
**Brakke Consulting's
Animal Health News & Notes for October 28, 2016**
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Editor: Lynn Fondon DVM MBA

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**BRAKKE CONSULTING, INC.
US FLEA CONTROL AND HEARTWORM MARKETS REPORT
COMING IN DECEMBER**

Brakke Consulting will soon be publishing our 2016 report on the US Flea Control and Heartworm Markets. The report includes valuable information on the US market for small animal parasiticides including:

- Product descriptions, prices, and sales for the leading veterinary flea and heartworm products
- an overview of the veterinary and OTC flea control markets
- discussion of new flea and tick products, including Frontline Gold, Simparica, Bravecto topical solution, and the generic imidacloprid products
- 2016 survey of 300 veterinarians
- 2016 survey of 500 pet owners

The report on the US Flea Control & Heartworm Markets will be available for a purchase price of \$6,995 if ordered by **WEDNESDAY, NOVEMBER 23**, and \$7,500 after that date.

Please contact Dr. Lynn Fondon at (972) 243-4033 or lfondon@brakkeconsulting.com to pre-order the report, or for more information visit our website at:

www.BrakkeConsulting.com

COMPANY EARNINGS RELEASES

- **Merck** reported results for the third quarter of 2016. Animal Health sales totaled \$865 million, an increase of 5% compared with the third quarter of 2015, including a 2% negative impact from foreign exchange. *(company press release)*
- Eli Lilly and Company announced financial results for the third quarter of 2016. Revenues for animal health division **Elanco** totaled \$706 million, a decline of 9% compared with the third quarter of 2015. *(company press release)*
- Sanofi reported results for the third quarter of 2016. Sales for animal health division **Merial** were EUR 624 million (\$700 million), an increase of 3% compared to the third quarter of 2015 (+4% at constant exchange rates). Unit operating income for Merial was EUR 152 million (\$171 million), a decline of 2% compared to the comparable prior-year. *(company press release)*
- **Bayer** reported financial results for the third quarter of 2016. Animal Health sales were EUR 360 million (\$404 million), an increase of 1% (Fx & portfolio adj. 2.5%). EBITDA before special items of Animal Health increased by 6 percent to EUR 89 million (\$100 million). *(company website)*
- **Orion** reported results for the third quarter of 2016. Animal health sales were EUR 15.4 million (\$16.8 million), a 1.5% decline compared to the comparable prior-year quarter. *(Animal Pharm)*
- Colgate reported financial results for the third quarter of 2016. **Hill's** net sales were \$561 million, an increase of 3% compared to the comparable prior-year quarter. Unit volume decreased 2.0% with 3.5% higher pricing, while foreign exchange was +1.0%. Hill's organic sales increased 1.5%. *(company website)*
- **Abaxis, Inc.** reported financial results for its second fiscal quarter ended September 30, 2016. Revenues of \$59 million, up 5% over last year's comparable quarter. Net income was \$11.4 million, up 46%. Veterinary market revenues were \$48 million, up 4% over last year's comparable quarter. *(PRNewswire)*
- **VCA Inc.** reported financial results for the third quarter of 2016. Revenue increased 19% to \$657 million; net income increased 6% to \$58.2 million. Animal Hospital revenue in the third quarter increased 25%, to \$553 million, driven by acquisitions made during the past 12 months and same-store revenue growth of 5.4%. Laboratory internal revenue in the third quarter increased 5.5% to \$105 million. *(company press release)*
- **PetMed Express, Inc.** announced its financial results for its fiscal second quarter ended September 30, 2016. Net sales for the quarter ended September 30, 2016 were \$61 million, an increase of 7% compared to the comparable prior-year period. Net income was \$4.9 million, a 9% increase compared to net income the quarter ended September 30, 2015. *(Globe newswire)*

COMPANY NEWS RELEASES

- **Boehringer Ingelheim** has offered unspecified concessions in an attempt to secure EU antitrust approval for its acquisition of Sanofi's **Merial** as part of a \$20 billion asset swap. Boehringer had offered concessions in July but withdrew its request for EU approval five days later. Sanofi gained EU clearance in August to take over Boehringer's consumer health division after agreeing to sell businesses that distribute four animal health products in nine EU countries including France, Poland, the Czech Republic and Greece. (*Reuters*)
- **Central Garden & Pet Company** announced that it has purchased **Segrest Inc.**, the leading wholesaler of aquarium fish, for a cash purchase price of \$60 million. (*company website*)
- **Petsmart** announced that it has acquired **AllPaws**, one of the largest online and mobile platforms that matches those looking to adopt a pet with pets ideally suited for their home, family and lifestyle. Approximately 5,000 animal rescues and shelters across North America directly utilize AllPaws to promote their adoptable pets. Financial terms were not disclosed. (*Pets International*)
- **JBS SA** announced that it has canceled its plan for a proposed reorganization to spin off its international businesses into a new company called JBS International after Brazil's national bank, Banco Nacional de Desenvolvimento Econômico e Social (BNDES), vetoed the company's plan. BNDES holds a 20.36% stake in JBS SA via its equity arm BNDESPar and exercised its veto power through the shareholder agreement. (*Feedstuffs*)
- **OPKO Health, Inc.** announced its entry into the animal health market. The OPKO animal health team will operate as a specialty business unit in cooperation with OPKO Spain, which is already in this business, and OPKO Ireland, which has been developing several oncology products for animals. OPKO's management team includes executives from the successful DVM Pharmaceuticals division of IVAX Corporation. (*Globe Newswire*)
- **Morphogenesis** announced plans to raise \$20 million in a common stock offering for accredited investors at \$5 a share. Through its subsidiary, Veterinary Oncology Services, Morphogenesis provides personalized immunotherapy-based cancer treatments, branded as ImmuneFx, to veterinarians to provide treatment for 20 types of cancers in dogs, cats and horses. The company plans to use the proceeds to prove that their treatment will work in people with non-Hodgkin lymphoma, melanoma, and other types of cancer. (*Businessobserverfl.com*)
- SWEDEN **Oasmia** announced it has successfully completed a private placement of SEK 70 million (\$7.8 million). Oasmia to place 8.75 million new shares with professional and qualified investors at a price of SEK 8.00 per share through an accelerated book building procedure. The Company intends to use the proceeds from the private placement to strengthen the working capital as well as finance the continued operations and further development of additional human and veterinary products based on the XR17 technology. (*Globe newswire*)
- PHILIPPINES **Avivagen Inc.** and **UNAHCO, Inc.** announced the signing of an agreement under which Avivagen will supply OxC-beta Livestock to UNAHCO for sales and distribution in the Republic of the Philippines. OxC-beta Livestock is a proprietary product demonstrated to be effective and economic in replacing the antibiotics commonly added to livestock feeds. (*company press release*)

ANIMAL HEALTH NEWS

- US - SCREWWORM Veterinarians in Florida say they have treated at least nine suspected cases of screwworm in dogs, cats, rabbits, pigs and a tortoise. However, veterinarians stress the risk to pets remains far lower than the peril posed to the wild deer or to the large feral cat population that inhabits the Key islands. (*AVMA SmartBrief - Miami Herald*)
- WORLD - PPR ERADICATION The OIE and FAO presented their initial battle plan in a global campaign to eradicate peste des petits ruminants (PPR). The \$996.4 million plan is the first phase of what will be a 15-year effort to eradicate PPR by 2030. The initial portion of the campaign is focused on countries where PPR is known to exist or where its status has never been assessed. It will involve activities to raise awareness among farmers, build their capacity to prevent and contain the disease, strengthen national veterinary health services and systems for control of PPR and other diseases, and implement targeted vaccination campaigns. (*Georgiatoday.ge*)
- US - SWINE VIRUS A team of veterinary researchers at Iowa State University recently discovered a novel virus in the central nervous tissues of young pigs with polio-like weakness in their hind legs. Lesions in the pigs' central nervous tissues contained a novel sapelovirus that researchers hadn't previously encountered. Sapeloviruses belong to a family of viruses commonly found in pigs, but this but this particular strain was different from all other sapeloviruses previously described. (*Vet Advantage*)

BRAKKE CONSULTING, INC.
MARKET RESEARCH SERVICES
Look Before You Leap

Depend on Brakke Consulting to build a market study to meet your company's needs, whether it is:

- Assessing the feasibility of a new product or technology
- Identifying the opinions and trends of veterinarians, pet owners or producers
- Determining the current market for products

With our in-house database of veterinarians and the ability to custom-tailor surveys of a wide variety of target audiences, we provide reliable insights into this unique industry. We also produce multi-client reports in a number of high-interest animal health market areas. For more information, see our website or call our Dallas office at 972-243-4033.

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BRAKKE CONSULTING VIEWPOINT

Several of the leading companies have reported their third quarter results. While revenue and profits are up in a number of cases, the third quarter showed no significant growth breakout for any of the companies. The marketplace is moving along nicely and the companion animal revenue increase is encouraging in VCA clinics. We've heard that other veterinary clinics groups are also experiencing nice revenue growth. This is good news for all the companies serving the pet owners via the veterinary channel. Currently the US is experiencing record-high temperatures this fall, which should be good news for the companies with parasite products.

On a road trip in Nebraska earlier this week, I was amazed by the soybean and corn harvest which is in full progress. It is no wonder that the price of feed grains is low which should be good news for the food animal side of the business for the next few months.

Have a great trick or treat weekend! Don't eat too much of the kids candy!

Ron Brakke

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Brakke Consulting, Inc.
12005 Ford Rd., Suite 530
Dallas, TX 75234 USA