results for the first quarter of fiscal 2005, which ended May 1. Net sales were \$903 million, up 13.4% from \$796 million during the same period in 2004. Comparable store sales grew 5.7% in the first quarter. The company reported net income of \$44.7 million for the first quarter, compared with net income of \$31.9 million for the first quarter of 2004. Included in the company's 2005 results was a pre-tax gain of \$8.5 million related to a previously disclosed legal settlement. (*company website*)

> **OurPet's Company** reported financial results for its first quarter ended March 31, 2005. Net sales for the first quarter were \$1,575,000, an increase of 19% compared to the prior year first quarter. Net income for the quarter was \$53,000 compared to a net income of \$8,000 in the prior year first quarter. (*Business Wire*)

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## COMPANY NEWS RELEASES

> **Merial** announced it has entered into a marketing relationship with the National Centralized Ultrasound Processing Lab, which serves as the centralized processing center for carcass ultrasound data. Under the terms of the agreement, Merial will work with the CUP Lab by marketing IGENITY DNA tests alongside innovative ultrasound technologies. *(Drovers Alert)*

> **Virbac Corporation** announced the appointment of two executive management positions: Mike O'Bryan to the position of Executive Vice President of Business Operations and Laurent Cesar to the position of Executive Vice President of Industrial Operations. Virbac President and CEO Dr. Erik Martinez commented that the company is optimistic about Virbac's future and the management team is the strongest it's ever been. The company fully expects to continue to build upon its strengths while expanding its position in the US pet healthcare industry. According to Dr. Martinez, last week's news item regarding Virbac Corp's financial viability was applicable to its 2003 financial statements and that currently the company is financially healthy. *(company press release)*

> **Veterinary Products Laboratories (VPL)** has introduced Tissumend II Sterile, the first and only sterile synthetic absorbable tissue adhesive that effectively closes surgical wounds and internal tissues. The product is indicated for closure and sealing internal tissues such as lungs, bronchial tubes, liver, pancreas, spleen, and other internal organs. It has hemostatic properties and absorbs via hydrolysis in 60 to 90 days. Tissumend II Sterile forms a quick, tough durable bond for internal and external tissues that is non-reactive to intact and lacerated tissues. It enhances healing with no leakage and can be used with and without sutures. *(company press release)*

> **Banfield, The Pet Hospital** announced that Ray Glick, DVM, has joined the company as Senior Vice President of Governmental and Professional Relations. Dr. Glick's new leadership role will include management of Banfield's government relationships and lobbying efforts, as well as initiatives with professional groups and associations. Dr. Glick and his wife, Pam, also own a successful Banfield Charter Practice in Gurnee, Ill., which they opened in 2003. *(company press release)*

> **Banfield, The Pet Hospital** announced the opening of the very first after hours Banfield Emergency and Critical Care Pet Hospital on Wednesday May 4. This hospital is Banfield's third freestanding hospital in the US, and the practice's first after-hours emergency hospital. *(company press release)*

> **The Coleman Company, Inc.** announced its entry into the pet products market, partnering with **GoDog** LLC to provide Coleman-branded products beginning Fall 2005. Coleman, a leading

brand in outdoor products, will introduce a line of pet beds, shelters, carriers and outerwear. (*Pet Business*)

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## ANIMAL HEALTH NEWS

> **INDONESIA - AVIAN INFLUENZA IN SWINE** Indonesian researchers have found a strain of avian influenza in pigs on the island of Java. The scientist who made the discovery identified the strain found in the pigs as H5N1, the same version of the virus that has jumped from chickens to humans elsewhere in Southeast Asia. Until now, human infections have been traced to direct contact with infected poultry or poultry waste. Pigs often carry the human influenza virus. Experts worry that pigs infected with both bird flu and its human equivalent could act as a "mixing bowl," resulting in a more dangerous, mutant virus that might spread to people more easily - and then from person to person. (*AP*)

> **US - ILLNESS IN RACING DOGS** A respiratory disease is sweeping greyhound tracks across the US. A spokesman for state regulators in Wisconsin stated that at Dairyland Greyhound Park in Kenosha, roughly one-quarter of the track's greyhounds have become ill in recent weeks, although none have died. A spokeswoman for Wisconsin's Department of Agriculture, Trade and Consumer Protection, said that the state veterinarian's office was not concerned, believing the disease to be kennel cough. In Massachusetts, however, a veterinarian who is treating some of the sick dogs said she thinks the illnesses are caused by a new strain of the influenza virus that is more virulent than kennel cough. Other experts say it is too soon to pinpoint the cause. (*AnimalNet - AP*)

> **US - EQUINE HERPESVIRUS** Two thoroughbred horses at Churchill Downs have been euthanized and three barns have been quarantined after tests discovered serious symptoms of the equine herpes virus. Tests were being conducted to see if any more horses were infected. None of the horses scheduled to run in Saturday's Preakness in Baltimore were affected by the quarantine. The source of the infections in the three barns has not been determined. The Kentucky Department of Agriculture is investigating. (*AP*)

> **IOE CONSIDERS CHANGING BSE RULES** The World Organization of Animal Health (IOE) may change its standard concerning risk profiles of countries that have experienced BSE in their national herds. Under the proposal, which the full organization will consider during its meeting in Paris next week, the basis for judging risk would move from how many cases of BSE have been discovered to what steps the nation has made for managing the disease. Such a change would make it far more difficult to close a market to another country's beef when BSE is discovered. The standard would also simplify the categories into which countries are separated by their risk profiles, and would require a standardized program of surveillance and testing worldwide. (*Meating Place*)

> **NEW NAME FOR INTERNATIONAL PET ORGANIZATION** To reflect the fact that the association serves all segments of the pet industry, World Wide Pet Supply Association, Inc.'s name has been changed to World Wide Pet Industry Association, Inc. WWPIA is more representative of the scope of the association, which includes not only supply companies but also manufacturers, product distributors, breeder/ livestock distributors, manufacturers' representatives and retail businesses. (*PETS International*)

> **JAPAN - MORE PROGRESS ON BEEF IMPORTS** Japanese governmental authorities from the Ministries of Health and Agriculture have said they will allow the import of beef from cattle aged 20 months and younger provided specified risk materials (SRMs) have been removed at slaughter. They join a special committee of the ruling Liberal Democratic Party which came to the same conclusion May 12. The public hearings scheduled for the rest of the month will continue, at

which point the ministries will refer their final decisions to the independent Food Safety Commission, which will make the final decision. *(Meating Place)*

> US - COOL DELAYED The House of Representatives, in writing a new farm bill, voted to prohibit USDA from writing the labeling rules necessary for any COOL program, mandatory or voluntary. That will mean a delay of at least several months, which will provide another chance at converting it to a voluntary program, the approach preferred by most meatpackers, who oppose the mandatory program on the basis of added cost without significant benefit. COOL was scheduled to go into effect for meat products in September 2006. *(Meating Place)*

> KOREA - BSE-RESISTANT COW A South Korean researcher alleges that he has developed cattle immune to BSE. The professor at Seoul National University restructured prion proteins and injected them into fertilized eggs, which were in turn introduced to a surrogate mother. The cows are theoretically resistant to BSE, according to the research team. One of four genetically altered cattle will undergo analysis in Japan to test the theory. *(Meating Place)*

> US - PRION VACCINE NYU School of Medicine scientists have created the first active vaccine that can significantly delay and possibly prevent the onset of a brain disease in mice that is similar to BSE. The new findings, published online this week in the journal *Neuroscience*, could provide a platform for the development of a vaccine to prevent a group of fatal brain diseases caused by prions. To create a vaccine that could rally the immune system of mice, the NYU researchers designed a vaccine in which scrapie prions were attached to a genetically modified strain of *Salmonella*. Among mice vaccinated prior to prion exposure, approximately 30% remained alive and symptom-free for 500 days, according to the study. By comparison, mice that didn't receive the vaccine survived only an average of 185 days, and all were dead by 300 days. The NYU scientists are in the process of redesigning the vaccine for deer and cattle. *(Science Daily)*

> SHEEP GENOME PROJECT The USDA reported that researchers in Australia, New Zealand, Britain and the US will begin work to map the genome of sheep, which could improve meat and fiber production as well as animal health. USDA provided \$1 million to the project and is participating through its Agricultural Research Service. *(AnimalNet - Reuters)*

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## **BRAKKE CONSULTING VIEWPOINT**

The three pet products retailers reporting financials for either the full year or first quarter reflect the continued strength and growth of the companion animal segment of the industry., We continue to believe that companion animal products will be a double-digit sales growth area in 2005.

Have a great weekend.

*Ron Brakke*

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