
**Brakke Consulting's
Animal Health News & Notes for July 30, 2004**
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COMPANY EARNINGS RELEASES

> **Virbac SA** reported that net sales in the second quarter of 2004 were 91 million euros (\$110 million), a decrease of 3.5% compared to the second quarter of 2003. The company reported that the decrease was due mainly to the slowdown recorded in Europe. For the first half of 2004, the increase in turnover in the US and Latin America failed to overcome the declines in Europe and Asia, with first-half sales of 176 million euros (\$213 million) representing a decline of 4% compared to 2003. The company reported proforma growth of 3% of the Companion Animal Business and a decrease of 8% of the Food Producing Animal Business, impacted in particular by economical difficulties of the swine sector in Europe and the poultry crisis in Asia. (*company website*)

> **CEVA** announced that during the first half of year 2004, the CEVA Group achieved a turnover of 113.3 million euros (\$137 million), increasing its sales by 7.8% compared to the same period of year 2003. This growth is due to good performances in the "European Union" Zone, on all markets and particularly on the pet products market. The "International Zone" of the Group is developing well but remains strongly affected by avian influenza in Southeast Asia and euro/dollar exchange ratio. (*company communication*)

> **VCA Antech, Inc.** reported financial results for the second quarter ended June 30, 2004 as follows: revenue increased 19% to a second quarter record of \$170 million and reported net income increased to \$18.2 million. Reported net income included an after-tax charge of \$478,000 for debt retirement costs related to the refinance of the Company's senior credit facility. Excluding this item, adjusted net income increased 21.5%. In a separate press release, the Company

announced a 2-for-1 stock split to be effected in the form of a 100% stock dividend to shareholders of record on August 11, 2004 payable on August 25, 2004. (*Business Wire*)

> **PetMed Express**, Inc. announced results for the quarter ended June 30, 2004. Net sales for the three months ended June 30, 2004 were \$35.3 million, compared to \$30.4 million for the three months ended June 30, 2003, an increase of 16%. Net income was \$1.8 million for the quarter, compared to net income of \$1.4 million for same quarter in the prior year, an increase of 27%. (*Business Wire*)

> **Tyson Foods** Inc. reported results for the quarter and nine months ending June 26, 2004. For the quarter, Tyson reported earnings of \$161 million compared with earnings of \$79 million a year earlier. Third quarter 2004 sales were \$6.6 billion compared to \$6.3 billion for the same period last year. For the first nine months of the year, earnings were \$337 million, on sales of \$19.3 billion, compared to earnings of \$190 million on sales of \$18.0 billion for the same period a year ago. (*company website*)

> **Pilgrim's Pride** reported net sales for its fiscal 2004 third quarter were \$1.4 billion, an increase of 122% compared with net sales of \$652 million for the same period last year. The increase was primarily from the acquisition of ConAgra Foods Inc.'s chicken division, which was effective November 23, 2003, along with positive industry and consumption trends and improved company-wide efficiencies. Net income for the 2004 third quarter was \$9.8 million compared to net income of \$17.4 million in the third quarter of fiscal 2003. Included in the fiscal 2004 third quarter earnings results were turkey restructuring and other related charges of \$52.2 million and \$11.7 million, respectively, \$39.6 million combined net of tax associated with the previously announced sale or closure of the company's Hinton, Virginia, turkey operations. (*Wattnet Meatnews*)

> **Maple Leaf Foods** Inc. has reported strong second quarter results. Sales for the second quarter of \$1.7 billion increased from \$1.3 billion last year, thanks primarily to the inclusion of results from Schneider Foods, which was acquired on Apr. 5, 2004. Excluding Schneider Foods, sales increased 6%. Net earnings for the second quarter of 2004 were \$26.3 million compared to \$1.8 million last year. (*Wattnet Meatnews*)

**CHECK OUT OUR WEB PAGE -
WE HAVE NEW CONTENT ON TECHNOLOGY**

Brakke Consulting has been involved in new technology almost from its founding. Several of the technologies that we researched led to new companies. We have also licensed new technologies to established companies. Our web page has details on five technologies that we are currently offering for license or acquisition. Some have already been translated into early stage revenues. Others require further development for commercialization. Shepherding technology to market is one of the services Brakke Consulting offers to all our clients.

To learn more about these opportunities, visit our website at
<http://www.brakkeconsulting.com/tech1.html>

COMPANY NEWS RELEASES

> **Merial** announced the introduction of OraVet, the first clinically provided plaque prevention system for pets. OraVet is a dental barrier sealant and a plaque prevention gel system that is used to significantly reduce the formation of plaque and calculus, two key factors in the onset and persistence of periodontal disease. (*company press release*)

> **Nestlé Purina PetCare** announced the launch of Purina Veterinary Diets JM Joint Mobility brand Canine Formula. JM contains the highest amount of long-chain omega-3 fatty acids of any veterinary diet indicated for the dietary management of adult arthritic dogs. Along with fatty acids, JM contains a natural source of glucosamine for cartilage and joint health and high levels of antioxidants to help reduce oxidative stress. *(company press release)*

> **PR Pharmaceuticals**, Inc. (PRP) and **Merial** Limited announced they have formed a strategic marketing and distribution alliance that will leverage the strengths of both companies in bringing innovative technology to the cattle industry. Under the terms of the agreement, Merial has exclusive rights to market and distribute Duralease (estradiol benzoate), the world's first biodegradable microsphere product for veterinary use. Duralease is approved by the FDA for increased rate of weight gain and improved feed efficiency in steers and heifers fed in confinement for slaughter. *(PRNewswire)*

> **Alcide** Corporation announced that the anticipated exchange ratio associated with its acquisition by **Ecolab** Inc. is 0.6744, meaning that Alcide stockholders will receive 0.6744 shares of Ecolab common stock for each share of Alcide common stock they hold. As provided in the merger agreement between Ecolab and Alcide, the exchange ratio will equal \$21.00 divided by the average closing price per share of Ecolab common stock on the New York Stock Exchange for each of the ten consecutive trading days ending five trading days prior to the closing date of the merger. The anticipated exchange ratio assumes, and Alcide expects, that the merger will close on July 30, 2004. *(Business Wire)*

> **eMerge Interactive**, Inc. announced that Eastern Livestock, the largest cattle order buyer and livestock dealer in the US, has selected eMerge's CattleLog individual animal tracking system to help manage their inventory throughout their cattle operations. Eastern Livestock handles over two million cattle per year through a variety of production and marketing businesses. *(company press release)*

> CANADA **Cargill** announced that its division **Sun Valley Foods** signed an agreement to buy Canadian beef processor **Caravelle Foods**. Caravelle Foods, co-owned by Sterling Packers Ltd. and Town Packers Ltd., produces frozen beef patties for the Canadian quick-service restaurant industry. Sun Valley Foods supplies processed chicken to the Canadian food service industry. The agreement is subject to government and regulatory approvals and is expected to close within the next few months. Financial terms were not disclosed. *(Meating Place)*

> UK **Pets at Home**, the largest UK pet store chain, has been acquired by European private equity firm Bridgepoint in a deal worth an estimated 230 million pounds sterling (\$418 million). The acquisition provides an exit for two minority institutional shareholders, 3i and Intermediate Capital Group, who first invested in Pets at Home in 1995 and 1999 respectively. Pets at Home was established in 1991 and has grown organically and by acquisition to its current 155 stores. In the fiscal year ended March 2004, Pets at Home generated revenues of 218 million pounds sterling (\$398 million) and earnings before interest, taxes, depreciation, and amortization of 24 million pounds sterling. *(PETS International)*

Brakke Consulting study Demystifying Regulatory And Distribution Practices In The European Union

The European Union will be adding 10 more countries in 2004, bringing the total to 25 countries and representing a market that can rival the United States in size and influence. But despite its size and influence, the market operates quite differently from the way the United States does. It

may be a common market or a united market, but it is far from a homogenous market. Nowhere are the differences more pronounced than in the areas of regulation and distribution.

To help our clients who do not have parent or sister companies operating in the European Union, Brakke Consulting, Inc. has prepared a report entitled: Demystifying the Regulatory and Distribution Practices in the European Union.

The report contains basic population and production data, a background section on the formation and history of the European Union, a summary of the regulations and profiles of the distribution systems in all 25 countries. In addition, the report has extensive lists of regulatory authorities, contacts and industry associations which alone are worth the \$3,500 cost of the report. The report can be ordered from the Dallas office by calling 972-243-4033.

AVMA CONVENTION PHILADELPHIA, PA

The American Veterinary Medical Association concluded its 2004 Annual Convention in Philadelphia this week. The conference boasted record domestic attendance, with over 9,000 registrants, including over 4,100 veterinarians and 580 veterinary students. The convention also enjoyed record attendance by exhibitors, and the Exhibit Hall showcased a number of new product launches.

The 2005 AVMA Convention will be held in Minneapolis, where over 10,000 attendees are expected. The 2005 convention is being held in conjunction with the World Veterinary Congress.

ANIMAL HEALTH NEWS

> JAPAN - PORK TARIFF Japan announced that it will hike tariffs on pork products to curb a sharp increase in imports and protect domestic producers. Tariff increases averaging 25% will be imposed over the eight month period beginning August 1 through March 31 next year. The hike was a result of a sharp rise in imports from major exporters including the US, Canada and the EU, during the April to June quarter. The increase is the fourth since 2001. (AP)

> EU - BAN ON ASIAN POULTRY The European Commission announced the continued suspension of imports into the EU of chicken products and pet birds from several Asian countries where avian influenza has been confirmed since the beginning of this year. The countries concerned are Thailand, Cambodia, Indonesia, Japan, Laos, Pakistan, China, South Korea, and Vietnam. The Commission decided, with the support of the Standing Committee for the Food Chain and Animal Health, to prolong the existing ban on imports of poultry products, which had been set until August 15, 2004, until 15 December 15, 2004. (Wattnet Meatnews)

> US - DOG NUTRITION RESEARCH New research from **The Iams Company** shows puppies nourished with enhanced (high) levels of dietary docosahexaenoic acid (DHA) were smarter, more trainable than typical-DHA (low-DHA) nourished puppies. In the study, puppies receiving enhanced levels of DHA significantly outperformed puppies nourished with typical levels of the nutrient. In fact, in a shape-recognition food-reward test the success rate of the puppies receiving enhanced DHA was twice that of those receiving typical DHA in their diets. Eukanuba Puppy Foods contain enhanced levels of DHA. (Business Wire)

BRASSE CONSULTING VIEWPOINT

It was great to see many of you at the AVMA Convention earlier this week in Philadelphia. Dr. Bruce Little and his staff at the AVMA should be congratulated for another great summer meeting.

The exhibits at the AVMA trade show offered a handful of innovative new products for veterinarians, but none that we see as true blockbusters. We remain concerned over the investment in innovation by companies participating in the marketplace. If one removes the new and improved software, diagnostics, and equipment from the mix, one is left largely with a lot of product line extensions and generic reformulations. The industry needs more technology and products that increase gross revenue and profits, for both the manufacturer and the veterinarian.

Have a great weekend.

Ron Brakke

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