

## **Nestlé to expand business in health care nutrition**

Nestlé said on Monday that it planned to invest more than \$500 million over the next decade to develop health and wellness products to help prevent and treat major ailments like diabetes and obesity.

Nestlé will create a wholly owned subsidiary, Nestlé Health Science, as well as a research body, the Nestlé Institute of Health Sciences, "to pioneer a new industry between food and pharma," the company said in a statement.

The company, which is based in Vevey, Switzerland, said the initiatives would seek to develop nutritional products for diseases like diabetes, obesity, cardiovascular disease and Alzheimer's, which are placing an increasing burden on governments at a time when budgets are being squeezed.

"It is our strong conviction that disease prevention will have to play a much bigger role" in future health spending, Nestlé's chairman, Peter Brabeck-Letmathe, told a news conference in Lausanne.

According to the World Health Organization, more than 220 million people worldwide suffer from diabetes and about 18 million people have Alzheimer's. By 2030, almost 23.6 million people are expected to die from cardiovascular diseases, the leading cause of deaths worldwide.

The company said it planned to invest about 500 million Swiss francs (\$509 million) over the next decade in the new areas.

The new business unit will be "run at arm's length" from the main food, beverage and nutrition activities, Nestlé said, and it will incorporate the existing Nestlé HealthCare Nutrition business, which had sales of about \$1.6 billion in 2009.

Analysts said the path appeared to be relatively clear for Nestlé, which would be able to extend its existing strengths in research and distribution.

Nestlé will be competing in part with pharmaceutical companies like Abbott Laboratories, which makes nutritional supplement drinks, as well as diversified groups like Unilever, which owns the weight management brand Slim-Fast.

"Nestlé is tackling a new industry," said Jean-Philippe Bertschy, an analyst at Bank Vontobel in Zurich. "It's quite hard to define what the market for this will be."

But he said that Nestlé had the money to expand without requiring a return on investment for some time. Nestlé should be almost debt-free by the end of the year, he said, in part because it received \$28.3 billion from the pharmaceutical company Novartis last month for a majority stake in the Alcon eye care division.

The new focus is unlikely to dent Nestlé's status as the "clear leader in the food sector," Mr. Bertschy added.

Nestlé has 280,000 employees and brands that include Kit Kat chocolate bars and San Pellegrino bottled water. Its annual sales of about nearly \$102 billion are more than double its nearest competitor, Kraft of the United States. Other global competitors in food include Danone of France.

Nestlé declined to provide any more specific targets for its new venture, but Luis Cantarell, who will head the new unit, described it as "an opportunity that is more in billions than millions."

**Fonte: The New York Times, New York, 27 set. 2010, Business, online.**