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Nestlé surprises with new finance chief and a fund

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LAUSANNE, Switzerland: Nestlé, the world's largest food company, said Monday that its chief financial officer was leaving to run a 500 million venture capital fund as part of its strategy to expand into higher-margin nutritional products.

Nestlé also made the unusual move of going outside the company for a successor to the finance chief, hiring Paul Polman, a former head of Procter & Gamble's European business.

The appointment created speculation that the company is looking for a successor to Peter Brabeck-Letmathe, who has been chief executive since 1997. Nestlé, which makes KitKat chocolate bars, Purina pet food, and Perrier bottled water, normally favors internal candidates for executive positions.

Wolfgang Reichenberger, the current finance chief, will step down at the end of the year to run the new fund in a partnership with the Switzerland-based Inventages Venture Capital Investments.

"The idea is to accelerate the strategic repositioning of Nestlé into a health nutrition and wellness company," said François-Xavier Perroud, a spokesman for Nestlé.

As selling items like frozen convenience food has become less profitable, Nestlé is trying to tap in to growing demand for healthier foods. The fund will develop products for Nestlé's nutritional division, which include products for infants, athletes and people with medical conditions.

Since 2002, Nestlé has been linked to the Inventages Fund, which makes equity investments in start-ups and academic projects with an eye to buying the technology. Nestlé's new fund appears to go one step further by planning to acquire the companies themselves, said ***James Amoroso***, an analyst at Helvea, a brokerage in Zurich.

["There's a lot of money around, private equity, venture capital, and this fund should have some smart money for the companies in which we want to invest," Reichenberger said in an interview with Bloomberg News.

Nestlé may also buy patents from universities or other research institutes and look to market those into consumer products, he said.]

For now, though, Nestlé remains dependent largely on its traditional businesses. The nutrition division accounts for about 5 percent of total group sales, analysts estimate.

Under Brabeck-Letmathe, Nestlé has grown at an average of 5.7 percent annually, better than many food companies, and total sales surpassed $70 billion last year.

While sales in Asia and Latin America have roared ahead, though, Europe has been more troublesome.

The region has become a tough battleground amid sluggish economic growth and rising competition from discount stores and own-brand supermarket labels.

Nestlé appears to have tapped Polman, a 49-year-old Dutch citizen, for his success in turning around Procter & Gamble's West European business, which he ran until this year, ***Amoroso*** said.

P&G makes products that include Crest toothpaste, Pringles chips and Pampers diapers.

Polman spent 26 years at Procter & Gamble, most recently helping to manage the company's $57 billion acquisition of the razor maker Gillette.

Brabeck-Letmathe, 60, still has five more years before he reaches Nestlé's mandatory retirement age. But since he also became chairman of Nestlé's board this year upon the retirement of Rainer Gut, shareholder watchdog groups have called for him to relinquish management control earlier.

"There's a real possibility that Paul Polman's being groomed as chief executive," said ***Amoroso***.

Among other contenders for the chief executive position is Paul Bulcke, a 25-year veteran of Nestlé who last year became head of its American operations, analysts say.

Reichenberger, who Nestlé said wanted to return to an operational position, has won praise for leading a cost-cutting effort. This year, he announced that Nestlé would buy back shares for the first in its 138-year history.