

## Novartis delays sale of health food unit

By William Hall in Zurich, FT.com site  
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Novartis, the Swiss pharmaceuticals company, has failed to find a buyer for the remnants of its once highly touted health food and sports nutrition businesses which have been up for sale for the last nine months.

Novartis, which earlier this year abandoned all ambitions to become a leading global contender in the fast-growing functional foods market, has been forced to delay the sale of its health food and slimming, and sports nutrition businesses.

Although companies ranging from Nestle, the world's number one food company, to Wessanen, a Dutch food processor, are believed to have been interested, buyers were unwilling to pay the more than SFr500m (\$337.2m) that Novartis was believed to have been seeking for the businesses.

Last month Novartis sold its slow-growing food and beverage business, which included its world-famous Ovaltine malt drink brand, to Associated British Foods (ABF) for SFr400m.

ABF paid 1.1 times annual sales for Novartis's food and beverage business, and analysts believed that Novartis had been seeking between 1.3 to 1.5 times sales for its remaining businesses which have sales of SFr420m a year.

Novartis blamed the weakness of the global economy for its failure to sell the businesses. It said that "corporate decision making has become more conservative" and as a result bids for the two remaining businesses had not been "in line with the value of these assets".

Nevertheless, Novartis's failure to sell the businesses means that it has had to delay its retreat from a \$20bn a year market where it has been outmanoeuvred by more marketing conscious consumer food companies, such as Nestle and Pepsico.

Daniel Vasella, Novartis chairman and a medical doctor, had been a big believer in the potential for pharmaceutical companies to benefit from the blurring of the lines between food and medicines.

In 2000 Novartis teamed up with Quaker Oats, a US consumer food company to set up Altus Foods. It was highlighted as the first time a global healthcare company and an international food company had come together to create foods with health benefits covering a wide range of therapeutic areas.

But the joint venture was dissolved earlier this year shortly after Novartis abandoned the European launch of Aviva, a range of healthy drinks and snacks after test marketing found that the products were too expensive and did not taste very nice.

"Novartis's basic problem was that it approached the market with a pharmaceutical company mentality and not a consumer mentality, which explains why its products were never successful", says **James Amoroso**, an analyst with Pictet, the Geneva private bankers.

The two remaining businesses will now be established as a standalone company headquartered in Revel, France. Alain Chatillon, head of health and functional foods business in France, will be chief executive of the new company. It will be known as "Nutrition et Sante and will have 940 staff.