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Brakke Consulting's
Animal Health News & Notes for August 3, 2012
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Editor: Lynn Fondon DVM MBA
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KC Animal Health Corridor "Homecoming Hoedown"
Monday, August 27, 2012
Hale Arena

The seventh annual KC Animal Health Corridor Homecoming dinner will be held Monday, Aug. 27 from 5 – 9 p.m. at Hale Arena in Kansas City.

This year's event will feature Kix Brooks, and will also honor former president and CEO of Boehringer Ingelheim Vetmedica and past chair of the KC Animal Health Corridor Advisory Board, George Heidgerken, with the 2012 Iron Paw Award.

Visit KCanimalhealth.com/homecoming for full details and registration.

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COMPANY EARNINGS RELEASES

> Pfizer Inc. reported financial results for the second quarter of 2012. Animal Health unit revenues increased 3% to $1,085 million in comparison with the same quarter last year (7% excluding the effect of foreign exchange). *(company website)*

> Merck announced financial results for the second quarter of 2012. Animal Health sales totaled $865 million for the second quarter of 2012, an 8% increase over the second quarter of 2011, including a 6% negative impact due to foreign exchange. *(company website)*

> Sanofi reported results for the second quarter of 2012. Sales of **Merial** increased 9% to EUR 576 million ($710 million), driven by the US (up 18%) and emerging markets (up 11%). Second-quarter sales of the Companion Animals segment were up 10% to EUR 385 million ($475 million), reflecting strong performance of the Frontline/Fipronil family of products. *(company press release)*

> Bayer reported financial results for the second quarter of 2012. Business in the animal health division expanded by 10% (3% foreign exchange & portfolio adjusted) to EUR 360 million ($444 million). Sales of the Advantage line of flea, tick and worm control products came in at the prior-year level. *(company website)*

> Central Garden & Pet Company reported financial results for its fiscal third quarter ended June 23, 2012. Net sales for the Pet segment increased 19% from the same period a year ago to $271 million, on strength across many of its categories, especially flea and tick. *(company website)*

> Orion reported results for the second quarter of 2012. Animal health revenues declined 8% to EUR 15.9 million ($19.6 million). *(Animal Pharm)*

> Abaxis, Inc. reported financial results for the first fiscal quarter ended June 30, 2012. Veterinary market revenues were $32.5 million, up 17% over last year's comparable quarter. *(company website)*

> Colgate-Palmolive reported results for the second quarter 2012. **Hill's Pet Nutrition's** net sales decreased 1% to $531 million. Unit volume decreased 3.0%, pricing increased 5.0% and foreign exchange was negative 3.0%. *(company website)*

> Del Monte reported financial results for its fiscal year ended April 29, 2012. The Pet Products segments reported sales of $1.86 billion, an increase of 4% compared to the prior year. Net income for the segment was $323 million, a decline of 15%. *(Pet Product News)*

> Henry Schein, Inc. reported record financial results for the quarter ended June 30, 2012. Global Animal Health sales increased 11% to $586 million, including 15% growth in local currencies and a 4% decline related to foreign currency exchange. In local currencies, internally generated sales increased 9% and acquisition growth was 6%. The 9% internal growth in local currencies included 14% growth in North America and 3% International growth. *(company website)*

> MWI Veterinary Supply, Inc. announced financial results for its third quarter ended June 30, 2012. Total revenues were $555 million for the quarter, 35% higher than revenues for the same period in the prior fiscal year. Excluding the impact of the acquisition of the assets of Micro Beef Technologies, Ltd., organic revenue growth was 18.5% in the US and 20.2% in the UK. Net income was $14.5 million for the quarter, 27% higher than net income for the same period in the prior fiscal year. *(company website)*

> VCA Antech, Inc. reported financial results for the second quarter ended June 30, 2012. Revenue increased 17% to a second quarter record of $438 million; net income was $34.3 million. Animal Hospital revenue in the quarter increased 18% to $342 million, driven by acquisitions and same-store revenue growth of 0.2%. Laboratory revenue in the second quarter increased 3% to $87 million, driven by both an increase in the number of requisitions and the average revenue per requisition. *(company press release)*

> PetMed Express announced its financial results for the quarter ended June 30, 2012. Net sales for the quarter ended June 30, 2012 were $69 million, a decrease of 6% compared to the quarter ended June 30, 2011. Net income was $4.0 million compared to net income of $4.8 million in the comparable quarter in 2011. *(company website)*

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2012 ANIMAL HEALTH INVESTMENT FORUM
Tuesday, August 28, 2012
Kansas City

This year's KC Animal Health Investment Forum will feature presentations from 13 animal health companies from around the world. Presentations will include diagnostics, delivery systems, biologicals, pharmaceuticals, devices, growth promotants, enzymes and oncology among others.

To register, go to http://www.kcanimalhealthforum.com/index.php/register-to-attend/

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COMPANY NEWS RELEASES

> Pfizer announced that the company anticipates filing a registration statement with the (US) Securities and Exchange Commission by mid-August for a potential initial public offering of up to a 20% ownership stake in **Zoetis**, the animal health business. *(Reuters)*

> Isconova announced a partnership agreement with **Virbac SA**. Isconova's Matrix-M, a patented adjuvant product, will be used by Virbac for the development and improvement of vaccines for the global veterinary market. The first products based on Matrix-M are vaccines for dogs against certain infectious diseases. *(Pharmabiz.com)*

> Teva Animal Health announced the relaunch of T8 Keto Flush ear flush. T8 Keto Flush contains an optimal formulation of tromethamine, tetrasodium edetate (EDTA), and 0.1% ketoconazole in a patented preservative base with mild surfactants to clean the ear canal and manage infection at the same time. *(company press release)*

> Bock Vet Pharma announced the launch of Deter-X, an advanced bioadhesive barrier product. Deter-X works in the postsurgical period to relieve pain, minimize self-trauma, and promote healing. The patented microcapsular formulation of Deter-X releases both pramoxine and a bitterant into the postsurgical environment. *(company press release)*

> Royal Canin USA introduced Royal Canin Veterinary Diet Calm, a complete and balanced diet for the nutritional management of stress in cats and dogs. The formulas include alpha-casozepine, an amino acid chain derived from milk and clinically shown to have calming effects after being ingested; as well as L-tryptophan and nicotinamide (Vitamin B3), more commonly known stress relievers. *(company press release)*

> Supera Anesthesia Innovations, formerly LEI Medical, announced the release of the Pureline OC4000 Oxygen Concentrator for veterinary anesthesia. The OC4000 extracts medical-grade O2 from the air and delivers it on demand. *(Virtual-Strategy.com)*

> AspenBio Pharma, Inc. announced that it has executed an exclusive worldwide license agreement with an undisclosed international animal health company, providing license and sub-license rights to AspenBio's entire animal health portfolio. *(MarketWatch)*

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ANIMAL HEALTH NEWS

> US - AVIAN INFLUENZA Scientists investigating the deaths of 162 young seals along the New England coast last year identified a new strain of avian influenza, H3N8, in tissues from five of the dead animals. Testing revealed that H3N8 developed from an avian influenza strain present in waterfowl since 2002, suggesting recent transmission between waterfowl and seals. *(AVMA SmartBrief - Daily Mail London)*

> US - PET MEDICATION SALES The Federal Trade Commission (FTC) will host a workshop to examine how pet medications are distributed to pet owners and how these practices affect consumer choice and price competition. In advance of that event, to be held Oct. 2 in Washington, D.C., the commission is soliciting input from key stakeholders, including veterinarians, pet owners, business representatives, economists, lawyers, academics and any other interested parties. Comments can be submitted in paper or electronic format through September 14, with full instructions available in the Federal Register notice. Comments can be submitted electronically by visiting ftcpublic.commentworks.com/ftc/petmedsworkshop. Written comments should be mailed or delivered to: Federal Trade Commission, Office of the Secretary, Room H-113 (Annex X), 600 Pennsylvania Ave., NW, Washington, DC 20580. *(DVM360)*

> US - FDA RULEMAKING The FDA announced an Advance Notice of Proposed Rulemaking (ANPRM) to solicit comments from the public on possible enhancements to the existing requirements related to the collection of antimicrobial drug sales/distribution data as well as input on alternative methods for monitoring antimicrobial use in food-producing animals. FDA is soliciting public comment on: (1) Whether FDA should amend its regulations to require the submission of additional sales and distribution information; (2) how FDA can best compile and present the annual summary information, while still protecting confidential business information as directed by statute; and (3) alternative methods available to FDA for obtaining additional data and information about the extent of antimicrobial drug use in food-producing animals. The agency invites comments on all aspects of ADUFA 105, available online. *(FDA)*

> US - PET CPR The Reassessment Campaign on Veterinary Resuscitation (RECOVER) has published the first evidence-based recommendations for resuscitating dogs and cats in cardiac arrest. The project was a collaborative effort of the American College of Veterinary Emergency and Critical Care and the Veterinary Emergency and Critical Care Society. The recommendations can be found online at www.acvecc-recover.org . *(Veterinary Practice News)*

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BRAKKE CONSULTING, INC.
TALES FROM THE HEARTLAND
John Volk, Senior Consultant

I had an opportunity to survey Midwestern agriculture from the seat of a bicycle last week, by participating in the 40th Des Moines Register's Annual Great Bike Across Iowa (RAGBRAI).

The first thing one notices is that virtually every non-irrigated lawn is completely brown, thanks to the great drought of 2012. Many trees are under severe stress, some dying or losing their leaves months early. There are hardly any livestock grazing; the pastures are burnt up too. Those cattle and horses still turned out are mostly eating (expensive) hay. And the heat continues; temperatures exceed 100º for three consecutive days last week, unheard of for Iowa.

Remarkably, while some fields are brown and unproductive, other crops look much better than expected, thanks to improved varieties and the occasional scattered rain shower. Many farmers I've visited with were pleasantly surprised that they will have a crop at all. That said, other farmers in the southern part of the Corn Belt and other regions of the country have been disking under failed crops. So expect livestock producers, food and ethanol companies to be competing for limited grains and soybeans this fall and winter. It will be trying times for the protein and biofuel industries.

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BRAKKE CONSULTING VIEWPOINT

The companies reporting second quarter results were a mix of excellent growth and "let's hope the third quarter is better." In general the industry is showing some nice growth in 2012. If revenue growth continues at this rate the next two quarters, we estimate that year-over-year growth will be in the 8 or 9% range.

A great deal of credit for this revenue growth needs to be given to those firms that have increased their advertising and marketing to pet owners to expand the market in all channels. It's our understanding that advertising in the flea and tick category is up dramatically. This new level of advertising and promotion from leading brands should encourage consumers to make buying decisions needed by the industry no matter what channel they ultimately use.

In some of the second quarter reports, it appears this investment to further develop the market is clearly paying dividends. We hope this continues, because increasing market value and size helps lift all the participants in the industry. We'd prefer to see the market increase in unit and dollar volume over the alternative in a soft economy.

Have a great weekend and stay cool!!

Ron Brakke

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