
**Brakke Consulting's
Animal Health News & Notes for July 17, 2009**
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**BRAKKE CONSULTING, INC.
Merger, Acquisition, Divestiture, Licensing**

Are you interested in growing your business by purchasing another company, product line or technology? Have you been thinking about selling your company or divesting a product line or technology? Have you considered merging your company with another firm to improve shareholder value?

Brakke Consulting, Inc. has assisted many clients with mergers, acquisitions and divestitures, including two successful transactions in the past several months. Contact us to learn more about how Brakke Consulting can help you.

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COMPANY EARNINGS RELEASES

> **Virbac SA** reported results for the second quarter of 2009. Net sales were EUR 116.5 million (\$164 million), an increase of 7% compared to the comparable period in 2008. The change at constant scope and exchange rates was 3%. (*company website*)

> **Dainippon Sumitomo Pharma** reported that net sales of its animal science division for fiscal 2008 ended March 31, 2009 increased by 9% to Yen 29.76 billion (\$310 million) compared with fiscal 2007. (*company communication*)

> **TW Medical Veterinary Supply** reported results for its fiscal year ended June 30, 2009. Sales for the year were \$30.8 million, up 30% over the prior year. TW Medical is a wholly owned subsidiary of Lextron. (*company press release*)

> **National Beef Packing Co.** announced results for the 13 weeks ended May 30, 2009. Net income was \$46.3 million, compared with net income of \$74.3 million in the 14 weeks third

quarter of fiscal year 2008. Sales were about \$1.32 billion, compared with \$1.53 billion last year. National Beef said sales dropped partly because of a decrease in the average volume of cattle processed per week and the extra week in the prior reporting period. Average sales prices per head decreased nearly 2.6% during the current period. (*Meating Place*)

COMPANY NEWS RELEASES

> Angus Genetics Inc. and **Merial** have entered into an exclusive agreement to provide American Angus Association breeders with genomic-enhanced expected progeny differences (EPDs) powered by IGENITY. (*company press release*)

> **Vivalis** and **Intervet/Schering-Plough** Animal Health announced the signing of a commercial license, based on the letter of intent signed in 2008, to use the EB66 cell line, a Vivalis proprietary technology, for the production of a veterinary vaccine. Moreover, through this agreement, Intervet/Schering-Plough is also granted rights to test the EB66 cell line for the production of 12 different pathogens. (*company press release*)

> **Abbott Animal Health** and **Oasmia Pharmaceutical** have announced a multi-year agreement to market Paccal Vet (micellar paclitaxel), a veterinary chemotherapy drug currently being studied to treat Grade II and Grade III canine mast cell tumors where curative surgery cannot be performed. Under the terms of the agreement, Abbott will obtain exclusive rights to distribute Paccal Vet for veterinary use in the US and Canada, and will be responsible for sales and marketing. Oasmia is responsible for clinical development, manufacturing and registration. Financial terms were not disclosed (*PRNewswire*)

ANIMAL HEALTH NEWS

> US - DRUG REGULATION The Committee on Rules of the US House of Representatives held a hearing on the bill proposing severe restrictions on antibiotic use on farms. The Preservation of Antibiotics for Medical Treatment Act of 2009 (PAMTA) proposes the withdrawal of seven classes of antibiotics - penicillins, tetracyclines, macrolides, lincosamides, streptogramins, aminoglycosides and sulfonamides - from routine use in livestock farms, unless the animals are sick. In his testimony to the hearing, Dr Joshua Sharfstein, principal deputy commissioner of the FDA, said that the non-therapeutic use of antibiotics, which aims to increase growth and prevent disease, should cease. He also said that farmers should no longer be able to use antibiotics in animals without the supervision of a veterinarian. (*Animal Pharm*)

> US - DECLAW BAN The San Francisco Commission of Animal Control and Welfare voted 5-1 in support of a ban on the veterinary practice of de-clawing cats, except in cases of medical necessity. A proposed ordinance in San Francisco would be modeled on a ban already in effect in West Hollywood, the first city in the country to ban de-clawing. (*San Jose Mercury News*)

> US - RABIES VACCINE US researchers at Thomas Jefferson University have published the results of an early trial of a single-dose rabies vaccine produced from a live virus. The researchers developed a genetic variant of the virus that is not pathogenic, but is still capable of producing an immune response. A single dose of the vaccine administered to mice appeared to offer complete protection against a highly virulent strain of canine rabies. The vaccine also cleared an established rabies infection from the brains of mice, which suggests it may have a role in the treatment of clinical rabies in humans. (*Animal Pharm*)

> US - POLITICAL APPOINTEE Sen. Saxby Chambliss announced he has lifted his hold on confirmation of President Obama's regulation czar nominee after assurances by Harvard law

Prof. Cass Sunstein that he won't advocate animal rights positions he has written about in the past, including an animal's right to sue a human. Sunstein is Obama's choice to head the White House Office of Information and Regulatory Affairs. Chambliss said that in a private meeting with him and in meetings with agricultural organizations Sunstein has committed in writing not to advocate animal rights positions, which have in the past also included the idea that hunting should be banned. (*Meating Place*)

**AVMA Annual Convention
Seattle, WA**

The AVMA's 146th annual convention concluded this week in Seattle, Washington, with nearly 9,500 attendees. Conference participants included 4,300 veterinarians, 500 veterinary students, and 1,100 exhibitors.

The conference included the AVMA's first-ever Global Health Summit addressing the challenges of disease spread as society and its animals become increasingly mobile.

BRASSE CONSULTING VIEWPOINT

It's an interesting time in Animal Health. We understand from some sources and various published reports that some of the mystery of who will buy what entity and/or products in this period of dramatic industry consolidation is likely to be known in the next 3 - 5 weeks. After that, there will be the period of final due diligence before closings occur. One benefit of this being known is that the winners and the losers can begin planning and acting accordingly for 2010, which it appears will be another challenging year. Don't forget, Brasse Consulting, Inc. is a specialist in due diligence.

As it relates to the marketplace, at the end of the second quarter we find that some categories in companion animal are holding their own in the 2009 season and others are soft. We do not expect negative sales growth in companion animal in 2009. However, in the food animal area we do expect that there will be negative growth in 2009 versus 2008.

We continue to be concerned regarding the lack of innovation and new products in the marketplace. The industry is going to need new products to replace those that are being challenged by the regulatory bodies and even Congress, as mentioned in this newsletter. I was able to view some of the Congressional hearings on CSPAN this week and it was not a pretty picture. We encourage each of you to call or write your Congressman on these challenging issues.

One has to wonder how some of the investment bankers are valuing the various assets that are for sale in the face of Congressional hearings, expanding FDA & EPA regulations and many leading products going generic. Hopefully they have some third party industry input before their clients write the checks.

Have a great weekend and stay cool!!

Ron Brasse

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