

**Brakke Consulting's
Animal Health News & Notes for October 31, 2014**
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Depend on Brakke Consulting to build a market study to meet your company's needs, whether it is:

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- Identifying the opinions and trends of veterinarians, pet owners or producers
- Determining the current market for products

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COMPANY EARNINGS RELEASES

> **Merck** reported results for the third quarter of 2014. Animal Health sales totaled \$885 million for the third quarter of 2014, an increase of 11% compared with the third quarter of 2013. Excluding the impact of the Zilmax sales suspension, Animal Health sales increased 14% in the third quarter. (*company press release*)

> Sanofi reported results for the third quarter of 2014. Sales of animal health division **Merial** were EUR 515 million (\$653 million), an increase of 13% compared to the comparable period in the prior year. Animal Health gross profit for the quarter was EUR 325 million (\$412 million), an increase of 5%. In the US, animal health sales grew 23%. (*company website*)

> **Bayer** reported results for the third quarter of 2014. Sales in the Animal Health Division were EUR 330 million (\$419 million), an increase of 3% compared to the comparable quarter in 2013 (4% currency and portfolio adjusted). (*company website*)

> **Heska** reported results for the third quarter of 2014. Consolidated revenue was \$22 million, an increase of 24% compared to the third quarter of 2013. Core companion animal health revenue increased 13%, while Other Vaccines, Pharmaceuticals and Products revenue increased 76%. Net income attributable to Heska was \$513,000 for the quarter, an increase of 113% compared to the third quarter in the prior year. (*company press release*)

COMPANY NEWS RELEASES

> **Merck Animal Health** announced the launch of Finadyne Transdermal (flunixin meglumine) Pour-on solution. Finadyne Transdermal Pour-On is labeled for use in cattle to reduce pyrexia (fever) associated with bovine respiratory disease (BRD). Available in pre-calibrated packaging, Finadyne Transdermal Pour-on makes it easy to ensure the correct dose is given every time. (*TheCattleSite*)

> **Virbac** announced that it has entered into an agreement with **Eli Lilly and Company** to acquire major US veterinary products currently marketed by **Novartis Animal Health**. Eli Lilly has agreed to divest these US assets in connection with the US Federal Trade Commission's review of Eli Lilly's pending acquisition of Novartis Animal Health worldwide. Under the terms of this agreement, Virbac would acquire a combination of titles and rights for the US on trademarks, marketing authorizations, patents, know-how, customer lists and other assets, related to two major parasiticides for dogs: Sentinel Flavor Tabs and Sentinel Spectrum. Financial terms were not disclosed. (*Marketwatch.com*)

> **IDEXX Laboratories, Inc.**, announced that customers may now begin ordering 100% of IDEXX's products directly from the company in the US as part of its direct sales shift. To ensure a smooth transition for customers, IDEXX will also continue working with its US distributors through the end of 2014. (*Vet Advantage*)

> **Jaguar Animal Health** announced terms for its IPO. The company plans to raise \$40 million by offering 5.0 million shares at a price range of \$7 to \$9. At the midpoint of the proposed range, it would command a fully diluted market value of \$86 million. (*NASDAQ.com*)

> **Nestle Purina** announced the launch of Just Right by Purina, a personalized dog food product that will allow pet owners to order food tailored to their pet's unique needs and preferences. Product users log on to Nestle's website to enter information such as breed, size and physicality as well as the dog's eating preferences. The site then churns out a food recommendation and ships it to the owner. (*stftoday.com*)

> **Freshpet** announced terms for its IPO. The company plans to raise \$135 million by offering 10.4 million shares at a price range of \$12 to \$14. At the midpoint of the proposed range, Freshpet would command a fully diluted market value of \$414 million. *(NASDAQ.com)*

> **VeriPrime Beef Cooperative** and **Eureka Genomics** announced an agreement to further develop cattle herd health risk management technology. *(Feedstuffs)*

> **Dairymaster** announced the launch of the Moo-Monitor+, that monitors each individual cow's health and fertility and allows farmers to monitor their entire herd from their phone. *(Feedstuffs)*

> NETHERLANDS **IDEXX Laboratories**, Inc. announced that it has acquired all outstanding shares of The Netherlands-based **Animana B.V.**, maker of the Animana Veterinary Practice Management Software. Financial terms were not disclosed. *(PRNewswire)*

> EU **Elanco** announced it has launched a live vaccine for poultry in Europe, which was developed by recent acquisition Lohmann Animal Health. AviPro Salmonella Duo provides simultaneous protection against *S Enteritidis* and *S Typhimurium*, and is contained in a single vial. *(Animal Pharm)*

> CHINA **Alltech** announced a partnership with **Nestle** in the creation of a world class training center, the Dairy Farming Institute in Shuangcheng, Heilongjiang province, China. The Institute, which officially opened this week, will be offering a number of services to further develop future farm managers and professionals within the dairy industry. *(dairyherd.com)*

ANIMAL HEALTH NEWS

> CHINA - AVIAN INFLUENZA The World Organization for Animal Health (OIE) reported that there have been 16 outbreaks of highly pathogenic avian flu in widely dispersed parts of China. The H5N1 outbreaks took place in eight different provinces and were discovered mainly in agricultural markets among different types of poultry. Quarantine controls have been imposed and markets disinfected. A vaccination strategy has not been employed. *(Animal Pharm)*

> US - VESICULAR STOMATITIS The Texas Animal Health Commission last week reported no active cases of vesicular stomatitis (VS), indicating that the disease appears to have run its course in Texas. Dozens of locations in Colorado, the only other state to report a case of VS this year, remain under quarantine. *(Vet Advantage - Veterinary Practice News)*

> US - VETERINARY PHARMACIST TRAINING Purdue University's College of Pharmacy will soon become the third institution to offer a residency program in veterinary clinical pharmacy practice. The program will open with one residency position in July 2015. *(Vet Advantage - DVM News)*

> US - IPOD FOR DOGS A Juliard-trained concert pianist and psychoacoustic engineer have developed the iCalmDog, dubbed the "iPod for dogs," a device that uses calming music specifically designed to soothe pups with anxiety issues. The duo has spent the last 11 years conducting studies, building the device and composing the music. *(Vet Advantage)*

BRASSE CONSULTING VIEWPOINT

Congratulations to those companies reporting revenue results for the past quarter. There are

some impressive growth numbers that, if duplicated in the fourth quarter, will make up for some of the shortfalls in the first and second quarters of the year.

It should be noted that two more early-stage animal health companies will become public companies, raising reasonable amounts of cash to fund research and commercialize technology. The investment community remains highly interested in our industry and we hope they will not be disappointed.

We also note this week that the pending merger of the Elanco and Novartis animal health businesses is heading towards a closing. The completion of this transaction will be welcomed by the parties directly involved and others that could be impacted.

Have a great weekend!!

Ron Brakke

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