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

> Colgate reported results for the second quarter of 2005. Innovative new products and veterinary endorsements continue to drive growth at **Hill's Pet Nutrition**. Unit volume grew 3.5% in the second quarter and dollar sales rose 6.0% to \$376 million, reflecting favorable 2.0% foreign exchange and the effect of price increases taken in 2004. Dollar operating profit increased 3% despite a double-digit increase in commercial spending. (*company press release*)

> **Neogen** Corporation announced a 13% increase in revenues for its 2005 fiscal year, which ended May 31, and a continuation of the company's outstanding record of profitability. FY 2005 revenues were \$62.8 million, up from \$55.5 million in Neogen's previous fiscal year. Neogen's net income for the year was \$5.9 million, up 16%. (*company press release*)

> **ABAXIS**, Inc. reported financial results for the first fiscal quarter ended June 30, 2005. For the first fiscal quarter, ABAXIS reported record quarterly revenues of \$14.3 million, an increase of 8% as compared with the comparable period last year. Veterinary market revenues were \$12.0 million compared to \$10.5 million in the first quarter of last year. The Company reported net income attributable to common shareholders of \$1.0 million, compared to \$1.4 million for the same period last year. (*company website*)

> **VCA Antech**, Inc. reported financial results for the second quarter ended June 30, 2005 as follows: revenue increased 21.6% to a record \$206.6 million; and reported net income was \$11.3 million. Reported net income for the quarter included an after-tax charge of \$11.5 million for debt retirement costs. Reported net income for the quarter ended June 30, 2004 included an after-tax charge of \$478,000 for debt retirement costs. Excluding these items from the quarters ended June 30, 2005 and 2004, adjusted net income increased 22.2% to \$22.8 million. (*company press release*)

> **PetMed Express** Inc. reported results for its first-quarter of fiscal 2006. Net income jumped to \$3.5 million, a 95% increase compared to a year earlier. Net sales grew 42% to \$43.6 million. PetMed said it acquired about 217,000 new customers during period, up from 191,000 in the prior year. The company said that retail new order sales increased 10% to \$16.4 million, and retail reorder sales increased by 29% to \$25.8 million. (*AP*)

> **Pilgrim's Pride** Corporation reported net income of \$85.4 million for the third fiscal quarter ended July 2, 2005, an increase of \$75.6 million compared with net income in the third quarter ended July 3, 2004. The company also reported net sales for the third quarter ended July 2, 2005 of \$1.440 billion, a slight decrease when compared with net sales of \$1.448 billion for the same period last year. Increased protein demand, excellent results from Mexico operations, and reduced feed ingredient costs all contributed to the record third fiscal quarter and first nine months' results. (*Watt Poultry*)

> **Land O'Lakes** Inc. reported sales of \$1.8 billion and net earnings of \$25.8 million for the second quarter, as compared to \$2.0 billion and \$16.7 million for the second quarter of 2004. Company officials reported strong performance in Dairy Foods, Feed, Seed and Agronomy, driven primarily by its value-added, branded and proprietary businesses and product lines. (*Feedstuffs online*)

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When The Time is Right

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

> The FDA announced the Agency's final decision to no longer allow distribution or use of the antimicrobial drug enrofloxacin for the purpose of treating bacterial infections in poultry. This ruling does not affect other approved uses of the drug. Enrofloxacin is marketed under the name Baytril by **Bayer Animal Health**. (*Kashar News*)

> In a move that will unite two of the world's largest human generic drug makers, Israeli company **Teva Pharmaceutical Industries** Ltd. said it would pay \$7.4 billion to acquire **Ivax** Corp. Combined, the two companies expect to generate sales of over \$7 billion a year. Ivax recently acquired Phoenix Scientific and merged it with subsidiary DVM Pharmaceuticals to form **IVX Animal Health**, the US leader in veterinary generic drugs. (*MarketWatch*)

> **Heska** announced that it has amended its credit and security agreement with Wells Fargo Business Credit. The amended agreement provides Heska with \$2.5 million in incremental capital supported by two equipment notes. In addition the maturity date of the credit and security agreement was extended from May 31, 2006 to June 30, 2009. (*company press release*)

> **Digital Angel** Corporation announced that the Canadian Cattlemen's Identification Association (CCIA) has named the Company's Canadian distributor of livestock products as the exclusive supplier for electronic radiofrequency identification (RFID) ear tags for beef cattle imported from the US to Canada. The CCIA recently announced that all beef cattle crossing the borders into Canada must be electronically tagged to identify their place of birth. This new import tag is intended to visually differentiate US cattle from Canadian cattle and their unique identity will be maintained in the CCIA database. The exclusivity is expected to last until the US implements its own national identification program. (*company website*)

> **FLAVORx** announced the launch of D-PAK, flavored drops that entice dogs and cats to drink more than 4.3 times the amount of water they normally would and avoid dehydration. (*emediawire*)

> **AFP Imaging** Corporation announced that the Company is introducing a complete line of general purpose, x-ray systems and components, designed specifically for veterinary applications. The Company will offer eight different systems that range from the most basic starter x-ray system to a very sophisticated, integrated examination table and high frequency x-ray generator. AFP already offers proprietary, dental x-ray systems that are composed of the "Image Vet" x-ray and "EVA Vet" digital x-ray sensor. (*Business Wire*)

> Jakks Pacific Inc. a toy and leisure products company, announced the acquisition of **Pet Pal Corp** from Nanco. The Pet Pal Corp. line includes licensed and nonlicensed pet toys, treats and other related items. Its licensed product names include American Kennel Club, among others. The acquisition represents Nanco's exit from the pet industry. Financial terms were not disclosed. (*Pet Product News*)

> Pet product manufacturer **Ethical Products** Inc. announced the acquisition of the Vermont Style Chew Toys brand from **Lambert Kay**, a subsidiary of Church & Dwight. Ethical's brands include the Fashion Pet line of animal clothing and Quantum Aquatics aquarium supplies. Financial terms were not disclosed. (*Pet Product News*)

> BULGARIA **Biovet** announced the acquisition of 2/3 of the assets of **Actavis-Razgrad**, a unit of drug maker Actavis AD. Biovet has assumed ownership of all installations related to the production of veterinary substances and medications while Actavis-Razgrad continues to operate the facilities producing drugs for humans. The scope of the deal also includes the Actavis subsidiary for veterinary pharmaceuticals packaging based in Macedonia. Financial terms were not disclosed. (*Dnevnik*)

> SINGAPORE **Veredus Laboratories**, a Singapore company, launched an avian influenza diagnosis kit which it said would be able to detect avian influenza in under four hours rather than the seven days using current methods. Veredus' chief executive officer said the kit required just a nasal swab from a person, a sample of the fluid from a chicken or bird egg, or a sample of an organ of a bird. (*AnimalNet - Agence France Presse*)

ANIMAL HEALTH NEWS

> US - POSSIBLE BSE USDA has announced that brain samples from a cow that died on a remote, but unidentified farm, in April are being sent directly to the same laboratory in Weybridge, England that identified the first native-born case of BSE a month ago. In this case, the sample was removed by a local veterinarian, who put it in a preservative, limiting the testing procedures available to scientists, and then forgot to send it to USDA until recently. The animal was older than 12 years, meaning it was born well before the 1997 feed ban. Because of the use of preservative on the brain samples, Weybridge will not be able to perform the Western blot test, but will be limited to the more subjective immunohistochemistry (IHC) test that had been the standard at USDA until recently. (*Meating Place*)

> RUSSIA - AVIAN INFLUENZA The Rosselkhoznadzor veterinary and plant disease oversight authority has confirmed that the H5 strain of avian influenza has been registered in several parts of Novosibirsk region. As the districts border on Kazakhstan, as well as regions of Russia, the International Epizootic Bureau and the Kazakh veterinary service have been duly notified. Dankvert expected final laboratory confirmation of the virus from federal animal health centers in Vladimir and Moscow by August 10. (*Interfax*)

> JAPAN - AVIAN INFLUENZA Japan announced a new case of avian influenza in an area that has already been hit by the disease, leading authorities to prohibit the movement of more chickens. A farm in Ibaraki, some 100 kilometers north of Tokyo, that had come out clean in previous tests was found to be infected by the disease. Authorities immediately banned movement of chickens and their eggs within five kilometers of the poultry farm. (*AnimalNet - Agence France Presse*)

> VIETNAM - AVIAN INFLUENZA Animal health authorities in the Mekong Delta recently killed more than 400 fowls infected with H5N1 avian influenza virus at a local farm. The province has reported two recurrences of avian influenza so far, culling more than 16,700 fowls. (*Thanhniennews*)

> US - VAFS TASK FORCE CONCLUDED The Vaccine-Associated Feline Sarcoma Task Force met for the last time on July 17, 2005, at the AVMA conference in Minneapolis, and a final report was published in the June 1, 2005 issue of JAVMA. Over the last nine years the task force raised about \$1 million, worked with many veterinary associations including AAHA, and funded 26 research projects. And while progress has been made, members admitted that there is still a great deal of uncertainty surrounding vaccine-related sarcomas, which, they emphasized, is not a failure of science. The task force issued several recommendations, including specific areas of administration for feline vaccines. Due to conflicting evidence, task force members said that they chose to err on the side of caution and encourage doctors to limit the number of vaccines given in one location at the same time. (*AAHA NEWStat*)

BRAKKE CONSULTING VIEWPOINT

The good earnings news continues for the animal health industry. For once it seems the industry is in step with others in the US, as the Federal Reserve issued its Beige Book this week with upbeat news on the economy in general.

With the good financial news also comes news of increased merger and acquisition activity both in the US and abroad. The time for bargain acquisition may well have passed. The only bad news is that science has not gotten ahead of some important problems like BSE, Avian Influenza and even Vaccine-Associated Feline Sarcomas. That means there are still challenges to overcome. Fortunately the industry would appear to have the financial resources to meet them.

Just this morning it occurred to me that people really buy what they need; the only differentiator is that some things meet needs that are higher in Maslow's hierarchy.

John Mannhaupt, Dallas

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