

## Nestle Buys Prometheus Laboratories to Expand in Health

By Armored Kenna

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(Updates with Prometheus investors in third paragraph)

May 24 (Bloomberg) -- Nestle SA said its health-science unit agreed to buy Prometheus Laboratories Inc., a maker of treatments for cancer and gastrointestinal illnesses, as the world's largest food company invests in personalized nutrition.

Nestle may have paid 500 million Swiss francs (\$567 million) to 1 billion Swiss francs for the San Diego, California-based company, Jean-Philippe Bertschy, a Zurich-based analyst at Bank Vontobel, wrote in a note today. Nestle spokeswoman Hilary Green declined to comment on the price, which wasn't disclosed.

Prometheus is forecast to have sales of about \$250 million next year from products that include tests for Crohn's disease and cancer. The company was founded in 1995 and takes its name from the Greek god who gave humans the gift of fire. It's owned by investors including DLJ Merchant Banking Partners and Apax Partners.

Nestle, the maker of KitKat chocolate bars, opened a unit in January to develop personalized nutrition products for afflictions such as diabetes. The Swiss company has said it aims to become the world leader in health-science nutrition in 10 years, extending its dominance beyond coffee, powdered milk and baby food. The purchase is the third made by the unit since it opened.

### Higher Margins

*"This shows Nestle is serious about this initiative," said James Amoroso, a food industry consultant based in Walchwil, Switzerland. "Because the group is so big, you probably won't see the impact for another 10 years. Ultimately there's quite a lot of money to be made. Pharmaceutical margins are higher than food margins."*

The research and development pipeline will encompass areas including metabolic conditions and brain health that are of interest to Nestle Health Science, the company said today. Prometheus said it expects the transaction to close early in the third quarter and that about 500 of its employees will join Nestle Health Science after the acquisition.

The purchase will allow "personalized health-care solutions based on diagnostics, pharma and nutrition," Luis Cantarell, chief executive officer of Nestle Health Science, said in the statement.

Prometheus had a 14th consecutive year of sales growth in 2010, CEO Joseph Limber said in a statement on March 1. In addition to its own products, Prometheus has agreements with companies such as Novartis AG and AstraZeneca Plc to sell and distribute medicines, according to the company's website.

Goldman Sachs Group Inc. advised Prometheus on the deal. Nestle was advised by Lazard Ltd.

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