
**Brakke Consulting's
Animal Health News & Notes for May 13, 2005**
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COMPANY EARNINGS RELEASES

> **Bayer** reported results for the first quarter of 2005. Sales of the Animal Health segment advanced by 11.8% to EUR 199 million (\$257 million). This growth was mainly attributable to the Advantage/Advantix product line, sales of which improved by 20%. (*company website*)

> **Heska** Corporation reported financial results for its first quarter ended March 31, 2005. The company reported revenues of \$17.2 million, the highest first quarter in company history and an increase of 2.5% over the first quarter of 2004. A first-quarter net loss of (\$1.3 million) was a 34% improvement over the first quarter of 2004. (*company press release*)

> **Doane Pet Care** reported sales and earnings results for its fiscal 2005 first quarter. For the first quarter, net sales were \$267 million, a decrease of 1.4% compared to the first quarter of 2004. The decrease was primarily due to the company's cost-sharing arrangements and the related impact of passing through lower commodity costs. The company reported net income of \$7.2 million, compared to a net loss of (\$7.8 million) for the 2004 first quarter. (*company website*)

> **Bioniche Life Sciences** Inc. released its fiscal 2005 third quarter results ended March 31, 2005. Consolidated revenues for the quarter were \$12.8 million, a decrease of 4% compared to the prior year. Year-to-date, consolidated revenues were \$33.2 million, a 9% decrease. In Animal Health, the company reported strong growth in its US business and stable sales in Europe, which helped to offset the impact of the unresolved BSE crisis on Canadian sales. Animal Health recorded a small decline in total revenues of \$0.1 million in the third quarter over the previous quarter, with the year-to-date decline at \$0.8 million as compared to the same period in 2004. Canadian cattle products continue to be adversely affected by the BSE crisis. (*company website*)

> **eMerge Interactive** reported results for the three months ended March 31, 2005. Revenues increased 331% to \$751,000 for the quarter. Net loss for the quarter was (\$1.6 million), compared to (\$51,000) in the first quarter of 2004. Included in the 2004 net loss was a \$2.2 million non-cash net gain. (*company press release*)

> **Ridley** Inc. reported results for its fiscal 2005 third quarter and nine months ended March 31, 2005. Revenue decreased slightly to \$121.7 million compared with \$121.8 million in the third quarter of 2004. Net earnings for the fiscal 2005 third quarter were \$5.7 million compared with \$0.4 million in 2004. Revenue for the year to date increased by 2.3% to \$369.4 million, compared with \$361.1 million in fiscal 2004. The increase in revenue is entirely attributable to the Sweetlix business acquired in July 2004. Net earnings for the year to date are \$9.7 million compared with \$6.8 million in fiscal 2004. (*Business Wire*)

> The **Evalis** group announced a turnover at EUR 673 million (\$918 million) for the most recent financial year, almost unchanged compared to the prior year. (*Watt Feed enews*)

> **Nutreco** reported that sales in 2004 totaled EUR 3.86 billion (\$5.27 billion), with animal nutrition products accounting for about EUR 2 billion (\$2.7 billion). A breakdown of net sales shows EUR 959 million (\$1,308 million) from compound feed, EUR 590 million (\$805 million) from fish feed and EUR 416 million (\$567 million) from premixes. (*Watt Feed enews*)

> **Gold Kist** reported a 29% increase in net income for the second quarter ended April 2. Net income rose to \$38.7 million, from \$29.9 million during second quarter 2004. Second-quarter sales fell to \$571 million from \$576 million for the same period a year ago. The company blamed a reduction in average broiler prices for the drop. (*Meating Place*)

BRAKKE CONSULTING, INC.
Mergers & Acquisitions Assistance

Are you interested in growing your business by purchasing another company, product line or technology? Have you been thinking about selling your company, product line or technology? Have you considered merging your company with another firm to improve shareholder value? Brakke Consulting, Inc. assisted many clients with mergers, acquisitions and divestitures over the last few years. Contact information for all offices are available on our website at www.brakkeconsulting.com.

COMPANY NEWS RELEASES

- > **Merial and Boehringer Ingelheim Vetmedica** announced they have mutually agreed to terminate their Metacam marketing agreement. Effective May 28, 2005, BIV will assume all responsibility for sales, promotion, distribution and support of Metacam. (*company news*)
- > **Schering-Plough** announced the introduction of Guardian, a vaccine for maternal immunization to help protect newborn calves against neonatal calf diarrhea caused by rotavirus, coronavirus, *E. coli* and *Clostridium perfringens* types B, C, and D. (*Feedstuffs*)
- > **Virbac Corporation** reported in an SEC filing that despite working with lenders to extend a line of credit until September, the company does not believe it will have sufficient cash on hand to repay its borrowings later this year. While the company expects its lenders to continue to work with it, independent auditors PriceWaterhouseCoopers noted that there is substantial doubt about the company's ability to continue as a going concern. (*Fort Worth Star Telegram*)
- > **IVAX Corporation** announced that it has completed the previously announced acquisition of PSI Holdings, Inc., and its wholly owned subsidiary, **Phoenix Scientific**, Inc. The integration of **DVM Pharmaceuticals**, Inc., the present animal health subsidiary of IVAX Corporation, with Phoenix Scientific, will form **IVX Animal Health**, Inc., headquartered in St. Joseph, Missouri. IVAX has appointed Fintan M. Molloy as the President and Chief Executive Officer of IVX Animal Health, Inc. Financial terms of the acquisition were not disclosed. (*company website*)
- > **Heska** announced the issuance of two US patents which continue to strengthen the company's overall allergy program. These two patents result in Heska's overall patent portfolio hitting and exceeding the milestone of 200 US issued patents. (*company press release*)
- > **Farnam Horse Products** announced it has assumed the marketing rights for Wonder Marketing, Inc.'s Leather CPR Leather Care Products, to spur growth for the high-end leather care line by expanding its presence within the equine market. While Wonder Marketing's leather care line has been sold since 2001 in retail outlets such as Bed, Bath & Beyond and Linens 'N Things, its availability in the horse care channel has been limited to a small group of dealers and select catalogs. Farnam will provide the product line, along with full marketing and sales support, to dealers nationwide. (*company press release*)
- > The **Hartz Mountain Corporation** announced the creation of "VetPals" plush dog toys to raise funds for the American Veterinary Medical Foundation (AVMF). A portion of the proceeds from each Hartz VetPal sold will be donated to the AVMF. During 2005, the toys are being offered exclusively to veterinarians to use as gifts for their clients or to sell in their practices. The Hartz VetPals represent six different animal species -- parrot, cat, dog, gerbil, rabbit and horse -- and wear green scrub shirts with the AVMA veterinary logo. Each toy comes with a descriptive tag that tells a dramatic animal rescue story and explains the AVMF's mission. (*company press release*)
- > Private equity firm PAI Partners has agreed to purchase the Food Ingredient business of **Chr. Hansen Holdings A/S** for 8.2 billion Danish krone, or about \$1.4 billion, in cash. The Food Ingredient operations include all cultures, enzymes, colors, flavors, seasonings, sweeteners, animal health and human health activities and sites. PAI is a European private equity firm that has made investments in food and agriculture in the past, including in **Provimi** on the animal nutrition side. The company will retain the Chr. Hansen name, and all sales and other functions will remain unchanged. (*Feedstuffs online*)
- > The **Evalis** group announced the appointment of Pierre Lefebvre as its new president director-general after the resignation of Alain Muelnart. The group also confirmed talks with the

animal nutrition offshoot of French co-operative Unicopa to create an alliance producing 1.7 million tons of feeds per year. (*Watt Feed enews*)

> **Erich Wesjohann GmbH** announced the acquisition from Advent International of the remaining shares of **Aviagen International** that it had not previously owned, creating a leader in poultry science genetics. Aviagen is the world leader in meat-type chicken and turkey genetics, while Wesjohann is the world leader in layer poultry genetics. Financial terms were not disclosed. (*Feedstuffs*)

> **Stolt-Nielsen S.A.** and **Nutreco Holding N.V.** have announced the completion of the merger of their worldwide fish farming, processing and marketing and sales operations into the stand-alone, new business entity, **Marine Harvest**. (*Feedstuffs online*)

> American Television and Film Company announced that the agreement to merge with **PetDefender** has been terminated. Despite the agreement reached between the two companies as announced on February 23, 2005, PetDefender subsequently reconsidered and withdrew its approval of the agreement. (*Business Wire*)

> ITALY The European franchise chain **Fressnapf**, already active in 8 European countries under the names Fressnapf, Jumper, Zoomart and Maxizoo, will now also enter the Italian market. In the autumn of this year the first shops, under the name Maxizoo, will be opened in the Northern part of Italy. (*Pets International*)

ANIMAL HEALTH NEWS

> JAPAN - BSE A five-year-old Holstein cow was diagnosed as the 18th case of BSE to be discovered in Japan since the disease first was uncovered in 2001. The animal was discovered in the Hokkaido prefecture. It tested positive in two screenings, and its carcass was incinerated. (*Meating Place*)

> THAILAND - AVIAN INFLUENZA FREE After a 10-month battle against the H5N1 avian influenza virus, Thailand has declared itself free of the disease. The country hasn't identified a human case of H5N1 infection since last October, though poultry outbreaks had continued. May 4 marked the end of a three-week surveillance period at a farm in Lop Buri, the last place to have reported an H5N1 outbreak. The Ministry of Agriculture and Cooperatives will continue to watch for any re-emergence of the virus, with officials continuing to conduct bi-weekly checks for the disease. (*Wattnet Meatnews*)

> JAPAN - BSE TESTING RULES Japan's food safety panel recommended waiving BSE testing for cattle younger than 21 months of age. Japan, which has reported 17 cases of BSE, tests all cattle presented for slaughter and insists that the US also test all of its cattle presented for slaughter. Decisions by Japan's advisory panels are not legally binding. However, the government usually follows their recommendations. (*Wattnet Meatnews*)

> JAPAN - BSE PLAN ENDORSED Japan's ruling party endorsed a plan to consider lifting the country's ban on US beef, in place since the United States discovered its first and only case of BSE in a cow nearly 18 months ago. A committee of the Liberal Democratic Party met with officials from the Agriculture and Health ministries to discuss the plan, a step toward renewing shipments of US beef products. The Health Ministry explained that the Japanese government could ask the Food Safety Commission as soon as the end of this month to start deliberations on whether US beef is as safe as Japanese beef. However, the government wants to collect public comment on its plan. (*Wattnet Meatnews*)

> NEW ZEALAND - FMD HOAX The New Zealand government has told the World Organization for Animal Health that it received a letter claiming that the foot and mouth disease (FMD) virus had been released on Waiheke Island May 9, with threats for an additional release unless the government responded to demands for taxation changes and paid a large sum of money. New Zealand police are investigating and are treating the letter as a hoax. The New Zealand Ministry of Agriculture & Forestry said it has no reason to suspect that any release actually occurred, and there was no evidence of FMD being present in New Zealand. The island has, however, been placed on movement control as a precaution, with all animals being subjected to veterinary monitoring. (*Feedstuffs online*)

> KOREA - DOGGY TEXT MESSAGING South Koreans hoping to communicate with man's best friend could be getting help soon from their cell phones. KTF Corp., a South Korean mobile phone operator, reported it will begin offering a service that will enable dog owners to know whether their pets are feeling happy or sad. The users must first connect to Internet with their cell phones, and then register information of their dogs such as the breed and age. The service will then record the dog's bark. The owner will receive text messages telling them how their pet is feeling, such as "I am happy" or "I am frustrated." The service, which will begin on Friday, will also translate basic messages into dog sounds. The service will cost about one dollar. (*AP*)

AGRIBUSINESS NEWS

> **Dow AgroSciences** LLC announced that it has entered into a two-year research and collaboration agreement with the Biodesign Institute at Arizona State University. The collaboration will bring forward plant-made technology advancements to create plant-made vaccines for the animal health industry. Terms of the agreement were not disclosed. (*PRNewswire*)

AnimalHealthJobs.com Tip of the Week: Explorer our Employer Profiles

We have profiles on many of the manufacturers and distributors in the animal health industry, with basic company information as well as a list of the company's postings on the site.

To find positions posted by any particular employer, you can go to our Employer Profiles page and click on the company's name. Any jobs posted by that employer will be listed at the bottom of the profile.

<http://www.animalhealthjobs.com/jobs/jseekers/SearchProfiles.asp> to go directly to the Employer Profiles.

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BRAKKE CONSULTING VIEWPOINT

The first few months of 2005 have been an interesting time for the animal health industry. We've seen a number of significant mergers completed, with several others in the final stages.

What is driving this activity? We believe there are a number of items, but here are a few of the key ones:

- manufacturers find the pipeline of new products and technologies to be limited, which forces them to maintain growth via acquisition of companies or technology
- distributors find themselves operating in a new business model, requiring more emphasis on logistics and costs and less on sales activity
- producers in all species continue to see the migration towards large, integrated operations to maximize efficiency and food safety. There large operations put purchasing requirements on manufacturers and distributors
- veterinary clinics find pet owners are demanding more high- quality medicine; and are feeling pressure from the growth of veterinary practice consolidators.

These issues and others make for a challenging time in all channels of animal health. Brakke Consulting remains ready to assist your organization with our broad range of services.

Have a great weekend.

Ron Brakke

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