
**Brakke Consulting's
Animal Health News & Notes for April 28, 2017**
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Editor: Lynn Fondon DVM MBA

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**BRAKKE CONSULTING, INC.
TRANSACTION ASSISTANCE**

Let Brakke Consulting provide assistance for all your transactions.

Brakke Consulting has been the finder of record, agent of record or consultant for a number of successfully completed projects. We assist with valuations and provide due diligence on confidential transactions as well as offering executive counsel on a number of potential transactions.

Brakke Consulting has the experience, insight, ability and contacts to provide clients with the highest quality services in the animal health, pet, veterinary and specialty chemicals markets. Please contact any of our offices for a confidential consultation.

COMPANY EARNINGS RELEASES

- Eli Lilly announced financial results for the first quarter of 2017. Worldwide revenue for animal health division **Elanco** totaled \$769 million, an increase of 2% compared with the first quarter of 2016. (*company press release*)
- **Bayer** reported results for the first quarter of 2017. Animal Health sales were EUR 440 million (\$472 million), an increase of 8% compared to the comparable prior-year period (+3% currency and portfolio adjusted). (*company website*)
- **Orion** reported results for the first quarter of 2017. Animal Health sales were EUR 19.1 million (\$20.8 million), an increase of 5% compared to the prior year quarter. (*Animal Pharm*)
- **IDEXX Laboratories, Inc.** reported results for the first quarter of 2017. Revenues were \$462 million, an increase of 11% compared to the comparable prior year period. Net income was \$69 million, up 50% from net income of \$46 million in the prior year. Companion Animal Group revenues were \$403 million, an increase of 13%. (*company press release*)
- **Abaxis, Inc.** reported financial results for the fiscal year ended March 31, 2017. Veterinary market revenues were \$187 million, an increase of 5% over the prior year. (*company website*)
- Colgate-Palmolive Company reported results for the first quarter of 2017. Sales for **Hill's Pet Nutrition** were \$554 million, an increase of 0.5% from the comparable prior year period. Unit volume decreased 4% with 4% higher pricing and foreign exchange was positive 0.5%. (*company press release*)
- **VCA Inc.** reported financial results for the first quarter ended March 31, 2017. Revenue increased 20% to \$678 million; net income increased 10% to \$51.1 million. Excluding transaction expenses related to the proposed acquisition of VCA by Mars, Incorporated, and acquisition-related amortization expense, non-GAAP net income increased 11% to \$59.6 million. Animal Hospital revenue increased 24% to \$568 million with same-store revenue growth of 3.7%; Laboratory internal revenue increased 5% to \$111 million. (*company press release*)

COMPANY NEWS RELEASES

- **Vetoquinol USA** announced the launch of Flexadin UCII, part of the Equistro line of supplements. Flexadin UCII promotes cartilage development and joint health in horses at the immunologic level. (*PRWeb*)
- German healthcare firm Fresenius Kabi announced it will acquire **Akorn Pharmaceuticals**. According to Animal Pharm, Fresenius Kabi has no plans to sell Akorn's animal health division, established in 2014. (*Animal Pharm*)
- **Kinetic Vet** announced the launch of Vetasan Spray, a topical antiseptic spray for dermatological conditions responsive to Chlorhexidine. (*company press release*)
- **JorVet** announced the launch of Prontosan wound irrigation solution. (*DVM360*)

- **CytoSorbents** Corp announced the launch of the VetResQ sorbent cartridge, a broad-spectrum blood purification adsorber compatible with standard hemodialysis, hemoperfusion, and continuous renal replacement therapy blood pumps. (*DVM360*)
- **CO Truxton**, Inc. has recalled a lot of phenobarbital due to a labeling error. The manufacturer said that lot 70952A contains 30-mg phenobarbital tablets, but the drug's labeling indicates it contains 15-mg tablets. (*AVMA SmartBrief - ajpb.com*)
- BELGIUM Belgian firm **SoundTalks** announced an agreement with **Boehringer Ingelheim** to monitor respiratory health in pigs using its cloud-based audio detection system. The technology will be used as an early warning system for the automated detection of respiratory problems in pigs. (*Animal Pharm*)
- EU **Advanced Animal Diagnostics** (AAD) announced it has received a CE Marketing approval, which allows for the commercial sale of its mastitis detection technology, QScout Farm Lab, in Europe. The QScout Farm Lab is portable lab-in-a-box technology that runs the QScout MLD (milk leukocyte differential) test, which detects mastitis infection before visual symptoms appear. AAD will sell its diagnostic in the top dairy-producing countries in Europe via a partnership with **Zoetis**. (*Animal Pharm*)
- JAPAN **Jaguar Animal Health**, Inc. announced that it has signed an exclusive distribution agreement with **JP Equine Services** for distribution of Jaguar's lead non-prescription products, Neonorm Foal and Neonorm Calf, in Japan. (*company press release*)
- SOUTH AMERICA **Bionaturis** announced an exclusive agreement to out-license its lead leishmaniasis vaccine (currently in development) to Argentinian animal health firm Laboratorio Biologico de Tandil (**Biotandil**), for Argentina and Paraguay. (*Animal Pharm*)
- CANADA **NovaVive** Inc. announced that its cattle immunotherapeutic, Amplimune, is now available to Canadian veterinarians after receiving approval from the Canadian regulatory authority (CFIA). Amplimune, an emulsion of mycobacterium cell wall fractions (MCWF), reduces the clinical signs and mortality associated with E. coli K99 diarrhea in neonatal calves. (*company press release*)
- NORWAY **AquaGen** announced it has acquired salmon broodstock producer **Profunda**. Financial terms were not disclosed. (*Animal Pharm*)

ANIMAL HEALTH NEWS

- EU - MUMS European Medicines Agency's Committee for Medicinal Products for Veterinary Use (CVMP) has revised minor use and minor species (MUMS) guidelines to encourage development of new veterinary medicines in this area. These revisions are part of the CVMP's wider campaign to stimulate work on products for "diseases that occur infrequently or in limited geographical areas in major species and for minor species". (*Animal Pharm*)
- US - FDA ACTION The FDA has issued 14 warning letters and four online advisory letters to companies illegally selling more than 65 products that claim to prevent, diagnose, treat, mitigate or cure cancer. The products are marketed and sold without FDA approval, most commonly on websites or social media platforms. They have not been reviewed by FDA for safety and efficacy, and can be dangerous to both people and pets. (*FDA*)

- US - VETERINARY SCHOOLS The University of Arizona's proposed veterinary school is on hold until at least 2019 after the American Veterinary Medical Association's Council on Education has rejected UA's accreditation proposal a second time. The COE first ruled last summer that UA's plans to create a novel fast-track veterinary school were flawed to the point that students might not receive a high quality education. The UA disputed that its plan was inadequate and spent \$10,000 to appeal the decision; the university lost the appeal. (*Tucson.com*)
- US - FELINE ASTHMA RESEARCH University of Missouri researchers have revealed a possible diagnostic test for feline asthma that does not require anesthesia. Cats with signs of asthma breathed into a cooling device to collect exhaled droplets of condensed breath, aka exhaled breath condensate (EBC). When researchers compared biomarkers in the EBC of the cats suspected of having asthma with the EBC of healthy cats, they discovered differences between samples of cats with asthma and those without. (*Veterinary Practice News*)
- US - CANINE GENETICS RESEARCH Scientists at the National Human Genome Research Institute analyzed the genomes of 1,346 dogs representing 161 breeds, compared 150,000 spots on each genome, and developed a graph that shows the breeds' relative connections, a dog "family tree." The findings were published in the journal *Cell Reports*. (*AVMA SmartBrief - Science*)

BRAKKE CONSULTING VIEWPOINT

It appears from various reports and information that the OTC pet business product sales are outpacing the veterinary channel. A growing percentage of this revenue growth is coming from pet owners using the internet to purchase goods and services. PetSmart, the largest pet retailer, recently made a large acquisition of Chewy.com for \$3.35 billion according to multiple industry sources. It would be the biggest e-commerce acquisition in history. It is another example of how e-commerce companies are challenging the traditional brick-and-mortar retail operations. Chewy.com reached \$900 million in sales last year and in just 5 years.

This increasing use of the internet by pet owners is also moving into the veterinary channel for products and services. Several studies that Brakke Consulting has conducted over the past three years confirmed the desire of pet owners to have increasing transparency from their veterinarian and freedom to purchase their pet's prescriptions from multiple sources. We believe this trend will continue into the future and veterinarians, distributors and manufacturers will need to continue to adapt.

Have a great weekend!

Ron Brakke

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Brakke Consulting, Inc.

12005 Ford Rd., Suite 530
Dallas, TX 75234 USA