
**Brakke Consulting's
Animal Health News & Notes for February 1, 2013**
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**BRAKKE CONSULTING, INC.
CHINESE ANIMAL HEALTH MARKET OVERVIEW
PRESENTED AT WVC**

In an effort to educate US and European companies on the Chinese Animal Health market opportunities, Brakke Consulting is pleased to present an Overview of the Chinese Animal Health Market at the Western Veterinary Conference.

The speaker will be Dr. Jishu Shi, principal owner of VaxiAm LLC. Brakke Consulting recently joined forces with VaxiAm to expand its consulting services into the Chinese animal health market.

Date: Tuesday, February 19th
Time: 10:30 AM to 12:00 PM
Location: Desert Willow room, Four Seasons Hotel

To reserve your space, call our office at (972) 243-4033 and ask for Jane Morgan. The registration fee is \$50 per person.

www.BrakkeConsulting.com

COMPANY EARNINGS RELEASES

- > **Pfizer** Inc. reported financial results for full-year 2012. Animal Health revenues were \$4.30 billion, an increase of 3% compared to the prior year. (*company website*)
- > **Merck** announced financial results for the full year 2012. Animal Health sales totaled \$3.40 billion, a 4% increase compared with the prior year, including a 5% negative impact due to foreign exchange. (*company website*)
- > Eli Lilly and Company announced financial results for the full year of 2012. Sales of animal health division **Elanco** increased 21% to \$2.04 billion. Animal health sales in the US increased 30%, driven primarily by increased demand for companion animal products. (*company press release*)
- > **IDEXX Laboratories**, Inc. reported results for the full year 2012. Revenues increased 6% to \$1.29 billion. Net income was \$178 million, an increase of 10% compared to the prior year. Revenues for the Companion Animal Group were \$1.07 billion, an increase of 7% compared to the prior year. (*company website*)
- > Colgate-Palmolive reported results for the year 2012. Sales for **Hill's Pet Nutrition** were \$2.16 billion, a decline of 0.5% compared to the prior year. (*company website*)

COMPANY NEWS RELEASES

- > **Zoetis** (ZTS) began trading publicly this morning as a standalone company in what marks the largest IPO since Facebook. The stock debuted at \$31.50, 21% above its \$26 offer price. Zoetis reported revenue of \$3.2 billion for the first nine months of 2012, or about 7% of Pfizer's total \$43.9 billion revenue in the same period. (*FoxBusiness.com*)
- > **Perrigo Company** announced that it has signed a definitive agreement to acquire **Velcera, Inc.** for \$160 million in cash. Velcera sales for the calendar year 2012 were approximately \$60 million. Velcera's PetArmor franchise brand will be supported by a number of pipeline product candidates in both flea and tick and health and wellness categories. (*MarketWatch*)
- > **Bimeda** announced the acquisition of Praziquantel Injection, NADA 111-607, from **Teva Animal Health**, Inc. Praziquantel Injection is indicated as for the removal of cestodes (tapeworms) in dogs and cats. Financial terms were not disclosed. (*company press release*)
- > **Veterinary Products Laboratories** (VPL) announced the introduction of Ovitrol X-Tend Flea & Tick Spot On for Dogs or Cats, the latest addition to the complete etofenprox system for integrated management of fleas and ticks. (*company press release*)
- > **Nestle Purina** announced the launch of a range of performance pet food for sporting dogs. Purina Pro Plan Sport maximizes the fitness levels of healthy dogs that enjoy an energetic lifestyle. The range has three formulas: "active" for dogs that exercise every day; "advanced" for more athletic dogs; and "performance" for those participating in competitions. (*Animal Pharm*)
- > The **Hartz Mountain Corporation** announced a voluntary recall of Hartz Chicken Chews and Hartz Oinkies Pig Skin Twists with Chicken for dogs due to trace amounts of unapproved antibiotic residue found in samples of the two products. The antibiotics found are approved for

use in poultry in China but are not approved in the U.S. The trace amounts of antibiotic residue do not pose a health risk to pets at the levels detected. (ABC)

> **MinXray, Inc** announced its new series of digital radiography systems for the veterinary market. This series includes the SA100AP.DR digital radiography system for companion animal practices; Enduras digital radiography system for equine practitioners; and MinXray/VetRocketComplete wireless DR system. The Enduras and MinXray/VetRocket Wireless System are easily transported for the ambulatory practitioner. (company press release)

> **Animal Supply Company** announced the acquisition of **Zeus & Company** California, a distributor of pet nutrition and products. Zeus & Company's Illinois and Minnesota locations are not affected by the sale. Financial terms were not disclosed. (Pet Age)

ANIMAL HEALTH NEWS

> **US - GOVERNMENT REORGANIZATION** The FDA announced a reorganization for the Foods and Veterinary Medicine (FVM) program that was implemented on October 1, 2012. Under the reorganization, the Office of Foods is now the Office of Foods and Veterinary Medicine, led by Michael Taylor, the Deputy Commissioner for Foods and Veterinary Medicine. Under the reorganization, the Center for Food Safety and Applied Nutrition (CFSAN) and the Center for Veterinary Medicine (CVM) continue to report to Deputy Commissioner Taylor and remain the major operating units with responsibility for leading operations and regulatory policy development in their respective areas. (FDA)

> **WORLD - BRUCELLOSIS ROADMAP** The Food and Agriculture Organization (FAO) announced it is developing a road map for the global control of brucellosis in livestock. The FAO's four-stage road map describes a sequence of activities that reduce brucellosis in livestock and humans, eventually leading to the self-declaration of brucellosis-free status as defined by the World Organization for Animal Health terrestrial animal health code. (Animal Pharm)

BRAKKE CONSULTING, INC. 2013 INDUSTRY OVERVIEW REGISTER NOW FOR WVC

Brakke Consulting will present the 2013 US Animal Health Industry Overview at the Western Veterinary Conference in Las Vegas on Tuesday, February 19, 2:00 – 4:00 pm, at the Four Seasons Hotel.

Online registration for WVC is open. To register, go to www.brakkeconsulting.com and scroll down to the "What's New" box. The price is \$385 per person for online registration; late registration is \$425.

www.BrakkeConsulting.com

BRAKKE CONSULTING VIEWPOINT

Wow!! The financial markets confirmed this week that there is extraordinary value in animal health companies. The Zoetis IPO hit the market today priced at \$26 per share, which was above the range previously suggested. The opening share price a few minutes ago for Zoetis was even higher at \$31.50 per share. Combine this with the announced purchase of Velcera by Perrigo for \$160 million and you have two fine examples of investor interest in the future of animal health.

For those companies reporting to date, some of the full year financial reports are impressive. These results support our earlier estimate of 5% worldwide revenue growth over 2011 in animal health. Currently there does not appear to be a softening in the marketplace, even though there are a number of challenges occurring in both the food and companion animal sectors in the US. What is Mother Nature going to do to relieve the drought conditions in about two-thirds of the US? The North America market, which represents 38% of the worldwide market, needs to perform if the overall market is to maintain growth levels similar to 2012.

Have a great weekend!!

Ron Brakke

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