
**Brakke Consulting's
Animal Health News & Notes for February 3, 2012**
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**BRAKKE CONSULTING, INC.
REGISTER NOW FOR INDUSTRY OVERVIEW**

Brakke Consulting will present the 2012 US Animal Health Industry Overview at the Western Veterinary Conference in Las Vegas, Nevada. The date is:

Tuesday, February 21st from 2:00 – 4:00 pm at the Four Seasons.

Registration for the Industry Overview at the WVC is now open. To register go to www.brakkeconsulting.com and scroll down to the "What's New" box. The price is \$375 per person through Wednesday, February 15; late registration is \$425.

www.BrakkeConsulting.com

COMPANY EARNINGS RELEASES

> **Pfizer** Inc. reported financial results for full-year 2011. Animal health revenues were \$4.18 billion, a 17% increase compared to the prior year. (*company website*)

> **Merck** announced financial results for the full year 2011. Animal Health global sales were \$3.25 billion, an 11% increase, which includes a 3% benefit from foreign exchange, compared with the prior year. (*company press release*)

> Eli Lilly and Company announced financial results for the full year of 2011. Worldwide sales of **Elanco Animal Health** increased 21% to \$1.68 billion. US sales increased 16% driven primarily by increased demand; sales outside the US increased 27% driven primarily by the impact of the acquisition of certain Janssen and Pfizer animal health assets in Europe. (*company press release*)

> **Novartis Animal Health** reported full year sales of \$1.30 billion in 2011, an increase of 7% over 2010 sales (4.5% in constant currency). Growth during 2011 reflects strong growth performance in Germany, Japan, Australia and the emerging markets. (*Animal Pharm*)

> **IDEXX Laboratories**, Inc. reported results for the full year 2011. Revenues increased 10% to \$1.2 billion. Companion Animal Group revenues increased 10% to \$1.0 billion. (*company website*)

> **Abaxis**, Inc. reported financial results for the third fiscal quarter ended December 31, 2011. Revenues were \$38 million, an increase of 5% compared with the comparable period last year. Veterinary market sales were \$28.5 million, up 8% over last year's comparable quarter. (*company press release*)

> **MWI Veterinary Supply**, Inc. announced financial results for its first quarter ended December 31, 2011. Total revenues were \$462 million for the quarter, 26% 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., revenue growth in the US was 14% for the quarter. Net income was \$13.2 million for the quarter, 22% higher than net income for the same period in the prior fiscal year. (*MarketWire*)

> Colgate-Palmolive Company reported results for the year 2011. Revenues for **Hill's Pet Nutrition** grew 4% to \$2.17 billion. (*company website*)

> **Central Garden & Pet Company** announced financial results for its fiscal first quarter ended December 24, 2011. First quarter net sales for the Pet Products segment increased 7% over the prior year to \$199 million. (*company website*)

> **PetMed Express**, Inc. announced its financial results for the third fiscal quarter ended December 31, 2011. Net sales were \$50.5 million, an increase of 12% compared to the comparable period in the prior year. Net income was \$3.9 million compared to net income of \$4.5 million in the prior year. (*company website*)

COMPANY NEWS RELEASES

> **Pfizer Animal Health** and **The Hippolia Foundation**, a network of leading French equine institutions and international partners, announced the formation of a strategic partnership to advance equine health through research and educational programs. The partnership will work to

accelerate advancement in innovation on the diagnosis, treatment and prevention of equine disease, with a focus on respiratory disorders and infectious diseases. The Hippolia partner organizations and Pfizer are initially investing more than \$5 million over three years. (*TheHorse.com*)

> **Merck Animal Health** announced that it will centralize most commercial, marketing and corporate headquarters functions at the existing Merck campus in Summit, New Jersey. (*company press release*)

> **Novartis Animal Health** announced the introduction of two new cattle vaccines. Nuplura PH, a new vaccine for beef and dairy cattle, provides fast-acting protection against bovine pneumonia caused by *Mannheimia (Pasteurella) haemolytica*. BRD Shield, a new modified-live vaccine (MLV), protects non-pregnant beef and dairy cattle against bovine respiratory disease (BRD) complex. (*company press release*)

> **Novartis Animal Health** issued a "Dear Doctor" letter to veterinarians cautioning that foreign tablets may be found in certain bottles of Clomicalm (clomipramine hydrochloride) tablets. No instances of foreign tablets in Clomicalm bottles have been reported to Novartis; the letter was issued as a precautionary measure after its consumer health division recalled several human products packaged at a facility in Lincoln, Nebraska over similar concerns. (*Veterinary Practice News*)

> **Dechra Pharmaceuticals** announced it has acquired the rights to an equine lameness treatment, HY-50 (sodium hyaluronate), from **Bexinc** for C\$8 million (\$8 million). Dehra has gained worldwide rights, excluding Canada, for the intra-articular (IA) or intravenous treatment (IV) of lameness in horses caused by joint dysfunction. (*Animal Pharm*)

> **Richard's Vet Products** announced the launch of MVP (Most Valuable Pet) Treats. MVP Treats are made from US-grown chicken, beef and pork products and manufactured at a USDA-approved facility. (*company press release*)

> **McAllister Software Systems** announced it now offers automated email, SMS text, and voice reminders as part of MSS Reminder Services. Called eMinders, these reminders are sent automatically and responses are filtered back into AVImark software. (*company press release*)

> **Embrace Pet Insurance** and Cabela's announced a partnership to launch Cabela's Pet Insurance. The insurance is designed to cover dogs used for hunting and/or outdoor sports against injuries associated with being in the field. (*Veterinary Practice News*)

> NEW ZEALAND **EBOS Group Ltd**, announced it has acquired the **Masterpet Group of Companies** for approximately NZ\$105 million (\$86 million) plus Masterpet debt. Masterpet markets branded animal healthcare, pet accessories, and premium foods through veterinary clinics, pet specialty stores and grocery markets throughout Australasia. (*Pets International enews*)

ANIMAL HEALTH NEWS

> EUROPE - SCHMALLEMBERG VIRUS Veterinarians and farmers in Europe are being alerted to the presence of Schmallenberg virus, a newly detected virus that causes nonspecific clinical signs in cattle and congenital malformations in sheep, cattle and goats. The virus belongs to a class of vector-transmitted viruses, making direct transmission among animals unlikely. Cases have been detected in Germany, the Netherlands and Belgium. (*Feedstuffs*)

> US - PET FOOD The American Feed Industry Association (AFIA) announced a new third-party facility certification program designed specifically for manufacturing pet food and pet food ingredients. The Pet Food Manufacturing Facility Certification Program (PFMFCP) and the Pet Food Ingredient Facility Certification Program (PFIFCP) were developed by AFIA's pet food and quality committees with input from third-party food safety experts. (*Pets International enews*)

> US - CANCER REGISTRY Texas A&M University's College of Veterinary Medicine announced the establishment of the Texas Veterinary Cancer Registry. The registry's goal is to provide a database of dogs and cats diagnosed with cancer that could be candidates for clinical research. Owners of dogs and cats diagnosed with cancer are being asked to register their pet at TexasVetCancerRegistry.com. Registry staff will contact the pet's vet for more information, then look for potential research matches. (*AVMA SmartBrief , Houston Chronicle*)

> US - PARASITOLOGY SYMPOSIUM The American Association of Veterinary Parasitologists (AAVP) held its third Educators Symposium on December 16, 2011. The one-day workshop drew 35 teachers of veterinary parasitology interested in exploring the documentation of core clinical competencies in veterinary parasitology. (*Association press release*)

> US - VETERINARY LOAN REPAYMENT The USDA announced 80 awards to American veterinarians to help repay a portion of their veterinary school loans in return for serving areas lacking sufficient veterinary resources. The awards, totaling more than \$7.7 million, were made by USDA's National Institute of Food and Agriculture (NIFA) through the Veterinary Medicine Loan Repayment Program (VMLRP) and will benefit 34 states, Puerto Rico, and other federal lands. (*USDA*)

BRAKKE CONSULTING VIEWPOINT

Wow!! The public companies' financial reports for year end 2011 are impressive in most cases. Who said there was a recession in animal health? While some of the numbers are the result of acquisitions and mergers versus organic growth, the momentum is clearly in the right direction and hopefully will continue in 2012.

We'd like to recognize the management teams of Pfizer Animal Health and Merck Animal Health in surpassing sales levels of \$4 and \$3 billion respectively. Who would have guessed 20 years ago that we'd now be measuring the larger companies in billions and not millions? When one combines these results with the positive attitudes we picked up at NAVC, the industry could be in for another year of record results even in the face of some consumer cost-of-living negatives. We're all for continued growth in the animal health industry!

The newsletter also contains a nice group of news releases related to new collaborations, product launches and another acquisition by a company expanding into animal health. The animal health industry continues to be of high interest to investors of various types, from current market participants to equity funds. Yes, this means more consolidation will occur in the industry, as it has for the past 20+ years. Is it a mature industry? Yes, it exhibits all the signs of what the business books and schools call a mature industry. Is that all bad? No.

Much of the US is experiencing record-high temperatures for winter. So, have a great weekend and enjoy!!

Ron Brakke

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