
**Brakke Consulting's
Animal Health News & Notes for July 31, 2015**
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BRAKKE CONSULTING, INC.
CHANGING PET OWNERSHIP STUDY
PRE-ORDER DISCOUNT ENDS AUGUST 7

Brakke Consulting, Inc., and Trone Brand Energy have launched the Changing Pet Ownership Study, which will explore the evolutionary change in pet owner attitudes, lifestyle and purchase behavior and the implications to future pet ownership. The study will address how pet owners and

the pet population are likely to change, how to best communicate with these groups in the future, as well as where pet owners will obtain information and how they will make their pet product purchase decisions.

The study is available from Brakke Consulting for \$28,000. Companies that subscribe by August 7, 2015 and pre-pay 50% receive an early-order discounted price of \$25,000. The full report will be available at the end of the first quarter of 2016.

For more information, or to participate in the study, contact David Goodnight at 830-285-1259 or DGGoodnight@BrakkeConsulting.com .

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BRAKKE CONSULTING, INC.
US LIVESTOCK INSECTICIDE MARKET STUDY
PRE-ORDER DISCOUNT ENDS AUGUST 7

Brakke Consulting is developing a study of the U.S. livestock insecticide market slated to be available in the fall of 2015. The study should be of interest to anyone who participates, directly or indirectly, in this market segment.

The Brakke U.S. Livestock Insecticide Market Study is designed to identify and quantify:

- (1) Trends in usage by species
- (2) Overall structure of the market
- (3) Market share by manufacturer, active ingredient, product form, livestock species and pest.

The study is available from Brakke Consulting for \$10,500. Companies that subscribe by August 7, 2015 and pre-pay 50% receive a \$500 discount. The full report will be available in October 2015.

For more information, or to subscribe to the study, contact John Mannhaupt (972) 243-4033 or jmannhaupt@brakkeconsulting.com ; or Cary Christensen (913) 205-6578 or crychris123@gmail.com.

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COMPANY EARNINGS RELEASES

> **Merck** announced financial results for the second quarter of 2015. Animal Health sales totaled \$840 million for the second quarter of 2015, a decrease of 4% compared with the second quarter of 2014, including a 14% negative impact from foreign exchange. (*company press release*)

> Sanofi reported results for the second quarter of 2015. Sales for **Merial** were up 14% to EUR 691 million (\$767 million). In the US Animal Health sales grew 20% to EUR 345 million (\$383 million). (*company website*)

> **Bayer** reported results for the second quarter of 2015. Sales of the Animal Health Division rose by 20% (6% Fx & portfolio adj.) to EUR 428 million (\$475 million).

> **Virbac** reported results for the second quarter of 2015. Consolidated revenue was EUR 221 million (\$245 million), an increase of 19% compared to the second quarter of 2014 (9% at constant exchange rates). (*company website*)

> **Vetoquinol Group** reported results for the first half of 2015. Revenues amounted to EUR 167 million (\$185 million), up 11.9% based on reported data. At constant exchange rates revenues were up 4.7%. Group net income increased 20% to EUR 12.4 million (\$13.8 million), up from EUR 10.4 million in the first half of 2014. (*company website*)

> **Heska** announced financial results for the second quarter of 2015. Total revenue for the quarter was \$24 million, an increase of 4% compared to the comparable quarter in 2014. Net income was \$1.2 million compared to net income of \$778,000 in the second quarter of 2014. (*company press release*)

> **Orion** reported results for the first half of 2015. The company's animal health sales climbed to EUR 44 million (\$48.7 million), a 36% increase compared to the first half of 2014. In addition to good performance from the company's sedatives line, the firm also benefitted from a non-recurring milestone payment recorded on the sale of product rights. (*Animal Pharm*)

> **IDEXX Laboratories** reported results for the second quarter of 2015. Revenues were \$413 million, an increase of 6% compared to the prior year period. Impacts from the strengthening of the US dollar reduced reported revenue growth by 7%; normalized organic revenue growth for the quarter was 11%. Companion Animal Group revenue was \$352 million, up 9% compared to the second quarter of 2014. Net income was \$56.9 million, down from \$57.2 million in the comparable prior-year quarter. (*company website*)

> Colgate-Palmolive Company reported results for the second quarter 2015. **Hill's Pet Nutrition** sales were \$552 million, a decline of 1.5% compared to the second quarter of 2014. Unit volume increased 5.5% with 1.5% higher pricing, while foreign exchange was negative 8.5%. (*company website*)

> **Henry Schein, Inc.** reported results for the second quarter of 2015. Animal Health sales were \$749 million, a decline of 0.8%, consisting of 7.9% growth in local currencies and an 8.7% decline related to foreign currency exchange. (*company website*)

> **VCA, Inc.** reported financial results for the second quarter ended June 30, 2015. Revenue increased 12% to a second quarter record of \$549 million. Net income increased 19% to \$54.3 million. Animal Hospital revenue increased 13% to \$435 million, driven by acquisitions and same-store growth of 6%. Laboratory internal revenue increased 7% to \$103 million. (*company press release*)

**2015 KC Animal Health Corridor Homecoming Dinner
Monday, August 31, 2015
Kansas City Convention Center**

Connect with nearly 900 animal health industry professionals and join the Corridor in honoring this year's Iron Paw Award recipient, Dr. Ralph Richardson. Hear from Dayton Moore, General Manager of the Kansas City Royals, as he shares his strategy for building a winning team and a culture of success.

The event will be held on Monday, August 31 from 5 – 9 p.m. at the Kansas City Convention Center Grand Ballroom.

Visit <http://www.eventbrite.com/e/kc-animal-health-corridor-homecoming-dinner-2015-tickets-16992385683> for registration.

Visit <http://kcanimalhealth.thinkkc.com/events/homecoming> for full event details.

COMPANY NEWS RELEASES

- > **Norbrook Laboratories**, Ltd. announced the FDA approval of Enroflox 100 (enrofloxacin) for the single-dose treatment of bovine respiratory disease (BRD) in beef and non-lactating dairy cattle; and for the control of BRD in beef and non-lactating dairy cattle at high risk of developing BRD. (*company press release*)
- > **Putney**, Inc. announced it has received FDA approval for its Thiabendazole, Dexamethasone, Neomycin Sulfate Solution, the first and only generic of Tresaderm. (*company press release*)
- > **Heska** announced the availability of the new Element i Immunodiagnostic Analyzer. Element i performs immediate in-clinic testing and screening for key health concerns, including thyroid disorders, Cushing's disease and Addison's Disease. (*MarketWatch*)
- > **Henry Schein** announced it has promoted Peter McCarthy to the position of President, Henry Schein global animal health group. McCarthy also joins the company's executive management committee. Prior to assuming his new position, McCarthy was president, Henry Schein International, with responsibility for Henry Schein's animal health businesses outside of the US and Canada. (*Animal Pharm*)
- > **Blue Buffalo** reported that shares of its stock surged 35% above their initial price to \$27.20 on the first day of trading, raising \$677 million in its initial public offering. At that level, the company is being valued at \$5.3 billion. (*PetFoodIndustry*)
- > **Kane Biotech** Inc. announced that it plans a private placement to certain US investors consisting of up to 16.1 million units of Kane Biotech at a price of \$0.07 per unit for aggregate gross proceeds of up to \$1.127 million. In conjunction with the Private Placement a significant shareholder has advised the Company he is exercising warrants to purchase Common Shares of the Company for aggregate gross proceeds to the Company of \$600,000. (*company press release*)
- > **Pet King Brands** announced the launch of the Zymox Equine Defense line. The product line includes a wash for cleaning away environmental skin and coat irritants and microbes; a wound management cream; Skin Guard, designed as an epidermal barrier against bacterial and fungal microbes; and a spray for wound care and management. (*Animal Pharm*)
- > **Advanced Targeting Systems** (ATS) announced it has received a minor use/minor species (MUMS) designation for SP-SAP (substance P and Saporin), an injectable drug developed for the control of pain associated with bone cancer in dogs. The company plans to commercialize the drug as soon as conditional approval is given, which it expects to be granted some time in 2015. (*Animal Pharm*)
- > **Cornerstone Animal Health**, LLC announced the formation of Salestrex, a new commercial division that will enable new products visibility at key veterinarian meetings and seminars across the country. Cornerstone will continue to manage products with its distribution partners, while Salestrex will handle field sales activities, creating demand for these products and services. (*Vet Advantage*)
- > **PetPace** announced it has merged with veterinary practice management software company **AVImark**. PetPace markets a smart collar to test for vital signs in pets. The results are then

available as part of the electronic patient medical record, simplifying use by veterinarians and staff. Financial terms were not disclosed. (*Animal Pharm*)

> **Moses Lake Professional Pharmacy** announced it is recalling human and veterinary sterile compounded drugs which are unexpired to the consumer level due to lack of sterility assurance. The company has not received any reports of product contamination or adverse events to date. (*ConsumerAffairs.com*)

> CANADA **Zoetis** announced an agreement to acquire **KL Products Inc.** to strengthen its automation technology for poultry hatchery operations. The privately held KL Products, based in Canada, is a leader in automation systems for the poultry industry. Terms of the transaction were not disclosed. (*Feedstuffs*)

> ECUADOR **Cargill** announced that it has formed a joint venture with **Naturisa** to build a \$30 million shrimp feed facility near Guayaquil, Ecuador. The transaction will involve the construction of a new world-class shrimp feed mill that will produce 130,000 metric tons annually. Cargill will own 75% and have managerial control of the day-to-day operation, while Naturisa will retain 25% in the joint venture. (*Feedstuffs*)

> EGYPT **Valeant Pharmaceuticals** announced plans to acquire Mercury (Cayman) Holdings, the holding company of **Amoun Pharmaceutical**, for \$800 million plus contingency payments. Amoun Pharmaceutical is the largest pharmaceutical company in Egypt and markets 21 veterinary drugs. (*FierceAnimalHealth*)

ANIMAL HEALTH NEWS

> US - BOVINE TB Routine testing for bovine tuberculosis in Michigan cattle turned up a small beef herd in Alcona County as positive for the disease, the second positive test in Michigan this year. Authorities say the Alcona County herd is in an area where TB is endemic in wild deer. (*Vet Advantage*)

> GERMANY - AVIAN INFLUENZA German authorities reported that a case of high pathogenic H7N7 avian influenza was confirmed at a poultry farm in the northwestern state of Lower Saxony. As a precautionary measure, authorities imposed restrictions within a 3 km radius around the farm, and ordered all hens within a 1 km radius to be culled. (*Foxnews.com*)

> US - AVIAN INFLUENZA VACCINE Scientists at the USDA have reportedly developed a vaccine that is 100% effective against avian influenza in chickens. Testing is currently underway to determine its effectiveness on turkeys. The vaccine targets the H5 part of the recent mixed-origin HPAI H5N8, H4N2 and H5N1 strains. (*Vet Advantage*)

> US - GMO LABELING The US House of Representatives approved H.R. 1599, the Safe and Accurate Food Labeling Act, which sets parameters for a voluntary labeling program for genetically modified foods (GMOs), which supporters say will prevent a patchwork of state and local attempts to regulate the labeling. So far the Senate has not introduced a companion bill. (*Feedstuffs*)

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BRAKKE CONSULTING VIEWPOINT

The second quarter financial reports for most of the companies suggest a rather robust marketplace. Some of this revenue growth is driven by new product introductions in the flea/tick/heartworm area. Those companies operating in the diagnostic areas are also seeing some nice gains, which tends to match with the revenue increases in those companies operating companion animal hospitals.

The continued interest in animal health by investors was again demonstrated this week with the Blue Buffalo IPO. The price of Blue Buffalo's stock at the end of the first day of trading gave the company a market cap of over \$5 billion dollars. This kind of success should make it easier for other companies to raise capital to support their research and marketing needs in animal health.

Earlier in the newsletter you hopefully noted the two new studies that we are conducting. **The Changing Pet Ownership Study** should be of high interest to any firm desiring to understand their current and future pet owner customers better. The **US Livestock Insecticide Study** covers another area that is important to the efficient production of animal protein. Parasites, if not controlled, can be an economic burden that is sometimes overlooked by producers. Both studies are offering early-order discounts for one more week, so we encourage you to place your orders quickly.

Have a great weekend and stay cool!!

Ron Brakke

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